

April 26, 2019

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019 [Japanese standard]



INES Corporation

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1. Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

(Million yen, figures in percentages denote year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-----------|--------|------------------|---------|-----------------|---------|---|---------|
| Fiscal Year Ended March 31, 2019 | 38,143 | 5.6% | 2,169 | 34.9% | 2,233 | 34.8% | 1,492 | 41.1% |
| Fiscal Year Ended March 31, 2018 | 36,119 | (6.2%) | 1,608 | (33.2%) | 1,657 | (31.8%) | 1,057 | (34.5%) |

(Note) Comprehensive income Fiscal Year Ended March 31, 2019: ¥1,554 million (39.8%)
 Fiscal Year Ended March 31, 2018: ¥1,112 million (-37.9%)

| | Profit per share (Yen) | Fully diluted profit per share (Yen) | Profit/Shareholders' equity | Ordinary profit/Total assets | Operating profit/Net sales |
|----------------------------------|------------------------|--------------------------------------|-----------------------------|------------------------------|----------------------------|
| Fiscal Year Ended March 31, 2019 | 56.93 | — | 4.0% | 4.1% | 5.7% |
| Fiscal Year Ended March 31, 2018 | 40.51 | — | 2.8% | 3.0% | 4.5% |

(Reference) Equity in earnings of affiliated companies Fiscal Year Ended March 31, 2019: ¥ — million
 Fiscal Year Ended March 31, 2018: ¥ — million

(2) Consolidated Financial Position

(Million yen)

| | Total assets | Net assets | Equity ratio (%) | Net assets per share (Yen) |
|----------------------|--------------|------------|------------------|----------------------------|
| As of March 31, 2019 | 54,443 | 36,538 | 67.1 | 1,537.45 |
| As of March 31, 2018 | 55,587 | 38,574 | 69.4 | 1,477.71 |

(Reference) Shareholders' equity As of March 31, 2019: ¥ 36,538 million
 As of March 31, 2018: ¥ 38,574 million

(3) Consolidated Cash Flow Situation

(Million yen)

| | 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 March 31, 2019 | 4,344 | (2,055) | (3,609) | 8,706 |
| Fiscal Year Ended March 31, 2018 | 2,933 | (2,037) | (595) | 10,026 |

2. Dividends

| | Dividends per share (Yen) | | | | | Total dividends (annual) (millions of yen) | Dividend payout ratio (consolidated) (%) | Dividends/Net assets (consolidated) (%) |
|--|---------------------------|-----------|-----------|-----------------|--------|--|--|---|
| | End of Q1 | End of Q2 | End of Q3 | Fiscal year end | Annual | | | |
| Fiscal Year Ended March 31, 2018 | — | 10.00 | — | 10.00 | 20.00 | 522 | 49.4 | 1.4 |
| Fiscal Year Ended March 31, 2019 | — | 10.00 | — | 15.00 | 25.00 | 629 | 43.9 | 1.7 |
| Fiscal Year Ending March 31, 2020 (Forecast) | — | 15.00 | — | 15.00 | 30.00 | | — | |

For the fiscal year ended March 31, 2019, the Company increased its year-end dividend per share by ¥5, to ¥15, from a shareholder return perspective. For the fiscal year ending March 31, 2020, it decided to pay ¥15 per share (an increase of ¥5 year on year) at the end of the second quarter and ¥15 at the end of the fiscal year, thereby making its annual dividend ¥30 per share (an increase of ¥5 year on year).

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Million yen, figures in percentages denote year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Profit per share (Yen) |
|-----------|-----------|------|------------------|------|-----------------|------|---|----|------------------------|
| Full year | 39,000 | 2.2% | 2,200 | 1.4% | 2,250 | 0.7% | — | —% | — |

As announced in the Notice Regarding Transfer of Non-current Assets and Posting of Extraordinary Profit on November 27, 2018, the Company plans to post ¥4.3 billion as gains on sales of the land and building it owns in Chiyoda ward, Tokyo. It is also considering relocation to a new office and the disposal of other properties it owns, among other measures, to further improve asset efficiency. Accordingly, it is difficult for the Company at this point to provide its forecast for profit attributable to owners of parent. It will disclose its forecast for profit attributable to owners of parent as soon as it becomes possible to provide such a forecast.

*Notes

(1) Significant changes in subsidiaries during this fiscal year under review (changes in subsidiaries causing a change in the scope of consolidation): No

(2) Changes in accounting policies and changes or restatement of accounting estimates

1. Changes in accounting policies associated with the revision of accounting standards, etc.: No
2. Changes in accounting policies other than 1.: No
3. Changes in accounting estimates: No
4. Restatement: No

(3) Number of shares outstanding (common shares)

1. Number of shares outstanding at the term end (including treasury shares)

| | |
|-----------------------------------|-------------------|
| Fiscal Year Ended March 31, 2019: | 23,900,000 shares |
| Fiscal Year Ended March 31, 2018: | 28,600,000 shares |
2. Number of treasury shares at the term end

| | |
|-----------------------------------|------------------|
| Fiscal Year Ended March 31, 2019: | 134,160 shares |
| Fiscal Year Ended March 31, 2018: | 2,495,466 shares |
3. Average number of shares outstanding

| | |
|-----------------------------------|-------------------|
| Fiscal Year Ended March 31, 2019: | 26,209,208 shares |
| Fiscal Year Ended March 31, 2018: | 26,105,375 shares |

*** These financial statements are not subject to audit procedures performed by certified public accountants or audit corporations.**

*** Explanation regarding the proper use of results forecasts and other important notes**

(Disclaimer regarding forward-looking statements)

Forward-looking statements such as the results forecasts provided in this document are prepared based on currently available information and assumptions that are deemed reasonable, but the Company does not intend to guarantee their achievement. Actual results may differ significantly from the above forecasts for various reasons. For conditions regarding the assumptions for results forecasts and notes on the use of results forecasts, etc., please refer to page 4 of the accompanying materials "Outline of Results of Operations (3) Future Outlook".

(How to access supplementary explanations on business results)

The Company plans to hold a results briefing for analysts on April 26, 2019 (Friday). Documents to be distributed at the results briefing will be posted on the Company's website.

Outline of Results of Operations

(1) Outline of Results of Operations for the Fiscal Year ended March 31, 2019

During the consolidated fiscal year under review, the Japanese economy sustained a modest recovery on the whole against a backdrop of a pick-up in consumer spending, an increase in capital expenditures and improving employment conditions and corporate earnings, among other factors, despite lingering concerns about uncertainty in the global economy, such as US–China protectionist trade issues, the issue of the UK’s withdrawal from the EU and Chinese economic trends.

In the information industry in which the INES Group operates, corporate IT investment continued to expand in every type of business and the development of the markets for artificial intelligence (AI), Internet of things (IoT), robotic process automation (RPA) and other advanced technologies utilizing IT was seen.

In this business environment, the INES Group took steps to win orders and promoted development investments for the next generation of its core product WebRings, which is a web-type comprehensive government information system for local governments. At the same time, based on a hard look at the future reality, the INES Group aggressively pursued research and development activities in fields related to digital transformation, including AI, RPA, big data and IoT, and demonstration experiments with customers and external institutions, with the INES Research Institute, Inc. at the center of these efforts.

In June 2018, INES Corporation signed a capital tie-up agreement with Mitsubishi Research Institute, Inc. (“MRI”) to increase opportunities to win orders by taking advantage of outstanding talent on both sides, in addition to responding more promptly and appropriately to rapid changes in market structures and technologies, among other actions. In addition, INES Corporation concluded a comprehensive tripartite business alliance agreement with MRI and Mitsubishi Research Institute DCS Co., Ltd. (“DCS”), a consolidated subsidiary of MRI. The three companies are currently moving forward with efforts to facilitate collaboration and manpower exchanges with their business divisions at the center. Specifically, the Company held seminars for local government staff members on the utilization of administrative data (big data), in cooperation with MRI, and conducted demonstration experiments and sales activities for a number of local governments that were aimed at enhancing their services for local residents and improving the administrative efficiency of their staff members through the utilization of AI and RPA. It is also working gradually on a business collaboration with DCS from the perspective of conducting concrete business negotiations mainly with financial institutions.

In terms of finance, in an effort to increase ROE (return on equity) and enhance shareholder returns, the Company sought to acquire treasury shares by setting a limit of ¥6 billion in total after August 2018. By March 2019, it had completed the acquisition of 4,826,000 shares (16.9% of the total number of outstanding shares) amounting to ¥6.0 billion, of which 4,700,000 shares were disposed of.

The Company decided to increase its year-end dividend as announced in the Notice Regarding Revision to Dividend Forecast for Fiscal Year Ended March 31, 2019 (Dividend Increase) today.

Moreover, with a view to reinforcing the competitiveness of its main business and streamlining its business resources, the Company worked to reduce its balance sheets and make its office network more efficient through a range of measures such as selling the land and building it owns in Chiyoda ward, Tokyo and leasing its new head office in Chuo ward, Tokyo.

Looking at the results for the consolidated fiscal year under review, sales increased in all sectors as stated in consolidated net sales by sector shown below. The contributing factors were increased sales of equipment in the financial sector and the development of new customers and increased investments by existing customers in the industrial sector. The public sector continued to increase sales, although it partially postponed the posting of sales from the legal system revision project for local governments. As a result, total net sales increased 5.6% year on year, to ¥38,143 million.

On the profit front, operating profit increased 34.9% year on year, to ¥2,169 million, mainly due to company-wide cost reduction efforts and the absence of the costs for relocating the business office in Kawasaki that had been posted in the previous year, despite a rise in costs in some projects. With this increase, ordinary profit also increased 34.8% year on year, to ¥2,233 million, and profit attributable to owners of parent increased 41.1% year on year, to ¥1,492 million.

Consolidated net sales by sector and by product/service are as follows.

Consolidated net sales by sector

(Million yen)

| Category/ Term | Previous consolidated fiscal year From April 1, 2017 until March 31, 2018 | | Consolidated fiscal year under review From April 1, 2018 until March 31, 2019 | | Year-on-year change (%) |
|------------------|---|--------------------------|--|--------------------------|----------------------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | |
| General industry | 7,840 | 21.8 | 7,895 | 20.7 | 0.7 |
| Financial | 13,054 | 36.1 | 14,984 | 39.3 | 14.8 |
| Public | 15,224 | 42.1 | 15,263 | 40.0 | 0.3 |
| Total | 36,119 | 100.0 | 38,143 | 100.0 | 5.6 |

Consolidated net sales by product/service

(Million yen)

| Category/ Term | Previous consolidated fiscal year From April 1, 2017 until March 31, 2018 | | Consolidated fiscal year under review From April 1, 2018 until March 31, 2019 | | Year-on-year change (%) |
|--------------------------------|---|--------------------------|--|--------------------------|----------------------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | |
| System development | 15,452 | 42.8 | 16,215 | 42.5 | 4.9 |
| System operation | 9,827 | 27.2 | 10,257 | 26.9 | 4.4 |
| System maintenance | 4,615 | 12.8 | 4,862 | 12.8 | 5.4 |
| Sales of information equipment | 1,745 | 4.8 | 2,858 | 7.5 | 63.8 |
| Other | 4,478 | 12.4 | 3,949 | 10.3 | (11.8) |
| Total | 36,119 | 100.0 | 38,143 | 100.0 | 5.6 |

(2) Outline of Financial Position for the Fiscal Year Ended March 31, 2019

Looking at the financial position at the end of the fiscal year under review, total assets stood at ¥54,443 million, a decrease of ¥1,143 million from the end of the previous fiscal year.

Current assets decreased ¥2,144 million from the end of the previous fiscal year, to ¥20,839 million, mainly reflecting a decrease in cash and deposits. Non-current assets rose ¥1,001 million, to ¥33,604 million, from the end of the previous fiscal year, largely due to an increase in software.

Current liabilities increased ¥1,596 million from the end of the previous fiscal year, to ¥8,050 million. This was chiefly attributable to increases in income taxes payable and accrued consumption taxes, which offset a decrease in accounts payable-trade. Non-current liabilities shrank ¥703 million from the end of the previous fiscal year, to ¥9,854 million, due primarily to a decrease in net defined benefit liabilities associated with the establishment of a retirement allowance trust.

Net assets declined ¥2,036 million from the end of the previous fiscal year, to ¥36,538 million, chiefly due to the acquisition of treasury shares, despite the disposition of shares through a third-party allotment and other measures. Capital surplus also decreased by the same amount as a result of the disposition of treasury shares amounting to ¥5,841 million in March 2019. Net assets remain unchanged despite the said disposition of treasury assets.

(3) Future Outlook

For the next fiscal year, the Company forecasts rises in net sales, operating profit and ordinary profit, primarily in the public and industrial sectors.

As announced in the Notice Regarding Transfer of Non-current Assets and Posting of Extraordinary Profit on November 27, 2018, the Company plans to post ¥4.3 billion as gains on sales of the land and building it owns in Chiyoda ward, Tokyo. It is also considering relocation to a new office and the disposal of other properties it owns, among other measures, to further improve asset efficiency. Accordingly, it is difficult for the Company at this point to provide its forecast for profit attributable to owners of parent. It will disclose its forecast for profit attributable to owners of parent as soon as it becomes possible to provide such a forecast.

With respect to dividend forecasts for the next fiscal year, the Company has decided to increase its annual dividend per share by ¥5, to ¥30, in appreciation of shareholders' daily support, taking its business results and financial position into consideration.

| Consolidated | | | | (Million yen) | | |
|--------------|-----------|------|------------------|---------------|-----------------|---|
| | Net sales | | Operating profit | | Ordinary profit | Profit attributable to owners of parent |
| Full year | 39,000 | 2.2% | 2,200 | 1.4% | 2,250 0.7% | — — |

(Note) Percentages show changes from the previous fiscal year.

Disclaimer regarding forward-looking statements

The forward-looking statements discussed in this material, including results forecasts, are based on information currently available to the Company and certain assumptions judged to be reasonable, and the Company can give no assurance that its expectations will be achieved. Actual results may differ materially due to a range of factors.

Consolidated Balance Sheets

As of March 31, 2018 and March 31, 2019

(Million yen)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|--|----------------------------------|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 11,261 | 9,940 |
| Notes and accounts receivable - trade | 9,782 | 9,326 |
| Work in process | *2 1,374 | *2 1,163 |
| Raw materials and supplies | 120 | 117 |
| Prepaid expenses | 240 | 209 |
| Other | 213 | 91 |
| Allowance for doubtful accounts | (9) | (9) |
| Total current assets | 22,984 | 20,839 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 16,372 | 16,456 |
| Accumulated depreciation | (8,003) | (8,501) |
| Buildings and structures, net | 8,368 | 7,955 |
| Tools, furniture and fixtures | 4,064 | 4,354 |
| Accumulated depreciation | (2,881) | (2,948) |
| Tools, furniture and fixtures, net | 1,182 | 1,406 |
| Land | 12,709 | 12,709 |
| Total property, plant and equipment | 22,260 | 22,071 |
| Intangible assets | | |
| Software | 3,070 | 3,649 |
| Other | 40 | 23 |
| Total intangible assets | 3,111 | 3,673 |
| Investments and other assets | | |
| Investment securities | *1 1,542 | *1 1,589 |
| Long-term prepaid expenses | 321 | 413 |
| Deferred tax assets | 4,244 | 4,512 |
| Long-term time deposits | 300 | 300 |
| Other | 822 | 1,043 |
| Allowance for doubtful accounts | (0) | (0) |
| Total investments and other assets | 7,230 | 7,859 |
| Total non-current assets | 32,602 | 33,604 |
| Total assets | 55,587 | 54,443 |

Consolidated Balance Sheets

As of March 31, 2018 and March 31, 2019

(Million yen)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|----------------------------------|----------------------------------|
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable - trade | 2,647 | 1,961 |
| Accrued expenses | 951 | 899 |
| Income taxes payable | 153 | 981 |
| Accrued consumption taxes | 77 | 389 |
| Advances received | 166 | 124 |
| Provision for bonuses | 1,118 | 1,119 |
| Provision for directors' bonuses | 49 | 48 |
| Provision for losses on orders received | *2 495 | *2 584 |
| Other | 794 | 1,941 |
| Total current liabilities | 6,453 | 8,050 |
| Non-current liabilities | | |
| Provision for directors' retirement benefits | 172 | 150 |
| Net defined benefit liability | 10,227 | 9,453 |
| Asset retirement obligations | 107 | 162 |
| Other | 52 | 88 |
| Total non-current liabilities | 10,558 | 9,854 |
| Total liabilities | 17,012 | 17,904 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 15,000 | 15,000 |
| Capital surplus | 20,348 | 14,582 |
| Retained earnings | 6,937 | 7,895 |
| Treasury shares | (2,875) | (166) |
| Total shareholders' equity | 39,410 | 37,311 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 199 | 150 |
| Remeasurements of defined benefit plans | (1,034) | (923) |
| Total accumulated other comprehensive income | (835) | (773) |
| Total net assets | 38,574 | 36,538 |
| Total net assets and liabilities | 55,587 | 54,443 |

Consolidated statement of income and consolidated statement of comprehensive income

For the fiscal year ended March 31, 2018 and 2019

(Million yen)

| | FY2017 (April 1, 2017 to March 31, 2018) | FY2018 (April 1, 2018 to March 31, 2019) |
|--|--|--|
| Net sales | 36,119 | 38,143 |
| Cost of sales | *6 28,667 | *6 30,562 |
| Gross profit | 7,452 | 7,580 |
| Selling, general and administrative expenses | *1, *2 5,844 | *1, *2 5,410 |
| Operating profit | 1,608 | 2,169 |
| Non-operating income: | | |
| Interest income | 3 | 6 |
| Dividends income | 9 | 9 |
| Real estate rent | 62 | 64 |
| Dividend income of insurance | 18 | 32 |
| Others | 15 | 37 |
| Total non-operating income | 108 | 150 |
| Non-operating expenses: | | |
| Interest expenses | 1 | 0 |
| Rent expenses on real estate | 54 | 57 |
| Commission for purchase of treasury shares | — | 23 |
| Others | 3 | 5 |
| Total non-operating expenses | 59 | 87 |
| Ordinary profit | 1,657 | 2,233 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | *3 14 | — |
| Gain on sales of investment securities | 49 | — |
| Total extraordinary income | 64 | — |
| Extraordinary losses: | | |
| Loss on retirement of non-current assets | *4 43 | *4 4 |
| Impairment loss | — | *5 17 |
| Loss on valuation of membership | — | 15 |
| Others | 2 | — |
| Total extraordinary losses | 45 | 36 |
| Profit before income taxes | 1,675 | 2,196 |
| Income Tax and Others | 301 | 1,020 |
| Adjustment of Corporate Taxes | 316 | (315) |
| Total Income Taxes | 618 | 704 |
| Profit | 1,057 | 1,492 |
| Profit attributable to owners of parent | 1,057 | 1,492 |

Consolidated statement of income and consolidated statement of comprehensive income

For the fiscal year ended March 31, 2018 and 2019

(Million yen)

| | FY2017 (April 1, 2017 to March 31, 2018) | FY2018 (April 1, 2018 to March 31, 2019) |
|---|--|--|
| Profit | 1,057 | 1,492 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 29 | (48) |
| Remeasurements of defined benefit plans, net of tax | 25 | 111 |
| Total other comprehensive income | * 54 | * 62 |
| Comprehensive income | 1,112 | 1,554 |
| Comprehensive income attributable | | |
| Comprehensive income attributable to owners of parent | 1,112 | 1,554 |

Statements of changes in Consolidated Shareholders' Equity

Previous fiscal year (from April 1, 2017 until March 31, 2018)

(Unit: million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 15,000 | 20,348 | 6,402 | (2,873) | 38,876 |
| Changes during current period | | | | | |
| Dividends of surpluses | | | (522) | | (522) |
| Profit attributable to owners of parent | | | 1,057 | | 1,057 |
| Purchase of treasury shares | | | | (1) | (1) |
| Changes in items during current period other than shareholders' equity (net) | | | | | |
| Total changes during current period | — | — | 535 | (1) | 533 |
| Balance at end of current period | 15,000 | 20,348 | 6,937 | (2,875) | 39,410 |

| | Accumulated other comprehensive income | | | Total net assets |
|--|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | 170 | (1,060) | (889) | 37,986 |
| Changes during current period | | | | |
| Dividends of surpluses | | | | (522) |
| Profit attributable to owners of parent | | | | 1,057 |
| Purchase of treasury shares | | | | (1) |
| Changes in items during current period other than shareholders' equity (net) | 29 | 25 | 54 | 54 |
| Total changes during current period | 29 | 25 | 54 | 588 |
| Balance at end of current period | 199 | (1,034) | (835) | 38,574 |

Current fiscal year (from April 1, 2018 until March 31, 2019)

(Unit: million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 15,000 | 20,348 | 6,937 | (2,875) | 39,410 |
| Changes during current period | | | | | |
| Dividends of surpluses | | | (534) | | (534) |
| Profit attributable to owners of parent | | | 1,492 | | 1,492 |
| Purchase of treasury shares | | | | (6,002) | (6,002) |
| Disposal of treasury shares | | 76 | | 2,869 | 2,945 |
| Retirement of treasury shares | | (5,841) | | 5,841 | — |
| Changes in items during current period other than shareholders' equity (net) | | | | | |
| Total changes for current period | — | (5,765) | 957 | 2,708 | (2,098) |
| Balance at end of current period | 15,000 | 14,582 | 7,895 | (166) | 37,311 |

| | Accumulated other comprehensive income | | | Total net assets |
|--|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | 199 | (1,034) | (835) | 38,574 |
| Changes during current period | | | | |
| Dividends of surpluses | | | | (534) |
| Profit attributable to owners of parent | | | | 1,492 |
| Purchase of treasury shares | | | | (6,002) |
| Disposal of treasury shares | | | | 2,945 |
| Retirement of treasury shares | | | | — |
| Changes in items during current period other than shareholders' equity (net) | (48) | 111 | 62 | 62 |
| Total changes for current period | (48) | 111 | 62 | (2,036) |
| Balance at end of current period | 150 | (923) | (773) | 36,538 |

Consolidated statement of cash flow

For the fiscal year ended March 31, 2018 and 2019

(Million yen)

| | FY2017 (April 1, 2017 to March 31, 2018) | FY2018 (April 1, 2018 to March 31, 2019) |
|---|--|--|
| I. Cash flows from operating activities: | | |
| Profit before income taxes | 1,675 | 2,196 |
| Depreciation | 2,227 | 2,575 |
| Impairment loss | – | 17 |
| Increase (decrease) in provision for bonuses | (31) | 1 |
| Increase (decrease) in provision for directors' bonuses | (3) | (0) |
| Increase (decrease) in provision for losses on orders received | (273) | 89 |
| Increase (decrease) in provision for directors' retirement benefits | (79) | (21) |
| Increase (decrease) in net defined benefit liability | (781) | (614) |
| Loss (gain) on sales of property, plant and equipment | (14) | – |
| Loss (gain) on sales of investment securities | (49) | – |
| Loss on retirement of non-current assets | 43 | 4 |
| Loss on valuation of membership | – | 15 |
| Decrease (increase) in notes and accounts receivable - trade | 793 | 413 |
| Decrease (increase) in inventories | (505) | 215 |
| Decrease (increase) in other assets | (22) | (34) |
| Increase (decrease) in notes and accounts payable - trade | 856 | (681) |
| Increase (decrease) in other liabilities | 216 | 228 |
| Other, net | (192) | (18) |
| (Subtotal) | 3,861 | 4,386 |
| Income taxes refund | 18 | 215 |
| Income taxes paid | (946) | (256) |
| Net cash provided by (used in) operating activities: | 2,933 | 4,344 |

(Million yen)

| | FY2017 (April 1, 2017 to March 31, 2018) | FY2018 (April 1, 2018 to March 31, 2019) |
|---|--|--|
| II. Cash flows from investing activities | | |
| Decrease (increase) in time deposits | (0) | (0) |
| Payment into long-term time deposit | (300) | — |
| Purchase of property, plant and equipment | (1,583) | (709) |
| Proceeds from sales of property, plant and equipment | 2,245 | 1,250 |
| Purchase of intangible assets | (1,518) | (1,985) |
| Purchase of long-term prepaid expenses | (135) | (268) |
| Purchase of investment securities | (452) | (123) |
| Proceeds from sales of investment securities | 53 | — |
| Payments for lease and guarantee deposits | (186) | (298) |
| Proceeds from collection of lease and guarantee deposits | 134 | 51 |
| Payments for asset retirement obligations | (310) | (4) |
| Other | 16 | 33 |
| Net cash provided by (used in) investing activities: | (2,037) | (2,055) |
| III. Cash flows from financing activities: | | |
| Repayments of lease obligations | (72) | (19) |
| Decrease (increase) in deposits for purchase of treasury shares | 0 | (0) |
| Purchase of treasury shares | (1) | (6,002) |
| Proceeds from disposal of treasury shares | — | 2,945 |
| Cash dividends paid | (522) | (534) |
| Net cash provided by (used in) financing activities | (595) | (3,609) |
| IV. Net increase (decrease) in cash and cash equivalents | 300 | (1,320) |
| V. Beginning cash and cash equivalent balance | 9,726 | 10,026 |
| VI. Ending cash and cash equivalent balance | * 10,026 | * 8,706 |