Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 16, 2025

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (Based on Japanese GAAP)

Company name: KANADEN CORPORATION
Listing: Tokyo Stock Exchange
Stock code: 8081
URL: https://www.kanaden.co.jp/en/
Representative: Nobuyuki Motohashi, President and Representative Director
Inquiries: Nobuhiro Kuroda, Administration Division Executive Officer
TEL: 03-6747-8805
Scheduled date of ordinary general meeting of shareholders: June 27, 2025
Scheduled date to commence dividend payments: June 9, 2025
Scheduled date to file Securities Report: June 24, 2025
Preparation of supplementary material on financial results: No
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	125,665	8.1	4,500	(1.0)	4,730	(5.3)	3,942	13.4
March 31, 2024	116,271	9.3	4,544	14.5	4,994	17.7	3,474	20.0

Note: Comprehensive income For the fiscal year ended March 31, 2025: ¥3,071 million [(34.6)%]
For the fiscal year ended March 31, 2024: ¥4,697 million [48.4%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/ total assets	Operating profit/ net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2025	169.31	–	8.2	5.4	3.6
March 31, 2024	148.21	–	7.5	5.9	3.9

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2025: ¥– million
For the fiscal year ended March 31, 2024: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2025	89,081	47,989	53.9	2,153.80
March 31, 2024	85,596	48,204	56.1	2,048.32

Reference: Equity
As of March 31, 2025: ¥47,989 million
As of March 31, 2024: ¥48,042 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2025	5,114	(1,905)	(3,992)	16,423
March 31, 2024	3,809	(731)	(977)	16,947

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2024	–	24.00	–	29.00	53.00	1,243	35.8	2.7
Fiscal year ended March 31, 2025	–	31.00	–	39.00	70.00	1,596	41.3	3.3
Fiscal year ending March 31, 2026 (Forecast)	–	36.00	–	36.00	72.00		41.1	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2025	59,000	13.9	1,900	2.9	1,900	(13.7)	1,350	(8.5)	60.59
Full year	135,000	7.4	5,700	26.7	5,700	20.5	3,900	(1.1)	175.03

*** Notes**

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2025 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: 2 companies (Company name) Takashima Electric Corporation, Takashima Engineering Corporation

Excluded: 1 company (Company name) Kanaden Telesys Corporation

(Note) For details, please refer to "4. Consolidated financial statements and significant notes thereto, (5) Notes on consolidated financial statements, Changes in the scope of consolidation or application of equity method" on page 21.

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: No

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2025	22,500,000 shares
As of March 31, 2024	23,600,000 shares

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

As of March 31, 2025	218,700 shares
As of March 31, 2024	145,632 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2025	23,283,878 shares
Fiscal year ended March 31, 2024	23,445,792 shares

(Note) Total number of issued shares at the end of the period as of March 31, 2025 has decreased from 23,600,000 shares to 22,500,000 shares due to the cancellation of 1,100,000 treasury shares.

[Reference] Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	117,176	8.6	4,043	0.1	5,339	5.9	5,383	38.9
March 31, 2024	107,917	8.8	4,041	15.2	5,040	31.2	3,876	55.6

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2025	231.20	–
March 31, 2024	165.33	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2025	83,034	44,120	53.1	1,980.18
March 31, 2024	77,363	42,362	54.8	1,806.15

Reference: Equity
As of March 31, 2025: ¥44,120 million
As of March 31, 2024: ¥42,362 million

(Reason of variance in non-consolidated financial results compared to the results in the previous fiscal year)
The KANADEN Group runs its business with KANADEN CORPORATION as its main business. Therefore, the reason of variance in its non-consolidated financial results to the results in the previous fiscal year is almost identical to the reason of variance in the consolidated financial results. For details, please refer to "1. Overview of operating results and others, (1) Overview of operating results for the fiscal year under review" on page 2.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
Earnings forecasts and other forward-looking statements stated in this document are based on information currently available to the Company. Please refer to page 5 for the assumptions and other related matters concerning the above forecasts.

(Method of accessing financial summary presentation material)
The Company plans to hold financial results meeting for institutional investors and analysts on May 21, 2025. Materials for the meeting will be provided on the Company's website after the meeting.

○ Table of Contents

Index

1. Overview of operating results and others

(1) Overview of operating results for the fiscal year under review

The business environment surrounding the Group remained uncertain in the fiscal year under review. Corporate capital investment showed uneven recovery due to various factors, including the slowdown in China’s economic growth, monetary policies in Europe and the U.S., rapid fluctuations in exchange rates, and soaring resource and energy prices caused by deteriorating conditions in the Middle East. In addition, the outlook for the global economy remained uncertain due to concerns such as the impact of tariff hikes under the new U.S. administration and prolonged inventory adjustments in supply chains stemming from heightened recession fears.

Under these circumstances, as the fourth year of the five-year medium-term management plan, Electronics Solutions-Company 2025 (ES-C2025), the Group has actively implemented measures to strengthen its solutions proposal capabilities contributing to solving social issues, expand proposal areas through inter-business cooperation, explore new business areas and products aimed at sustainable growth, and enhance human capital.

During the fiscal year under review, although large-scale projects in the facilities equipment and transportation fields increased, the core factory automation field struggled under the impact of inventory adjustments.

As a result, net sales for the fiscal year totaled ¥125,665 million (an increase of ¥9,393 million year on year), and ordinary profit was ¥4,730 million (a decrease of ¥264 million year on year). Profit attributable to owners of parent reached a record high of ¥3,942 million (an increase of ¥467 million year on year), due in part to extraordinary income such as gain on transition to retirement benefit plan.

(2) Overview of operating results by segment

(Millions of yen)

		Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Change
Factory Automation Systems business	Net sales	46,890	48,247	1,357
	Ordinary profit	2,813	2,281	(531)
Building Facilities business	Net sales	14,933	17,523	2,589
	Ordinary profit	223	318	95
Infrastructure business	Net sales	23,878	28,881	5,002
	Ordinary profit	111	186	75
Information & Communications Equipment business	Net sales	30,568	31,012	443
	Ordinary profit	1,625	1,897	271

<u>Factory Automation Systems business</u>

In the core factory automation field, controller systems and drive control equipment remained sluggish due to decreased demand stemming from the slowdown in China’s economic growth and inventory adjustments in supply chains.

The industrial mechatronics field also showed sluggish performance due to a lack of projects for electric discharge machines.

The industrial systems field performed well, supported by large-scale projects for electric products for ships and instrumentation systems for plant facilities.

As a result, although net sales increased by ¥1,357 million for the segment, ordinary profit decreased by ¥531 million due to the sluggish performance in the relatively high-margin factory automation field.

Building Facilities business

In the facilities equipment field, demand for power supply systems for information and communication operators continued and remained strong.

In the air conditioning and refrigerating equipment field, although new projects for office building air conditioning systems struggled, renovation projects increased, resulting in flat performance year over year.

As a result, net sales increased by ¥2,589 million and ordinary profit increased by ¥95 million for the segment.

Infrastructure business

In the transportation field, demand for vehicle equipment decreased due to a lull in replacement demand, while capital investment by railway operators showed signs of recovery, and wireless communication and substation equipment performed well.

In the social systems field, government projects increased and remained firm.

As a result, net sales significantly increased by ¥5,002 million and ordinary profit increased by ¥75 million for the segment.

Information & Communications Equipment business

In the telecommunications field, image and video equipment were sluggish due to a lull in replacement demand from financial institutions, but projects for electronic medical devices increased and remained firm.

In the semiconductors and devices field, industrial power devices maintained the same level as the previous year, despite decreased demand due to the slowdown in China’s economic growth. Electronic devices for home appliances performed well.

As a result, net sales increased by ¥443 million and ordinary profit increased by ¥271 million for the segment.

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the fiscal year under review were ¥89,081 million (an increase of ¥3,485 million from the end of the previous fiscal year).

Current assets were ¥72,011 million (an increase of ¥3,607 million from the end of the previous fiscal year). This was mainly due to a ¥6,587 million increase in accounts receivable - trade and a ¥526 million increase in accounts receivable - other, which outweighed decreases of ¥2,871 million in merchandise and finished goods and ¥324 million in cash and deposits, each compared to the end of the previous fiscal year.

Non-current assets were ¥17,070 million (a decrease of ¥122 million from the end of the previous fiscal year). This was mainly due to a ¥261 million increase in retirement benefit assets and an ¥87 million increase in intangible assets, which were offset by a ¥443 million decrease in investment securities and a ¥46 million decrease in property, plant and equipment, each compared to the end of the previous fiscal year.

Current liabilities were ¥40,434 million (an increase of ¥3,747 million from the end of the previous fiscal year). This was mainly due to increases of ¥3,470 million in notes and accounts payable - trade, ¥826 million in accounts payable - other, ¥715 million in electronically recorded obligations - operating, and ¥277 million in advances received, despite decreases of ¥702 million in current portion of long-term borrowings, ¥469 million in provision for bonuses, ¥215 million in accrued consumption taxes, and ¥180 million in income taxes payable, each compared to the end of the previous fiscal year.

Non-current liabilities were ¥657 million (a decrease of ¥47 million from the end of the previous fiscal year).

Net assets were ¥47,989 million (a decrease of ¥214 million from the end of the previous fiscal year). This was mainly due to the recording of ¥3,942 million in profit attributable to owners of parent, a ¥1,570 million decrease due to cancellation of treasury shares, and a ¥1,407 million decrease due to dividend payments. Retained earnings increased by ¥977 million, and foreign currency translation adjustment increased by ¥387 million, while remeasurements of defined benefit plans decreased by ¥809 million. The valuation difference on available-for-sale securities decreased by ¥454 million, non-controlling interests decreased by ¥162 million, and treasury shares decreased by ¥144 million, each compared to the end of the previous fiscal year.

As a result, the equity ratio at the end of the fiscal year under review was 53.9%, and net assets per share were ¥2,153.80.

(3) Overview of cash flows for the fiscal year under review

At the end of the fiscal year under review, cash and cash equivalents were ¥16,423 million, a decrease of ¥524 million (down 3.1% year on year).

The status and factors affecting each cash flow during the fiscal year are as follows:

Cash flows from operating activities

Net cash provided by operating activities for the fiscal year under review was ¥5,114 million (compared to ¥3,809 million in the previous fiscal year), mainly due to the securing of ¥5,839 million in profit before income taxes (¥5,055 million in the previous fiscal year), an increase of ¥3,150 million in trade payables, and a ¥3,409 million decrease in inventories, which offset a ¥4,729 million increase in accounts receivable - trade and contract assets, and ¥1,512 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities for the fiscal year under review was ¥1,905 million (compared to ¥731 million in the previous fiscal year), primarily due to ¥131 million in proceeds from sale of investment securities, which was offset by ¥1,711 million in payments for purchase of shares of subsidiaries resulting in change in scope of consolidation and ¥340 million in payments for purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities for the fiscal year under review was ¥3,992 million (compared to ¥977 million in the previous fiscal year), mainly due to payments of ¥1,739 million for the purchase of treasury shares, ¥1,408 million in dividend payments, and ¥702 million in repayments of long-term borrowings.

Trends in the Group's cash flow indicators are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Equity ratio (%)	57.6	58.0	53.3	56.1	53.9
Equity ratio on a market value basis (%)	42.1	33.6	32.7	41.4	36.8
Interest-bearing debt to cash flow ratio	–	0.2	–	0.4	0.1
Interest coverage ratio (times)	–	290.5	–	280.5	304.9

Equity ratio: Equity/Total assets

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

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

Interest coverage ratio: Operating cash flow/Interest payment

Notes: 1. Each indicator is calculated based on consolidated financial figures.

2. Market capitalization is calculated as the closing stock price at fiscal year-end multiplied by the total number of issued shares at fiscal year-end (excluding treasury shares).

3. Operating cash flows are based on operating cash flows in the consolidated statement of cash flows. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet on which interest is paid. Additionally, interest paid in the consolidated statement of cash flows is used for interest payment.
4. The interest-bearing debt to cash flow ratio and the interest coverage ratio are not stated if operating cash flows are negative.

(4) Future outlook

The outlook remains uncertain due to the continuing slowdown in China's economic growth, surging resource and energy prices, and the impact of tariff hikes under the new U.S. administration.

Under such conditions, the Group operates across four business areas and serves a wide range of industries. In various fields, including manufacturing, there is an increasing appetite for investment in productivity-improving technologies such as automation, decarbonization, and digital transformation (DX), and capital investment in related fields is generally expected to expand.

Going forward, the Group will continue to strengthen the expansion of its solution business, including initiatives in the environmental and energy fields and the construction of social infrastructure that supports safety and security, to contribute to the resolution of social issues and create new value constantly.

Currently, the consolidated earnings forecast for the fiscal year ending March 31, 2026 is as follows:

Consolidated	
Net sales	¥135,000 million (up 7.4% YoY)
Operating profit	¥5,700 million (up 26.7% YoY)
Ordinary profit	¥5,700 million (up 20.5% YoY)
Profit attributable to owners of parent	¥3,900 million (down 1.1% YoY)

(5) Policy regarding determination of dividends of surplus

The Company will keep striving to maintain stable dividends at a consolidated dividend payout ratio of 40% as a standard indicator in recognizing that returning profits to shareholders serves as a key management priority. Meanwhile, we will continue to retain internal reserves necessary to fund future business development and strengthen the corporate structure in order to ensure promotion of "sound management" that combines consistency with growth potential.

In line with this policy, the year-end cash dividend for the fiscal year under review is set at ¥39 per share. With an interim dividend of ¥31 per share already paid, the annual dividend will total ¥70 per share.

From the next fiscal year onward, to communicate our stance on maintaining stable dividends more clearly, the Company will adopt a "progressive dividend" policy. While maintaining the benchmark consolidated dividend payout ratio of 40%, we will, in principle, avoid dividend reductions and will implement a progressive dividend policy whereby dividends are maintained or increased.

2. Management policy

(1) Basic policy for management

The Group's mission is "Opening the Future with Technology and Ingenuity." We will lead the way to a better future with solutions that combine the technology and ingenuity of the KANADEN Group and its partner companies. Our vision is "Creating New Value for Society." We will strive to create new value constantly for our customers, partner companies, and ultimately for society, through our business activities.

The Group has long cultivated technological capabilities and know-how as an electronics technology trading company, and we have consistently worked to enhance our customers' corporate value. Going forward, our basic management policy is to evolve our business through enhanced technological and proposal capabilities and to realize sustainable growth as an Electronics Solutions Company that contributes to solving both customer and social issues.

(2) Medium-term management strategy and target performance indicators

Under the medium-term management plan, Electronics Solutions-Company 2025 (ES-C2025), which concludes in FY2025, the Company has set out a five-year strategy to enhance earnings structure, deliver value, and become an Electronics Solutions Company that contributes to solving social issues through sustainable growth.

To remain our customers' preferred partner, we will strengthen technological and planning capabilities, deepen collaboration within the Group and with partner companies, and pursue high-value-added businesses by delivering original solutions. We aim to be a company that responds swiftly to societal changes and continues to grow sustainably.

We also aim to further strengthen our corporate governance system to ensure fair management, and we will continue to promote sound and sincere business activities by fostering a high level of ethics and compliance awareness among all employees.

New Medium-Term Management Plan, Electronics Solutions-Company 2025 (ES-C2025)

<Basic Policy>

Become an Electronics Solutions Company that contributes to solving social issues and realizes sustainable growth through SDG initiatives.

・Continue to be the preferred partner who knows its customers best.

・Pursue strategies with a focus on growth while allocating the necessary management resources proactively.

・Expand high-value-added businesses and seek to improve profitability.

<Basic Strategy>

Strengthening the earnings structure for sustainable growth

(i) Strengthen competitiveness by deepening understanding and facilitating evolution.

We will strengthen collaboration within the Group and with the Group's partner companies and improve our system integration and engineering capabilities. In doing so, we will plan and provide original solutions that contribute to enhancing customers' corporate value, while also facilitating the differentiation of our products and services and improving our competitiveness.

(ii) Continue to strengthen initiatives with a focus on high growth areas going forward to solve social issues.

We will actively advance initiatives in business areas related to the environment, energy, and robotics and automation that will contribute to the sustainable growth of society by addressing social issues such as environmental issues and labor shortages. We will also take initiatives in fields that support 5G, IoT and AI—namely, technologies that are expected to grow going forward. We will strengthen our technological capabilities to deal with these fields.

(iii) Promote the KANADEN DX (digital transformation).

We will change business models through digitalization and contribute to enhancing proposals and quality, while simultaneously pursuing the standardization of operations and improvements in efficiency through digitization. In so doing, we aim to form a consortium to vitalize intercompany communities by making the most of the information assets that we have accumulated.

(iv) Create a culture and scheme in which diverse individuals can demonstrate their performances to the full.

We will proactively take the necessary measures so that individuals with diverse backgrounds can maintain a work-life balance while simultaneously ensuring respect for human rights and the prevention of discrimination. Through these efforts, we seek to recruit and train individuals who will contribute to the sustainable growth of the Company.

In addition, we will encourage employees to improve their business skills and practice the Group views so that they will embrace challenges and innovation, while responding to changing business environments flexibly as an organization and constantly remaining change-oriented.

(v) Implement strategic investment policies.

We will facilitate collaboration with partner companies to strengthen our technological capabilities and pursue M&A to expand into new business areas.

(vi) Execute fair management.

We will establish a governance system that is in line with external rules and social requirements to practice extremely sound and transparent management, while simultaneously ensuring a strong dedication to ethics from all employees for business activities backed by sound principles and sincerity.

<Management Numerical Targets>

Numerical targets (FY2025)

・Operating profit: ¥5.7 billion; Operating profit ratio: 4.5% or higher

・ROE: 8.0% or higher

・Generate ¥10.0 billion in net sales through strategic investments, etc.

<Initiatives Based on the Basic Strategy>

Common Initiatives

・Strengthen existing priority areas (automation, energy management, etc.) through company-wide projects while also facilitating the development of new markets and new products.

・Pursue area strategies.

Japan: Implementation of matrix management comprising each business unit strategy and an area strategy

Overseas: Strengthening a system for proposing solutions in the ASEAN region

・Strengthen our ability to propose solutions by enhancing technical training programs.

・Accelerate the emergence of intercompany communities through the formation and utilization of a KANADEN consortium, thereby facilitating the continuous creation of business models.

・Promote multiple party-coordinated sales by establishing an account management system on a cross-segment basis.

・Improve the inside sales function and strengthen our sales capabilities through combined sales efforts made in cooperation with field sales.

・Seek to create businesses in growth areas through collaboration with start-ups and expand value chains by taking advantage of corporate reorganization.

Factory Automation Systems

・Facilitate the transformation of businesses from the provision of components to solutions and consulting services by strengthening our solutions proposal capabilities.

・Support customers' efforts to address challenges, drive an evolution in manufacturing, and create safe and rewarding workplaces by harnessing the knowledge we have accumulated at manufacturing sites and new technologies such as AI and IoT together with automation.

・Promote and strengthen alliances with partner companies to improve responsiveness to deal with systems overseas.

Building Facilities

・Reinforce the expansion of building management systems, strengthen ZEB (Net Zero Energy Buildings) proposals, and facilitate the spread of energy usage with low environmental impact to maintain balance between a more comfortable environment and limiting energy consumption.

・Strengthen total solution offerings including construction and maintenance services.

Infrastructure

・Respond to changes in customers' business models in the traffic and public sectors, while also continuing to fulfill the mission of maintaining the safety, security and comfort of social infrastructure and evolution thereof. With this in mind, step up efforts to make proposals on solutions without being constrained by traditional business areas.

・Contribute to the strengthening of societal and industrial foundations by providing monitoring, disaster prevention, and disaster mitigation solutions in cases of climate-related and natural disasters.

Information & Communications Equipment

・Promote provision of solutions utilizing digital technologies in the medical treatment, nursing care and healthcare fields.

・Evolve from the security business to a total ICT business (expand into digital fields).

・Seek to find products and establish solutions that open up new ways of utilizing and collaborating with data by taking advantage of the evolution of IoT devices and introducing 5G.

・Accelerate entry into the automotive field.

(3) Issues to be addressed by the Company

While the business environment surrounding the Group remains uncertain, strengthening the earnings structure remains a key challenge to achieving sustainable growth. As the final year of the five-year medium-term management plan, Electronics Solutions-Company 2025 (ES-C2025), we will steadily implement measures to achieve its management targets.

(i) Medium-term management plan, Electronics Solutions-Company 2025

The basic policy of the medium-term management plan is to become an Electronics Solutions Company that contributes to solving social issues and realizes sustainable growth through SDG initiatives. The final-year numerical targets emphasize profitability and include: operating profit of ¥5.7 billion, operating profit ratio of 4.5% or higher, ROE of 8.0% or higher, and generation of ¥10.0 billion in net sales through strategic investments, etc.

The fiscal year ending March 31, 2026, marks the final year of the medium-term management plan, and the Group will continue working to translate these initiatives into tangible outcomes. In addition, the Group will proactively invest in enhancing human, intellectual, and social relationship capital to reinforce the foundation for growth, create new value, and realize sustainable growth—ultimately building a positive cycle that further expands capital.

Management Numerical Targets and Performance Trends under Medium-Term Management Plan (ES-C2025)

Indicator	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025 Target
Operating profit (billions of yen)	2.67	2.84	3.96	4.54	4.50	¥5.7 billion
Operating profit ratio (%)	2.5	2.8	3.7	3.9	3.6	4.5% or higher
ROE (%)	5.2	4.3	6.4	7.5	8.2	8.0% or higher

Cash Allocation in Medium-Term Management Plan (ES-C2025)

Financial capital
(Cash inflows during ES-C2025)
Free cash flow (5-year total) Generate approx. ¥15.0 billion or more Increase cash flows from operating activities to secure positive revenue
2021.3 Cash equivalents of approx. ¥16.8 billion

Uses of cash		
(Amount of investment during ES-C2025)		
Investment Investment amount: ¥9.0 billion	Human capital Investment amount: ¥1.0 billion	• Secure a professional workforce • Improve the education systems and improve training • Increase the diversity of staff and their workstyles
	Intellectual capital Investment amount: ¥3.0 billion	• Carry out DX by accumulating and utilizing information • Increase and improve solutions by sharing transaction information and needs • Develop new solutions
	Social relationship capital Investment amount: ¥5.0 billion	• Capture new technologies and new business domains through M&A activities • Increase collaboration with partners to gain new technologies and to achieve stable supply • Diversify the customer portfolio to increase the stability of the revenue base
Shareholder returns ¥9.5 billion Dividend payout ratio: 40%	Dividend Dividend amount: ¥5.6 billion or more	• Improve capital efficiency (ROE) • Improve profitability and provide stable shareholder return • Further improve dividend policies
	Purchase of treasury shares Return amount: ¥3.8 billion or more	• Treasury shares worth ¥3,811 million were acquired in FY2021 and FY2022 • Flexibly acquire treasury shares
Working capital ¥9.0 billion to ¥13.0 billion	Stable financial foundation CCC 1.4 months	• Reduce inventories to the pre-pandemic level • Maintain receivables and payables at their current levels to ensure a timing difference of 1.4 to 1.7 months • Secure working capital for 1.0 to 1.5 months

(ii) Promotion of sustainability management

To realize sustainable growth, it is essential for the Group to contribute to solving social issues, including climate change, through our business activities. Accordingly, in FY2024, the Sustainability Committee took the lead in analyzing medium- to long-term risks and opportunities for the Group and identified material issues (materiality) that impact the environment and society through the Group’s business activities. In order to realize the “value we aim to create,” it is important to effectively utilize “capital that creates value,” and we will work to strengthen the “foundation that supports the creation of corporate value” as the base that supports this. Sub-materialities have been established under three main materialities, and by sincerely addressing each, the Group will contribute to solving social issues and achieving sustainable growth.

KANADEN's Materiality

Materiality		Sub-Materiality
Value we aim to create	Creating new business opportunities through solutions	Providing solutions to environmental issues such as climate change
		Providing solutions to social issues such as the shrinking workforce, aging society, and future safety and security
		Providing solutions to increase the corporate value of customers
Capital that creates value	Expanding our human capital and the intellectual capital cultivated as an electronics technology trading company	Human resources development
		Utilizing accumulated know-how and information
		Strengthening partnerships including those with customers, suppliers, and the community
Foundation that supports the creation of corporate value	Developing more sophisticated corporate governance	Improving the work environment and promoting diversity, equity, and inclusion
		Promoting DX
		Instilling awareness of corporate culture

(iii) Realization of management conscious of capital costs and stock price

The Group recognizes its capital cost to be around 7.0% based on the CAPM calculation method. It believes that consistently achieving ROE that exceeds the capital cost will contribute to an increase in PBR. First, as a business portfolio strategy to strengthen profitability, for the Factory Automation Systems business and the Information & Communications Equipment business, we will reinforce our solutions proposal ability through the enhancement of technological capabilities, including M&A, and expand the business scale by increasing market shares through the strengthening of overseas businesses. For the Building Facilities business and the Infrastructure business, we will focus on the improvement of profit ratios by expanding proposal domains through inter-business cooperation and strengthening value-added businesses such as environmental solutions.

Secondly, as an investment to implement growth strategies, we plan to invest ¥9.0 billion in the current medium-term management plan. We will enhance the KANADEN Group's growth foundation by making proactive investments in human capital, intellectual capital, and social relationship capital, which we consider to be the source of value creation, and establish a virtuous cycle of creating new value. The Group will continue to allocate management resources with capital cost awareness. We will aim to improve capital efficiency through shareholder returns such as a review of dividend policy and flexible purchase of treasury shares.

3. Basic policy regarding selection of accounting standards

The Group applies the Japanese GAAP for accounting standards, as most of its stakeholders are domestic shareholders, creditors, and business partners, and it has little need to raise funds from overseas.

4. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	17,047	16,723
Notes receivable - trade	1,352	1,026
Electronically recorded monetary claims - operating	7,441	7,497
Accounts receivable - trade	28,675	35,262
Contract assets	505	374
Merchandise and finished goods	11,294	8,422
Raw materials and supplies	1	6
Accounts receivable - other	1,453	1,979
Other	639	732
Allowance for doubtful accounts	(5)	(14)
Total current assets	68,404	72,011
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,845	6,011
Accumulated depreciation	(2,192)	(2,461)
Buildings and structures, net	3,653	3,549
Machinery, equipment and vehicles	164	184
Accumulated depreciation	(121)	(149)
Machinery, equipment and vehicles, net	43	34
Tools, furniture and fixtures	1,192	1,305
Accumulated depreciation	(902)	(972)
Tools, furniture and fixtures, net	289	333
Land	4,416	4,426
Construction in progress	8	65
Leased assets	279	300
Accumulated depreciation	(104)	(172)
Leased assets, net	174	128
Total property, plant and equipment	8,584	8,538
Intangible assets		
Software	127	1,314
Software in progress	1,291	–
Goodwill	1,631	1,630
Other	33	226
Total intangible assets	3,083	3,170
Investments and other assets		
Investment securities	4,802	4,358
Retirement benefit asset	194	456
Deferred tax assets	244	171
Other	345	408
Allowance for doubtful accounts	(62)	(33)
Total investments and other assets	5,524	5,361
Total non-current assets	17,192	17,070
Total assets	85,596	89,081

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,498	27,968
Electronically recorded obligations - operating	5,583	6,298
Current portion of long-term borrowings	702	–
Income taxes payable	810	630
Advances received	815	1,092
Provision for bonuses	1,334	864
Provision for bonuses for directors (and other officers)	136	142
Other	2,805	3,437
Total current liabilities	36,687	40,434
Non-current liabilities		
Lease liabilities	134	77
Deferred tax liabilities	38	75
Deferred tax liabilities for land revaluation	167	172
Provision for retirement benefits for directors (and other officers)	6	26
Retirement benefit liability	318	277
Asset retirement obligations	35	15
Other	5	13
Total non-current liabilities	705	657
Total liabilities	37,392	41,092
Net assets		
Shareholders’ equity		
Share capital	5,576	5,576
Capital surplus	5,361	5,355
Retained earnings	33,710	34,688
Treasury shares	(168)	(312)
Total shareholders’ equity	44,479	45,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,769	1,315
Revaluation reserve for land	378	373
Foreign currency translation adjustment	568	955
Remeasurements of defined benefit plans	845	36
Total accumulated other comprehensive income	3,562	2,681
Non-controlling interests	162	–
Total net assets	48,204	47,989
Total liabilities and net assets	85,596	89,081

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

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	116,271	125,665
Cost of sales	98,963	107,662
Gross profit	17,307	18,002
Selling, general and administrative expenses	12,763	13,502
Operating profit	4,544	4,500
Non-operating income		
Interest income	62	85
Dividend income	65	84
Purchase discounts	13	35
Foreign exchange gains	250	–
Rental income from real estate	27	33
Other	58	59
Total non-operating income	478	297
Non-operating expenses		
Interest expenses	13	16
Donations	6	2
Foreign exchange losses	–	32
Other	8	16
Total non-operating expenses	27	66
Ordinary profit	4,994	4,730
Extraordinary income		
Gain on sale of investment securities	66	119
Gain on sale of shares of subsidiaries and associates	–	51
Gain on transition to retirement benefit plan	–	952
Total extraordinary income	66	1,123
Extraordinary losses		
Loss on retirement of non-current assets	4	13
Loss on sale of non-current assets	1	–
Loss on sale of golf club membership	0	–
Loss on valuation of golf club membership	–	1
Total extraordinary losses	6	15
Profit before income taxes	5,055	5,839
Income taxes - current	1,645	1,359
Income taxes - deferred	(65)	532
Total income taxes	1,580	1,891
Profit	3,474	3,947
Profit attributable to non-controlling interests	–	5
Profit attributable to owners of parent	3,474	3,942

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit	3,474	3,947
Other comprehensive income		
Valuation difference on available-for-sale securities	629	(454)
Foreign currency translation adjustment	157	387
Remeasurements of defined benefit plans, net of tax	434	(809)
Total other comprehensive income	1,222	(875)
Comprehensive income	4,697	3,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,697	3,066
Comprehensive income attributable to non-controlling interests	–	5

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,576	5,343	31,313	(193)	42,039
Changes during period					
Dividends of surplus			(1,078)		(1,078)
Profit attributable to owners of parent			3,474		3,474
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		5		26	31
Cancellation of treasury shares					–
Change in scope of consolidation					–
Change in ownership interest of parent due to transactions with non-controlling interests		12			12
Transfer from retained earnings to capital surplus					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	18	2,396	25	2,440
Balance at end of period	5,576	5,361	33,710	(168)	44,479

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,139	378	410	410	2,339	–	44,379
Changes during period							
Dividends of surplus							(1,078)
Profit attributable to owners of parent							3,474
Purchase of treasury shares							(0)
Disposal of treasury shares							31
Cancellation of treasury shares							–
Change in scope of consolidation							–
Change in ownership interest of parent due to transactions with non-controlling interests							12
Transfer from retained earnings to capital surplus							–
Net changes in items other than shareholders' equity	629	–	157	434	1,222	162	1,384
Total changes during period	629	–	157	434	1,222	162	3,824
Balance at end of period	1,769	378	568	845	3,562	162	48,204

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,576	5,361	33,710	(168)	44,479
Changes during period					
Dividends of surplus			(1,407)		(1,407)
Profit attributable to owners of parent			3,942		3,942
Purchase of treasury shares				(1,739)	(1,739)
Disposal of treasury shares		8		25	33
Cancellation of treasury shares		(1,570)		1,570	–
Change in scope of consolidation					–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Transfer from retained earnings to capital surplus		1,556	(1,556)		–
Net changes in items other than shareholders' equity					–
Total changes during period	–	(5)	977	(144)	828
Balance at end of period	5,576	5,355	34,688	(312)	45,308

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	1,769	378	568	845	3,562	162	48,204
Changes during period							
Dividends of surplus							(1,407)
Profit attributable to owners of parent							3,942
Purchase of treasury shares							(1,739)
Disposal of treasury shares							33
Cancellation of treasury shares							–
Change in scope of consolidation							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
Transfer from retained earnings to capital surplus							–
Net changes in items other than shareholders' equity	(454)	(4)	387	(809)	(880)	(162)	(1,042)
Total changes during period	(454)	(4)	387	(809)	(880)	(162)	(214)
Balance at end of period	1,315	373	955	36	2,681	–	47,989

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	5,055	5,839
Depreciation	328	504
Amortization of goodwill	41	167
Increase (decrease) in allowance for doubtful accounts	1	(28)
Increase (decrease) in provision for bonuses	100	(421)
Increase (decrease) in provision for bonuses for directors (and other officers)	20	5
Decrease (increase) in retirement benefit asset	(194)	(261)
Increase (decrease) in retirement benefit liability	64	(1,138)
Interest and dividend income	(127)	(169)
Interest expenses	13	16
Loss (gain) on sale of investment securities	(66)	(119)
Loss (gain) on sale of shares of subsidiaries and associates	–	(51)
Gain on transition to retirement benefit plan	–	(952)
Decrease (increase) in accounts receivable - trade, and contract assets	1,524	(4,729)
Decrease (increase) in inventories	184	3,409
Decrease (increase) in advance payments to suppliers	(96)	(14)
Increase (decrease) in trade payables	(2,607)	3,150
Increase (decrease) in advances received	86	273
Increase (decrease) in accrued consumption taxes	463	(251)
Other, net	882	1,247
Subtotal	5,673	6,474
Interest and dividends received	128	169
Interest paid	(13)	(16)
Income taxes paid	(1,979)	(1,512)
Net cash provided by (used in) operating activities	3,809	5,114
Cash flows from investing activities		
Payments into time deposits	(37)	(100)
Proceeds from withdrawal of time deposits	641	110
Purchase of property, plant and equipment	(81)	(340)
Purchase of intangible assets	(273)	(118)
Purchase of investment securities	(19)	(14)
Proceeds from sale of investment securities	81	131
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	118
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,026)	(1,711)
Other, net	(15)	19
Net cash provided by (used in) investing activities	(731)	(1,905)

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from financing activities		
Repayments of short-term borrowings	–	(110)
Repayments of long-term borrowings	(69)	(702)
Purchase of treasury shares	(0)	(1,739)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	180	–
Dividends paid	(1,073)	(1,408)
Other, net	(14)	(31)
Net cash provided by (used in) financing activities	(977)	(3,992)
Effect of exchange rate change on cash and cash equivalents	211	259
Net increase (decrease) in cash and cash equivalents	2,311	(524)
Cash and cash equivalents at beginning of period	14,635	16,947
Cash and cash equivalents at end of period	16,947	16,423

(5) Notes on consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in the scope of consolidation or application of equity method

<u>Significant changes in the scope of consolidation</u>

Kanaden Telesys Corporation, previously a consolidated subsidiary of the Company, was excluded from the scope of consolidation starting from the fiscal year under review, due to the sale of all its shares.

In addition, Takashima Electric Corporation and Takashima Engineering Corporation were newly included in the scope of consolidation starting from the fiscal year under review, due to stock acquisitions.

Additional information

<u>Transition of retirement benefit plans</u>

On December 1, 2024, the Company transitioned from a defined benefit corporate pension plan to a defined contribution corporate pension plan. Accounting for this transition was conducted in accordance with “Guidance on Accounting for Transfer between Retirement Benefit Plans” (Accounting Standards Board of Japan (ASBJ) Guidance No. 1, revised December 16, 2016) and “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (Practical Solution No. 2, revised February 7, 2007). Following detailed calculations, figures were revised from those disclosed in the Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2024, released on February 3, 2025. As a result, a gain on transition to retirement benefit plan amounting to ¥952 million was recorded as extraordinary income for the fiscal year under review.

Notes on segment information, etc.

<u>Segment information</u>

1. Overview of reportable segments

   The Company’s reportable segments are those for which separate financial information is available and which are subject to regular review by the Board of Directors and others for the purpose of evaluating business performance and allocating management resources.

   As an Electronics Solutions Company, the Group organizes its business divisions under the Head Office by product and market segments, with each business division responsible for formulating comprehensive strategies for its domestic and overseas operations, and business activities are conducted in an integrated manner with district offices and branch offices acting in regional strategy roles.

   Accordingly, the Group’s segments are structured by business based on products and markets and include four reportable segments: Factory Automation Systems business, Building Facilities business, Infrastructure business, and Information & Communications Equipment business.

   The Factory Automation Systems business sells factory automation equipment such as controller systems and automation systems that improve quality and productivity in manufacturing lines, as well as mechatronics products like laser processing machines and electric discharge machines for precision machining.

   The Building Facilities business sells uninterruptible power supplies (UPS), elevators, and energy-efficient products such as air conditioning equipment, residential and refrigeration equipment, and energy management systems.

   The Infrastructure business sells substation power systems, LED equipment, telecommunications equipment, and electrical components for vehicles to railway operators, as well as systems contributing to social infrastructure such as traffic safety systems, air traffic control systems, solar power systems, and regional disaster prevention systems.

The Information & Communications Equipment business sells semiconductors centered on microcontrollers essential to telecommunications, automobiles, and industrial equipment; electronic components; and solution systems for imaging, security, and electronic medical care systems tailored to diverse needs and challenges.

2. Method of calculation of net sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting methods for the reportable segments are the same as those used to prepare the consolidated financial statements. Segment profit figures are based on ordinary profit.

Intersegment sales and transfers are calculated based on current market prices.

3. Information of net sales, profit (loss), assets, liabilities, and other items for each reportable segment

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments				
	Factory Automation Systems business	Building Facilities business	Infrastructure business	Information & Communications Equipment business	Total
Net sales					
Net sales to external customers	46,890	14,933	23,878	30,568	116,271
Intersegment sales or transfers	118	187	52	57	416
Total	47,009	15,121	23,931	30,625	116,687
Segment profit	2,813	223	111	1,625	4,773
Segment assets	24,970	5,693	9,407	15,331	55,401
Other items					
Depreciation	18	0	0	48	68
Amortization of goodwill	41	–	–	–	41
Increase in property, plant and equipment, and intangible assets	1,674	–	–	15	1,690

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segments				
	Factory Automation Systems business	Building Facilities business	Infrastructure business	Information & Communications Equipment business	Total
Net sales					
Net sales to external customers	48,247	17,523	28,881	31,012	125,665
Intersegment sales or transfers	64	102	11	49	228
Total	48,312	17,626	28,892	31,061	125,893
Segment profit	2,281	318	186	1,897	4,684
Segment assets	25,635	7,095	10,811	15,159	58,703
Other items					
Depreciation	61	0	0	41	103
Amortization of goodwill	167	–	–	–	167
Increase in property, plant and equipment, and intangible assets	397	–	0	11	409

4. Differences between total reportable segment amounts and the amount recorded in consolidated financial statements and main items of the differences (matters relating to reconciliation)

(Millions of yen)

Net sales	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Total of reportable segments	116,687	125,893
Elimination of intersegment transactions	(416)	(228)
Net sales in the consolidated financial statement	116,271	125,665

(Millions of yen)

Profit	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Total of reportable segments	4,773	4,684
Company-wide expenses (Note)	221	46
Ordinary profit in the consolidated financial statement	4,994	4,730

Note: Company-wide expenses mainly consist of general and administrative expenses as well as non-operating income (expenses) not attributable to any reportable segment.

(Millions of yen)

Assets	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Total of reportable segments	55,401	58,703
Company-wide assets (Note)	30,194	30,378
Total assets in the consolidated financial statement	85,596	89,081

Note: Company-wide assets mainly consist of surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to the Head Office and district offices/branch offices, including land, buildings, and assets for management divisions.

(Millions of yen)

Other items	Total of reportable segments		Adjustment		Amount recorded in consolidated financial statements	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Depreciation	68	103	260	400	328	504
Amortization of goodwill	41	167	–	–	41	167
Interest income	–	–	62	85	62	85
Interest expenses	–	–	13	16	13	16
Increase in property, plant and equipment, and intangible assets	1,690	409	392	329	2,082	738

Note: Adjustments for depreciation and increases in property, plant and equipment and intangible assets relate to company-wide assets.

Business combinations

Finalization of provisional accounting treatment for a business combination

The business combination with GCJG19 Corporation and its subsidiary JAPAN CONTROL ENGINEERING Co, Ltd., which took place on December 26, 2023, was accounted for provisionally in the previous fiscal year but was finalized during the fiscal year under review.

As a result, the goodwill amount of ¥1,673 million that had been provisionally calculated was reduced by ¥155 million upon finalization, resulting in goodwill of ¥1,517 million. The decrease in goodwill was due to increases of ¥224 million in other intangible assets (customer-related intangible assets) and ¥68 million in deferred tax liabilities.

Business divestiture

1. Overview of business divestiture
   (1) Name of transferee company
   ITX Corporation
   (2) Name and business description of divested subsidiary
   Name: Kanaden Telesys Corporation
   Business description: Operation of docomo Shops and corporate solutions business
   (3) Reason for business divestiture
   Kanaden Telesys Corporation, established in 1994, had been engaged in docomo Shop operations and corporate mobile solution sales in the Kansai region.
   The stock transfer was agreed upon to enhance synergies such as integrating the know-how both companies have in the mobile solutions business and strengthening sales capabilities, as well as to expand business scale while further improving customer satisfaction.
   (4) Date of business divestiture
   September 25, 2024 (Deemed date of sale: September 30, 2024)
   (5) Other items regarding overview of transaction, including legal form
   Stock transfer with consideration consisting solely of cash and other assets
2. Overview of accounting treatment adopted
   (1) Gain (loss) on transfer
   Gain on sale of shares of subsidiaries and associates: ¥51 million
   (2) The appropriate carrying amounts of the assets and liabilities related to the transferred business and their main breakdown

	(Millions of yen)
Current assets	1,116
Non-current assets	374
Total assets	1,490
Current liabilities	473
Non-current liabilities	181
Total liabilities	654

(3) Accounting treatment

The difference between the consolidated carrying amount and the sale price of the shares of Kanaden Telesys Corporation has been recorded as gain on sale of shares of subsidiaries and associates and included in extraordinary income.

3. Reportable segment that included the divested business

Information & Communications Equipment business

4. Estimated profit and loss of the divested business included in the consolidated statements of income for the fiscal year under review

Net sales	¥774 million
Operating profit	¥38 million

Acquisition through business combination

1. Overview of the business combination

(1) Names and business description of entities involved in the business combination

Names of entities involved in the business combination:
Takashima Electric Corporation and its subsidiary Takashima Engineering Corporation

Business description:
Procurement and sales of factory automation equipment, electrical construction materials, and low/high-voltage switchboards; system software design

(2) Purpose of business combination

To expand the Factory Automation Systems business area, which is one of the KANADEN Group's core businesses, the Group acquired all issued shares of Takashima Electric Corporation and welcomed the company into the Group.

Takashima Electric Corporation is based in the Yamagata Prefecture and has a strong presence in the Tohoku region. It specializes in designing, manufacturing, and selling electrical construction materials, factory automation equipment, control devices, and low/high-voltage switchboards. By fostering collaboration between the company and the Group's core Factory Automation Systems business, we aim to leverage synergies through product expansion, enhancement of technological capabilities, and expansion of sales areas and customer base to develop new solutions.

In response to the rapidly changing business environment driven by declining labor populations and advances in digital technology, we will contribute to IoT adoption in manufacturing to help shape the future of our customers' production sites and enhance the KANADEN Group's corporate value.

(3) Date of the business combination

Date of share acquisition: December 2, 2024

Deemed date of acquisition: December 31, 2024

(4) Legal form of the business combination

Acquisition of shares in exchange for cash consideration

(5) Name of entity after the business combination

Unchanged.

(6) Percentage of voting rights acquired

100%

(7) Basis for determining the acquirer

The Company acquired the shares in exchange for cash consideration.

2. Period of business performance of acquired companies included in consolidated statements of income

From January 1, 2025 to March 31, 2025

3. Acquisition cost of acquirees and components thereof by consideration type

Consideration for the acquisition	Cash	¥2,247 million
Acquisition cost		¥2,247 million

4. Major costs related to the acquisition and their amount

Processing fees and commissions paid to advisors, etc. ¥13 million

5. Amount of goodwill arising, reason for recognition, amortization method, and amortization period

(1) Amount of goodwill arising: ¥318 million

The amount of goodwill has been provisionally determined based on reasonably available information at the end of the fiscal year under review, as the identification of identifiable assets and liabilities as of the business combination date and the estimation of their fair value had not been completed, and the allocation of the acquisition cost had not yet been finalized.

(2) Reason for recognition

The goodwill was recognized based on the expected future excess earnings from future business development.

(3) Amortization method and period

Straight-line method over five years

6. Amounts of assets acquired and liabilities assumed on the date of the business combination, and the major components thereof

	(Millions of yen)
Current assets	2,689
Non-current assets	642
Total assets	3,331
Current liabilities	1,293
Non-current liabilities	109
Total liabilities	1,402

7. Allocation of acquisition cost

As of the end of the fiscal year under review, the identification of identifiable assets and liabilities as of the business combination date and the estimation of their fair value had not been completed, and the allocation of the acquisition cost had not yet been finalized. Accordingly, provisional accounting treatment has been applied based on reasonably available information at that time.

8. Estimated impact on the consolidated statements of income for the fiscal year under review assuming the business combination had been completed on the first day of the fiscal year, and its calculation method

As a reasonable estimate for the fiscal year under review is difficult to determine, no disclosure is made.

Per share information

(Yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Net assets per share	2,048.32	2,153.80
Earnings per share	148.21	169.31

Notes: 1. Information on diluted earnings per share is omitted due to an absence of potential shares.

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

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	3,474	3,942
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	3,474	3,942
Average number of common shares during the period (Thousands of shares)	23,445	23,283

Significant events after reporting period

Not applicable.

5. Non-consolidated financial statements and significant notes thereto

(1) Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	12,040	12,026
Notes receivable - trade	1,270	797
Electronically recorded monetary claims - operating	7,378	7,104
Accounts receivable - trade	27,476	33,992
Contract assets	503	372
Merchandise and finished goods	9,656	6,565
Raw materials and supplies	0	1
Advance payments to suppliers	358	374
Prepaid expenses	195	238
Accounts receivable - other	1,083	1,934
Short-term loans receivable from subsidiaries and associates	41	48
Other	22	37
Allowance for doubtful accounts	(6)	(7)
Total current assets	60,022	63,487
Non-current assets		
Property, plant and equipment		
Buildings	3,480	3,452
Machinery and equipment	38	31
Tools, furniture and fixtures	276	287
Land	4,331	4,331
Leased assets	96	92
Construction in progress	7	–
Total property, plant and equipment	8,231	8,195
Intangible assets		
Software	123	1,264
Software in progress	1,291	–
Other	28	28
Total intangible assets	1,443	1,293
Investments and other assets		
Investment securities	4,768	4,068
Shares of subsidiaries and associates	2,143	4,388
Long-term loans receivable from subsidiaries and associates	339	1,166
Long-term prepaid expenses	3	0
Prepaid pension costs	–	403
Deferred tax assets	371	65
Other	177	148
Allowance for doubtful accounts	(62)	(33)
Allowance for doubtful accounts of subsidiaries and associates	(76)	(150)
Total investments and other assets	7,665	10,058
Total non-current assets	17,340	19,547
Total assets	77,363	83,034

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes payable - trade	59	121
Electronically recorded obligations - operating	5,476	6,161
Accounts payable - trade	23,161	26,647
Lease liabilities	27	33
Accounts payable - other	813	1,873
Income taxes payable	676	582
Advances received	771	1,050
Deposits received	150	165
Provision for bonuses	1,163	735
Provision for bonuses for directors (and other officers)	119	114
Guarantee deposits received	581	626
Other	712	532
Total current liabilities	33,714	38,644
Non-current liabilities		
Lease liabilities	79	68
Deferred tax liabilities for land revaluation	167	172
Long-term income taxes payable	–	13
Provision for retirement benefits	1,024	–
Asset retirement obligations	14	14
Total non-current liabilities	1,286	269
Total liabilities	35,001	38,914
Net assets		
Shareholders’ equity		
Share capital	5,576	5,576
Capital surplus		
Legal capital surplus	5,359	5,359
Other capital surplus	5	–
Total capital surplus	5,364	5,359
Retained earnings		
Legal retained earnings	588	588
Other retained earnings		
General reserve	16,740	16,740
Retained earnings brought forward	12,119	14,538
Total retained earnings	29,447	31,866
Treasury shares	(168)	(312)
Total shareholders’ equity	40,221	42,489
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,762	1,256
Revaluation reserve for land	378	373
Total valuation and translation adjustments	2,141	1,630
Total net assets	42,362	44,120
Total liabilities and net assets	77,363	83,034

(2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	107,917	117,176
Cost of sales	93,762	102,607
Gross profit	14,154	14,568
Selling, general and administrative expenses	10,113	10,524
Operating profit	4,041	4,043
Non-operating income		
Interest income	9	16
Dividend income	720	1,288
Purchase discounts	13	35
Rental income from real estate	55	59
Foreign exchange gains	249	–
Other	24	26
Total non-operating income	1,072	1,426
Non-operating expenses		
Interest expenses	7	12
Provision of allowance for doubtful accounts for subsidiaries and associates	52	74
Foreign exchange losses	–	28
Other	13	16
Total non-operating expenses	73	131
Ordinary profit	5,040	5,339
Extraordinary income		
Gain on sale of investment securities	66	119
Gain on sale of shares of subsidiaries and associates	176	704
Gain on transition to retirement benefit plan	–	952
Total extraordinary income	242	1,776
Extraordinary losses		
Loss on retirement of non-current assets	1	12
Total extraordinary losses	1	12
Profit before income taxes	5,281	7,103
Income taxes - current	1,458	1,217
Income taxes - deferred	(53)	503
Total income taxes	1,405	1,720
Profit	3,876	5,383

(3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares	Total sharehol-ders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of period	5,576	5,359	–	5,359	588	16,740	9,321	26,650	(193)	37,391
Changes during period										
Dividends of surplus							(1,078)	(1,078)		(1,078)
Profit							3,876	3,876		3,876
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			5	5					26	31
Cancellation of treasury shares										–
Transfer from retained earnings to capital surplus										–
Net changes in items other than shareholders' equity										–
Total changes during period	–	–	5	5	–	–	2,797	2,797	25	2,829
Balance at end of period	5,576	5,359	5	5,364	588	16,740	12,119	29,447	(168)	40,221

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	1,139	378	1,518	38,910
Changes during period				
Dividends of surplus				(1,078)
Profit				3,876
Purchase of treasury shares				(0)
Disposal of treasury shares				31
Cancellation of treasury shares				–
Transfer from retained earnings to capital surplus				–
Net changes in items other than shareholders' equity	622	–	622	622
Total changes during period	622	–	622	3,452
Balance at end of period	1,762	378	2,141	42,362

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of period	5,576	5,359	5	5,364	588	16,740	12,119	29,447	(168)	40,221
Changes during period										
Dividends of surplus							(1,407)	(1,407)		(1,407)
Profit							5,383	5,383		5,383
Purchase of treasury shares									(1,739)	(1,739)
Disposal of treasury shares			8	8					25	33
Cancellation of treasury shares			(1,570)	(1,570)					1,570	–
Transfer from retained earnings to capital surplus			1,556	1,556			(1,556)	(1,556)		–
Net changes in items other than shareholders' equity										–
Total changes during period	–	–	(5)	(5)	–	–	2,418	2,418	(144)	2,268
Balance at end of period	5,576	5,359	–	5,359	588	16,740	14,538	31,866	(312)	42,489

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	1,762	378	2,141	42,362
Changes during period				
Dividends of surplus				(1,407)
Profit				5,383
Purchase of treasury shares				(1,739)
Disposal of treasury shares				33
Cancellation of treasury shares				–
Transfer from retained earnings to capital surplus				–
Net changes in items other than shareholders' equity	(505)	(4)	(510)	(510)
Total changes during period	(505)	(4)	(510)	1,758
Balance at end of period	1,256	373	1,630	44,120