

## Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (Japanese GAAP)

August 18, 2023

Company name:	Ai Holdings Corporation	Listing Stock Exchange:	Tokyo
Stock code:	3076	URL:	<a href="https://www.aiholdings.co.jp/">https://www.aiholdings.co.jp/</a>
Representative:	Hideyoshi Sasaki, Chairman and CEO		
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Annual general meeting of shareholders:	September 27, 2023
Scheduled date for dividend payment:	September 27, 2023
Scheduled date to file securities report:	September 28, 2023
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, 2023 (July 1, 2022 to June 30, 2023)

#### (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, 2023	46,396	△1.4	9,434	△4.2	10,519	△3.0	8,243	6.5
Fiscal year ended June 30, 2022	47,059	1.8	9,850	4.3	10,848	9.8	7,738	32.0

Note: Comprehensive income for the fiscal year ended June 30, 2023 was 9,250 million yen ( $\Delta 6.0\%$  YoY).  
Comprehensive income for the fiscal year ended June 30, 2022 was 9,837 million yen (54.8% 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, 2023	174.06	—	12.9	13.5	20.3
Fiscal year ended June 30, 2022	163.40	—	13.5	15.3	20.9

Reference: Equity in earnings of affiliates amounted to 592 million yen as of fiscal year ended June 30, 2023 and 452 million yen as of fiscal year ended June 30, 2022.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended June 30, 2023	80,524	67,271	83.2	1,420.43
Fiscal year ended June 30, 2022	75,418	61,337	81.2	1,295.11

Reference: Equity capital amounted to 67,017 million yen as of June 30, 2023 and 61,255 million yen as of June 30, 2022.

### (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, 2023	4,541	(1,314)	(3,184)	37,566
Fiscal year ended June 30, 2022	8,095	(2,207)	(2,848)	36,435

## 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, 2022	—	25.00	—	35.00	60.00	2,841	36.7	4.9
Fiscal year ended June 30, 2023	—	35.00	—	45.00	80.00	3,788	46.0	5.9
Fiscal year ending June 30, 2024 (forecast)	—	45.00	—	45.00	90.00		51.4	

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 to June 30, 2024)

(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	53,000	14.2	10,700	13.4	11,300	7.4	8,300	0.7	175.25

### \*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

- Accounting policy changes due to accounting standard revisions, etc.: Yes
- Other accounting policy changes: None
- Changes in accounting estimates: None
- 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, 2023	56,590,410	As of June 30, 2022	56,590,410
2. Treasury shares outstanding at the end of the period	Fiscal year ended June 30, 2023	9,230,386	As of June 30, 2022	9,229,915
3. Average number of shares outstanding during the period	Fiscal year June 30, 2023	47,360,257	Fiscal year ended June 30, 2022	47,359,333

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(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, 2023	5,658	31.8	5,030	43.1	5,471	51.8	6,336	41.1
Fiscal year ended June 30, 2022	4,293	12.5	3,516	8.2	3,604	3.2	4,489	162.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Fiscal year ended June 30, 2023	133.79		—	
Fiscal year ended June 30, 2022	94.80		—	

(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, 2023	31,844		31,202		98.0		658.84	
Fiscal year ended June 30, 2022	31,350		28,140		89.8		594.19	

Reference: Equity capital amounted to 31,202 million yen as of June 30, 2023 and 28,140 million yen as of June 30, 2022.

\*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, 2024" of "1. Overview of Operating Results and Others, (1) Analysis of Operating Results" on page 2 of the Accompanying Materials.

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## 1. Overview of Operating Results and Others

### (1) Analysis of Operating Results

During the consolidated fiscal year ended June 30, 2023, the Japanese economy recovered modestly, despite some signs of weakness, as the COVID-19 pandemic subsided and behavioral restrictions were eased. However, amid ongoing global monetary tightening and other challenging circumstances, factors such as the potential for downturns in overseas economies to exert downward pressure on Japan's economy; soaring material prices; supply-related limitations; and fluctuations in financial and capital markets remain sources of concern. 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, 2023, net sales were 46,396 million yen (-1.4% YoY), operating profit was 9,434 million yen (-4.2% YoY), ordinary profit was 10,519 million yen (-3.0% YoY), and profit attributable to owners of parent was 8,243 million yen (+6.5% YoY).

Segment results were as follows.

#### 1. Security Equipment

In the Security Equipment business, net sales amounted to 13,993 million yen (+4.6% YoY) and segment profit came to 5,790 million yen (+5.2% YoY) due to steady renewal of agreements for use of the Company's security systems and new orders for condominium, as well as robust sales to corporate clients.

#### 2. Card Equipment and Other Office Equipment

In the Card Equipment and Other Office Equipment business, sales activities to hospitals and financial institutions, the main customers for card equipment, remained strong. Segment results, however, were impacted by the Company's sale of shares of two group companies to Matica Fintec; in June 2022, the Company sold the shares of Card Technology Corporation, a US sub-subsidiary, and NBS Technologies Limited, a UK sub-subsidiary, to Matica Fintec. As a result, net sales were 3,124 million yen (-21.3% YoY), and segment profit came to 796 million yen (-11.5% YoY).

#### 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, as well as the economic slowdown in Europe and the US, the primary sales destinations for small cutting machines. As a result, net sales amounted to 15,454 million yen (-13.3% YoY), and segment profit came to 1,856 million yen (-29.4% YoY).

#### 4. Design

In the Design business, the Company shifted its revenue focus from seismic diagnosis to structural design. As a result, net sales totaled 4,963 million yen (+3.8% YoY), and segment profit amounted to 306 million yen (-3.9% YoY).

The outlook for the fiscal year ending June 30, 2024 reflects a gradual recovery in domestic demand resulting from the dissipation of COVID-19-related impact and the near elimination of restrictions on social activities. However, prospects for the Japanese economy remain uncertain due primarily to soaring prices and other issues arising from ongoing conflict between Russia and Ukraine; friction between the US and China; and sharp depreciation of the yen.

In this business environment, the Group will target profitability through its business operations and strive to improve its performance while focusing on the development and sale of new products and the expansion of sales channels through which synergies can be achieved. Furthermore, the Group will undertake efforts aimed at strengthening and improving its sales structure. Meanwhile, the Group has established Ai-Glies Corporation to facilitate further decarbonization of its business operations, which is a currently trending global issue, and will concentrate on ensuring its successful operation moving forward.

For the fiscal year ending June 30, 2024, we forecast net sales of 53 billion yen (+14.2% YoY), operating profit of 10.7 billion yen (+13.4% YoY), ordinary profit of 11.3 billion yen (+7.4% YoY), and profit attributable to owners of parent of 8.3 billion yen (+0.7% YoY).

## (2) Analysis of Financial Position

### 1. Assets, liabilities, and net assets

Total assets as of June 30, 2023 were 80,524 million yen, an increase of 5,106 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,110 million yen in cash and deposits, an increase of 2,161 million yen in merchandise and finished goods, a decrease of 2,155 million yen in accounts receivable-other (booked under "other current assets"), and an increase of 1,805 million yen in investment securities. These changes primarily reflected the profit for the fiscal year under review and the receipt of shares as consideration for M&A projects.

Total liabilities amounted to 13,253 million yen, a decrease of 828 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 1,015 million yen in income taxes payable under current liabilities, as a result of a decrease in taxable income and an increase in prepaid taxes.

Net assets totaled 67,271 million yen, an increase of 5,934 million yen from the end of the previous consolidated fiscal year. The main factors contributing to this change were the booking of 8,243 million yen in profit attributable to owners of parent, 3,315 million yen in dividends paid, and 2,649 million yen in foreign currency translation adjustment. As a result, the Company's equity ratio was 83.2%, up from 81.2% at the end of the previous consolidated fiscal year.

### 2. Cash flows

Cash and cash equivalents ("cash") as of June 30, 2023 amounted to 37,566 million yen, an increase of 1,130 million yen from the end of the previous consolidated fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was 4,541 million yen (versus 8,095 million yen provided in the previous consolidated fiscal year). The primary sources of cash were profit before income taxes of 10,492 million yen and depreciation and amortization of 880 million yen, offsetting income taxes paid of 4,582 million yen and a 2,171 million yen increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was 1,314 million yen (versus 2,207 million yen used in the previous consolidated fiscal year). This was primarily due to expenditures of 704 million yen for the purchase of property, plant and equipment, 403 million yen for loan advances, and 376 million yen for the purchase of shares of subsidiaries and associates.

(Cash flows from financing activities)

Net cash used in financing activities was 3,184 million yen (versus 2,848 million yen used in the previous consolidated fiscal year). This result was mainly due to 3,311 million yen in dividends paid.

### (Reference) Cash flow-related indicators

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Equity ratio (%)	78.4	81.1	80.6	81.2	83.2
Equity ratio on a fair market value basis (%)	137.8	120.7	155.6	97.3	135.9
Interest-bearing debt to cash flow ratio (%)	—	—	—	—	—
Interest coverage ratio (x)	1,388.6	1,108.9	1,938.2	1,997.1	3,830.3

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.

The Company upholds a policy of maintaining a dividend payout ratio of 50% or more while comprehensively accounting for its financial position, profit levels, and other factors.

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 45 yen per share at the General Meeting of Shareholders scheduled to be held on September 27, 2023. Since the interim dividend for the current fiscal year was 35 yen per share, the annual dividend is expected to be 80 yen per share.

For the next fiscal year, the Company plans to pay an interim dividend of 45 yen per share and a year-end dividend of 45 yen per share, for an annual dividend of 90 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, 2023).

#### (1) 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.

#### (2) 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.

#### (3) 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.

#### (4) 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.

#### (5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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), 34 subsidiaries (28 consolidated subsidiaries and 6 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.

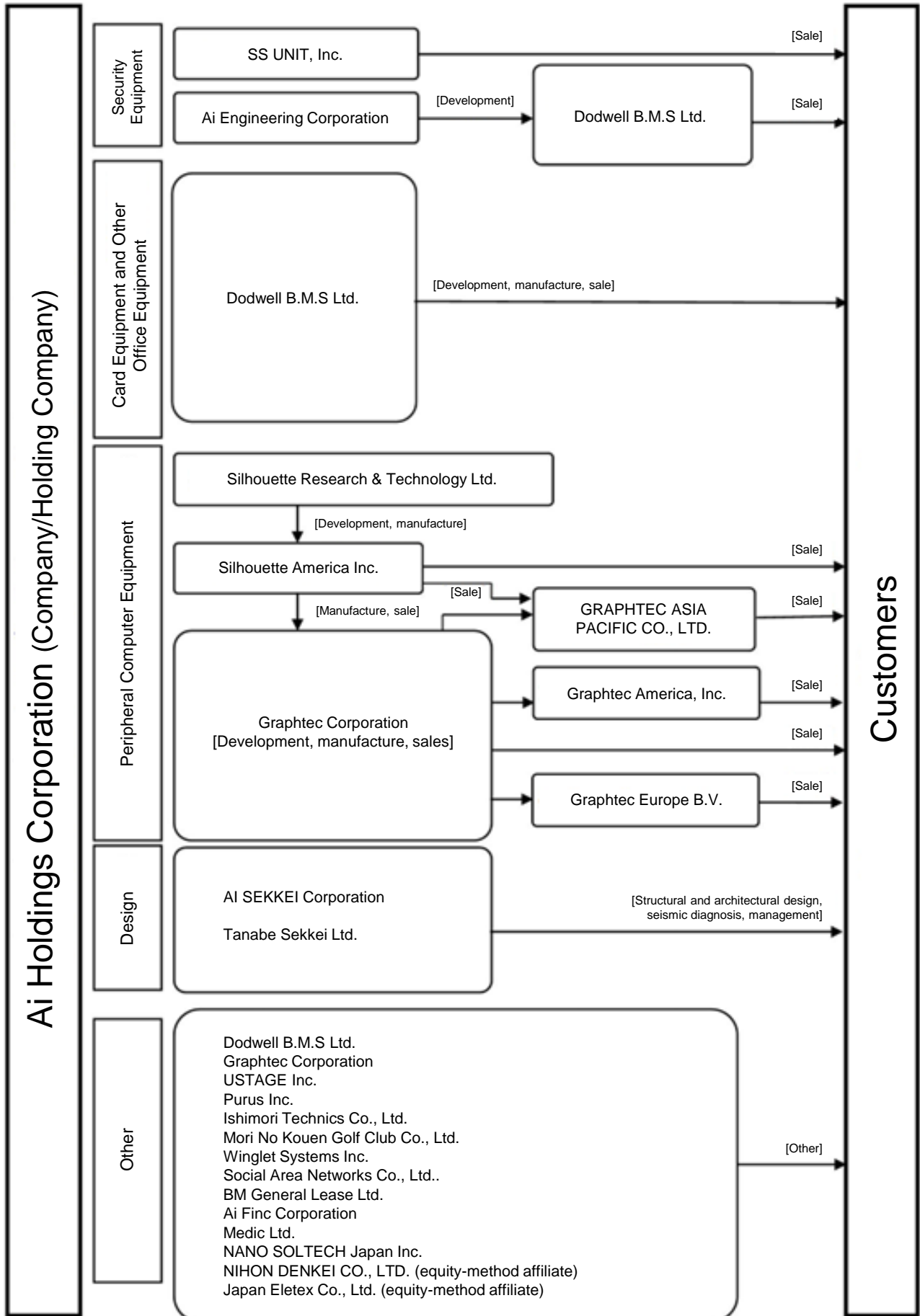
The Company, as a pure holding company, mainly provides management guidance to Group companies.

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. Ai Engineering Corporation 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.
Peripheral Computer Equipment	Development, manufacture, and sale of cutting plotters, scanners, and other peripheral computer equipment; also provides maintenance services	Graphtec Corporation Silhouette Japan Corporation GRAPHTEC ASIA PACIFIC CO.,LTD. Graphtec America, Inc. Silhouette America, Inc. Silhouette Research & Technology Ltd. Graphtec Europe B.V. Silhouette Europe B.V.
Design	Architectural design services focusing on structural design, seismic diagnosis, etc.	AI SEKKEI Corporation 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. Graphtec Corporation USTAGE Inc. Purus Inc. Ishimori Technics Co., Ltd. Mori No Kouen Golf Club Co., Ltd. NIHON DENKEI CO., LTD. Japan Eletex Co., Ltd. Winglet Systems Inc. Social Area Networks Co., Ltd. BM General Lease Ltd. Ai Finc Corporation Medic Ltd. NANO SOLTECH Japan Inc. Ai-Glies Corporation

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, 2022 (as of June 30, 2022)	Fiscal year ended June 30, 2023 (as of June 30, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	36,483	37,594
Notes and accounts receivable - trade, and contract assets	*1 7,049	*1 6,783
Investments in leases	846	866
Merchandise and finished goods	5,651	7,813
Work in process	99	103
Costs on uncompleted construction contracts	*2 62	*2 50
Raw materials and supplies	631	1,126
Prepaid expenses	722	1,098
Short-term loans receivable	604	342
Other	3,502	778
Allowance for doubtful accounts	(140)	(13)
<b>Total current assets</b>	<b>55,513</b>	<b>56,544</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	6,449	6,469
Accumulated depreciation	(4,695)	(4,740)
Buildings and structures, net	1,754	1,728
Machinery, equipment and vehicles	1,842	2,028
Accumulated depreciation	(1,175)	(1,425)
Machinery, equipment and vehicles, net	666	603
Tools, furniture and fixtures	2,469	2,564
Accumulated depreciation	(2,163)	(2,332)
Tools, furniture and fixtures, net	305	232
Land	6,052	6,052
Leased assets	1,368	1,878
Accumulated depreciation	(919)	(782)
Leased assets, net	449	1,096
Construction in progress	79	226
Other, net	271	280
<b>Total property, plant and equipment</b>	<b>9,579</b>	<b>10,221</b>
<b>Intangible assets</b>		
Goodwill	1,566	1,622
Leased assets	4	3
Software	261	206
Other	19	27
<b>Total intangible assets</b>	<b>1,852</b>	<b>1,859</b>

(Millions of yen)

	Fiscal year ended June 30, 2022 (as of June 30, 2022)	Fiscal year ended June 30, 2023 (as of June 30, 2023)
Investments and other assets		
Investment securities	1,685	3,490
Shares of subsidiaries and associates	5,034	5,522
Long-term loans receivable	—	207
Deferred tax assets	1,393	2,210
Other	446	555
Allowance for doubtful accounts	(86)	(87)
Total investments and other assets	8,473	11,899
Total non-current assets	19,905	23,980
Total assets	75,418	80,524
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,951	3,855
Lease liabilities	446	440
Accounts payable - other	943	941
Accrued expenses	499	332
Income taxes payable	1,842	826
Advances received	300	100
Contract liabilities	1,762	1,891
Provision for bonuses	174	187
Provision for product warranties	12	11
Provision for loss on orders received	1	5
Liabilities related to paid supply transactions	166	295
Other	355	594
Total current liabilities	10,457	9,482
Non-current liabilities		
Lease liabilities	986	944
Deferred tax liabilities	1,083	737
Net defined benefit liability	1,385	1,350
Other	167	738
Total non-current liabilities	3,623	3,770
Total liabilities	14,081	13,253

(Millions of yen)

	Fiscal year ended June 30, 2022 (as of June 30, 2022)	Fiscal year ended June 30, 2023 (as of June 30, 2023)
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	9,048	9,065
Retained earnings	49,927	54,673
Treasury shares	(4,704)	(4,705)
Total shareholders' equity	59,270	64,033
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	210	297
Foreign currency translation adjustment	1,761	2,649
Remeasurements of defined benefit plans	12	37
Total accumulated other comprehensive income	1,984	2,984
Non-controlling interests	81	253
Total net assets	61,337	67,271
Total liabilities and net assets	75,418	80,524

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

## Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Net sales	47,059	46,396
Cost of sales	24,686	23,574
Gross profit	22,373	22,821
Selling, general and administrative expenses		
Director's compensations	355	418
Payroll and allowance	4,113	4,302
Bonuses	965	1,025
Provision for bonuses	147	167
Defined benefit expenses	232	210
Other	6,707	7,262
Total selling, general and administrative expenses	*2 12,522	*213,387
Operating profit	9,850	9,434
Non-operating income		
Interest income	23	98
Dividend income	27	32
Share of profit of entities accounted for using equity method	452	592
Foreign exchange gains	661	284
Other	23	119
Total non-operating income	1,189	1,128
Non-operating expenses		
Interest expenses	3	2
Customs duties for prior periods	30	—
Commission expenses	124	34
Other	33	6
Total non-operating expenses	191	42
Ordinary profit	10,848	10,519
Extraordinary income		
Gain on sale of investment securities	1,427	0
Gain on sale of non-current assets	—	1
Gain on sale of shares of subsidiaries	64	4
Reversal of allowance for doubtful accounts	—	67
Recoveries of written off receivables	—	98
Total extraordinary income	1,492	171
Extraordinary losses		
Loss on retirement of non-current assets	6	27
Loss on valuation of investment securities	93	168
Impairment losses	*3 672	—
Business restructuring expenses	322	—
Loss on disaster	3	2
Provision of allowance for doubtful accounts	105	—
Other	148	—
Total extraordinary losses	1,353	198

(Millions of yen)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Profit before income taxes	10,987	10,492
Income taxes – current	3,351	3,480
Income taxes – deferred	(114)	(1,239)
Total income taxes	3,236	2,241
Profit	7,750	8,251
Profit attributable to non-controlling interests	11	8
Profit attributable to owners of parent	7,738	8,243



Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Profit	7,750	8,251
Other comprehensive income		
Valuation difference on available-for-sale securities	(103)	74
Foreign currency translation adjustment	2,045	821
Remeasurements of defined benefit plans, net of tax	35	24
Share of other comprehensive income of entities accounted for using equity method	109	78
Total other comprehensive income	* 2,087	* 999
Comprehensive income	9,837	9,250
(Breakdown)		
Comprehensive income attributable to owners of parent	9,825	9,242
Comprehensive income attributable to non-controlling interests	11	8

## (3) Consolidated Statement of Changes in Equity

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
Purchase of shares of consolidated subsidiaries					
Change in ownership interest of parent due to transactions with non-controlling interests					
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
Purchase of shares of consolidated subsidiaries						
Change in ownership interest of parent due to transactions with non-controlling interests						
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

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	9,048	49,927	(4,704)	59,270
Changes during period					
Dividends of surplus			(3,315)		(3,315)
Profit attributable to owners of parent			8,243		8,243
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Purchase of shares of consolidated subsidiaries			(181)		(181)
Change in ownership interest of parent due to transactions with non-controlling interests		16			16
Net changes of items other than shareholders' equity					
Total changes during period	—	16	4,746	(0)	4,762
Balance at end of period	5,000	9,065	54,673	(4,705)	64,033

	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	210	1,761	12	1,984	81	61,337
Changes during period						
Dividends of surplus						(3,315)
Profit attributable to owners of parent						8,243
Purchase of treasury shares						(1)
Disposal of treasury shares						0
Purchase of shares of consolidated subsidiaries					18	(162)
Change in ownership interest of parent due to transactions with non-controlling interests					153	170
Net changes of items other than shareholders' equity	87	887	24	999		999
Total changes during period	87	887	24	999	172	5,934
Balance at end of period	297	2,649	37	2,984	253	67,271

## (4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	10,987	10,492
Depreciation	876	880
Impairment losses	672	—
Loss (gain) on sale of investment securities	(1,427)	—
Loss (gain) on valuation of investment securities	93	168
Increase (decrease) in provision for product warranties	4	0
Increase (decrease) in provision for bonuses	13	12
Increase (decrease) in provision for loss on orders received	(12)	—
Interest and dividend income	(50)	(131)
Interest expenses	3	2
Share of loss (profit) of entities accounted for using equity method	(452)	(592)
Decrease (increase) in trade receivables	(80)	292
Decrease (increase) in inventories	53	(2,171)
Increase (decrease) in trade payables	(852)	(234)
Increase (decrease) in advances received	29	(200)
Decrease (increase) in investments in leases	103	19
Other	118	512
Subtotal	10,081	9,011
Interest and dividends received	243	91
Interest paid	(4)	(1)
Income taxes paid	(2,248)	(4,582)
Income taxes refund	22	22
Net cash provided by (used in) operating activities	8,095	4,541
Cash flows from investing activities		
Proceeds from sale of investment securities	59	—
Purchase of property, plant and equipment	(738)	(704)
Purchase of intangible assets	(88)	(40)
Purchase of investment securities	(868)	(301)
Purchase of shares of subsidiaries and associates	—	(376)
Payments of loans receivable	(163)	(403)
Proceeds from collection of loans receivable	13	209
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(476)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	319
Other	54	(17)
Net cash provided by (used in) investing activities	(2,207)	(1,314)
Cash flows from financing activities		
Repayments of long-term borrowings	(332)	—
Dividends paid	(2,275)	(3,311)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	165
Other	(240)	(38)
Net cash provided by (used in) financing activities	(2,848)	(3,184)
Effect of exchange rate change on cash and cash equivalents	1,384	622

Net increase (decrease) in cash and cash equivalents	4,423	665
Cash and cash equivalents at beginning of period	32,012	36,435
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	465
Cash and cash equivalents at end of period	* 36,435	* 37,566

## (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: 28 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.  
Winglet Systems Inc.  
Social Area Networks Co., Ltd.  
Silhouette Japan Corporation  
Ai-Glies Corporation  
Graphtec America, Inc.  
Silhouette America, Inc.  
Silhouette Latin America S.A.  
Silhouette Research & Technology Ltd.  
GRAPHTEC ASIA PACIFIC CO.,LTD.  
Graphtec Europe B.V.  
Silhouette Europe B.V.

Due to increases in their significance of their impact, Winglet Systems Inc. and Social Area Networks Co., Ltd. have been added to the Company's scope of consolidation.

Due to their establishment as companies, Ai-Glies Corporation, Silhouette Japan Corporation, and Silhouette Europe B.V. have been added to the Company's scope of consolidation.

#### (2) Non-consolidated subsidiaries: 6 companies

##### Non-consolidated subsidiaries

Nezu Sekkei Co., Ltd.  
MIPS Co., Ltd.  
Innovation Farm, Inc.  
First Elevator, Inc.  
Micro Talk Systems Corporation  
Urbicul.Net, Inc.

##### Reason for exclusion from scope of consolidation

Non-consolidated subsidiaries have been excluded from the Company's scope of consolidation because they

are small in scale and because their total assets, net sales, net income/loss, and retained earnings have no material impact on the consolidated financial statements.

## 2. Application of equity method

### (1) Non-consolidated subsidiaries to which the equity method of accounting has been applied

None to be reported.

### (2) Names and other information associated with non-consolidated subsidiaries to which the equity method of accounting has not been applied

Names of non-consolidated subsidiaries to which the equity method of accounting has not been applied

Nezu Sekkei Co., Ltd.

MIPS Co., Ltd.

Innovation Farm, Inc.

First Elevator, Inc.

Micro Talk Systems Corporation

Urbicul.Net, Inc.

#### Reasons for not applying the equity method

The equity method of accounting has not been applied to these non-equity-method subsidiaries because they are small in scale and their net profit/loss (amounts corresponding to the Company's equity) and retained earnings (amounts corresponding to the Company's equity) have no material impact on the consolidated financial statements.

### (3) Equity-method affiliates: 2 companies

Equity-method affiliates

NIHON DENKEI CO., LTD.

Japan Eletex Co., Ltd.

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

Non-equity-method affiliates

Japan Cherri Ltd.

Eco Co., Ltd.

Ishii Electric System Inc.

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#### Reasons for not applying the equity method

The equity method of accounting has not been applied to these non-equity-method affiliates because they are small in scale and their net profit/loss (amounts corresponding to the Company's equity) and retained earnings (amounts corresponding to the Company's equity) have no material impact on the consolidated financial statements.

### (5) 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

The fiscal years of consolidated subsidiaries Silhouette Latin America S.A. and Mori No Kouen Golf Club Co., Ltd. end on March 31, and the fiscal year of consolidated subsidiary Social Area Networks Co., Ltd. ends on September 30.

In preparing its consolidated financial statements, the Company has used financial statements of Silhouette Latin America S.A. and Mori No Kouen Golf Club Co., Ltd. as of their respective closing dates. However, the Company has made all necessary adjustments for the consolidated impact of any significant transactions that occurred between April 1 and the consolidated closing date of June 30.

With regard to Social Area Networks Co., Ltd., the Company has used financial statements prepared based on a provisional settlement of accounts as of June 30, 2023.

### 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 April 1, 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 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) Other important matters for preparing the consolidated financial statements  
Application of the group tax relief system  
The Company and some of its consolidated subsidiaries apply the group tax relief system.

(Changes in accounting policies)

(Application of Revised Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company adopted the Revised Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year ended June 30, 2023. The new accounting policy prescribed by the Guidance on Accounting Standard for Fair Value Measurement is applied prospectively in accordance with the transitional treatment prescribed in Section 27-2. This change had no impact on results recorded in the consolidated financial statements.

(Notes on accounting estimates)

Valuation of unlisted stocks with no determinable market values

- (1) Amount recorded in the consolidated financial statements for the fiscal year ended June 30, 2023

Investment securities: 2,475 million yen

- (2) Information on 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 stocks 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 fiscal year ended June 30, 2023

Goodwill: 1,622 million yen

- (2) Information on 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 realizable value or value in use. Net realizable 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.

(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)	Fiscal year ended June 30, 2023 (as of June 30, 2023)
Notes receivable - trade	938	913
Accounts receivable - trade	5,190	5,077
Contract assets	920	792

\*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, 2022 (as of June 30, 2022)	Fiscal year ended June 30, 2023 (as of June 30, 2023)
Costs on uncompleted construction contracts	62	50

(Consolidated statement of income)

\*1. Revenue generated from contracts with customers

The sales figures reported do not distinguish between revenue generated from contracts with customers and other revenues. The amount generated from contracts with customers is detailed in the supplementary notes section "Revenue recognition 1. Information on the breakdown of revenue from contracts with customers."

\*\*2. Total amounts of research and development expenses included in general and administrative expenses

(Millions of yen)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Research and development expenses	549	683

\*\*3. Impairment losses

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.

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

No information to be reported.

## (Consolidated statement of comprehensive income)

\* Reclassification adjustments and tax effects related to other comprehensive income

	(Millions of yen)	
	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2022 (from July 1, 2022 to June 30, 2023)
Valuation difference on available-for-sale securities:		
Amount accrued in the current period	(155)	118
Reclassification adjustment	17	(24)
Before tax effect adjustment	(137)	94
Amount of tax effect	34	(19)
Valuation difference on available-for-sale securities	(103)	74
Foreign currency translation adjustment:		
Amount accrued in the current period	2,045	821
Reclassification adjustment	—	—
Foreign currency translation adjustment	2,045	821
Remeasurements of defined benefit plans, net of tax:		
Amount accrued in the current period	46	33
Reclassification adjustment	4	1
Before tax effect adjustment	50	35
Amount of tax effect	(15)	(10)
Remeasurements of defined benefit plans, net of tax	35	24
Share of other comprehensive income of entities accounted for using equity method:		
Amount accrued in the current period	109	78
Total other comprehensive income	2,087	999

## (Consolidated statement of changes in equity)

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

Note: 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

Fiscal year ended June 30, 2023 (from July, 2022 to June 30, 2023)

### 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*	9,229,915	477	6	9,230,386
Total	9,229,915	477	6	9,230,386

Notes: The increase of 477 common shares in treasury shares is due to the purchase of common shares below one trading unit (100 shares).

The decrease of six shares was due to the sale 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 29, 2022	Common shares	1,657	35	June 30, 2022	September 30, 2022
Board of Directors Meeting held on February 14, 2023	Common shares	1,657	35	December 31, 2022	March 6, 2023

(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 27, 2023	Common shares	2,131	Retained earnings	45	June 30, 2023	September 28, 2023

(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, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Cash and deposits	36,483	37,594
Time deposits with maturities longer than three months	(35)	(15)
Separate deposit	(13)	(13)
Cash and cash equivalents	36,435	37,566



(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, 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				
<b>Sales</b>									
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)	—
<b>Total</b>	<b>13,499</b>	<b>4,036</b>	<b>17,832</b>	<b>4,786</b>	<b>40,154</b>	<b>7,204</b>	<b>47,358</b>	<b>(298)</b>	<b>47,059</b>
<b>Segment profit</b>	<b>5,504</b>	<b>899</b>	<b>2,628</b>	<b>319</b>	<b>9,351</b>	<b>593</b>	<b>9,944</b>	<b>(93)</b>	<b>9,850</b>
<b>Segment assets</b>	<b>3,752</b>	<b>3,080</b>	<b>12,408</b>	<b>3,759</b>	<b>23,000</b>	<b>14,254</b>	<b>37,255</b>	<b>38,162</b>	<b>75,418</b>
<b>Other items</b>									
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

Fiscal year ended June 30, 2023 (from July, 2022 to June 30, 2023)

(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	13,993	3,124	15,454	4,963	37,535	8,860	46,396	—	46,396
Intersegment sales and transfers	79	46	15	2	143	148	292	(292)	—
Total	14,073	3,170	15,469	4,966	37,679	9,009	46,688	(292)	46,396
Segment profit	5,790	796	1,856	306	8,750	577	9,327	107	9,434
Segment assets	4,269	3,411	1,245	3,795	12,722	28,370	41,093	40,475	81,568
Other items									
Depreciation	191	28	372	65	657	245	903	142	1,045
Increases in tangible and intangible non-current assets	119	31	877	57	1,086	303	1,389	23	1,412

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, 2022	Fiscal year ended June 30, 2023
Intersegment eliminations	(19)	(40)
Corporate-wide expenses*	(74)	147
Total	(93)	107

\* 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, 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

Fiscal year ended June 30, 2023 (from July, 2022 to June 30, 2023)

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			
31,864	7,193	276	2,734	4,327	46,396

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.	6,226	Security Equipment, Other

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

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

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

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

No information to be reported.

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

Fiscal year ended June 30, 2022 (from July, 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.

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(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	64	—	97	—	164
End of the year unamortized balance	33	1	137	—	1,449	—	1,622

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, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Net assets per share	1,295.11 yen	1,420.43 yen
Earnings per share	163.40 yen	174.06 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, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Profit attributable to owners of parent	(millions of yen)	7,738	8,243
Amount not attributable to common shareholders	(millions of yen)	—	—
Profit attributable to owners of parent with respect to common stock	(millions of yen)	7,738	8,243
Average number of shares outstanding during the period	(number of shares in thousands)	47,359	47,360

(Significant subsequent events)

None to be reported.

#### 5. Other

None to be reported.