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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



April 28, 2022

Company name: KANEMATSU ELECTRONICS LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8096

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

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Scheduled date of annual general shareholders' meeting: June 21, 2022

Scheduled date of commencing dividend payments: May 31, 2022

Scheduled date of filing securities report: June 21, 2022

Availability of supplementary explanatory materials on annual financial results: Available

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

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2022	71,331	8.8	12,687	16.7	12,784	15.8	8,785	19.0
March 31, 2021	65,542	(8.9)	10,870	(0.6)	11,041	0.4	7,382	(0.1)

Note: Comprehensive income: Fiscal year ended March 31, 2022: ¥9,634 million [31.4 %]

Fiscal year ended March 31, 2021: ¥7,329 million [(0.3) %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2022	307.07	—	14.9	16.2	17.8
March 31, 2021	258.11	—	13.5	15.0	16.6

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	82,446	61,928	75.1	2,162.83
As of March 31, 2021	75,164	56,415	75.0	1,970.26

Reference: Equity: As of March 31, 2022: ¥61,885 million

As of March 31, 2021: ¥56,361 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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended				
March 31, 2022	7,999	(1,074)	(4,149)	49,668
March 31, 2021	8,610	(884)	(3,863)	46,877

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	–	65.00	–	70.00	135.00	3,861	52.3	7.1
Fiscal year ended March 31, 2022	–	75.00	–	80.00	155.00	4,435	50.5	7.5
Fiscal year ending March 31, 2023 (Forecast)	–	75.00	–	80.00	155.00		51.6	

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	35,000	2.7	5,950	(2.1)	6,000	(2.1)	4,000	(4.5)	139.81
Full year	72,000	0.9	12,750	0.5	12,800	0.1	8,600	(2.1)	300.58

* Notes:

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

March 31, 2022:	28,633,952 shares
March 31, 2021:	28,633,952 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2022:	20,992 shares
March 31, 2021:	28,039 shares
 - 3) Average number of shares during the period:

Fiscal year ended March 31, 2022:	28,610,883 shares
Fiscal year ended March 31, 2021:	28,603,596 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022. (April 1, 2021 - March 31, 2022)****(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	61,367	7.7	8,380	14.4	9,657	10.1	7,131	12.4
March 31, 2021	57,005	(8.7)	7,328	3.6	8,775	5.4	6,345	5.0

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	249.25	—
March 31, 2021	221.83	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	67,287	50,632	75.2	1,769.57
As of March 31, 2021	62,278	46,664	74.9	1,631.28

Reference: Equity: As of March 31, 2022: ¥50,632 million

As of March 31, 2021: ¥46,664 million

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

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

The financial results forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to be a promise by the Company to achieve them. As such, actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions used as the basis for the financial results forecast and notes on their use, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2022 (the “fiscal year under review”), the outlook of the Japanese economy remains uncertain amid the persisting impact of COVID-19 pandemic. While there are some trends toward recovery supported by the rollout of vaccinations and various policies implemented nationwide, new and more contagious variants are spurring the resurgence of COVID-19. In addition, resource prices are rising, with the added impact of Russia’s invasion of Ukraine stimulating global unrest.

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

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

Specifically, the Group worked on workstyle reform and COVID-19 countermeasures through the construction of robust environments for virtual desktop infrastructure (VDI) and security solutions in line with the era of zero trust networks. At the same time, the Group further expanded sales of its service-oriented businesses centered on the 3Ks*. Furthermore, in May 2021, the Company entered into a capital and business alliance agreement with Keyware Solutions Inc. The agreement aims to expand and deepen the Company’s customer base and business domains for the sake of its medium- to long-term growth.

As a result of the above, in the fiscal year under review, net sales increased by 5,788 million yen year on year to 71,331 million yen (up 8.8% year on year). Operating profit increased by 1,817 million yen year on year to 12,687 million yen (up 16.7% year on year), and ordinary profit increased by 1,742 million yen year on year to 12,784 million yen (up 15.8% year on year), while profit attributable to owners of parent increased by 1,402 million yen year on year to 8,785 million yen (up 19.0% year on year), as a result of proceeds from a settlement reached in a pending litigation.

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

The status of reportable segments were as follows:

(IT Systems Business)

Net sales in the IT Systems Business increased by 4,395 million yen year on year to 50,800 million yen (up 9.5% year on year), mainly due to strong performances in the storage-related and network security-related businesses.

(Services and Support Business)

Net sales in the Services and Support Business increased by 1,392 million yen year on year to 20,530 million yen (up 7.3% year on year), mainly due to an increase in sales related to the system operation business and cloud services.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Current assets increased by 8.8% from the end of the previous fiscal year to 75,031 million yen. This was mainly attributable to increases in cash and deposits of 2,790 million yen and notes and accounts receivable – trade of 1,590 million yen.

Non-current assets increased by 19.9% from the end of the previous fiscal year to 7,415 million yen. This was mainly attributable to an increase in investment securities of 1,857 million yen.

(Liabilities)

Current liabilities increased by 10.2% from the end of the previous fiscal year, to 17,966 million yen. This was mainly attributable to increases in income taxes payable of 746 million yen and notes and accounts payable – trade of 465 million yen.

Non-current liabilities increased by 4.3% from the end of the previous fiscal year to 2,551 million yen. This was mainly attributable to an increase in retirement benefit liability of 109 million yen.

(Net assets)

Net assets increased by 9.8% from the end of the previous fiscal year, to 61,928 million yen. This was mainly attributable to an increase in retained earnings by 4,637 million yen due to the recording of profit attributable to owners of parent of 8,785 million yen and the payment of dividends of 4,148 million yen. As a result, equity ratio rose to 75.1% from 75.0% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review increased by 2,790 million yen (6.0%) from the end of the previous fiscal year, to 49,668 million yen. The status of cash flows and underlying factors were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 7,999 million yen (an inflow of 8,610 million yen in the previous fiscal year), mainly due to accumulated operating revenue and the collection of trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,074 million yen (an outflow of 884 million yen in the previous fiscal year), mainly due to purchase of investment securities, as well as purchase of property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 4,149 million yen (an outflow of 3,863 million yen in the previous fiscal year), mainly due to dividends paid.

Reference: Trends in Cash Flow Indicators

	50th term Fiscal year ended March 31, 2018	51st term Fiscal year ended March 31, 2019	52nd term Fiscal year ended March 31, 2020	53rd term Fiscal year ended March 31, 2021	54th term Fiscal year ended March 31, 2022
Equity ratio (%)	71.9	72.4	73.6	75.0	75.1
Equity ratio based on fair value (%)	139.7	140.3	135.4	142.0	133.1
Ratio of interest- bearing debt to cash flow (%)	0.2	–	–	–	–
Interest coverage ratio (times)	13,760.0	16,089.3	18,122.4	171,985.3	3,482,484.1

Equity ratio: Equity / Total assets

Equity ratio based on fair value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest paid

Notes: 1. The indicators are calculated on a consolidated basis.

2. Market capitalization is calculated by multiplying the share price at the year-end by the total number of shares issued and outstanding at the end of the year (excluding treasury shares).

3. Operating cash flows represent the cash flows from operating activities stated on the consolidated statements of cash flows.

4. Interest-bearing debt represents all liabilities posted on the consolidated balance sheets for which interest is paid.

5. Interest paid represents the amount of interest paid in the consolidated statements of cash flows.

(4) Future Outlook

The economy in Japan is expected to continue to be subjected to some levels of restriction over social and economic activities, as there is no clear outlook on when COVID-19 will be contained, despite the nationwide rollout of vaccinations. Additionally, Russia's invasion of Ukraine is bringing about inflation worldwide and increased geopolitical risk, as well as restrictions on supply reflecting disruption in the supply chain and soaring resource prices, raising concerns of a downturn in consumption.

In the IT market, while caution is required regarding the risk of delivery delays stemming from restrictions on supply, corporations are faced by the rising need for DX, and the role of IT is expected to expand, as a means to solve social issues such as SDGs as well as further expanding existing businesses and creating new businesses.

The Group intends to meet such growing demand by leveraging the strength of its multi-vendor approach backed by a solid customer base and technological prowess to continue offering optimal IT environments to customers through one-stop services ranging from design, creation to maintenance and operation of IT infrastructure. Moreover, in addition to further expanding sales of service-oriented businesses centered on the 3Ks, the Group plans to make aggressive investments to ensure its sustainable growth, such as through capital and business alliances that co-create added value and the development of new businesses.

As a result of the above, the financial results forecast for the fiscal year ending March 31, 2023 is as follows. The Company does not disclose non-consolidated financial results forecasts.

Financial results forecast for the fiscal year ending March 31, 2023

	First half		Full year	
	Forecast (Million yen)	YoY change (%)	Forecast (Million yen)	YoY change (%)
Net sales	35,000	2.7	72,000	0.9
Operating profit	5,950	(2.1)	12,750	0.5
Ordinary profit	6,000	(2.1)	12,800	0.1
Profit attributable to owners of parent	4,000	(4.5)	8,600	(2.1)

(5) Basic Dividend Policy and Dividends for the Fiscal Year under Review and the Following Fiscal Year

Our basic policy on the return of profits to shareholders is to provide stable and continuous dividends while striving to strengthen the foundation for long-term corporate growth.

For the fiscal year ended March 31, 2022, the Company plans to raise the year-end dividend by 10 yen per share to 80 yen per share to repay shareholders for their ongoing support taking into consideration the fact that business performance for the fiscal year under review outperformed that for the previous fiscal year, in addition to the policy mentioned above. Together with the interim dividend of 75 yen per share paid in December 2021, the annual dividend for the fiscal year under review will be 155 yen (consolidated dividend payout ratio of 50.5%).

The year-end dividend will be officially decided at the Board of Directors meeting scheduled to be held on May 13, 2022.

For the fiscal year ending March 31, 2023, the Company plans to pay an interim dividend of 75 yen and a year-end dividend of 80 yen (annual dividend of 155 yen).

Dividend forecast for the fiscal year ending March 31, 2023

Record date	Dividends per share (Yen)		
	2nd quarter-end	Year-end	Annual
Fiscal year ending March 31, 2023	75	80	155
Fiscal year ended March 31, 2022	75	80	155

2. Basic Policy on Selection of Accounting Standards

The Group currently operates its business mainly in Japan, and intends to prepare financial statements based on Japanese GAAP for the time being. However, the Group's policy is to continue verifying whether to adopt International Financial Reporting Standards (IFRS) taking into account future trends in the ratio of foreign shareholders and the adoption of IFRS by other companies in Japan.

3. Consolidated Financial Statements and Principal Notes
(1) Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	46,877,658	49,668,376
Notes and accounts receivable - trade	16,218,110	17,808,143
Inventories	1,997,085	3,146,103
Other	3,888,224	4,409,190
Total current assets	68,981,078	75,031,813
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,098,688	1,089,297
Other, net	962,834	749,512
Total property, plant and equipment	2,061,523	1,838,810
Intangible assets		
Other	843,991	758,842
Total intangible assets	843,991	758,842
Investments and other assets		
Investment securities	913,538	2,770,787
Deferred tax assets	1,342,731	1,035,525
Other	1,029,677	1,018,745
Allowance for doubtful accounts	(7,644)	(7,644)
Total investments and other assets	3,278,303	4,817,413
Total non-current assets	6,183,817	7,415,067
Total assets	75,164,896	82,446,880

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,732,807	8,198,715
Income taxes payable	1,829,831	2,576,420
Unearned revenue	3,224,808	—
Contract liabilities	—	3,463,319
Provision for bonuses	1,125,714	1,235,705
Provision for bonuses for directors (and other officers)	142,700	144,200
Other	2,247,526	2,348,371
Total current liabilities	16,303,388	17,966,731
Non-current liabilities		
Retirement benefit liability	1,837,932	1,947,931
Asset retirement obligations	589,330	585,572
Other	18,867	17,887
Total non-current liabilities	2,446,130	2,551,390
Total liabilities	18,749,518	20,518,122
Net assets		
Shareholders' equity		
Share capital	9,031,257	9,031,257
Capital surplus	7,138,453	7,159,524
Retained earnings	39,802,387	44,439,446
Treasury shares	(26,170)	(20,208)
Total shareholders' equity	55,945,928	60,610,020
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	220,455	1,179,326
Deferred gains or losses on hedges	(15)	(512)
Foreign currency translation adjustment	79,125	94,998
Remeasurements of defined benefit plans	115,552	1,222
Total accumulated other comprehensive income	415,116	1,275,035
Non-controlling interests	54,332	43,702
Total net assets	56,415,378	61,928,758
Total liabilities and net assets	75,164,896	82,446,880

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	65,542,459	71,331,366
Cost of sales	45,596,364	49,241,677
Gross profit	19,946,094	22,089,689
Selling, general and administrative expenses	9,075,426	9,401,735
Operating profit	10,870,667	12,687,953
Non-operating income		
Interest income	5,329	5,415
Dividend income	14,813	18,958
Insurance claim income	100,000	—
Subsidy income	13,513	22,069
Compensation for forced relocation	—	15,649
Miscellaneous income	38,610	35,753
Total non-operating income	172,267	97,845
Non-operating expenses		
Interest expenses	50	2
Miscellaneous expenses	1,007	1,294
Total non-operating expenses	1,057	1,296
Ordinary profit	11,041,878	12,784,502
Extraordinary income		
Gain on sale of non-current assets	—	1,571
Settlement income	—	180,000
Gain on sale of golfclub membership	2,170	4,417
Total extraordinary income	2,170	185,989
Extraordinary losses		
Loss on retirement of non-current assets	107,062	11,162
Loss on sale of investment securities	450	1,113
Loss on valuation of golfclub membership	—	4,300
Loss on valuation of investment securities	—	2,445
Total extraordinary losses	107,513	19,022
Profit before income taxes	10,936,535	12,951,469
Income taxes - current	3,481,442	4,242,499
Income taxes - deferred	71,906	(64,525)
Total income taxes	3,553,349	4,177,973
Profit	7,383,185	8,773,495
Profit (loss) attributable to non-controlling interests	272	(11,955)
Profit attributable to owners of parent	7,382,913	8,785,451

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	7,383,185	8,773,495
Other comprehensive income		
Valuation difference on available-for-sale securities	41,053	958,871
Deferred gains or losses on hedges	318	(496)
Foreign currency translation adjustment	7,425	17,198
Remeasurements of defined benefit plans, net of tax	(102,308)	(114,329)
Total other comprehensive income	(53,511)	861,244
Comprehensive income	7,329,674	9,634,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,326,338	9,645,370
Comprehensive income attributable to non-controlling interests	3,335	(10,630)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,031,257	7,112,350	36,280,689	(32,045)	52,392,252
Changes during period					
Dividends of surplus			(3,861,214)		(3,861,214)
Profit attributable to owners of parent			7,382,913		7,382,913
Purchase of treasury shares				(2,041)	(2,041)
Disposal of treasury shares		26,102		7,917	34,019
Net changes in items other than shareholders' equity					
Total changes during period		26,102	3,521,698	5,875	3,553,676
Balance at end of period	9,031,257	7,138,453	39,802,387	(26,170)	55,945,928

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	179,401	(334)	74,762	217,861	471,691	50,996	52,914,939
Changes during period							
Dividends of surplus							(3,861,214)
Profit attributable to owners of parent							7,382,913
Purchase of treasury shares							(2,041)
Disposal of treasury shares							34,019
Net changes in items other than shareholders' equity	41,053	318	4,362	(102,308)	(56,574)	3,335	(53,238)
Total changes during period	41,053	318	4,362	(102,308)	(56,574)	3,335	3,500,438
Balance at end of period	220,455	(15)	79,125	115,552	415,116	54,332	56,415,378

Fiscal year ended March 31, 2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,031,257	7,138,453	39,802,387	(26,170)	55,945,928
Changes during period					
Dividends of surplus			(4,148,393)		(4,148,393)
Profit attributable to owners of parent			8,785,451		8,785,451
Purchase of treasury shares				(1,225)	(1,225)
Disposal of treasury shares		21,071		7,187	28,258
Net changes in items other than shareholders' equity					
Total changes during period		21,071	4,637,058	5,962	4,664,091
Balance at end of period	9,031,257	7,159,524	44,439,446	(20,208)	60,610,020

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	220,455	(15)	79,125	115,552	415,116	54,332	56,415,378
Changes during period							
Dividends of surplus							(4,148,393)
Profit attributable to owners of parent							8,785,451
Purchase of treasury shares							(1,225)
Disposal of treasury shares							28,258
Net changes in items other than shareholders' equity	958,871	(496)	15,873	(114,329)	859,918	(10,630)	849,288
Total changes during period	958,871	(496)	15,873	(114,329)	859,918	(10,630)	5,513,380
Balance at end of period	1,179,326	(512)	94,998	1,222	1,275,035	43,702	61,928,758

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	10,936,535	12,951,469
Depreciation	616,859	761,070
Increase (decrease) in provision for bonuses	(55,219)	109,990
Increase (decrease) in retirement benefit liability	64,993	54,066
Interest and dividend income	(20,142)	(24,374)
Interest expenses	50	2
Loss (gain) on sale of non-current assets	—	(1,571)
Loss on retirement of non-current assets	107,062	11,162
Loss (gain) on sale golfclub membership	(2,170)	(4,417)
Loss on valuation of golfclub membership	—	4,300
Loss (gain) on sale of investment securities	450	1,113
Loss (gain) on valuation of investment securities	—	2,445
Settlement income	—	(180,000)
Decrease (increase) in trade receivables	620,226	(1,589,190)
Decrease (increase) in inventories	120,478	(1,147,632)
Decrease (increase) in other current assets	(103,272)	(197,604)
Increase (decrease) in trade payables	216,271	481,750
Increase (decrease) in other current liabilities	(302,026)	344,088
Other	(137,093)	(81,099)
Subtotal	12,063,002	11,495,569
Interest and dividend received	20,189	24,373
Interest paid	(50)	(2)
Proceeds from insurance income	100,000	—
Income taxes paid	(3,573,041)	(3,520,675)
Net cash provided by (used in) operating activities	8,610,100	7,999,265
Cash flows from investing activities		
Purchase of investment securities	(5,218)	(480,387)
Proceeds from sale of investment securities	10	1,636
Purchase of property, plant and equipment and intangible assets	(807,007)	(415,364)
Proceeds from sale of property, plant and equipment and intangible assets	—	1,711
Payments of guarantee deposits	(85,217)	(137,273)
Proceeds from refund of guarantee deposits	9,623	14,249
Payments for asset retirement obligations	—	(42,424)
Decrease (increase) in investments and other assets	3,250	(16,103)
Other	(250)	(975)
Net cash provided by (used in) investing activities	(884,808)	(1,074,932)
Cash flows from financing activities		
Dividends paid	(3,861,214)	(4,148,393)
Other	(2,041)	(1,225)
Net cash provided by (used in) financing activities	(3,863,256)	(4,149,618)
Effect of exchange rate change on cash and cash equivalents	5,301	16,002
Net increase (decrease) in cash and cash equivalents	3,867,336	2,790,717
Cash and cash equivalents at beginning of period	43,010,322	46,877,658
Cash and cash equivalents at end of period	46,877,658	49,668,376

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

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

The Company applied “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; the “Revenue Recognition Standard”) and related guidelines from the beginning of the fiscal year under review. Accordingly, the Company recognizes revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company has applied the transitional treatment set forth in the proviso to Paragraph 84 of the Revenue Recognition Standard in adopting the Revenue Recognition Standard. The cumulative impact of retrospectively applying the standards to prior periods have been adjusted in the beginning balance of retained earnings, and the new accounting policies have been applied prospectively from the beginning of the fiscal year under review.

This change has no impact on the consolidated financial statements for the fiscal year under review.

As a result of the adoption of the Revenue Recognition Standard, unearned revenue, which was presented under current liabilities in the consolidated balance sheets for the previous fiscal year, is presented as contract liabilities from the fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, consolidated financial statements for the previous fiscal year have not been reclassified using the new presentation method.

(Application of accounting standard for fair value measurement)

The Company applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; the “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policies prescribed by the Fair Value Measurement Standard and other standards.

This change has no impact on the consolidated financial statements for the fiscal year under review.

(Changes in presentation)

(Assets)

Investments in leases, which had been presented separately under current assets in the previous fiscal year, has been included in “Other” from the fiscal year under review, due to a decline in significance. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, investments in leases and “Other” presented under current assets in the consolidated balance sheets for the previous fiscal year of 9,251 thousand yen and 3,878,972 thousand yen, respectively, have been reclassified as “Other” of 3,888,224 thousand yen.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and that are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group's two reportable segments are the IT Systems Business, which mainly offers comprehensive information system proposals, system integration, network integration, and software development; and the Services and Support Business, which provides operation and management services, outsourcing services, and system maintenance services.

2. Calculation method of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method for reportable segments is generally the same as that described in "Basis for Preparing Consolidated Financial Statements."

Inter-segment sales or transfers are based on market prices.

For internal management purposes, the Group does not allocate assets to reportable segments, but does allocate depreciation.

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

For the fiscal year ended March 31, 2021

(Thousand yen)

	IT Systems Business	Services and Support Business	Total
Net sales			
Net sales to external customers	46,404,746	19,137,712	65,542,459
Inter-segment sales or transfers	292,398	478,314	770,712
Total	46,697,144	19,616,026	66,313,171
Segment profit	7,103,418	3,739,506	10,842,924
Other items			
Depreciation	398,833	217,807	616,641

Note: Assets are not stated as there are no assets allocated to the reportable segments.

For the fiscal year ended March 31, 2022

(Thousand yen)

	IT Systems Business	Services and Support Business	Total
Net sales			
Net sales to external customers	50,800,688	20,530,677	71,331,366
Intersegment sales or transfers	113,658	369,025	482,684
Total	50,914,347	20,899,703	71,814,050
Segment profit	8,530,157	4,032,164	12,562,321
Other items			
Depreciation	451,339	309,730	761,070

Note: Assets are not stated as there are no assets allocated to the reportable segments.

4. Reconciliation between the total amount of reportable segments and the amount recorded in the consolidated financial statements and the main details of adjustments

(Thousand yen)

Net Sales	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total of reportable segments	66,313,171	71,814,050
Elimination of inter-segment transactions	(770,712)	(482,684)
Net sales in the consolidated financial statements	65,542,459	71,331,366

(Thousand yen)

Profit	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total of reportable segments	10,842,924	12,562,321
Elimination of inter-segment transactions	27,743	125,632
Operating profit in the consolidated financial statements	10,870,667	12,687,953

[Related Information]

For the fiscal year ended March 31, 2021

1. Information by product and service

Information is not presented because the same information is stated in “Segment information.”

2. Information by region

(1) Net sales

Information is not presented because net sales to external customers in Japan exceeds 90% of those stated in the consolidated statements of income.

(2) Property, plant and equipment

Information is not presented because the amount of property, plant and equipment located in Japan exceeds 90% of those stated in the consolidated statements of income.

3. Information by major customer

Information is not presented because there are no external customers accounting for 10% or more of net sales in the consolidated statements of income.

For the fiscal year ended March 31, 2022

1. Information by product and service

Information is not presented because the same information is stated in “Segment information.”

2. Information by region

(1) Net sales

Information is not presented because net sales to external customers in Japan exceeds 90% of those stated in the consolidated statements of income.

(2) Property, plant and equipment

Information is not presented because the amount of property, plant and equipment located in Japan exceeds 90% of those stated in the consolidated statements of income.

3. Information by major customer

Information is not presented because there are no external customers accounting for 10% or more of net sales in the consolidated statements of income.

[Information on losses on impairment of non-current assets by reportable segment]

Not applicable.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

[Information on gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

Item	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net assets per share	¥1,970.26	¥2,162.83
Basic earnings per share	¥258.11	¥307.07

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

2. The basis for calculating basic earnings per share is as follows:

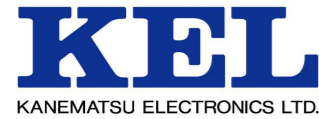
Item	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	7,382,913	8,785,451
Amount not attributable to common shareholders (Thousand yen)	–	–
Profit attributable to owners of parent relating to common shares (Thousand yen)	7,382,913	8,785,451
Average number of common shares during the period (Thousand shares)	28,603	28,610

3. The basis for calculating net assets per share is as follows

Item	As of March 31, 2021	As of March 31, 2022
Total net assets (Thousand yen)	56,415,378	61,928,758
Amount deducted from total net assets (Thousand yen)	54,332	43,702
[Of which, non-controlling interests (Thousand yen)]	[54,332]	[43,702]
Net assets attributable to common shares at the end of the period (Thousand yen)	56,361,045	61,885,056
Number of common shares used to calculate net assets per share at the end of the period (Thousand shares)	28,605	28,612

(Significant subsequent events)

Not applicable.



Highlights of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]

Net sales, operating profit, ordinary profit, and profit attributable to owners of parent all increased.

◇Net sales	71,331 million yen	8.8 %
◇Ordinary profit	12,784 million yen	15.8 %
◇Profit attributable to owners of parent	8,785 million yen	19.0 %
◇ROE (Return on equity)	14.9 %	1.4 pt

(% indicates change from the previous corresponding period)

Status of assets, liabilities and net assets				
(Million yen)	As of March 31, 2022	As of March 31, 2021	Year-on-year change	Percentage change (%)
Total Assets	82,446	75,164	7,281	9.7
Current assets	75,031	68,981	6,050	8.8
Non-current assets	7,415	6,183	1,231	19.9
Liabilities	20,518	18,749	1,768	9.4
Current liabilities	17,966	16,303	1,663	10.2
Non-current liabilities	2,551	2,446	105	4.3
Net assets	61,928	56,415	5,513	9.8
Equity (Note 1)	61,885	56,361	5,524	9.8
Equity ratio (Note 2)	75.1%	75.0%	0.1pt	-

Assets
Current assets increased ¥6,050 million (8.8%) from the end of the previous fiscal year, mainly due to increases of ¥2,790 million in cash and deposits and ¥1,590 million in notes and accounts receivable-trade. Non-current assets increased ¥1,231 million (19.9%) from the end of the previous fiscal year, mainly due to an increase of ¥1,857 million in investment securities.

Liabilities
Current liabilities increased ¥1,663 million (10.2%) from the end of the previous fiscal year, mainly due to increases of ¥746 million in income taxes payable and ¥465 million in notes and accounts payable-trade. Non-current liabilities increased ¥105 million (4.3%) from the end of the previous fiscal year, mainly due to an increase of ¥109 million in retirement benefit liability.

Net assets
Net assets increased ¥5,513 million (9.8%) from the end of the previous fiscal year, mainly due to an increase from recording ¥8,785 million in profit attributable to owners of parent and a decrease from the payment of ¥4,148 million in dividends. As a result, the equity ratio stood at 75.1%.

Status of Income						
(Million yen)	FY Mar 2022 Full-year	FY Mar 2021 Full-year	Year-on-year change	Percentage change (%)	FY Mar 2023 full-year forecast	Percentage change from previous year (%)
Net sales	71,331	65,542	5,788	8.8	72,000	0.9
Gross profit	22,089	19,946	2,143	10.7	-	-
Selling, general and administrative expenses	(9,401)	(9,075)	(326)	3.6	-	-
Operating profit	12,687	10,870	1,817	16.7	12,750	0.5
Non-operating income	97	172	(74)	(43.2)	-	-
Non-operating expenses	(1)	(1)	0	22.7	-	-
Ordinary profit	12,784	11,041	1,742	15.8	12,800	0.1
Extraordinary income	185	2	183	8467.3	-	-
Extraordinary loss	(19)	(107)	88	(82.3)	-	-
Profit before income taxes	12,951	10,936	2,014	18.4	-	-
Income taxes	(4,177)	(3,553)	(624)	17.6	-	-
Profit	8,773	7,383	1,390	18.8	-	-
Profit attributable to owners of parent	8,785	7,382	1,402	19.0	8,600	(2.1)

Net sales
Net sales increased ¥5,788 million to ¥71,331 million (up 8.8% year-on-year) as a result of efforts to further expand the robust sales of service-oriented business centered on “3Ks*1, in addition to the construction of environments for virtual desktop infrastructure (VDI), as part of measures taken to reform work styles and preventing COVID-19, and security solutions in line with the era of Zero Trust Network.

Profit
Operating profit increased ¥1,817 million to ¥12,687 million (up 16.7% year-on-year). Ordinary profit increased ¥1,742 million to ¥12,784 million (up 15.8% year-on-year). Profit attributable to owners of parent increased ¥1,402 million to ¥8,785 million (up 19.0% year-on-year).

*1 “3Ks” means the service business comprising “KEL Briefing Center (KBC),” “KEL Customer Cloud (KCC),” and “KEL Managed Service (KMS).”

Basic earnings per share (yen)	307.07	258.11	48.96	19.0
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(Note 1) Equity = "Total shareholders' equity" + "Total accumulated other comprehensive income" of net assets
(Note 2) Equity ratio = Equity capital / Total assets

Cash flows			Dividends	
(Million yen)	FY Mar 2022 Full year	FY Mar 2021 Full year	FY March 2022	FY March 2021
CF from operating activities	7,999	8,610	75.00	65.00
CF from investing activities	-1,074	-884	80.00	70.00
Free cash flows	6,924	7,725	155.00	135.00
CF from financing activities	-4,149	-3,863	61,885	56,361
Net increase (decrease) in cash and cash equivalents	2,790	3,867	50.5	52.3
Cash and cash equivalents at end of period	49,668	46,877		

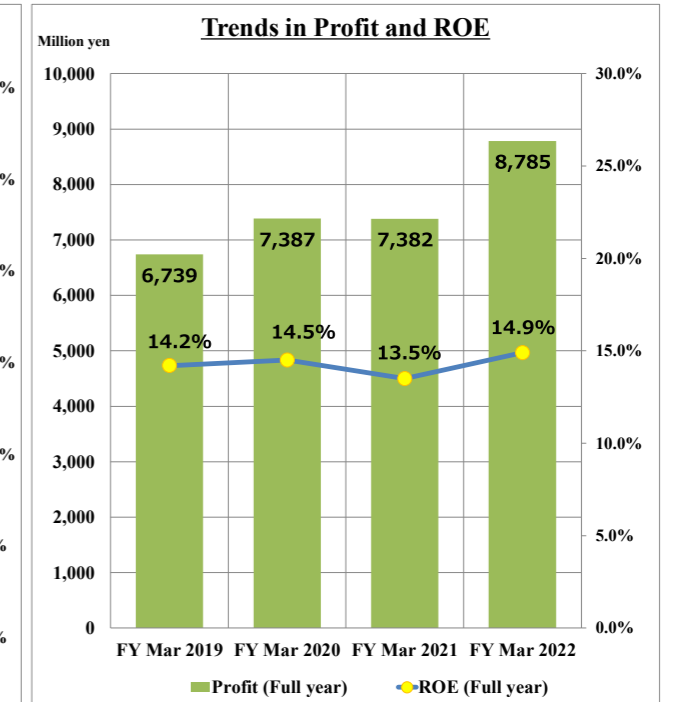
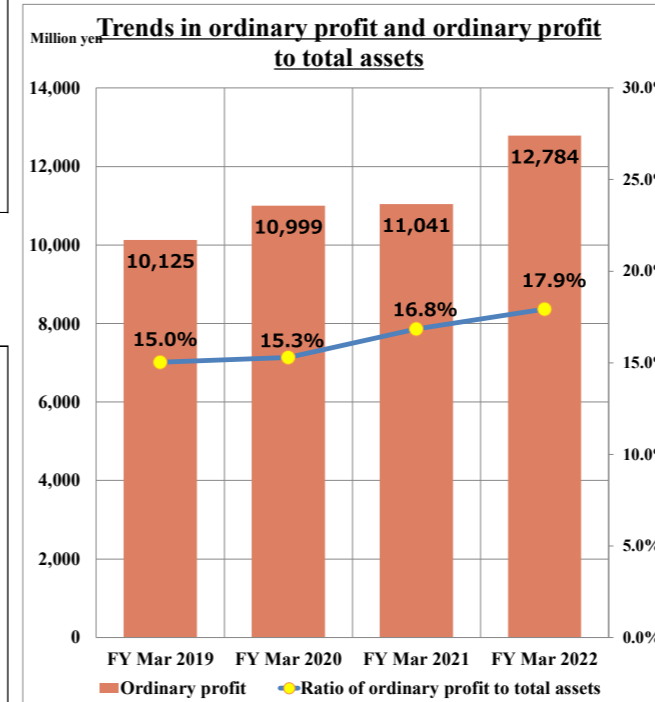
Cash flows
CF from operating activities: Cash inflow of ¥7,999 million, mainly due to an increase in operating revenue and the collection of trade receivables.
CF from investing activities: Cash outflow of ¥1,074 million, mainly due to the purchase of investment securities, property, plant and equipment, and intangible assets.
CF from financing activities: Cash outflow of ¥4,149 million, mainly due to payment of dividends.

Dividends

Segment Information						
(Million yen)	Net sales			Segment profit		
	FY Mar 2022 Full-year	FY Mar 2021 Full-year	Year-on-year change	FY Mar 2022 Full-year	FY Mar 2021 Full-year	Year-on-year change
IT Systems Business	50,914	46,697	4,217	8,530	7,103	1,426
Services and Support Business	20,899	19,616	1,283	4,032	3,739	292
Total	71,814	66,313	5,500	12,562	10,842	1,719
Other (including adjustments)	(482)	(770)	288	125	27	97
Total	71,331	65,542	5,788	12,687	10,870	1,817

IT Systems Business
Net sales increased ¥4,217 million year-on-year (up 9.0% year-on-year), mainly due to strong performance in the storage-related business and the network security-related business.

Services and Support Business
Net sales increased ¥1,283 million year-on-year (up 6.5% year-on-year), mainly due to increases in sales related to the system operation business and cloud services.



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