

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023(J-GAAP)

May 15, 2023

Company name: T.RAD Co., Ltd.

Code No.: 7236

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Scheduled date of the Ordinary General Meeting of Shareholders: June 27, 2023

Scheduled date of filing of securities report: June 27, 2023

Scheduled date of start of dividend payments: —

Supplemental materials prepared for consolidated financial results: None

Briefing on consolidated financial results: Yes

Listing: Tokyo Stock Exchange, Prime Market

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(Amounts less than one million yen have been truncated)

1. Consolidated Financial Performance for the Fiscal Year Ended March 31, 2023

(April 1, 2022 to March 31, 2023)

(1) Consolidated operating performance

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	149,413	11.9	1,050	-79.2	2,083	-65.3	(3,595)	—
Fiscal year ended March 31, 2022	133,581	18.2	5,041	298.7	5,997	289.4	3,600	—

Note: Comprehensive income

Fiscal year ended March 31, 2023: ¥ -1,165 million (—%)

Fiscal year ended March 31, 2022: ¥ 6,163 million (—%)

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	(550.88)	—	-8.3	2.2	0.7
Fiscal year ended March 31, 2022	515.97	—	8.4	6.6	3.8

Reference: Equity earnings (losses) of affiliates

Fiscal year ended March 31, 2023: ¥ 443 million

Fiscal year ended March 31, 2022: ¥ 435 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2023	94,098	43,851	44.9	6,479.13
Fiscal year ended March 31, 2022	93,756	46,732	47.5	6,810.22

Reference: Shareholders' equity

As of March 31, 2023: ¥42,261 million

As of March 31, 2022: ¥44,504 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	4,376	(6,702)	(1,058)	10,361
Fiscal year ended March 31, 2022	7,262	(5,839)	(3,391)	13,404

2. Dividends

	Dividends per Share					Total Dividends Paid (Annual)	Payout Ratio (Consolidated)	Dividends per Net Assets (Consolidated)
	1Q	2Q	3Q	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	—	40.00	—	120.00	160.00	1,065	31.0	2.4
Fiscal year ended March 31, 2023	—	80.00	—	0.00	80.00	523	—	1.2
Fiscal year ending March 31, 2024 (Forecast)	—	0.00	—	10.00	10.00		32.6	

3. Forecast of Consolidated Financial Performance for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(Percentage figures indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2 nd Quarter ending September 30, 2023	73,000	-1.4	200	-75.7	300	-84.4	(400)	—	(61.32)
Fiscal year ending March 31, 2024	150,000	0.4	1,800	71.4	1,800	-13.6	200	105.6	30.66

4. Other

(1) Changes in significant subsidiaries during the period

(changes in specific subsidiaries resulting in changes in the scope of consolidation): Yes

(Note) Excluded: 2, TRM LLC, TRM Corporation B.V.

(2) Changes in accounting principles, procedures, presentation methods

1) Changes associated with revision of accounting standards: None

2) Changes other than 1): None

3) Changes accounting estimation procedures: None

4) Changes in presentation methods: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at end of year (including treasury stock)

As of March 31, 2023: 6,712,411 shares

As of March 31, 2022: 6,712,411 shares

2) Number of shares of treasury stock at end of period

As of March 31, 2023: 189,621 shares

As of March 31, 2022: 177,519 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023: 6,527,520 shares

Fiscal year ended March 31, 2022: 6,978,068 shares

(Reference) Summary of Non-consolidated Financial Performance**1. Non-consolidated Financial Performance for Fiscal Year Ended March 31, 2023**

(April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating performance

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	72,783	6.6	1,136	-22.9	6,220	13.2	(1,731)	—
Fiscal year ended March 31, 2022	68,308	21.4	1,473	—	5,496	87.3	3,901	—

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2023	(265.23)	—
Fiscal year ended March 31, 2022	559.11	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2023	56,790	28,797	50.7	4,414.83
Fiscal year ended March 31, 2022	58,587	31,854	54.4	4,874.54

Reference: Shareholders' equity

As of March 31, 2023: ¥28,797 million

As of March 31, 2022: ¥31,854 million

2. Forecast of Non-Consolidated Financial Performance for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(Percentage figures indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2 nd Quarter ending September 30, 2023	35,000	-1.4	(700)	—	1,300	-58.7	(500)	—	(76.65)
Fiscal year ending March 31, 2024	74,000	1.7	(200)	—	4,000	-35.7	400	-123.1	61.32

* The consolidated financial results presented herein are not subject to the audit procedures by certified public accountant or audit firm.

* Explanations for proper use of forecasts and other specific affairs

The forward-looking statement such as forecast of financial performance etc. described in this report based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ significantly from these projections due to various factors.

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1. Business Results and Qualitative Information for the Fiscal Year Ended March 31, 2023

(1) General overview of financial performance

General overview

The economic environment in the consolidated fiscal year showed signs of recovery from the COVID-19 disaster. However, conditions remained challenging due to the prolonged invasion of Ukraine and the impact of COVID-19 infection, which caused raw material and parts costs, logistics costs, and energy prices to soar.

Under the circumstances, the net sales of the T.RAD Group (on a foreign currency basis) increased from the same period of the previous year except Europe and China. However, operating income declined sharply except Asia.

As a result, net sales during the consolidated fiscal year under review increased by 15,832 million yen from the previous fiscal year, amounting to 149,413 million yen (up 11.9% year on year), operating income decreased by 3,991 million yen, amounting to 1,050 million yen (down 79.2% year on year), ordinary income decreased by 3,914 million yen, amounting to 2,083 million yen (down 65.3% year on year). Loss attributable to owners of parent of 3,595 million yen was posted, worsening by 7,196 million yen. This was due to an impairment loss on noncurrent assets of 3,467 million yen in the U.S. and an extraordinary loss of 401 million yen from the deconsolidation of Russian subsidiaries.

The segment results are as follows.

The book-closing date for the consolidated subsidiaries for the consolidated fiscal year under review is December 31. In preparing the consolidated financial statements, the financial statements as of, and for one year period ended on this date were used. With respect to important transactions conducted during the period between this date and the book-closing date for consolidated accounting, we have made adjustments as necessary for consolidated accounting. The segments relevant to such adjustments are the United States, Europe, Asia and China.

Domestic subsidiaries have the same settlement date that coincides with the last day of the consolidated fiscal year. The corresponding segment is Other.

	Net Sales				Operating Income (Loss)			
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Increase/Decrease	Percentage change (on a foreign currency basis)*	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Increase/Decrease	Percentage change (on a foreign currency basis)*
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Japan	60,561	65,885	5,324	8.8	1,485	1,184	-300	-20.2
United States	29,104	37,540	8,436	11.8	(1,374)	(3,665)	-2,291	—
Europe	4,432	5,487	1,055	-1.3	(101)	(540)	-440	—
Asia	15,325	19,269	3,944	13.1	2,309	2,948	639	15.3
China	23,889	20,998	-2,891	-15.2	2,739	1,104	-1,634	-61.7
Other(including elimination)	270	234	-36	-13.5	(15)	20	35	—
Total	133,581	149,413	15,832	—	5,041	1,050	-3,991	—

*The percentage changes (on a foreign currency basis) in the chart are the percentage changes after correcting for differences arising from fluctuations in the foreign exchange rates applicable to overseas net sales.

(i) Japan

Net sales of products for automobile industry increased year on year despite the impact of semiconductor shortages. The net sales of products for construction industrial machines were generally strong through the third quarter. However, the sales decreased from the same period of the previous year due to inventory adjustments in the fourth quarter. As a result, the net sales in the Japan segment increased by 5,324 million yen, resulting in 65,885 million yen.

Operating income decreased by 300 million yen from the same period of the previous year to 1,184 million yen due to the soaring costs of materials, parts, and electricity etc.

(ii) United States

Net sales of products for automotive industry increased from the same period of the previous year due to the commencement of mass production of models for which orders were newly received. As a result, the net sales in the United States segment increased by 8,436 million yen from the same period of the previous year, resulting in 37,540 million yen. On a foreign currency basis, it increased by 11.8%.

The operating income decreased by 2,291 million yen year-on-year, resulting in operating loss of 3,665 million yen due to the soaring costs of materials and parts and distribution expenses and an increase in labor etc. The costs of materials, parts, and distribution increased significantly. This increase was due in part to market price rises. In addition, there was a lockdown due to the COVID-19 pandemic in the countries from which parts are procured. The supply instability caused by the lockdown increased these costs due to temporary changes in suppliers and transportation methods. The labor costs increased, partly due to wage increases to resolve personnel shortages. In addition, the cost increase was not passed on to customers as planned, resulting in a significant decrease in profit.

(iii) Europe

The net sales of products for automobile industry increased year-on-year mainly due to an increase in orders for heavy-duty trucks in the Czech Republic etc. The net sales in this segment increased by 1,055 million yen from the same period of the previous year, to 5,487 million yen. On a foreign currency basis, it decreased by 1.3% due to the effect of withdrawal from Russian business etc.

Operating income decreased by 440 million yen year-on-year, resulting in operating loss of 540 million yen due to soaring costs of materials, parts, and electricity etc.

<Withdrawal from Russian Business>

On April 5, 2022, we announced our intention to withdraw from the Russian market. In this connection, in September 2022, the procedure to make the Company's non-voting share conversion was completed. Therefore, we have excluded our Russian subsidiary TRM LLC and Dutch holding company TRM Corporation B.V. from the scope of consolidation as of the end of the second quarter of the current consolidated cumulative period. The second quarter income statement for both subsidiaries (for January 2022 through June 2022) is included in the consolidated income statement for the twelve months ending March 31, 2023. However, the income statements of those companies from the third quarter onward (after July 2022) will not be included in the current fiscal year's income statement. (YoY impact: net sales -294 million yen; operating income -40 million yen)

(iv) Asia

The net sales of products for automobile industry increased from the same period of the previous year. This increase was due to the start of the mass production of newly ordered models in Thailand and the recovery of orders in Indonesia and Vietnam. As a result, the net sales in the Asia segment increased by 3,944 million yen from the same period of the previous year, resulting in 19,269 million yen. On a foreign currency basis, it increased by 13.1%.

Operating income increased by 639 million yen from the same period of the previous year, resulting in 2,948 million yen. On a foreign currency basis, it increased by 15.3%.

(v) China

The net sales of products for automobile industry and construction industrial machines decreased from the same period of the previous year, due to a drop in demand caused by the expansion of COVID-19 infection following the lifting of the zero-COVID policy and the shortage of semiconductors. As a result, the net sales in this segment decreased by 2,891 million yen from the same period of the previous year, to 20,998 million yen. On a foreign currency basis, it decreased by 15.2%.

Operating income was 1,104 million yen. It decreased by 1,634 million yen from the same period of the previous year due to a significant decrease in sales of products for commercial vehicles to local customers at a subsidiary in Qingdao and the provision for product warranties recorded (673 million yen). On a foreign currency basis, it decreased by 61.7%.

Outlook for the fiscal year ending March 31, 2024

Regarding the outlook for the fiscal year, the consolidated sales in all regions are expected to remain at the same level as in the previous fiscal year due to concerns about the economic slowdown in the U.S., China, and other countries in the second half of the year. Our profit will increase in the U.S. due to improved productivity but will decrease in Japan due to higher labor, electricity, and depreciation expenses. Therefore, the operating income is expected to increase only slightly. The profit attributable to owners of parent is expected to improve due to the absence of the impairment loss on the U.S. subsidiary and the extraordinary loss associated with the withdrawal from the Russian business recorded in the previous period.

Therefore, we forecasts the following consolidated financial performance for the fiscal year ending March 31, 2024: net sales of 150,000 million yen (up 0.4% year on year), operating income of 1,800 million yen (up 71.4% year on year), ordinary income of 1,800 million yen (down 13.6% year on year), and profit attributable to owners of parent of 200 million yen (improvement of 3,795 million yen year on year).

As for the profit distribution for the fiscal year, we plan to pay out a year-end dividend of 10 yen.

(2) General overview of consolidated financial position

1) Assets, liabilities and net assets

Total assets at the end of the consolidated fiscal year under review resulted in 94,098 million yen (up 341 million yen from the end of the previous fiscal year) due to the increase of inventories etc.

Liabilities resulted in 50,246 million yen (up 3,222 million yen) due to the increase of long-term loans payable etc.

Net assets resulted in 43,851 million yen (down 2,880 million yen) due to the decrease of retained earnings etc.

2) Cash flows

The increasing and decreasing factors of each cash flow in the consolidated fiscal year under review are as follows.

Net cash provided by operating activities was 4,376 million yen, a decrease of 2,885 million yen year on year due to the decrease of profit before income taxes and increase of income taxes etc.

Net cash used by investing activities was 6,702 million yen, a decrease of 862 million yen year on year due to the increase of capital investment etc.

As a result, free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, decreased by 3,748 million yen year-on-year. The result was a cash outflow of 2,325 million yen.

Furthermore, net cash used in financing activities was 1,058 million yen, improved by 2,332 million yen year on year due to the increase of loans payable and decrease of purchase of treasury stock etc.

As an above result, cash and cash equivalents at the end of the consolidated fiscal year under review totaled 10,361 million yen, decrease of 3,042 million yen from the end of the previous fiscal year.

2. Basic Concept Behind the Selection of Accounting Standards

In order to ensure comparability between companies and over time, the T.RAD Group, which consists of T.RAD Co., Ltd. (the “Company”), prepares the Company’s consolidated financial statements based on the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (except Chapters 7 and 8)” (Ordinance of the Ministry of Finance No. 28 of 1976).

Please note that, in view of domestic and overseas circumstances, the Company intends to respond appropriately to the application of international accounting standards.

3. Consolidated Financial Statements and main notes

(1) Consolidated balance sheets

(Millions of yen)

	FY2021	FY2022
	As of March 31, 2022	As of March 31, 2023
	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	13,264	10,225
Notes receivable-trade	2,004	772
Electronically recorded monetary claims-operating	3,012	2,760
Accounts receivable-trade	23,832	25,527
Short-term investment securities	489	489
Merchandise and finished goods	3,805	4,356
Work in process	902	795
Raw materials and supplies	8,152	10,718
Others	2,542	2,738
Allowance for doubtful accounts	(172)	(246)
Total current assets	57,835	58,138
Noncurrent assets		
Tangible fixed assets		
Buildings and structures	21,763	23,789
Accumulated depreciation	(16,048)	(17,127)
Building and structures, net	5,715	6,662
Machinery, equipment and vehicles	56,902	60,375
Accumulated depreciation	(41,824)	(46,592)
Machinery, equipment and vehicles, net	15,077	13,783
Land	2,384	2,444
Lease assets	826	2,233
Accumulated depreciation	(462)	(582)
Lease assets, net	364	1,650
Construction in progress	4,904	2,729
Other tangible fixed assets	31,592	32,717
Accumulated depreciation	(29,838)	(30,807)
Other tangible fixed assets, net	1,754	1,909
Total tangible fixed assets	30,200	29,179
Intangible assets		
Other intangible assets	1,613	2,153
Total intangible assets	1,613	2,153
Investments and other assets		
Investment securities	2,392	2,967
Net defined benefit asset	1,020	895
Deferred tax assets	149	203
Others	549	565
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	4,106	4,626
Total noncurrent assets	35,921	35,959
Total assets	93,756	94,098

(Millions of yen)

	FY2021	FY2022
	As of March 31, 2022	As of March 31, 2023
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	13,994	13,886
Electronically recorded obligations - operating	4,249	4,613
Short-term loans payable	10,390	11,045
Lease obligations	495	410
Income taxes payable	948	544
Accrued expenses	3,081	3,528
Provision for bonuses	1,421	1,355
Provision for directors' bonuses	72	25
Provision for product warranties	272	661
Provision for loss on order received	187	209
Electronically recorded obligations - non-operating	474	715
Others	1,788	961
Total current liabilities	37,377	37,958
Noncurrent liabilities		
Long-term loans payable	6,720	8,159
Lease obligations	1,576	2,831
Deferred tax liabilities	867	793
Net defined benefit liability	287	292
Provision for share awards	—	29
Asset retirement obligations	92	92
Others	102	88
Total noncurrent liabilities	9,646	12,288
Total liabilities	47,024	50,246
(Net assets)		
Shareholders' equity		
Capital stock	8,570	8,570
Capital surplus	7,352	7,353
Retained earnings	27,004	22,100
Treasury stock	(421)	(452)
Total shareholders' equity	42,505	37,571
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	11
Foreign currency translation adjustment	948	3,700
Remeasurements of defined benefit plans	1,049	977
Total accumulated other comprehensive income	1,998	4,690
Non-controlling interests	2,228	1,589
Total net assets	46,732	43,851
Total liabilities and net assets	93,756	94,098

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

(Millions of yen)

	FY2021	FY2022
	(Apr. 1, 2021–Mar. 31, 2022)	(Apr. 1, 2022–Mar. 31, 2023)
	Amount	Amount
Net sales	133,581	149,413
Cost of sales	118,478	137,558
Gross profit	15,103	11,855
Selling, general and administrative expenses		
Packing and delivery expenses	1,780	1,614
Provision for product warranties	273	709
Directors' compensations	244	207
Salaries and allowances	2,308	2,302
Provision for bonuses	399	429
Provision for directors' bonuses	72	25
Provision for directors' retirement benefits	98	44
Retirement benefit expenses	—	29
Welfare expenses	1,213	1,457
Depreciation	356	349
Rent expenses	443	479
Transportation and communication expenses	337	396
Research and development expenses	1,127	1,104
Entertainment expenses	19	22
Provision of allowance for doubtful accounts	4	59
Commission Fee	295	344
Amortization of goodwill	13	—
Miscellaneous expenses	1,073	1,229
Total selling, general and administrative expenses	10,061	10,805
Operating income (loss)	5,041	1,050
Non-operating income		
Interest income	156	165
Dividends income	2	5
Equity in earnings of affiliates	435	443
Foreign exchange gains	315	538
Others	294	262
Total non-operating income	1,204	1,415
Non-operating expenses		
Interest expenses	235	363
Others	12	18
Total non-operating expenses	248	382
Ordinary income	5,997	2,083

(Millions of yen)

	FY2021	FY2022
	(Apr. 1, 2021–Mar. 31, 2022)	(Apr. 1, 2022–Mar. 31, 2023)
	Amount	Amount
Extraordinary income		
Gain on sales of noncurrent assets	36	15
Gain on sales of golf memberships	16	—
Total extraordinary income	52	15
Extraordinary loss		
Loss on retirement of noncurrent assets	128	140
Loss on sales of noncurrent assets	7	20
Impairment loss	# ¹ 15	# ¹ 3,507
Loss on reversal of foreign currency translation adjustment	—	401
Total extraordinary loss	151	4,069
Income (loss) before income taxes	5,899	(1,970)
Income taxes-current	2,187	2,140
Income taxes-deferred	71	(102)
Total income taxes	2,258	2,038
Profit (loss)	3,640	(4,009)
Profit (loss) attributable to non-controlling interests	39	(413)
Profit (loss) attributable to owners of parent	3,600	(3,595)

(Consolidated statement of comprehensive income)

(Millions of yen)

	FY2021	FY2022
	(Apr. 1, 2021–Mar. 31, 2022)	(Apr. 1, 2022–Mar. 31, 2023)
	Amount	Amount
Profit (loss)	3,640	(4,009)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	11
Foreign currency translation adjustment	2,353	2,741
Remeasurements of defined benefit plans, net of tax	128	(70)
Share of other comprehensive income of associates accounted for using equity method	41	161
Total other comprehensive income	2,523	2,844
Comprehensive income	6,163	(1,165)
(Breakdown)		
Comprehensive income attributable to owners of parent	5,849	(904)
Comprehensive income attributable to non-controlling interests	314	(260)

(3) Consolidated statements of changes in net assets
Fiscal year ended March 31, 2022(April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of April 1, 2021	8,570	7,521	27,466	(2,258)	41,299
Cumulative effects of changes in accounting policies			(1)		(1)
As of April 1, 2021 reflecting changes in accounting policies	8,570	7,521	27,464	(2,258)	41,298
Changes of items during the period					
Dividends from surplus			(281)		(281)
Profit attributable to owners of parent			3,600		3,600
Purchase of treasury stock				(2,159)	(2,159)
Disposal of treasury stock		12		36	49
Retirement of treasury stock		(179)	(3,779)	3,959	—
Change in ownership interest of parent due to transactions with non-controlling interests		(1)			(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(169)	(460)	1,837	1,207
As of March 31, 2022	8,570	7,352	27,004	(421)	42,505

	Valuation and translation adjustments				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
As of April 1, 2021	—	(1,171)	920	(250)	2,169	43,218
Cumulative effects of changes in accounting policies						(1)
As of April 1, 2021 reflecting changes in accounting policies	—	(1,171)	920	(250)	2,169	43,216
Changes of items during the period						
Dividends from surplus						(281)
Profit attributable to owners of parent						3,600
Purchase of treasury stock						(2,159)
Disposal of treasury stock						49
Retirement of treasury stock						—
Change in ownership interest of parent due to transactions with non-controlling interests						(1)
Net changes of items other than shareholders' equity	—	2,120	128	2,249	58	2,308
Total changes of items during the period	—	2,120	128	2,249	58	3,515
As of March 31, 2022	—	948	1,049	1,998	2,228	46,732

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of April 1, 2022	8,570	7,352	27,004	(421)	42,505
Cumulative effects of changes in accounting policies					
As of April 1, 2022 reflecting changes in accounting policies	8,570	7,352	27,004	(421)	42,505
Changes of items during the period					
Dividends from surplus			(1,307)		(1,307)
Profit(Loss) attributable to owners of parent			(3,595)		(3,595)
Purchase of treasury stock				(116)	(116)
Disposal of treasury stock		1		85	86
Retirement of treasury stock					
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	1	(4,903)	(31)	(4,933)
As of March 31, 2023	8,570	7,353	22,100	(452)	37,571

	Valuation and translation adjustments				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
As of April 1, 2022	—	948	1,049	1,998	2,228	46,732
Cumulative effects of changes in accounting policies						—
As of April 1, 2022 reflecting changes in accounting policies	—	948	1,049	1,998	2,228	46,732
Changes of items during the period						
Dividends from surplus						(1,307)
Profit(Loss) attributable to owners of parent						(3,595)
Purchase of treasury stock						(116)
Disposal of treasury stock						86
Retirement of treasury stock						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity	11	2,751	(71)	2,691	(638)	2,052
Total changes of items during the period	11	2,751	(71)	2,691	(638)	(2,880)
As of March 31, 2023	11	3,700	977	4,690	1,589	43,851

(4) Consolidated statements of cash flows

(Millions of yen)

	FY2021	FY2022
	(Apr. 1, 2021–Mar. 31, 2022)	(Apr. 1, 2022–Mar. 31, 2023)
	Amount	Amount
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	5,899	(1,970)
Depreciation and amortization	5,836	6,349
Impairment loss	15	3,507
Retirement benefit expenses	(1)	(118)
Increase (decrease) in net defined benefit liability	60	123
Increase (decrease) in allowance for doubtful accounts	(22)	59
Increase (decrease) in provision for bonuses	302	(67)
Increase (decrease) in provision for directors' bonuses	72	(46)
Increase (decrease) in provision for product warranties	(330)	370
Loss on retirement of noncurrent assets	128	140
Loss (gain) on sales of tangible fixed assets	(29)	4
Interests and dividends income	(158)	(171)
Interests expenses	235	363
Foreign exchange losses (gains)	(85)	(57)
Equity in (earnings) losses of affiliates	(435)	(443)
Decrease (increase) in notes and accounts receivable-trade	(66)	1,050
Decrease (increase) in inventories	(3,322)	(2,500)
Increase (decrease) in notes and accounts payable-trade	780	(570)
Loss on reversal of foreign currency translation adjustment	—	401
Decrease (increase) in other current assets	147	(152)
Increase (decrease) in other current liabilities	(42)	772
Other, net	(7)	32
Subtotal	8,975	7,077
Interest and dividends income received	252	200
Interest expenses paid	(228)	(368)
Income taxes paid	(1,737)	(2,533)
Net cash provided by (used in) operating activities	7,262	4,376

(Millions of yen)

	FY2021	FY2022
	(Apr. 1, 2021–Mar. 31, 2022)	(Apr. 1, 2022–Mar. 31, 2023)
	Amount	Amount
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	1,314	1,550
Payments into time deposits	(1,356)	(1,522)
Purchase of tangible fixed assets	(5,231)	(6,093)
Proceeds from sales of tangible fixed assets	88	98
Purchase of intangible assets	(581)	(753)
Proceeds from sales of investment securities	7	—
Payments for asset retirement obligations	(100)	—
Other, net	19	18
Net cash provided by (used in) investing activities	(5,839)	(6,702)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	65	228
Proceeds from long-term loans payable	3,820	3,900
Repayment of long-term loans payable	(4,138)	(3,031)
Purchase of treasury stock	(2,159)	(116)
Cash dividends paid	(281)	(1,307)
Cash dividends paid to non-controlling shareholders	(211)	(224)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(42)	—
Others	(444)	(506)
Net cash provided by (used in) financing activities	(3,391)	(1,058)
Effect of exchange rate change on cash and cash equivalents	758	522
Net increase (decrease) in cash and cash equivalents	(1,210)	(2,861)
Cash and cash equivalents at beginning of period	14,614	13,404
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(180)
Cash and cash equivalents at end of period	13,404	10,361

(5) Notes concerning Consolidated Financial Statements
(Going concern assumptions)

Not applicable

(Consolidated statements of income)

#1 Impairment Loss:

Impairment losses were recorded in the following asset groups of the Group:

FY2021 (April 1, 2021–March 31, 2022)

Place	Purpose of use	Type	Impairment loss (Millions of yen)
T.RAD Czech s.r.o Unhost, Czech	Manufacture and sales of heat exchangers	Machinery, equipment and vehicles	15
		Subtotal	15
		Total	15

The asset groups are classified on the base of managerial accounting in consideration of company category and business category.

As a result of accounting for the impairment of assets based on the aforementioned grouping, as to manufacture and sales of heat exchangers in the Czech Republic, regarding aforementioned tangible fixed assets were no longer expected to recover the investment amount due to the decrease in profitability. Accordingly, their book values were written down to recoverable values, and the Company posted those losses as an impairment loss under extraordinary loss.

The amount listed as recoverable value by each asset group was calculated in accordance with the asset's value in usage. T.RAD Czech s.r.o. has no value in use based on future cash flows. Therefore, the recoverable amount is evaluated as zero, and no discount rate is applied.

FY2022 (April 1, 2022–March 31, 2023)

Place	Purpose of use	Type	Impairment loss (Millions of yen)
The Company, Head Quarter etc. Shibuya-ku, Tokyo, Japan	Idle assets	Machinery, equipment and vehicles	9
		Construction in progress	29
		Subtotal	38
T.RAD North America, Inc. Hopkinsville, Kentucky, U.S.A	Manufacture and sales of heat exchangers	Machinery, equipment and vehicles	3,079
		Tools, furniture and fixtures	308
		Construction in progress	79
		Subtotal	3,467
		Total	3,507

The asset groups are classified on the base of managerial accounting in consideration of company category and business category.

As a result of accounting for the impairment of assets based on the aforementioned grouping, regarding idle assets with no expected future use, its book value was written down to recoverable values, and the Company posted this loss as an impairment loss under extraordinary loss. The amount listed as recoverable value by each asset group have been appraised based on residual value.

As to manufacture and sales of heat exchangers in the United States, regarding aforementioned tangible fixed assets were no longer expected to recover the investment amount due to the decrease in profitability. Accordingly, their book values were written down to recoverable values, and the Company posted those losses as an impairment loss under extraordinary loss. The amount listed as recoverable value by each asset group was calculated in accordance with the asset's value in usage. This business has no value in use based on future cash flows. Therefore, the recoverable amount is evaluated as zero, and no discount rate is applied.

In addition, an impairment loss of less than one million yen was recorded for a portion of the Czech subsidiary's facilities.

(Additional information)

(About the accounting estimate associated with the spread of novel coronavirus infections)

The spread of the COVID-19 pandemic is an event that has a widespread impact on the economy and corporate activities. There is a possibility that the operation adjustments of customers will have a significant impact on the T.RAD Group. However, in the current consolidated fiscal year (fiscal year ended in March 2023), the impact almost disappeared. If we assume that this situation will continue in the next consolidated fiscal year (fiscal year ending in March 2024), we have made accounting estimates for the current consolidated fiscal year (fiscal year ended in March 2023).

(Transactions in which the Company's shares are issued to employees through a trust)

(1) Outline of transaction

At a meeting of the Board of Directors held on May 16, 2022, the Company resolved details of a new incentive plan called the Employee Stock Ownership Plan (J-ESOP, hereinafter referred to as the "Plan") for employees. The Plan is a system to provide the Company's shares to its employees who satisfy certain requirements under the Share Benefit Regulations to be established by the Company in advance.

The Company will grant points to its employees based on their position, performance, and other factors. The Company's shares equivalent to the points granted will be paid to the employees when they acquire the right of entitlement under certain conditions stipulated in the Share Benefit Regulations. The shares to be provided to employees shall be acquired following the amount set up in advance, including the future portion, and shall be segregated and managed as trust assets.

The introduction of the Plan will enable employees to share the economic benefits with shareholders by reflecting the benefits in the Company's stock price based on the Company's performance. As "working shareholders," the Company will increase its employees' sense of ownership and participation in management even more than before. At the same time, the Plan is intended to share the Company's vision and plans and contribute to the Company's sustainable growth through a high level of voluntary commitment and challenge.

(2) Shares of the Company remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets at their book value. The book value of the Company's shares at the end of the current consolidated cumulative period is 49 million yen, and the number of shares is 22,100.

(Transfers between retirement benefit plans)

On April 1, 2023, the Company transferred a portion of its defined benefit corporate pension plan to a defined contribution corporate pension plan. As a result, the Company adopted the Guidance on Accounting for Transfers between Retirement Benefit Plans (the Accounting Standards Board of Japan's Guidance No. 1, December 16, 2016) and the Practical Solution on Accounting for Transfers between Retirement Benefit Plans (the Practical Issues Task Force's No. 2, February 7, 2007). The transferred portion to the defined contribution pension plan will be treated as a partial termination of the retirement benefit plan, and there will be no gain or loss arising from this transition.

(Segment information)

1. General information of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed at management meetings comprising directors and officers, whereby decisions are made regarding the allocation of resources to the segments and assessments are made concerning the segments' performance.

The Group's business involves the manufacture and sales of heat exchangers for the automobile and other industries. The Company covers the business in Japan. Overseas companies cover the business of each region such as the United States, Europe (the Czech Republic and Germany), Asia (Thailand, Indonesia and Vietnam) and China. Each of these overseas corporations is an independent business unit whose operations involve the manufacture of products that are marketed in each respective area.

Therefore, our Group consists of the Company and these overseas corporations which are based on a manufacturing and sales structure. As such, "Japan," "the United States," "Europe," "Asia" and "China" are our five reportable segments.

In each reportable segment, heat exchangers for automobiles, construction, industrial machinery, air conditioners and others are manufactured and sold.

2. Calculation method for net sales, profit (loss), assets and other items by reportable segment

The accounting method for the Group's reportable segments is generally the same as described in "Basis for preparation of consolidated financial statements."

Net sales for reportable segments are for each production region.

Segment income is based on operating income.

Intersegment income and transfer amount are calculated based on arm's length price.

3. Net sales, profit (loss), assets and other items by reportable segments

Fiscal year ended March 31, 2022(from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment						Other	Total
	Japan	United States	Europe	Asia	China	Total		
Net Sales:								
Sales to outside customers	60,560	29,104	4,432	15,325	23,888	133,311	270	133,581
Intersegment sales or transfers	7,747	120	336	206	2,001	10,412	1,915	12,328
Total	68,308	29,224	4,769	15,531	25,890	143,723	2,186	145,909
Segment income (loss)	1,484	(1,374)	(101)	2,308	2,738	5,056	64	5,120
Segment assets	65,174	19,317	3,132	10,100	19,173	116,898	928	117,826
Other items								
Depreciation	2,844	1,265	105	745	804	5,765	69	5,835
Investment amount in equity-method affiliate	531	-	-	-	-	531	-	531
Increase of tangible fixed assets and intangible assets	2,940	1,427	231	512	1,132	6,244	26	6,271

Note: "Other" comprises business operations that are not categorized as reportable segments and includes the business activities of domestic subsidiaries, such as the transportation business.

Fiscal year ended March 31, 2023(from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment						Other	Total
	Japan	Unites States	Europe	Asia	China	Total		
Net Sales:								
Sales to outside customers	65,885	37,540	5,487	19,269	20,998	149,180	233	149,413
Intersegment sales or transfers	6,897	85	128	425	2,137	9,674	2,007	11,682
Total	72,783	37,626	5,615	19,694	23,135	158,855	2,241	161,096
Segment income (loss)	1,184	(3,665)	(540)	2,948	1,104	1,030	52	1,082
Segment assets	57,197	22,288	3,953	11,250	17,541	112,230	918	113,149
Other items								
Depreciation	2,776	1,653	109	783	914	6,236	62	6,298
Investment amount in equity-method affiliate	531	-	-	-	-	531	-	531
Increase of tangible fixed assets and intangible assets	3,489	559	382	540	631	5,604	33	5,638

Note: "Other" comprises business operations that are not categorized as reportable segments and includes the business activities of domestic subsidiaries, such as the transportation business.

4. Difference amount between the total amount of reportable segments and the posted amounts in the consolidated financial statements and the main contents of the difference amount (the adjustment of difference)

(Millions of yen)

Net sales	FY2021	FY2022
Total of reportable segments	143,723	158,855
Net sales of the classification "Others"	2,186	2,241
Elimination of trades among segments	(12,328)	(11,682)
Net sales in the consolidated financial statements	133,581	149,413

(Millions of yen)

Profit	FY2021	FY2022
Total of reportable segments	5,056	1,030
Profit of the classification "Others"	64	52
Elimination of trades among segments	(78)	(32)
Operating income in the consolidated financial statements	5,041	1,050

(Millions of yen)

Assets	FY2021	FY2022
Total of reportable segments	116,898	112,230
Assets of the classification "Others"	928	918
Elimination of trades among segments	(24,069)	(19,050)
Total assets in the consolidated financial statements	93,756	94,098

(Millions of yen)

Other items	Total of reportable segments		Other		Adjustments(Note)		Posted amounts in the consolidated financial statements	
	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022
Depreciation	5,765	6,236	69	62	0	51	5,836	6,349
Investment amount to equity-method affiliate	531	531	—	—	1,818	2,393	2,349	2,924
Increase of tangible fixed assets and intangible assets	6,244	5,604	26	33	(98)	723	6,173	6,361

Note: Adjustments are as follows.

1. The adjustment of depreciation cost derives from the elimination of unrealized losses and gains related to non-current assets.
2. The adjustment of investment amount to the entities accounted for using equity method derives from investment profit on equity method.
3. The adjustment of increased amounts of tangible fixed assets and intangible assets are as follows.
Elimination of unrealized losses and gains related to non-current assets: (262) million yen

(Supplementary information)
Sales states (consolidated)

(Millions of yen)

	FY2021 (April 1, 2021 to March 31, 2022)		FY2022 (April 1, 2022 to March 31, 2023)		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
For Automobile	97,452	73.0	114,417	76.5	16,964	17.4
For construction & industrial machine	31,814	23.8	30,283	20.3	-1,531	-4.8
For Air conditioner	2,128	1.6	2,090	1.4	-37	-1.8
Other	2,186	1.6	2,622	1.8	436	19.9
Total	133,581	100.0	149,413	100.0	15,832	11.9

Notes: Amounts less than one million yen have been truncated.

(Per share information)

	FY2021 (April 1, 2021–March 31, 2022)	FY2022 (April 1, 2022–March 31, 2023)
Net assets per share:	¥6,810.22	¥6,479.13
Net income(loss) per share:	¥515.97	¥(550.88)

(Note) 1. Diluted net income per share is not listed for the consolidated fiscal year under review, as there are no potential shares that have dilutive effects on per-share net income.

2. The number of shares outstanding at the end of the consolidated fiscal year includes 22,100 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the Employee Stock Ownership Plan (J-ESOP). These shares are excluded from calculating the increase or decrease in the number of shares.

3. Basis for calculation of net income(loss) per share as follows.

	FY2021 (April 1, 2021–March 31, 2022)	FY2022 (April 1, 2022–March 31, 2023)
Net income(loss) per share		
Profit(Loss) attributable to owners of parent (Millions of yen)	3,600	(3,595)
Amount that is not attributable to shares of common stock (Millions of yen)	—	—
Profit(Loss) attributable to owners of parent related to shares of common stock (Millions of yen)	3,600	(3,595)
Average number of shares of common stock during the period (Thousands)	6,978	6,527

(Omitted disclosure)

Disclosure of the statement of comprehensive income, lease transactions, information on related parties, financial products, securities, derivative transactions, retirement benefits, stock options, tax-effect accounting, asset retirement obligations, and notes related to the rental property are omitted because disclosure of such information is deemed to be insignificant.

(Significant subsequent events)

Not applicable

4. Non-Consolidated Financial Statements and main notes

(1) Non-consolidated balance sheets

(Millions of yen)

	FY2021	FY2022
	As of March 31, 2022	As of March 31, 2023
	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	3,860	1,779
Notes receivable-trade	308	37
Electronically recorded monetary claims-operating	3,012	2,760
Accounts receivable-trade	15,482	16,857
Short-term investment securities	489	489
Merchandise and finished goods	1,561	1,570
Work in process	937	1,003
Raw materials and supplies	671	1,521
Prepaid expenses	129	127
Accounts receivable-other	2,060	2,438
Other current assets	6	8
Total current assets	28,520	28,594
Noncurrent assets		
Tangible Fixed Assets		
Buildings	12,792	13,995
Accumulated depreciation	(10,332)	(10,655)
Buildings, net	2,460	3,339
Structures	1,566	1,654
Accumulated depreciation	(1,331)	(1,371)
Structures, net	235	283
Machinery and equipment	26,410	27,304
Accumulated depreciation	(20,625)	(21,386)
Machinery and equipment, net	5,785	5,918
Vehicles	110	116
Accumulated depreciation	(100)	(106)
Vehicles, net	9	10
Tools, furniture and fixtures	25,494	25,806
Accumulated depreciation	(24,813)	(24,833)
Tools, furniture and fixtures, net	681	973
Land	1,771	1,771
Lease assets	25	6
Accumulated depreciation	(19)	(2)
Lease assets, net	6	4
Construction in progress	2,048	1,497
Other, net	0	0
Total Tangible Fixed Assets	12,997	13,798
Intangible assets		
Software	262	325
Other intangible assets	878	1,377
Total intangible assets	1,140	1,703

(Millions of yen)

	FY2021	FY2022
	As of March 31, 2022	As of March 31, 2023
	Amount	Amount
Investments and other assets		
Investment securities	42	42
Stocks of subsidiaries and affiliates	8,184	4,717
Investments in capital of subsidiaries and affiliates	7,873	6,738
Long-term prepaid expenses	9	6
Insurance funds	49	49
Deferred tax assets	916	950
Others	139	195
Allowance for doubtful accounts	(5)	(5)
Allowance for investment loss	(1,280)	—
Total investments and other assets	15,928	12,693
Total noncurrent assets	30,066	28,196
Total assets	58,587	56,790
(Liabilities)		
Current liabilities		
Electronically recorded obligations – operating	4,249	4,613
Accounts payable-trade	7,039	7,567
Short-term loans payable	2,882	2,640
Lease obligations	228	1
Accounts payable-other	824	414
Income taxes payable	516	154
Accrued consumption taxes	58	—
Accrued expenses	1,522	1,636
Advances received	104	21
Deposits received	53	62
Provision for bonuses	1,367	1,292
Provision for directors' bonuses	72	25
Provision for product warranties	32	45
Electronically recorded obligations - non-operating	474	715
Others	4	9
Total current liabilities	19,431	19,200
Noncurrent liabilities		
Long-term loans payable	6,690	8,150
Lease obligations	4	3
Provision for retirement benefits	507	515
Provision for share awards	—	28
Asset retirement obligations	63	63
Others	35	32
Total noncurrent liabilities	7,301	8,793
Total liabilities	26,733	27,993

(Millions of yen)

	FY2021	FY2022
	As of March 31, 2022	As of March 31, 2023
	Amount	Amount
(Net assets)		
Shareholders' equity		
Capital stock	8,570	8,570
Capital surplus		
Legal capital surplus	7,331	7,331
Other capital surplus	—	1
Total capital surplus	7,331	7,332
Retained earnings		
Legal retained earnings	1,097	1,097
Other retained earnings		
Reserve for dividends	500	500
Reserve for special account for advanced depreciation of noncurrent assets	110	110
General reserve	8,130	8,130
Retained earnings brought forward	6,535	3,496
Total retained earnings	16,374	13,334
Treasury stock	(421)	(452)
Total shareholders' equity	31,854	28,785
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	11
Total valuation and translation adjustments	—	11
Total net assets	31,854	28,797
Total liabilities and net assets	58,587	56,790

(2) Non-consolidated statements of income

(Millions of yen)

	FY2021	FY2022
	(Apr. 1, 2021–Mar. 31, 2022)	(Apr. 1, 2022–Mar. 31, 2023)
	Amount	Amount
Net sales	68,308	72,783
Cost of sales		
Beginning finished goods	1,362	1,435
Cost of products manufactured	54,023	59,202
Purchase of finished goods	2,046	1,394
Transfer from other account	3,636	4,040
Total	61,068	66,072
Finished goods transfer to other account	167	189
Ending finished goods	1,435	1,440
Cost of finished goods sold	59,465	64,443
Gross profit	8,842	8,339
Selling, general and administrative expenses		
Packing and delivery expenses	2,692	2,640
Advertising expenses	36	24
Provision for product warranties	32	45
Directors' compensations	220	179
Salaries and allowances	1,086	1,051
Provision for bonuses	345	310
Provision for directors' bonuses	72	25
Provision for retirement benefits	73	68
Welfare expenses	433	439
Depreciation	176	183
Repair expenses	125	122
Taxes and dues	98	101
Rent expenses	336	340
Transportation and communication expenses	204	249
Provision for share awards	—	28
Research and development expenses	1,035	1,008
Insurance expenses	19	10
Stationery expenses	81	33
Entertainment expenses	5	8
Commission Fee	196	216
Miscellaneous expenses	97	113
Total selling, general and administrative expense	7,369	7,203
Operating income (loss)	1,473	1,136
Non-operating income		
Interest income	1	—
Interest on securities	1	1
Dividends income	3,616	4,641
Foreign exchange gains	283	324
Others	160	166
Total non-operating income	4,064	5,133

(Millions of yen)

	FY2021	FY2022
	(Apr. 1, 2021–Mar. 31, 2022)	(Apr. 1, 2022–Mar. 31, 2023)
	Amount	Amount
Non-operating expenses		
Interest expenses	39	45
Others	2	4
Total non-operating expenses	41	49
Ordinary income	5,496	6,220
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Gain on sales of golf memberships	16	—
Total extraordinary income	16	0
Extraordinary Loss		
Loss on sales of noncurrent assets	5	2
Loss on retirement of noncurrent assets	114	119
Impairment loss	—	38
Provision of allowance for investment loss	103	—
Loss on valuation of shares of subsidiaries and associates	590	6,362
Loss on valuation of investments in capital of subsidiaries and affiliates	—	692
Total extraordinary loss	813	7,215
Income before income taxes	4,699	(994)
Income taxes-current	817	770
Income taxes-deferred	(20)	(33)
Total income taxes	797	737
Net income(loss)	3,901	(1,731)

(3) Non-consolidated statements of changes in net assets
 Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' Equity									
	Capital stock	Capital Surplus			Retained Earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
As of April 1, 2021	8,570	7,331	167	7,498	1,097	500	96	8,130	6,709	16,533
Changes of items during the period										
Provision of reserve for advanced depreciation of non-current assets							16		(16)	—
Reversal of reserve for advanced depreciation of non-current assets							(2)		2	—
Dividends from surplus									(281)	(281)
Net income									3,901	3,901
Purchase of treasury stock										
Disposal of treasury stock			12	12						
Retirement of treasury stock			(179)	(179)					(3,779)	(3,779)
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	(167)	(167)	—	—	14	—	(173)	(159)
As of March 31, 2022	8,570	7,331	—	7,331	1,097	500	110	8,130	6,535	16,374

	Shareholders' Equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
As of April 1, 2021	(2,258)	30,344	—	—	30,344
Changes of items during the period					
Provision of reserve for advanced depreciation of non-current assets		—			—
Reversal of reserve for advanced depreciation of non-current assets		—			—
Dividends from surplus		(281)			(281)
Net income		3,901			3,901
Purchase of treasury stock	(2,159)	(2,159)			(2,159)
Disposal of treasury stock	36	49			49
Retirement of treasury stock	3,959	—			—
Net changes of items other than shareholders' equity			—	—	—
Total changes of items during the period	1,837	1,510	—	—	1,510
As of March 31, 2022	(421)	31,854	—	—	31,854

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' Equity									
	Capital stock	Capital Surplus			Legal retained earnings	Retained Earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings				Total retained earnings
					Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
As of April 1, 2022	8,570	7,331	—	7,331	1,097	500	110	8,130	6,535	16,374
Changes of items during the period										
Provision of reserve for advanced depreciation of non-current assets										—
Reversal of reserve for advanced depreciation of non-current assets										—
Dividends from surplus									(1,307)	(1,307)
Net income(loss)									(1,731)	(1,731)
Purchase of treasury stock										
Disposal of treasury stock			1	1						
Retirement of treasury stock										
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	1	1	—	—	—	—	(3,039)	(3,039)
As of March 31, 2023	8,570	7,331	1	7,332	1,097	500	110	8,130	3,496	13,334

	Shareholders' Equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
As of April 1, 2022	(421)	31,854	—	—	31,854
Changes of items during the period					
Provision of reserve for advanced depreciation of non-current assets		—			—
Reversal of reserve for advanced depreciation of non-current assets		—			—
Dividends from surplus		(1,307)			(1,307)
Net income(loss)		(1,731)			(1,731)
Purchase of treasury stock	(116)	(116)			(116)
Disposal of treasury stock	85	86			86
Retirement of treasury stock		—			—
Net changes of items other than shareholders' equity			11	11	11
Total changes of items during the period	(31)	(3,069)	11	11	(3,057)
As of March 31, 2023	(452)	28,785	11	11	28,797

(4) Notes concerning non-consolidated financial statement
(Going concern assumptions)
Not applicable

(Additional information)

(About the accounting estimate associated with the spread of novel coronavirus infections)

The spread of the COVID-19 pandemic is an event that has a widespread impact on the economy and corporate activities. There is a possibility that the operation adjustments of customers will have a significant impact on the T.RAD Group. However, in the current consolidated fiscal year (fiscal year ended in March 2023), the impact almost disappeared. If we assume that this situation will continue in the next consolidated fiscal year (fiscal year ending in March 2024), we have made accounting estimates for the current consolidated fiscal year (fiscal year ended in March 2023).

(Transactions in which the Company's shares are issued to employees through a trust)

(1) Outline of transaction

At a meeting of the Board of Directors held on May 16, 2022, the Company resolved details of a new incentive plan called the Employee Stock Ownership Plan (J-ESOP, hereinafter referred to as the "Plan") for employees. The Plan is a system to provide the Company's shares to its employees who satisfy certain requirements under the Share Benefit Regulations to be established by the Company in advance.

The Company will grant points to its employees based on their position, performance, and other factors. The Company's shares equivalent to the points granted will be paid to the employees when they acquire the right of entitlement under certain conditions stipulated in the Share Benefit Regulations. The shares to be provided to employees shall be acquired following the amount set up in advance, including the future portion, and shall be segregated and managed as trust assets.

The introduction of the Plan will enable employees to share the economic benefits with shareholders by reflecting the benefits in the Company's stock price based on the Company's performance. As "working shareholders," the Company will increase its employees' sense of ownership and participation in management even more than before. At the same time, the Plan is intended to share the Company's vision and plans and contribute to the Company's sustainable growth through a high level of voluntary commitment and challenge.

(2) Shares of the Company remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets at their book value. The book value of the Company's shares at the end of the current consolidated fiscal year is 49 million yen, and the number of shares is 22,100.

(Transfers between retirement benefit plans)

On April 1, 2023, the Company transferred a portion of its defined benefit corporate pension plan to a defined contribution corporate pension plan. As a result, the Company adopted the Guidance on Accounting for Transfers between Retirement Benefit Plans (the Accounting Standards Board of Japan's Guidance No. 1, December 16, 2016) and the Practical Solution on Accounting for Transfers between Retirement Benefit Plans (the Practical Issues Task Force's No. 2, February 7, 2007). The transferred portion to the defined contribution pension plan will be treated as a partial termination of the retirement benefit plan, and there will be no gain or loss arising from this transition.

(Significant subsequent events)

Not applicable