# Consolidated Financial Results
# for the Fiscal Year Ended June 30, 2022 (Japanese GAAP)

August 19, 2022


Company name: Ai Holdings Corporation
Listing Stock Exchange: Tokyo
Stock code: 3076
URL: https://www.aiholdings.co.jp/
Representative: Sasaki Hideyoshi, Chairman and CEO
Contact: Shuji Yoshida, Director and General Manager of Administration
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Annual general meeting of shareholders: September 29, 2022
Scheduled date for dividend payment: September 30, 2022
Scheduled date to file securities report: September 29, 2022
Preparation of supplemental explanatory materials: Yes
Results briefing to be held: Yes (For securities analysts and institutional investors)

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

## 1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 2022)

(1) Consolidated operating results

(Percentages indicate YoY changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended June 30, 2022 | 47,059 | 1.8 | 9,850 | 4.3 | 10,848 | 9.8 | 7,738 | 32.0 |
| Fiscal year ended June 30, 2021 | 46,219 | 7.0 | 9,447 | 24.4 | 9,879 | 24.5 | 5,863 | 26.9 |

Note: Comprehensive income for the fiscal year ended June 30, 2022 was 9,837 million yen (54.8% YoY).
Comprehensive income for the fiscal year ended June 30, 2021 was 6,355 million yen (40.8% YoY).

| | Earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Operating profit margin |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal year ended June 30, 2022 | 163.40 | — | 13.5 | 15.3 | 20.9 |
| Fiscal year ended June 30, 2021 | 123.81 | — | 11.4 | 15.5 | 20.4 |

Reference: Equity in earnings of affiliates amounted to 452 million yen as of fiscal year ended June 30,2022 and 293 million yen as of fiscal year ended June 30, 2021.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| Fiscal year ended June 30, 2022 | 75,418 | 61,337 | 81.2 | 1,295.11 |
| Fiscal year ended June 30, 2021 | 66,635 | 53,765 | 80.6 | 1,135.32 |

Reference: Equity capital amounted to 61,255 million yen as of June 30, 2022 and 53,696 million yen as of June 30, 2021.

(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 |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended June 30, 2022 | 8,095 | (2,207) | (2,848) | 36,435 |
| Fiscal year ended June 30, 2021 | 9,372 | (656) | (2,465) | 32,012 |

## 2. Dividends

| | Annual dividend per share | | | | | Total dividends | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended June 30, 2021 | — | 22.00 | — | 23.00 | 45.00 | 2,131 | 36.3 | 4.1 |
| Fiscal year ended June 30, 2022 | — | 25.00 | — | 35.00 | 60.00 | 2,841 | 36.7 | 4.9 |
| Fiscal year ending June 30, 2023 (forecast) | — | 35.00 | — | 40.00 | 75.00 | | 44.4 | |

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(Percentages indicate YoY change)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full-year | 48,000 | 2.0 | 10,300 | 4.6 | 10,700 | (1.4) | 8,000 | 3.4 | 168.92 |

*Notes

(1) Changes in significant subsidiaries during the period under review: None
(Transfers of specified subsidiaries associated with changes in the Company's scope of consolidation)

(2) Changes in accounting policies and accounting estimates and retrospective restatements
1. Accounting policy changes due to accounting standard revisions, etc.: Yes
2. Other accounting policy changes: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

(3) Number of shares outstanding (common stock)

| | | | | |
|---|---|---|---|---|
| 1. Shares outstanding (including treasury shares) at the end of the period | Fiscal year ended June 30, 2022 | 56,590,410 | As of June 30, 2021 | 56,590,410 |
| 2. Treasury shares outstanding at the end of the period | Fiscal year ended June 30, 2022 | 9,229,915 | As of June 30, 2021 | 9,233,285 |
| 3. Average number of shares outstanding during the period | Fiscal year June 30, 2022 | 47,359,333 | Fiscal year ended June 30, 2021 | 47,357,647 |

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(1) Non-consolidated Operating Results

(Percentages indicate YoY changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended June 30, 2022 | 4,293 | 12.5 | 3,516 | 8.2 | 3,604 | 3.2 | 4,489 | 162.6 |
| Fiscal year ended June 30, 2021 | 3,817 | 15.1 | 3,250 | 17.6 | 3,493 | 20.5 | 1,709 | (28.0) |

| | Earnings per share | Diluted earnings per share |
|---|---|---|
| | Yen | Yen |
| Fiscal year ended June 30, 2022 | 94.80 | — |
| Fiscal year ended June 30, 2021 | 36.10 | — |

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| Fiscal year ended June 30, 2022 | 31,350 | 28,140 | 89.8 | 594.19 |
| Fiscal year ended June 30, 2021 | 26,477 | 26,015 | 98.3 | 549.35 |

Reference: Equity capital amounted to 28,140 million yen as of June 30, 2022 and 26,015 million yen as of June 30, 2021.

*Summaries of financial statements are not subject to audit through certified public accountants or auditing corporations.

*Appropriate use of earnings forecast and other special notes

(Notes on forward-looking statements, etc.)

The forward-looking statements including the forecasts for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. For the conditions assumed for the results forecasts and notes on the use of such forecasts, please refer to “Outlook for the fiscal year ending June 30, 2023” of “1. Overview of Operating Results and Others, (1) Analysis of Operating Results” on page 2 of the Accompanying Materials.

Accompanying Materials — Contents

# 1. Overview of Operating Results and Others

## (1) Analysis of Operating Results

During the consolidated fiscal year ended June 30, 2022, the outlook for the Japanese economy remained uncertain due to such factors as suppressed personal consumption caused by the spread of the Omicron variant of COVID-19, soaring raw material prices and logistics costs, difficulties in procuring semiconductor components and other electronic components, Russia's invasion of Ukraine, and rising prices accompanying the sharp depreciation of the yen caused by, interest rate hikes by the US Federal Reserve, and other factors.

In this economic environment, the Group reacted quickly and flexibly to changes in the business environment, strengthened and improved its internal systems with an eye toward efficiency and profitability, and promoted profit-oriented management.

As a result, for the fiscal year ended June 30, 2022, net sales were 47,059 million yen (+1.8% YoY), operating profit was 9,850 million yen (+4.3% YoY), ordinary profit was 10,848 million yen (+9.8% YoY), and profit attributable to owners of parent was 7,738 million yen (+32.0% YoY).

Segment results were as follows.

1. Security Equipment

In the Security Equipment business, renewal of agreements for the use of the company's security systems and new orders for condominiums continued to be strong. As a result, net sales were 13,379 million yen (+5.1% YoY) and segment profit was 5,504 million yen (+4.1% YoY).

2. Card Equipment and Other Office Equipment

In the Card Equipment and Other Office Equipment business, sales activities to hospitals and other major clients of card equipment normalized. Against this backdrop, net sales were 3,970 million yen (+7.7% YoY) and segment profit was 899 million yen (+82.8% YoY). In June 2022, as part of our capital alliance with Matica Fintec of Italy, we sold the shares of Card Technology Corporation, a US sub-subsidiary under our consolidated subsidiary NBS Technologies Inc., and NBS Technologies Limited, a UK sub-subsidiary of NBS Technologies Inc., to Matica Fintec.

3. Peripheral Computer Equipment

In the Peripheral Computer Equipment business, both sales and profits were affected by difficulties in procuring semiconductor components and other electronic components, soaring logistics costs, and concerns about an economic slowdown in the US, a major sales destination for small cutting machines. As a result, net sales were 17,815 million yen (-7.6% YoY) and segment profit was 2,628 million yen (-18.8% YoY).

4. Design

In the Design business, delays in construction completion caused by the spread of COVID-19 have gradually eased. As a result, net sales were 4,784 million yen (+11.3% YoY) and segment profit was 319 million yen (+113.7% YoY).

The outlook for the fiscal year ending June 30, 2023 is increasingly uncertain due to such factors as the spread of COVID-19 in Japan and abroad, risks of economic recession and exchange rate fluctuations caused by interest rate hikes by central banks in various countries due to inflation, prolonged Russian aggression in Ukraine, the China-US conflict, soaring raw material prices and logistics costs, and difficulties procuring electronic components.

In this business environment, the Group will focus on developing and marketing new products, expanding sales channels (including business alliances that can generate synergies), and strengthening and maintaining its sales structure, all while addressing the aforementioned uncertainty risks. Simultaneously, we will strive to improve our business performance by conducting business operations with an awareness of profitability.

For the fiscal year ending June 30, 2023, we forecast net sales of 48 billion yen (+2.0% YoY), operating profit of 10.3 billion yen (+4.6% YoY), ordinary profit of 10.7 billion yen (-1.4% YoY), and profit attributable to owners of parent of 8 billion yen (+3.4% YoY).

## (2) Analysis of Financial Position

1. Assets, liabilities, and net assets

Total assets as of June 30, 2022 were 75,418 million yen, an increase of 8,782 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 4,424 million yen in cash and deposits, 1,013 million yen in merchandise and finished goods, and 2,144 million yen in notes and accounts receivable-trade in current assets, reflecting an increase in profit attributable to owners of parent and increased M&A activities (including sales of equity interests) during the period under review.

Total liabilities amounted to 14,081 million yen, an increase of 1,211 million yen from the end of the previous consolidated fiscal year. This was primarily due to an increase of 1,180 million yen in income taxes payable under current labilities and an increase of 166 million yen in liabilities related to paid supply transactions, reflecting an increase in taxable income and the recognition of liabilities for supplied components in exchange for consideration with purchase obligation based on the new revenue recognition standard during the period under review.

Net assets totaled 61,337 million yen, an increase of 7,571 million yen from the end of the previous consolidated fiscal year. This was chiefly due to recording 7,738 million yen in profit attributable to owners of parent, 2,273 million yen in dividends paid, and 1,761 million yen in foreign currency translation adjustment. As a result, the equity ratio rose to 81.2% from 80.6% at the end of the previous consolidated fiscal year.

2. Cash flows

Cash and cash equivalents (“cash”) as of June 30, 2022 amounted to 36,435 million yen, an increase of 4,423 million yen from the end of the previous consolidated fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was 8,095 million yen (in the previous fiscal year, net cash inflow of 9,372 million yen). The principal sources of cash were 10,987 million yen in profit before income taxes and 876 million yen in depreciation and amortization offset in part by 2,248 million yen in total income taxes and 1,427 million yen in gain on sale of investment securities.

(Cash flows from investing activities)

Net cash used in investing activities was 2,207 million yen (in the previous fiscal year, net cash outflow of 656 million yen). The main uses of cash were 738 million yen for the purchase of property, plant and equipment and 868 million yen for the purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was 2,848 million yen (in the previous fiscal year, net cash outflow of 2,465 million yen). The primary use of cash was 2,275 million yen for dividends paid.

(Reference) Cash flow-related indicators

| | Fiscal year ended June 30, 2018 | Fiscal year ended June 30, 2019 | Fiscal year ended June 30, 2020 | Fiscal year ended June 30, 2021 | Fiscal year ended June 30, 2022 |
|---|---|---|---|---|---|
| Equity ratio (%) | 73.2 | 78.4 | 81.1 | 80.6 | 81.2 |
| Equity ratio on a fair market value basis (%) | 190.6 | 137.8 | 120.7 | 155.6 | 97.3 |
| Interest-bearing debt to cash flow ratio (%) | — | — | — | — | — |
| Interest coverage ratio (x) | 834.2 | 1,388.6 | 1,108.9 | 1,938.2 | 1,997.13 |

Equity ratio: Equity (total shareholders’ equity)/total assets

Equity ratio on a fair market value basis: Market capitalization/total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/cash flow

Interest coverage ratio: cash flow/interest payments

(Notes) 1. All indicators are calculated based on consolidated financial figures.

2. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (excluding treasury shares) at end of period.

3. “Cash flow” used in the calculation of the indicators above refer to cash flows from operating activities.

4. Interest-bearing debt consists of all liabilities on the consolidated balance sheet for which interest is paid.

## (3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

With regard to dividends, the Company aims to meet the expectations of shareholders by comprehensively taking into consideration its business performance, dividend payout ratio, and other factors.

The Company’s basic policy is to pay dividends from surplus twice a year, an interim dividend and a year-end dividend. The decision-making bodies for these dividends are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

With regard to retained earnings, the Company aims to use them to invest in aggressive business development and further strengthening of the corporate structure in order to ensure future returns to shareholders.

For the current fiscal year, the Company plans to seek shareholder approval for a year-end dividend of 35 yen per share at the General Meeting of Shareholders scheduled to be held on September 29, 2022. Since the interim dividend for the current fiscal year was 25 yen per share, the annual dividend is expected to be 60 yen per share.

For the next fiscal year, the Company plans to pay an interim dividend of 35 yen per share and a year-end dividend of 40 yen per share, for an annual dividend of 75 yen per share.

## (4) Business risks

Risks that may affect the Group's operating results, financial position, and other status are described below. The following forward-looking statements are based on the Group's assessment as of the end of the current consolidated fiscal year (June 30, 2022).

### (1) Impact of COVID-19

In order to ensure the health and safety of customers and employees, the Group has taken strict measures against the spread of COVID-19 infection, including general infection control measures such as washing hands, gargling, covering mouths when coughing, refraining from unnecessary outings and business trips, refraining from meetings with many people, holding teleconferences by phone or internet, and adopting remote and staggered work schedules whenever possible. However, if the virus’s spread were to be prolonged, it might force the closure of the Company’s or its clients’ offices, delay business deals and deliveries, have negative effects on the supply chain, and reduce capital investments by clients, all of which may adversely affect the Group’s operating results and financial position.

### (2) Mergers and acquisitions

The Group sees mergers and acquisitions (M&A) as a critical management issue for business expansion and recognizes the need to perform thorough due diligence on the financial information and contractual relationships of target companies, whether in Japan or overseas, to minimize acquisition risk. However, if an acquired company fails to produce the profits or cash flows anticipated at the time of valuation, or if contingent or unrecognized liabilities that were not identified at the time of acquisition come to light, the Group's performance and financial position may be adversely affected, including the use of impairment accounting.

### (3) Changes in product demand, competitor trends, and the emergence of innovative technologies

The Group strives to respond to sudden changes in demand and lessen the occurrence of excess inventory by closely monitoring market trends, developing, producing, and procuring products in response to market demand, and keeping an eye on the proper inventory levels. However, changes in market trends and competitor trends, such as the advent of innovative technologies, may cause demand for the Group's products to significantly underperform expectations, which may adversely affect the Group's performance and financial position.

### (4) Country-specific risks and foreign exchange fluctuations

The Group actively engages in overseas sales and imports some products from foreign manufacturers. Thus, changes in political and economic conditions as well as fluctuations in foreign exchange rates in countries or regions where the Group sells or acquires products may adversely affect its performance and financial position.

The Group utilizes forward exchange contracts and currency matching as necessary to hedge these foreign exchange risks. Nevertheless, large swings in currency rates may adversely affect the Group's performance and financial position.

### (5) Outsourced production and purchased products

In its core business, the Group outsources production to third-party manufacturers or acquires products from them. Although the Group maintains close relationships with outsourced manufacturers and vendors to ensure consistent product procurement, major disruptions in product procurement, such as soaring raw material prices, difficulty obtaining semiconductor parts, product delivery delays, product quality issues, and natural disasters, may adversely affect the

Group's performance and financial position.

(6) Natural disasters
To serve its global customer base, the Group maintains domestic and international offices. In the event of a large-scale natural disaster, damage to facilities at the Group’s and customers' sites, power outages, and deteriorating road conditions could disrupt the supply chain and hinder business activities, which may adversely affect the Group's performance and financial position.

(7) Legal regulations
Because the Group operates in Japan and overseas, it is subject to the laws and regulations of each country. Furthermore, there is a possibility that laws and regulations that we do not currently anticipate will be enacted in the future. Failure to comply with these laws and regulations may limit business activities and adversely affect the Group's performance and financial position.

(8) Information security
The Group has established information security management regulations and is fully committed to ensuring the safety of information system operations and crisis management response. However, we cannot completely rule out the possibility that our information systems will become inoperable due to unexpected unauthorized outside access, leakage of corporate or personal information due to computer virus infiltration, damage to information system facilities or trouble with communication lines caused by natural disasters or accidents, and so on. In such cases, not only would the efficiency of system-dependent operations be reduced, but depending on the extent of the damage, this may adversely affect the Group's operating results and financial position.

(9) Securing and training human resources
The Group’s business activities are dependent on the management team, department heads and members, and other human resources. Although the Group strives to secure and train talented human resources, failure to secure and train human resources as planned may adversely affect the Group's business expansion and operating results.

(10) Compliance
To ensure that all officers and employees understand social norms and corporate ethics and act responsibly, the Group strives to raise awareness of legal compliance by establishing Compliance Regulations, preparing and distributing a Compliance Manual outlining action guidelines to all officers and employees, and operating a whistleblowing system. However, in the unlikely event that an officer or employee violates laws and regulations, this may adversely affect the Group's operating results or financial position.

(11) Lawsuits, disputes, and other legal actions
In connection with its business activities, the Group may face lawsuits or various other legal proceedings from regulatory authorities. To date, no lawsuits or other legal actions have been filed against the Group that would have a material impact on our performance. However, if a lawsuit with a significant impact on our performance or a lawsuit with a major social impact and is deemed detrimental to the Group were to arise, this may adversely affect the Group’s operating results and financial position.

## 2. Status of Corporate Group

The Group (the Company and its affiliates) consists of the Company (Ai Holdings Corporation), 27 subsidiaries (23 consolidated subsidiaries and 4 non-consolidated subsidiaries), 2 equity method affiliates, and 4 non-equity method affiliates, and is primarily engaged in the Security Equipment, Card Equipment and Other Office Equipment, Peripheral Computer Equipment, and Design businesses.

The Company, as a pure holding company, mainly provides management guidance to Group companies.

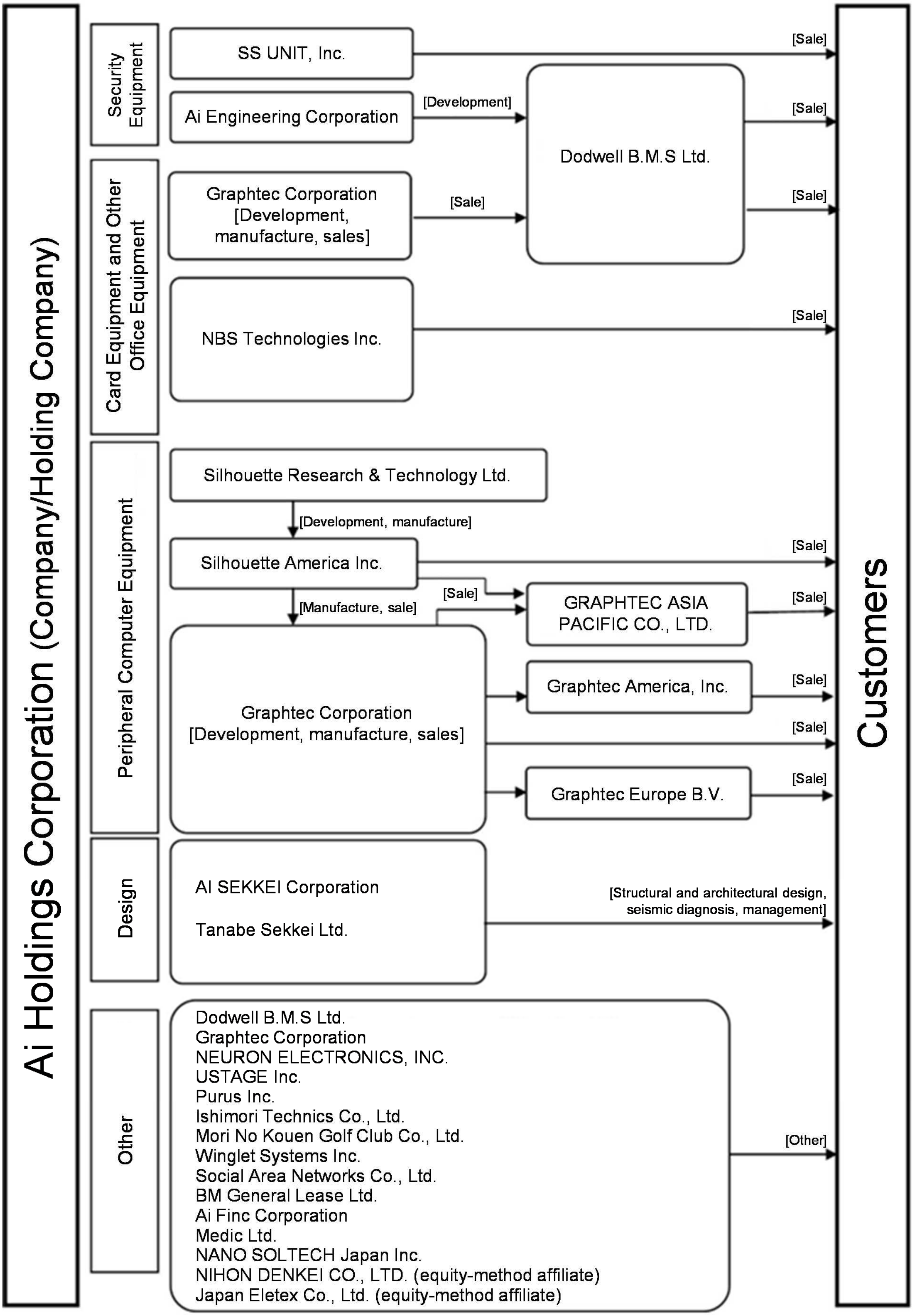
In addition, the Company is a Specified Listed Company, etc. as defined in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. As a result, under insider trading regulations, the minimal standard criteria for material facts are determined using consolidated figures.

The following is a description of the Group's business operations and the Company’s and its affiliates’ positions in relation to these operations. The following business segments are the same as those listed in "4. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements.”

| Segment | Main operations | Major companies |
|---|---|---|
| Security Equipment | Development, manufacture, and sale of security system equipment | Dodwell B.M.S Ltd.<br>Ai Engineering Corporation<br>SS UNIT, Inc. |
| Card Equipment and Other Office Equipment | Development, manufacture, and sale of card issuance equipment (card systems for hospitals and financial institutions) and other office equipment | Dodwell B.M.S Ltd.<br>Graphtec Corporation<br>NBS Technologies Inc. |
| Peripheral Computer Equipment | Development, manufacture, and sale of cutting plotters, scanners, and other peripheral computer equipment; also provides maintenance services | Graphtec Corporation<br>GRAPHTEC ASIA PACIFIC CO.,LTD.<br>Graphtec America, Inc.<br>Silhouette America, Inc.<br>Silhouette Research & Technology Ltd.<br>Graphtec Europe B.V. |
| Design | Architectural design services focusing on structural design, seismic diagnosis, etc. | AI SEKKEI Corporation<br>Tanabe Sekkei Ltd. |
| Other | Development, manufacture, and sale of power and energy saving systems; manufacture and sale of card readers and automatic wet hand towel dispensers; development and sale of software; maintenance services for security equipment, card equipment, etc.; lease and installment sales business; development, manufacture, and sale of measuring equipment; and others. | Dodwell B.M.S Ltd.<br>Graphtec Corporation<br>NEURON ELECTRONICS, INC.<br>USTAGE Inc.<br>Purus Inc.<br>Ishimori Technics Co., Ltd.<br>Mori No Kouen Golf Club Co., Ltd.<br>NIHON DENKEI CO., LTD.<br>Japan Eletex Co., Ltd.<br>Winglet Systems Inc.<br>Social Area Networks Co., Ltd.<br>BM General Lease Ltd.<br>Ai Finc Corporation<br>Medic Ltd.<br>NANO SOLTECH Japan Inc. |

[Group schematic diagram]

The following is a schematic diagram of the descriptions above.



## 3. Basic Views on Selection of Accounting Standards

The Group closely monitors trends in the application of International Financial Reporting Standards (IFRS) in Japan, including the timing of adoption, but no decision has been made on their future application.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

| | Fiscal year ended June 30, 2021 (as of June 30, 2021) | Fiscal year ended June 30, 2022 (as of June 30, 2022) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 32,058 | 36,483 |
| Notes and accounts receivable – trade | 6,653 | — |
| Notes and accounts receivable - trade, and contract assets | — | *1 7,049 |
| Investments in leases | 801 | 846 |
| Merchandise and finished goods | 4,638 | 5,651 |
| Work in process | 205 | 99 |
| Costs on uncompleted construction contracts | *2 187 | *2 62 |
| Raw materials and supplies | 626 | 631 |
| Prepaid expenses | 693 | 722 |
| Short-term loans receivable | 436 | 604 |
| Other | 737 | 3,502 |
| Allowance for doubtful accounts | (40) | (140) |
| Total current assets | 46,997 | 55,513 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 6,403 | 6,449 |
| Accumulated depreciation | (4,624) | (4,695) |
| Buildings and structures, net | 1,778 | 1,754 |
| Machinery, equipment and vehicles | 1,422 | 1,842 |
| Accumulated depreciation | (1,028) | (1,175) |
| Machinery, equipment and vehicles, net | 394 | 666 |
| Tools, furniture and fixtures | 2,305 | 2,469 |
| Accumulated depreciation | (1,988) | (2,163) |
| Tools, furniture and fixtures, net | 317 | 305 |
| Land | 6,052 | 6,052 |
| Leased assets | 1,441 | 1,368 |
| Accumulated depreciation | (882) | (919) |
| Leased assets, net | 558 | 449 |
| Construction in progress | 88 | 79 |
| Other, net | 314 | 271 |
| Total property, plant and equipment | 9,504 | 9,579 |
| Intangible assets | | |
| Goodwill | 1,987 | 1,566 |
| Leased assets | 5 | 4 |
| Software | 261 | 261 |
| Other | 25 | 19 |
| Total intangible assets | 2,280 | 1,852 |

(Millions of yen)

| | Fiscal year ended June 30, 2021 (as of June 30, 2021) | Fiscal year ended June 30, 2022 (as of June 30, 2022) |
|---|---|---|
| Investments and other assets | | |
| Investment securities | 1,611 | 1,685 |
| Shares of subsidiaries and associates | 4,612 | 5,034 |
| Long-term loans receivable | 15 | — |
| Deferred tax assets | 1,270 | 1,393 |
| Other | 429 | 446 |
| Allowance for doubtful accounts | (86) | (86) |
| Total investments and other assets | 7,852 | 8,473 |
| Total non-current assets | 19,637 | 19,905 |
| Total assets | 66,635 | 75,418 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,250 | 3,951 |
| Lease liabilities | 479 | 446 |
| Accounts payable - other | 824 | 943 |
| Accrued expenses | 412 | 499 |
| Income taxes payable | 661 | 1,842 |
| Advances received | 578 | 300 |
| Contract liabilities | — | 1,762 |
| Provision for bonuses | 161 | 174 |
| Provision for product warranties | 5 | 12 |
| Provision for loss on orders received | 14 | 1 |
| Liabilities related to paid supply transactions | — | 166 |
| Other | 544 | 355 |
| Total current liabilities | 7,934 | 10,457 |
| Non-current liabilities | | |
| Lease liabilities | 1,022 | 986 |
| Deferred tax liabilities | 1,083 | 1,083 |
| Net defined benefit liability | 1,374 | 1,385 |
| Long-term unearned revenue | 1,220 | — |
| Other | 235 | 167 |
| Total non-current liabilities | 4,935 | 3,623 |
| Total liabilities | 12,870 | 14,081 |

(Millions of yen)

| | Fiscal year ended June 30, 2021 (as of June 30, 2021) | Fiscal year ended June 30, 2022 (as of June 30, 2022) |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,000 | 5,000 |
| Capital surplus | 9,042 | 9,048 |
| Retained earnings | 44,461 | 49,927 |
| Treasury shares | (4,705) | (4,704) |
| Total shareholders' equity | 53,798 | 59,270 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 311 | 210 |
| Foreign currency translation adjustment | (391) | 1,761 |
| Remeasurements of defined benefit plans | (22) | 12 |
| Total accumulated other comprehensive income | (102) | 1,984 |
| Non-controlling interests | 69 | 81 |
| Total net assets | 53,765 | 61,337 |
| Total liabilities and net assets | 66,635 | 75,418 |

## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### Consolidated Statement of Income

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Net sales | 46,219 | 47,059 |
| Cost of sales | 24,502 | 24,686 |
| Gross profit | 21,716 | 22,373 |
| Selling, general and administrative expenses | | |
| Director's compensations | 324 | 355 |
| Payroll and allowance | 3,964 | 4,113 |
| Bonuses | 901 | 965 |
| Provision for bonuses | 136 | 147 |
| Defined benefit expenses | 222 | 232 |
| Other | 6,718 | 6,707 |
| Total selling, general and administrative expenses | **1 12,268 | **1 12,522 |
| Operating profit | 9,447 | 9,850 |
| Non-operating income | | |
| Interest income | 17 | 23 |
| Dividend income | 7 | 27 |
| Share of profit of entities accounted for using equity method | 293 | 452 |
| Foreign exchange gains | — | 661 |
| Subsidy income | 120 | - |
| Other | 69 | 23 |
| Total non-operating income | 508 | 1,189 |
| Non-operating expenses | | |
| Interest expenses | 4 | 3 |
| Foreign exchange losses | 54 | — |
| Customs duties for prior periods | — | 30 |
| Provision of allowance for doubtful accounts | 0 | — |
| Commission expenses | — | 124 |
| Other | 16 | 33 |
| Total non-operating expenses | 76 | 191 |
| Ordinary profit | 9,879 | 10,848 |
| Extraordinary income | | |
| Gain on sale of investment securities | — | 1,427 |
| Gain on sale of shares of subsidiaries | 1 | 64 |
| Other | 1 | — |
| Total extraordinary income | 2 | 1,492 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 70 | 6 |
| Loss on sale of shares of subsidiaries | 29 | — |
| Loss on valuation of investment securities | 247 | 93 |
| Impairment losses | **2 106 | **2 672 |
| Business restructuring expenses | — | 322 |
| Loss on disaster | 23 | 3 |
| Provision of allowance for doubtful accounts | — | 105 |
| Other | 39 | 148 |
| Total extraordinary losses | 517 | 1,353 |

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Profit before income taxes | 9,365 | 10,987 |
| Income taxes – current | 2,427 | 3,351 |
| Income taxes – deferred | 1,063 | (114) |
| Total income taxes | 3,490 | 3,236 |
| Profit | 5,874 | 7,750 |
| Profit attributable to non-controlling interests | 11 | 11 |
| Profit attributable to owners of parent | 5,863 | 7,738 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Profit | 5,874 | 7,750 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 16 | (103) |
| Foreign currency translation adjustment | 405 | 2,045 |
| Remeasurements of defined benefit plans, net of tax | 6 | 35 |
| Share of other comprehensive income of entities accounted for using equity method | 51 | 109 |
| Total other comprehensive income | * 480 | * 2,087 |
| Comprehensive income | 6,355 | 9,837 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 6,343 | 9,825 |
| Comprehensive income attributable to non-controlling interests | 11 | 11 |

(3) Consolidated Statement of Changes in Equity

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,000 | 9,029 | 40,729 | (4,703) | 50,055 |
| Cumulative effects of changes in accounting policies | | | — | | — |
| Restated balance | 5,000 | 9,029 | 40,729 | (4,703) | 50,055 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,131) | | (2,131) |
| Profit attributable to owners of parent | | | 5,863 | | 5,863 |
| Purchase of treasury shares | | | | (2) | (2) |
| Disposal of treasury shares | | | | | |
| Surplus due to exclusion from consolidation | | 12 | | | 12 |
| Net changes of items other than shareholders' equity | | | | | — |
| Total changes during period | — | 12 | 3,732 | (2) | 3,742 |
| Balance at end of period | 5,000 | 9,042 | 44,461 | (4,705) | 53,798 |

| | 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 | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 237 | (791) | (28) | (582) | 57 | 49,530 |
| Cumulative effects of changes in accounting policies | | | | | | — |
| Restated balance | 237 | (791) | (28) | (582) | 57 | 49,530 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,131) |
| Profit attributable to owners of parent | | | | | | 5,863 |
| Purchase of treasury shares | | | | | | (2) |
| Disposal of treasury shares | | | | | | |
| Surplus due to exclusion from consolidation | | | | | | 12 |
| Net changes of items other than shareholders' equity | 74 | 400 | 6 | 480 | 11 | 491 |
| Total changes during period | 74 | 400 | 6 | 480 | 11 | 4,234 |
| Balance at end of period | 311 | (391) | (22) | (102) | 69 | 53,765 |

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,000 | 9,042 | 44,461 | (4,705) | 53,798 |
| Cumulative effects of changes in accounting policies | | | 0 | | 0 |
| Restated balance | 5,000 | 9,042 | 44,461 | (4,705) | 53,798 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,273) | | (2,273) |
| Profit attributable to owners of parent | | | 7,738 | | 7,738 |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | 6 | | 2 | 8 |
| Surplus due to exclusion from consolidation | | | | | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during period | — | 6 | 5,465 | 0 | 5,472 |
| Balance at end of period | 5,000 | 9,048 | 49,927 | (4,704) | 59,270 |

| | 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 | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 311 | (391) | (22) | (102) | 69 | 53,765 |
| Cumulative effects of changes in accounting policies | | | | | | 0 |
| Restated balance | 311 | (391) | (22) | (102) | 69 | 53,765 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,273) |
| Profit attributable to owners of parent | | | | | | 7,738 |
| Purchase of treasury shares | | | | | | (1) |
| Disposal of treasury shares | | | | | | 8 |
| Surplus due to exclusion from consolidation | | | | | | |
| Net changes of items other than shareholders' equity | (101) | 2,153 | 35 | 2,087 | 11 | 2,099 |
| Total changes during period | (101) | 2,153 | 35 | 2,087 | 11 | 7,571 |
| Balance at end of period | 210 | 1,761 | 12 | 1,984 | 81 | 61,337 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 9,365 | 10,987 |
| Depreciation | 879 | 876 |
| Loss on valuation of shares of subsidiaries and associates | — | 93 |
| Impairment losses | 106 | 672 |
| Loss (gain) on sale of investment securities | 0 | (1,427) |
| Loss (gain) on valuation of investment securities | 247 | — |
| Increase (decrease) in provision for product warranties | 5 | 4 |
| Increase (decrease) in provision for bonuses | (0) | 13 |
| Increase (decrease) in provision for loss on orders received | 4 | (12) |
| Interest and dividend income | (24) | (50) |
| Interest expenses | 4 | 3 |
| Share of loss (profit) of entities accounted for using equity method | (293) | (452) |
| Decrease (increase) in trade receivables | (306) | (80) |
| Decrease (increase) in inventories | 636 | 53 |
| Increase (decrease) in trade payables | 1,381 | (852) |
| Increase (decrease) in advances received | 101 | 29 |
| Decrease (increase) in investments in leases | 99 | 103 |
| Other | (445) | 118 |
| Subtotal | 11,762 | 10,081 |
| Interest and dividends received | 126 | 243 |
| Interest paid | (4) | (4) |
| Income taxes paid | (2,530) | (2,248) |
| Income taxes refund | 19 | 22 |
| Net cash provided by (used in) operating activities | 9,372 | 8,095 |
| Cash flows from investing activities | | |
| Payments into time deposits | (70) | — |
| Proceeds from withdrawal of time deposits | 70 | — |
| Proceeds from sale of investment securities | 170 | 59 |
| Purchase of property, plant and equipment | (546) | (738) |
| Purchase of intangible assets | (148) | (88) |
| Purchase of investment securities | (170) | (868) |
| Proceeds from sale of shares of subsidiaries and associates | 32 | — |

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Payments of loans receivable | (184) | (163) |
| Proceeds from collection of loans receivable | 128 | 13 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | (476) |
| Payments for sale of shares of subsidiaries resulting in change in scope of consolidation | (28) | — |
| Other | 89 | 54 |
| Net cash provided by (used in) investing activities | (656) | (2,207) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (1) | — |
| Repayments of long-term borrowings | — | (332) |
| Dividends paid | (2,128) | (2,275) |
| Other | (336) | (240) |
| Net cash provided by (used in) financing activities | (2,465) | (2,848) |
| Effect of exchange rate change on cash and cash equivalents | 301 | 1,384 |
| Net increase (decrease) in cash and cash equivalents | 6,551 | 4,423 |
| Cash and cash equivalents at beginning of period | 25,461 | 32,012 |
| Cash and cash equivalents at end of period | * 32,012 | * 36,435 |

## (5) Notes to Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Significant matters that serve as the basis for preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 23 companies

Major companies

Dodwell B.M.S Ltd.
Graphtec Corporation
AI SEKKEI Corporation
Ai Engineering Corporation
USTAGE Inc.
BM General Lease Ltd.
Ai Finc Corporation
Tanabe Sekkei Ltd.
Medic Ltd.
Purus Inc.
SS UNIT, Inc.
Ishimori Technics Co., Ltd.
Mori No Kouen Golf Club Co., Ltd.
NANO SOLTECH Japan Inc.
Graphtec America, Inc.
Silhouette America, Inc.
Silhouette Latin America S.A.
Silhouette Research & Technology Ltd.
Graphtec Asia Pacific Co., Ltd.
Neuron Electronics Inc.
Graphtec Europe B.V.
NBS Technologies Inc.

The Group has excluded NBS Technologies Limited, Card Technology Corporation, and NBS Technologies (US) Inc. from the scope of consolidation due to the sale of their shares.

The Group included NANO SOLTECH Japan Inc. in the scope of consolidation due to the acquisition of shares.

(2) Non-consolidated subsidiaries: 4 companies

Non-consolidated subsidiaries

Winglet Systems Inc.
Nezu Sekkei Co., Ltd.
MIPS Co., Ltd.
Social Area Networks Co., Ltd.

Reason for exclusion from scope of consolidation

Winglet Systems Inc., Nezu Sekkei Co., Ltd., MIPS Co., Ltd., and Social Area Networks Co., Ltd. are excluded from the scope of consolidation because they are small in size and have no material impact on the consolidated financial statements in terms of their total assets, net sales, net income/loss, and retained earnings.

2. Application of equity method

(1) Equity-method affiliates: 2 companies

Equity-method affiliates

NIHON DENKEI CO., LTD.

Japan Eletex Co., Ltd.

(2) Non-equity-method affiliates: 4 companies

Non-equity-method affiliates

GOXD Technology Ltd.

Japan Cherri Ltd.

Eco Co., Ltd.

Ishii Electric System Inc.

GOXD Technology Ltd., Japan Cherri Ltd., Eco Co., Ltd., and Ishii Electric System Inc. are accounted for as non-equity-method affiliates because they are small in size and excluding them from the scope of equity method application would not have a material impact on the consolidated financial statements in terms of both net income (loss) and retained earnings (based on the amounts corresponding to the Company's equity interest).

(3) Matters related to the fiscal years, etc., of companies accounted for by the equity method

The fiscal year end of NIHON DENKEI CO., LTD. is March 31.

The fiscal year end of Japan Eletex Co., Ltd. is April 30.

The consolidated financial statements have been prepared using financial statements from the same fiscal year-end. However, adjustments for consolidation are made for significant transactions that occurred between the consolidated fiscal year-end and each company's respective fiscal year-end.

3. Fiscal years, etc. of consolidated subsidiaries

Silhouette Latin America S.A., Mori No Kouen Golf Club Co., Ltd., and NANO SOLTECH Japan Inc. are consolidated subsidiaries with fiscal years ending March 31.

To prepare the consolidated financial statements, the Company uses financial statements as of the same fiscal-year end for Silhouette Latin America S.A. and Mori No Kouen Golf Club Co., Ltd., while it uses financial statements based on a provisional account settlement conducted as of the consolidated fiscal year-end for NANO SOLTECH Japan Inc. However, adjustments necessary for consolidation are made for significant transactions that occurred during the period from April 1 to June 30, the consolidated fiscal year-end.

4. Accounting policies

(1) Valuation standards and methods for significant assets

① Securities

Available-for-sale securities

Available-for-sale securities with determinable market value

Available-for-sale securities with a determinable market value are stated at fair value based on marketable value on the closing date and other premises. Any valuation differences are included directly in shareholders' equity. Cost of securities sold is calculated by the moving-average method.

Available-for-sale securities without determinable market value

Available-for-sale securities without determinable market value are stated at cost determined by the moving-average method.

② Derivatives

The value of derivatives is calculated using the mark-to-market method.

③ Inventories

(a) Merchandise and finished goods, raw materials and supplies, work in process

Mainly stated at cost determined by the weighted average method (the amount stated in the balance sheet is calculated by writing down the book value based on the decline in profitability).

(b) Costs on uncompleted construction contracts

Stated at cost based on the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value based on the decline in profitability).

(2) Depreciation method for significant assets

① Property, plant and equipment (excluding leased assets)

Depreciated using the declining-balance method (provided, however, buildings excluding building fixtures acquired on or after April1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method).

The useful lives of property, plant and equipment are as follows.

Buildings and structures: 3 to 50 years

Tools, furniture and fixtures: 2 to 6 years

② Intangible assets (excluding leased assets)

The straight-line method is applied.

Capitalized software costs are being amortized over the period of the internal use of five years.

③ Leased assets

The straight-line method is used, assuming the lease period to be the useful life and the residual value to be zero.

(3) Accounting standards for significant provisions

① Allowance for doubtful accounts

Allowance for doubtful accounts is provided for possible losses on receivables based on the historical write-off ratio for general receivables and on the estimated amount of uncollectible receivables based on a case-by-case determination of collectability for specific receivables such as doubtful receivables.

② Provision for bonuses

Provision for the payment of bonuses to employees is provided for the estimated amount of bonuses to be paid in the current consolidated fiscal year.

③ Provision for product warranties

Provision for product warranties is provided for warranty expenses related to products sold by certain consolidated subsidiaries based on historical claims rates.

④ Provision for loss on orders received

Provision for future losses related to order contracts received is provided for the estimated amount of losses related to order contracts received as of the end of the current fiscal year.

(4) Accounting treatment method for defined benefits

① Method for period attribution of defined benefit estimates

In calculating defined benefit obligations, the benefit formula standard is used as the basis for to attributing the estimated amount of defined benefits to the period up to the end of the fiscal year under review.

② Method of amortizing actuarial gains and losses

Actuarial gains and losses are amortized from the following fiscal year using the straight-line method over a fixed number of years (9 to 15 years) within the average remaining service period of employees when incurred in each consolidated fiscal year.

③ Adoption of the simplified method for small companies

In calculating defined benefit liability and defined benefit expenses, some consolidated subsidiaries apply the simplified method to calculate amounts of provision for defined benefits and defined benefit expenses. That is, the amount of defined benefit obligations are the payments required for voluntary defined as of each fiscal year end.

(5) Accounting standards for significant revenues and expenses

① Goods or products

Sales of goods or products are primarily sales of goods or products for which the Company has a contractual performance obligation to deliver the goods or products under a sales agreement with a customer. The performance obligation is deemed to be satisfied when the customer obtains control of the goods or products at the point of delivery, and the Company recognizes sales at the time of delivery. For domestic sales, however, the Company recognizes sales at the time of shipment because the period from the time of shipment to the time when the transfer of control of the goods or products to the customer is customary. For overseas sales, sales are recognized at the time of loading.

② Maintenance services

Earnings categorized as proceeds from maintenance services consist primarily of sales generated through maintenance of goods or products. Under corresponding maintenance agreements, the Company is obligated to provide maintenance services for its customers. These maintenance agreements require the Company to perform maintenance services over a given period of time. The Company accordingly recognizes sales associated with these agreements based on the degree to which corresponding performance obligations have been fulfilled.

③ Design services

For performance obligations to be fulfilled within a certain period of time, except for very short-term construction projects, the Company estimates the percentage of completion and recognizes revenue over a certain period in proportion to the percentage of completion. The percentage of completion is calculated using the ratio of incurred costs to estimated total costs (input method).

④ Finance and lease transactions

Accounted for by the method of recognizing sales and cost of sales when lease payments are to be received.

⑤ Paid supply transactions

The remaining balance of supplies at the counterparty are recognized as inventories and the period-end inventory equal to the said paid supplies is recorded as “liabilities related to paid supply transactions.”

(6) Translation criteria of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen using the spot exchange rates on the consolidated closing date, with translation differences recognized as gains or losses. Assets and liabilities of foreign subsidiaries and affiliates are also translated into yen at the spot exchange rate on the consolidated closing date, and revenues and expenses are translated into yen at the period’s average exchange rate. Translation differences are included in foreign currency translation adjustments under net assets.

(7) Significant hedge accounting methods

① Hedge accounting methods

Deferral hedge accounting is used. However, if the hedging instrument meets the allocation method’s requirements, the allocation method is used to hedge foreign currency exchange fluctuation risk.

② Hedging instruments and hedged items

The following are the hedged items and hedging instruments to which hedge accounting is applied: (a) hedging method: forward exchange contract; (b) hedged items: receivables and payables in foreign currencies due to imports and exports.

③ Hedging policy

Hedging is done within the scope of the target receivables and payables as well as future receivables and payables to reduce the risk of exchange rate fluctuations.

④ Evaluation method of hedging effectiveness

The effectiveness of hedging methods and hedged items is reviewed and assessed at the end of each fiscal year.

(8) Amortization method and period of goodwill

Goodwill is amortized on a regular basis using the straight-line method over the expected period of effectiveness (within 20 years). However, if the amount is immaterial, it is recognized in gain or loss in the year it arises.

(9) Scope of funds in the consolidated statement of cash flows

Funds in the consolidated statement of cash flows (cash and cash equivalents) consist of cash on hand and deposits that can be withdrawn at any time.

(10) Notes on significant accounting estimates

Valuation of unlisted stocks with no determinable market value

① Amount recorded in the consolidated financial statements for the current fiscal year

| | |
|---|---|
| Investment securities | 1,685 million yen |
| Valuation loss on investment securities | 93 million yen |

② Information about the contents of significant accounting estimates for identified items

If the real value (net asset value per share multiplied by the number of shares held) declines by 50% or more compared to the acquisition cost of unlisted stocks with no determinable market value, the Company judges that the real value has declined significantly and recognizes impairment loss, unless its recoverability is supported by sufficient evidence.

Furthermore, if these shares are acquired at a price higher than the net asset value per share derived from the financial statements reflecting the acquired company's excess earning power, and such excess earning power is no longer expected, an impairment loss is recognized when the real price reflecting such excess earning power is less than about 50% of the acquisition cost.

Net asset values or future cash flow projections based on business plans may change depending on the investee's business and financial conditions, and such changes may affect the valuation of unlisted stocks.

Goodwill valuation

① Amount recorded in the consolidated financial statements for the current fiscal year

| | |
|---|---|
| Goodwill | 1,566 million yen |
| Impairment loss on goodwill | 672 million yen |

② Information about the contents of significant accounting estimates for identified items

In the case of goodwill of an affiliate for which there is an indication of impairment, if the total undiscounted future cash flows from the asset or asset group are less than the carrying amount, the carrying amount is reduced to the recoverable amount and the amount of the reduction is recognized as an impairment loss. The recoverable amount is calculated based on the higher of net realized value or value in use. Net realized value must be calculated based on the available-for-sale value or appraised value, while value in use must be calculated using a number of estimates and assumptions, including future cash flows. Within this calculation process, the future plans used to determine indications and calculate future cash flows use multiple assumptions and require substantial estimates. As a result, the valuation of goodwill may change if the estimate of goodwill changes in the next consolidated fiscal year due to unforeseeable changes in assumptions or other factors.

(11) Other important matters for preparing the consolidated financial statements

① Accounting for consumption tax, etc.

Accounted for using the tax exclusion method.

② Application of consolidated tax payment system

The Company and some of its consolidated subsidiaries have applied the consolidated tax payment system.

③ Application of tax effect accounting for the transition from a consolidated tax payment system to a group tax sharing system

The Company and some of its consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system beginning with the next consolidated fiscal year. However, with regard to the transition to the group tax sharing system established under the Act on Partial Revision of the Income Tax Act (Act No. 8 of 2020) and items for which the stand-alone tax payment system was revised in conjunction with the transition to the group tax sharing system, the provisions of the Income Tax Act prior to the revision have been applied. Specifically, the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) have not been applied pursuant to the treatment under Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39, March 31, 2020).

In addition, effective from the beginning of the next consolidated fiscal year, the Company plans to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021), which sets forth the treatment of accounting and disclosure of corporate and local income taxes and tax effect accounting when the group tax sharing system is applied.

(Changes in accounting policies)

(1) Application of accounting standard for revenue recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Standard”), etc. from the beginning of the current fiscal year and has recognized revenue in the amount expected to be received in exchange for goods or services when control of the promised goods or services is transferred to the customer.

In accordance with alternative recognition methods prescribed in Paragraph 98 of the Application Guidelines for the Revenue Recognition Standard, for domestic sales of goods or products, the Company recognizes sales at the time of shipment if the period from the time of shipment to the time when the transfer of control of the goods or products to the customer is customary. For overseas sales, revenue is recognized at the time of loading.

Previously, the Company had applied the percentage-of-completion method (cost proportional method for the estimation of the percentage-of-completion) to design services for the portion whose outcome could be estimated reliably and the completed-contract method for other design services. However, with regard to performance obligations to be fulfilled over a specified period, except for construction projects over a very short period, the Company has switched to a method of estimating the percentage of completion of the performance obligations and recognizing revenue over a certain period based on the said percentage of completion.

In addition, the percentage of completion is calculated using the ratio of incurred costs to estimated total costs (input method).

With regard to paid supply transactions, the remaining balance of supplies at the counterparty are recognized as inventories and the period-end inventory equal to the said paid supplies is recorded as "liabilities related to paid supply transactions."

In accordance with transitional accounting procedures prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard, the Company has applied cumulative impact stemming from the retroactive application of this standard to figures booked prior to the beginning of the fiscal year under review to the balance of retained earnings brought forward at the start of the fiscal year under review. The Company then applied the Revenue Recognition Standard using the resulting balance as a starting point. Consequently, the Company's application of the Revenue Recognition Standard has had only a negligible impact on gains/loss and retained earnings brought forward at the beginning of the fiscal year under review.

Due to the application of the Revenue Recognition Standard, "notes and accounts receivable - trade," which was presented under "current assets" in the consolidated balance sheets for the previous fiscal year have been included under "notes and accounts receivable – trade, and contract assets" effective from the current consolidated fiscal year. In addition, no reclassification of the previous consolidated fiscal year has been made to conform to the new presentation in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard.

(2) Application of Accounting Standard for Fair Value Measurement

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year under review, and decided to apply the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). However, there has been no impact on consolidated financial statements.

(Consolidated balance sheet)

*1. Indicated below are receivables arising from agreements with customers and recorded under notes and accounts receivable—trade, and contract assets.

(Millions of yen)

| | Fiscal year ended June 30, 2022 (as of June 30, 2022) |
|---|---|
| Notes receivable - trade | 938 |
| Accounts receivable - trade | 5,190 |
| Contract assets | 920 |

*2. Inventories associated with construction contracts that are expected to incur losses, as well as the allowance for losses on orders received, are presented without offsetting.

Out of construction contracts in progress for which losses are expected to be incurred, the amount corresponding to allowance for loss on orders received is as follows.

(Millions of yen)

| | Fiscal year ended June 30, 2021 (as of June 30, 2021) | Fiscal year ended June 30, 2022 (as of June 30, 2022) |
|---|---|---|
| Costs on uncompleted construction contracts | 78 | 62 |

3. Contingent liabilities

Guarantee liabilities

(Millions of yen)

| | Fiscal year ended June 30, 2021 (as of June 30, 2021) | Fiscal year ended June 30, 2022 (as of June 30, 2022) |
|---|---|---|
| Employee loans | 0 | — |

(Consolidated statement of income)

**1. Total amounts of research and development expenses included in general and administrative expenses

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Research and development expenses | 691 | 549 |

**2. Impairment losses

Fiscal year ended June 30, 2021 (from July, 2020 to June 30, 2021)

(1) Goodwill impairment loss related to NBS Technologies Inc.

The Group recognized impairment losses on the following assets during the period under review.

| Application | Type | Amount (millions of yen) |
|---|---|---|
| Other | Goodwill | 106 |

(2) Asset grouping method

Assets are grouped by the management accounting category that is the smallest unit whose income and expenditure can be determined on an ongoing basis.

(3) Background leading to the recording of impairment loss

NBS Technologies Inc., a US manufacturer of card issuing machines, had been underperforming its business plan at the time of acquisition and is not expected to generate sufficient cash flow at this time. Since the business is not expected to generate sufficient cash flows at this time, its book value has been reduced to the recoverable amount, and the amount of the reduction has been recorded as an impairment loss under extraordinary losses.

The value in use is used to determine the recoverable amount; however, because negative future cash flows are anticipated, the value in use is not discounted.

Fiscal year ended June 30, 2022 (from July, 2021 to June 30, 2022)

(1) Goodwill impairment loss related to Graphtec Corporation, Mori No Kouen Golf Club Co., Ltd., and Ai Finc Corporation

The Group recognized impairment losses on the following assets in the period under review.

| Application | Type | Amount (millions of yen) |
|---|---|---|
| Other | Goodwill | 672 |

(2) Asset grouping method

Assets are grouped by the management accounting category that is the smallest unit whose income and expenditure can be determined on an ongoing basis.

(3) Background leading to the recording of impairment loss

The metal inspection equipment business of Graphtec Corporation, the golf business of Mori No Kouen Golf Club Co., Ltd., and the ice business of Ai Finc Corporation have been underperforming their business plans at the time of acquisition. Since these businesses are not expected to generate sufficient cash flow at this time, their book values have been reduced to the recoverable amounts, and the amount of the reduction has been recorded as an impairment loss under extraordinary losses.

(Consolidated statement of comprehensive income)

＊ Reclassification adjustments and tax effects related to other comprehensive income

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Valuation difference on available-for-sale securities: | | |
| Amount accrued in the current period | 74 | (155) |
| Reclassification adjustment | (80) | 17 |
| Before tax effect adjustment | (6) | (137) |
| Amount of tax effect | 23 | 34 |
| Valuation difference on available-for-sale securities | 16 | (103) |
| Foreign currency translation adjustment: | | |
| Amount accrued in the current period | 405 | 2,045 |
| Reclassification adjustment | — | — |
| Foreign currency translation adjustment | 405 | 2,045 |
| Remeasurements of defined benefit plans, net of tax: | | |
| Amount accrued in the current period | 0 | 46 |
| Reclassification adjustment | 9 | 4 |
| Before tax effect adjustment | 8 | 50 |
| Amount of tax effect | (2) | (15) |
| Remeasurements of defined benefit plans, net of tax | 6 | 35 |
| Share of other comprehensive income of entities accounted for using equity method: | | |
| Amount accrued in the current period | 51 | 109 |
| Total other comprehensive income | 480 | 2,087 |

(Consolidated statement of changes in equity)

Fiscal year ended June 30, 2021 (from July, 2020 to June 30, 2021)

1. Type and number of issued shares and treasury shares

| Type of shares | Number of shares at the beginning of the current consolidated fiscal year (shares) | Increase in number of shares during the current consolidated fiscal year (shares) | Decrease in number of shares during the current consolidated fiscal year (shares) | Number of shares at the end of the current consolidated fiscal year (shares) |
|---|---|---|---|---|
| Shares issued | | | | |
| Common shares | 56,590,410 | — | — | 56,590,410 |
| Total | 56,590,410 | — | — | 56,590,410 |
| Treasury shares | | | | |
| Common shares* | 9,232,251 | 1,034 | — | 9,233,285 |
| Total | 9,232,251 | 1,034 | — | 9,233,285 |

Note: The increase of 1,034 common shares in treasury shares is due to the purchase of common shares below one trading unit (100 shares).

2. Dividends

(1) Dividends paid

| Resolution | Type of shares | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General Meeting of Shareholders held on September 25, 2020 | Common shares | 1,089 | 23 | June 30, 2020 | September 28, 2020 |
| Board of Directors Meeting held on February 15, 2021 | Common shares | 1,041 | 22 | December 31, 2020 | March 8, 2021 |

(2) Dividends with a record date falling in the consolidated fiscal year under review and an effective date falling in the following consolidated fiscal year

| Resolution | Type of shares | Total amount of dividends (millions of yen) | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General Meeting of Shareholders held on September 28, 2021 | Common shares | 1,089 | Retained earnings | 23 | June 30, 2021 | September 29, 2021 |

Fiscal year ended June 30, 2022 (from July, 2021 to June 30, 2022)

1. Type and number of issued shares and treasury shares

| Type of shares | Number of shares at the beginning of the current consolidated fiscal year (shares) | Increase in number of shares during the current consolidated fiscal year (shares) | Decrease in number of shares during the current consolidated fiscal year (shares) | Number of shares at the end of the current consolidated fiscal year (shares) |
|---|---|---|---|---|
| Shares issued | | | | |
| Common shares | 56,590,410 | — | — | 56,590,410 |
| Total | 56,590,410 | — | — | 56,590,410 |
| Treasury shares | | | | |
| Common shares* | 9,233,285 | 630 | 4,000 | 9,229,915 |
| Total | 9,233,285 | 630 | 4,000 | 9,229,915 |

Notes: The increase of 630 common shares in treasury shares is due to the purchase of common shares below one trading unit (100 shares).
The decrease of 4,000 shares was due to the sale of shares to an affiliate.

2. Dividends

(1) Dividends paid

| Resolution | Type of shares | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General Meeting of Shareholders held on September 28, 2021 | Common shares | 1,089 | 23 | June 30, 2021 | September 29, 2021 |
| Board of Directors Meeting held on February 14, 2022 | Common shares | 1,184 | 25 | December 31, 2021 | March 7, 2022 |

(2) Dividends with a record date falling in the consolidated fiscal year under review and an effective date falling in the following consolidated fiscal year

| Resolution | Type of shares | Total amount of dividends (millions of yen) | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General Meeting of Shareholders held on September 29, 2022 | Common shares | 1,657 | Retained earnings | 35 | June 30, 2022 | September 30, 2022 |

(Consolidated statement of cash flows)

*Relationship between the balance of cash and cash equivalents at the end of the period and the amount reported in the consolidated balance sheet.

(Millions of yen)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Cash and deposits | 32,058 | 36,483 |
| Time deposits with maturities longer than three months | (35) | (35) |
| Separate deposit | (11) | (13) |
| Cash and cash equivalents | 32,012 | 36,435 |

(Segment information, etc.)

a. Segment information

1. Overview of reportable segments

The Group's reportable segments are those components of the Group for which separate financial information is available, and are subject to periodic review by the highest management decision-making body to determine management resource allocation and evaluate performance.

The Group develops comprehensive domestic and international strategies for the products and services handled in each reportable segment and conducts business activities in accordance with those strategies.

According to the characteristics of its products and services, the Group is divided into four reportable segments: Security Equipment, Card Equipment and Other Office Equipment, Peripheral Computer Equipment, and Design.

In the Security Equipment segment, the Group develops, manufactures, and sells security system equipment.

In the Card Equipment and Other Office Equipment segment, the Group develops, manufactures, and sells card issuing equipment (card systems for hospitals and financial institutions) and other office equipment.

In the Peripheral Computer Equipment segment, the Group develops, manufactures, sells, and provides maintenance services for computer peripherals such as plotters and scanners.

In the Design segment, the Group is involved the architectural design business, with a focus on structural design and seismic diagnosis.

2. Calculation methods for sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting method for reported business segments is generally the same as that described in "Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements.”

Profits for reportable segments are based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

3. Sales, profit or loss, assets, liabilities, and other items for each reportable segment

Fiscal year ended June 30, 2021 (from July, 2020 to June 30, 2021)

(Millions of yen)

| | Reportable segments | | | | | Other*1 | Total | Adjustments *2 | Amount recorded in consolidated financial statements * 3 |
|---|---|---|---|---|---|---|---|---|---|
| | Security Equipment | Card Equipment and Other Office Equipment | Peripheral Computer Equipment | Design | Total | | | | |
| Sales | | | | | | | | | |
| Sales generated through external customers | 12,731 | 3,686 | 19,277 | 4,297 | 39,993 | 6,225 | 46,219 | — | 46,219 |
| Intersegment sales and transfers | 86 | 56 | 32 | 2 | 177 | 127 | 304 | (304) | — |
| Total | 12,818 | 3,742 | 19,309 | 4,299 | 40,170 | 6,353 | 46,523 | (304) | 46,219 |
| Segment profit | 5,286 | 491 | 3,236 | 149 | 9,164 | 147 | 9,312 | 135 | 9,447 |
| Segment assets | 3,595 | 3,671 | 10,497 | 3,504 | 21,269 | 11,084 | 32,353 | 34,282 | 66,635 |
| Other items | | | | | | | | | |
| Depreciation | 194 | 40 | 231 | 77 | 544 | 234 | 778 | 101 | 879 |
| Increases in tangible and intangible non-current assets | 169 | 27 | 257 | 132 | 586 | 163 | 750 | 76 | 826 |

Fiscal year ended June 30, 2022 (from July, 2021 to June 30, 2022)

(Millions of yen)

| | Reportable segments | | | | | Other*1 | Total | Adjustments *2 | Amount recorded in consolidated financial statements * 3 |
|---|---|---|---|---|---|---|---|---|---|
| | Security Equipment | Card Equipment and Other Office Equipment | Peripheral Computer Equipment | Design | Total | | | | |
| Sales | | | | | | | | | |
| Sales generated through external customers | 13,379 | 3,970 | 17,815 | 4,784 | 39,948 | 7,111 | 47,059 | — | 47,059 |
| Intersegment sales and transfers | 119 | 65 | 17 | 2 | 205 | 92 | 298 | (298) | — |
| Total | 13,499 | 4,036 | 17,832 | 4,786 | 40,154 | 7,204 | 47,358 | (298) | 47,059 |
| Segment profit | 5,504 | 899 | 2,628 | 319 | 9,351 | 593 | 9,944 | (93) | 9,850 |
| Segment assets | 3,752 | 3,080 | 12,408 | 3,759 | 23,000 | 14,254 | 37,255 | 38,162 | 75,418 |
| Other items | | | | | | | | | |
| Depreciation | 194 | 61 | 301 | 34 | 593 | 238 | 831 | 44 | 876 |
| Increases in tangible and intangible non-current assets | 349 | 46 | 334 | (18) | 712 | 121 | 834 | (3) | 830 |

Notes: 1. “Other" is a business segment not included in the reportable segments and includes the development, manufacture, and sale of power and energy saving systems; manufacture and sale of card readers and automatic wet hand towel dispensers; development and sale of software; maintenance services for security equipment, card equipment, etc.; lease and installment sales business; development, manufacture, and sale of measuring equipment; and others.

2. The details of adjustments are described below.

(1) Segment profit (loss)

(Millions of yen)

| | Fiscal year ended June 30, 2021 | Fiscal year ended June 30, 2022 |
|---|---|---|
| Intersegment eliminations | 6 | (19) |
| Corporate-wide expenses* | 129 | (74) |
| Total | 135 | (93) |

* Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

(2) The adjustment amount of segment assets is corporate assets (mainly cash and deposits) not allocated to any of the reportable segments.

3. Segment profit is adjusted based on operating profit in the consolidated financial statements.

b. Related information

Fiscal year ended June 30, 2021 (from July, 2020 to June 30, 2021)

1. Information by product and service

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

2. Information by region

(1) Sales

(Millions of yen)

| Japan | North America | | Europe | Other | Total |
|---|---|---|---|---|---|
| | US | Other | | | |
| 24,172 | 9,806 | 285 | 3,601 | 8,352 | 46,219 |

Note: Sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

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

3. Information by the major customer

(Millions of yen)

| Customer name | Sales | Name of related segment |
|---|---|---|
| Mitsubishi HC Capital Inc. | 5,965 | Security Equipment, Other |

Fiscal year ended June 30, 2022 (from July, 2021 to June 30, 2022)

1. Information by product and service

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

2. Information by region

(1) Sales

(Millions of yen)

| Japan | North America | | Europe | Other | Total |
|---|---|---|---|---|---|
| | US | Other | | | |
| 28,929 | 8,561 | 388 | 3,280 | 5,898 | 47,059 |

Note: Sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

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

3. Information by the major customer

(Millions of yen)

| Customer name | Sales | Name of related segment |
|---|---|---|
| Mitsubishi HC Capital Inc. | 6,053 | Security Equipment, Other |

c. Information regarding impairment losses on non-current assets by reportable segment

Fiscal year ended June 30, 2021 (from July, 2020 to June 30, 2021)

A goodwill impairment loss of 106 million yen was recorded in the Card Equipment and Other Office Equipment segment.

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

A goodwill impairment loss of 672 million yen was recorded in the Other segment.

d. Information regarding amortization of goodwill and unamortized balance by reportable segment

Fiscal year ended June 30, 2021 (from July, 2020 to June 30, 2021)

(Millions of yen)

| | Security Equipment | Card Equipment and Other Office Equipment | Peripheral Computer Equipment | Design | Other* | Corporate-wide and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Amortization during the year | 2 | 15 | 51 | — | 108 | — | 177 |
| End of the year unamortized balance | 38 | 3 | 212 | — | 1,732 | — | 1,987 |

Note: “Other" is a business segment not included in the reportable segments and includes the manufacture and sale of card readers and automatic wet hand towel dispensers; development and sale of software; maintenance services for security equipment, card equipment, etc.; lease and installment sales business; development, manufacture and sale of measuring equipment and metal testing equipment; and others.

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(Millions of yen)

| | Security Equipment | Card Equipment and Other Office Equipment | Peripheral Computer Equipment | Design | Other* | Corporate-wide and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Amortization during the year | 2 | 0 | 55 | — | 113 | — | 172 |
| End of the year unamortized balance | 36 | 2 | 192 | — | 1,335 | — | 1,566 |

Note: “Other" is a business segment not included in the reportable segments and includes the development, manufacture, and sale of power and energy saving systems; manufacture and sale of card readers and automatic wet hand towel dispensers; development and sale of software; maintenance services for security equipment, card equipment, etc.; lease and installment sales business; development, manufacture and sale of measuring equipment; and others.

e. Information regarding gain on bargain purchases by reportable segment

None to be reported.

(Per share information)

| | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|
| Net assets per share | 1,135.32 yen | 1,295.11 yen |
| Earnings per share | 123.81 yen | 163.40 yen |

Notes: 1. Diluted earnings per share is not shown as there are no dilutive shares.
2. The basis of calculation for earnings per share is as follows:

| | | Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021) | Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) |
|---|---|---|---|
| Profit attributable to owners of parent | (millions of yen) | 5,863 | 7,738 |
| Amount not attributable to common shareholders | (millions of yen) | — | — |
| Profit attributable to owners of parent with respect to common stock | (millions of yen) | 5,863 | 7,738 |
| Average number of shares outstanding during the period | (number of shares in thousands) | 47,357 | 47,359 |

(Significant subsequent events)

None to be reported.

## 5. Other

None to be reported.