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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 09, 2023

Company name: Restar Holdings Corporation

Stock exchange listing: Tokyo

Code number: 3156

URL: <https://www.en.restargp.com/>

Representative: Tomoharu Asaka

Representative Director

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Corporate Executive Officer

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Scheduled date of filing quarterly securities report: February 14, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 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	%
Nine months ended December 31, 2022	367,930	24.2	12,976	114.0	10,652	93.0	5,893	8.8
December 31, 2021	296,260	26.2	6,062	24.1	5,520	27.0	5,416	(25.5)

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ 4,908 million [(6.8)%]
 Nine months ended December 31, 2021: ¥ 5,265 million [(35.1)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	195.99	194.95
December 31, 2021	180.15	179.34

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2022	284,543	84,217	28.0	2,652.57
March 31, 2022	241,958	81,657	32.1	2,580.33

(Reference) Equity: As of December 31, 2022: ¥ 79,758 million
 As of March 31, 2022: ¥ 77,586 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	45.00	-	55.00	100.00
Fiscal year ending March 31, 2023	-	40.00	-		
Fiscal year ending March 31, 2023 (Forecast)				60.00	100.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ended March 31, 2022:

Ordinary dividend - 40.00yen

Commemorative dividend - 5.00yen

Breakdown of the year-end dividend for the fiscal year ended March 31, 2022:

Ordinary dividend - 45.00yen

Special dividend - 10.00yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 1, 2022 to 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
Full year	465,000	16.4	13,000	71.3	12,000	78.8	7,000	17.5	232.80

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022

(Changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

December 31, 2022: 30,072,643 shares

March 31, 2022: 30,072,643 shares

2) Total number of treasury shares at the end of the period:

December 31, 2022: 4,443 shares

March 31, 2022: 4,317 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 30,068,283 shares

Nine months ended December 31, 2021: 30,068,428 shares

(1) Explanation of Operating Results

In the first nine months of the fiscal year under review, the Japanese economy progressed in normalizing social and economic activities due to the relaxation of behavioral restrictions under the COVID-19 pandemic. Although the economy showed signs of a moderate recovery, the future of the economy remains uncertain as prices continue to soar due to unstable overseas conditions and high resource prices, and the yen's depreciation from the beginning of the fiscal year has shifted to a sharp appreciation.

Under these circumstances, the Company is working to provide IoT solutions for social issues faced by local governments, such as crime prevention, disaster prevention, and BCP, based on image analysis technology, which is an elemental technology, through cross-business synergies and collaboration and co-creation with partner companies. The Company is also conducting demonstration experiments of remote diagnosis for medical field in remote island using a combination of information and networks. In addition, the Company is working on expanding the installation of renewable energy through financing using green loans with the aim of "Creating an environmentally friendly society," which is one of the priority issues (materiality) in the Company.

(Overview of Consolidated Operating Results)

(Million yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change (%)
Net sales	296,260	367,930	24.2 %
Operating profit	6,062	12,976	114.0 %
Ordinary profit	5,520	10,652	93.0 %
Profit attributable to owners of parent	5,416	5,893	8.8 %

• Performance Highlights

Consolidated net sales for the first nine months of the fiscal year under review increased. This was due to the strong performance in the Semiconductor and Electronic Components Business and the Procurement Business owing to firm demand for industrial equipment and in-vehicle equipment despite continued unsteady demand-supply conditions for semiconductors. Operating profit increased mainly owing to an increase in gross profit due to sales growth. Ordinary profit increased despite foreign exchange losses of ¥1,366 million. The one-time factor of recording of ¥1,934 million in extraordinary income as gain on bargain purchase relating to the consolidation of PALTEK CORPORATION and its affiliates in the same period of the previous fiscal year did not exist. In addition, the Company recorded ¥831 million in extraordinary losses, such as ¥423 million in special survey costs, etc., and ¥319 million in loss on valuation of investment securities for the first nine months of the fiscal year under review. However, profit attributable to owners of parent also increased.

As a result, net sales for the first nine months of the fiscal year under review were ¥367,930 million, up 24.2% year-on-year, operating profit was ¥12,976 million, up 114.0% year-on-year, ordinary profit was ¥10,652 million, up 93.0% year-on-year, and profit attributable to owners of parent was ¥5,893 million, up 8.8% year-on-year.

(Operating Results by Reportable Segment)

The Group has four reportable segments for the allocation of management resources and evaluation of business performance. These four segments are the Semiconductor and Electronic Components Business, the Procurement Business, the Electronic Equipment Business, and the Environmental Energy Business.

1) Semiconductor and Electronic Components Business

Reportable Segment	Business	Business Description
Semiconductor and Electronic Components Business	Devices	Sales of semiconductors, electronic components and related products in Japan and overseas; system proposals with a variety of line card combinations; provision of high-value-added solutions and technical support that excels at liquid crystal systems and overseas suppliers; design and manufacturing; LSI design development and support; and reliability test service
	EMS	Electronics manufacturing service for electronic components, modules, etc., with cutting-edge technology, procurement, production management and quality assurance at our factories

(Million yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change (%)
Net sales	215,433	262,628	21.9 %
Devices	195,832	245,310	25.3 %
EMS	19,601	17,318	(11.7 %)
Segment profit	6,232	11,912	91.1 %

• Performance Overview

In the devices business, despite a slowdown in the markets for some products, sales for industrial equipment and in-vehicle equipment remained firm. In addition, new customer development and sales growth at PALTEK CORPORATION contributed to the increase in sales. In the EMS business, despite the contribution of the business for in-vehicle displays, which started mass production, sales declined due to sluggishness in the mainstay smartphone business. Segment profit increased mainly due to sales growth in the devices business and the effect of depreciation of the yen, despite a decrease in profit in the EMS business.

As a result, the Semiconductor and Electronic Components Business recorded net sales of ¥262,628 million, up 21.9% year-on-year, and segment profit of ¥11,912 million, up 91.1% year-on-year.

2) Procurement Business

Reportable Segment	Business	Business Description
Procurement Business	Procurement	Establishment of optimal supply chain management through global procurement/trading for electronics and entrustment service for related operations

(Million yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change (%)
Net sales	60,969	79,794	30.9 %
Segment profit	517	2,636	409.0 %

• Performance Overview

In the procurement business, sales increased due to the expansion of new transactions both for the Panasonic Group and for companies other than the Panasonic Group. Segment profit increased owing to a decrease in SG&A expenses and an increase in gross profit due to the effect of depreciation of the yen.

As a result, the Procurement Business recorded net sales of ¥79,794 million, up 30.9% year-on-year, and segment profit of ¥2,636 million, up 409.0% year-on-year.

3) Electronic Equipment Business

Reportable Segment	Business	Business Description
Electronic Equipment Business	Electronic equipment	Video, audio, communications, and measurement solutions, design and construction, and maintenance engineering in various fields such as broadcasting, business, education, medical care/life sciences, public facilities, factory automation, security, and electronic measuring instruments
	System equipment	Development, manufacture, sales, and application development of cashless payment terminals, security terminals and Individual Number authentication related devices that combine our basic digital and communications technologies with near-field communication (NFC) technologies

(Million yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change (%)
Net sales	13,089	14,361	9.7 %
Electronic equipment	11,344	11,414	0.6 %
System equipment	1,744	2,946	69.0 %
Segment loss	(42)	(297)	—

• Performance Overview

In the electronic equipment business, although procurement difficulties continued due to a shortage of semiconductors, sales increased slightly as a result of system delivery due to office relocation and growth in demand for medical equipment. In the system equipment business, sales increased due to the increase in sales of overseas made payment terminals resulting from the consolidation of CARDSERVICE INC. and higher demand for access control terminals for offices, and Individual Number authentication related devices. Segment profit decreased despite higher sales due to an increase in purchasing costs resulting from the impact of the yen's depreciation and expenses incurred from additional man-hours in the electronic equipment business.

As a result, the Electronic Equipment Business recorded net sales of ¥14,361 million, up 9.7% year-on-year, and segment loss of ¥297 million.

4) Environmental Energy Business

Reportable Segment	Business	Business Description
Environmental Energy Business	Energy	Community coexistence-based operation and management services for the introduction and popularization of renewable energy from our own solar power stations (in Japan and overseas) and wind power stations, etc.
	Power producer and supplier (PPS)	Electric power supply to public facilities and private-sector companies primarily using renewable energy, and electric power consulting including local production and consumption of the power for community revitalization
	Vegetable factory	Production and sale, as well as system consulting, of vegetables made in completely closed vegetable factories to commercial and retail markets including convenience stores, supermarkets, and food service chains

(Million yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change (%)
Net sales	6,768	11,146	64.7 %
Energy	2,898	3,224	11.3 %
Power producer and supplier (PPS)	2,923	7,012	139.9 %
Vegetable factory	947	909	(4.0 %)
Segment profit (loss)	265	(345)	—

• Performance Overview

In the energy business, sales increased due to growth in power generation from new solar and wind power stations in Japan and overseas and other factors. Sales in the power producer and supplier (PPS) business increased due to a continuing increase in demand for electric power, mainly in the public sector. In the vegetable factory business, shipments of new products increased, but sales declined slightly due to a review of sales destinations. Regarding segment profit and loss, profit decreased due to losses in the new electric power business from soaring electricity procurement prices since the beginning of the fiscal year and losses in the vegetable factory business from soaring electricity prices, despite steady earnings in the energy business.

As a result, the Environmental Energy Business recorded net sales of ¥11,146 million, up 64.7% year-on-year, and segment loss of ¥345 million.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal under review increased by ¥42,585 million from the end of the previous fiscal year to ¥284,543 million. This was mainly due to a decrease of ¥3,372 million in cash and deposits, an increase of ¥4,837 million in accounts receivable - trade, an increase of ¥4,153 million in electronically recorded monetary claims - operating, and an increase of ¥24,994 million in merchandise and finished goods.

Liabilities increased by ¥40,024 million from the end of the previous fiscal year to ¥200,326 million. This was mainly due to an increase of ¥5,031 million in notes and accounts payable - trade and an increase of ¥23,206 million in short-term borrowings.

Net assets increased by ¥2,560 million from the end of the previous fiscal year to ¥84,217 million. This was mainly due to profit attributable to owners of parent of ¥5,893 million, dividends from retained earnings of ¥2,856 million, a decrease of ¥425 million in capital surplus, and a decrease of ¥1,719 million in foreign currency translation adjustment.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	33,438	30,066
Notes receivable - trade	454	494
Accounts receivable - trade	79,318	84,156
Electronically recorded monetary claims - operating	5,068	9,221
Contract assets	392	812
Merchandise and finished goods	51,751	76,745
Work in process	1,097	1,999
Raw materials and supplies	1,554	1,727
Other	13,362	21,156
Allowance for doubtful accounts	(913)	(311)
Total current assets	185,525	226,070
Non-current assets		
Property, plant and equipment		
Leased assets	15,152	15,337
Accumulated depreciation	(6,626)	(7,178)
Leased assets, net	8,525	8,158
Other	18,337	19,286
Total property, plant and equipment	26,862	27,444
Intangible assets		
Goodwill	6,618	6,305
Other	4,743	4,636
Total intangible assets	11,362	10,941
Investments and other assets		
Investment securities	4,566	5,577
Deferred tax assets	1,454	1,519
Bad debts	10,675	12,233
Long-term prepaid expenses	8,662	8,569
Other	4,635	4,069
Allowance for doubtful accounts	(11,786)	(11,882)
Total investments and other assets	18,207	20,086
Total non-current assets	56,432	58,473
Total assets	241,958	284,543

(Million yen)

	As of March 31,2022	As of December 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,581	56,612
Short-term borrowings	75,305	98,511
Current portion of long-term borrowings	1,184	1,207
Lease liabilities	1,233	1,318
Income taxes payable	1,891	2,404
Contract liabilities	133	173
Provision for bonuses	1,065	609
Other provisions	206	2
Other	6,744	14,940
Total current liabilities	139,346	175,781
Non-current liabilities		
Long-term borrowings	7,805	11,848
Lease liabilities	7,757	7,249
Deferred tax liabilities	2,070	2,189
Retirement benefit liability	359	469
Other provisions	90	90
Other	2,872	2,698
Total non-current liabilities	20,954	24,544
Total liabilities	160,301	200,326
Net assets		
Shareholders' equity		
Share capital	4,383	4,383
Capital surplus	36,651	36,225
Retained earnings	33,747	37,825
Treasury shares	(8)	(8)
Total shareholders' equity	74,773	78,426
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	371	653
Deferred gains or losses on hedges	192	120
Foreign currency translation adjustment	2,278	558
Remeasurements of defined benefit plans	(30)	(0)
Total accumulated other comprehensive income	2,812	1,331
Share acquisition rights	65	110
Non-controlling interests	4,005	4,348
Total net assets	81,657	84,217
Total liabilities and net assets	241,958	284,543

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	296,260	367,930
Cost of sales	274,107	336,088
Gross profit	22,153	31,841
Selling, general and administrative expenses	16,090	18,865
Operating profit	6,062	12,976
Non-operating income		
Interest income	46	70
Dividend income	33	38
Share of profit of entities accounted for using equity method	132	89
Gain on investments in silent partnerships	145	114
Other	216	477
Total non-operating income	575	790
Non-operating expenses		
Interest expenses	481	1,259
Loss on sale of receivables	63	281
Foreign exchange losses	383	1,366
Other	189	207
Total non-operating expenses	1,118	3,115
Ordinary profit	5,520	10,652
Extraordinary income		
Surrender value of insurance policies	-	64
Gain on sale of investment securities	77	40
Gain on bargain purchase	1,934	-
Insurance claim income	161	-
Total extraordinary income	2,174	104
Extraordinary losses		
Loss on fire	172	-
Special survey costs, etc.	-	423
Loss on valuation of investment securities	-	319
Impairment losses	-	48
Other	29	38
Total extraordinary losses	202	831
Profit before income taxes	7,493	9,925
Income taxes	2,080	3,641
Profit	5,412	6,284
Profit (loss) attributable to non-controlling interests	(4)	391
Profit attributable to owners of parent	5,416	5,893

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Profit	5,412	6,284
Other comprehensive income		
Valuation difference on available-for-sale securities	(219)	281
Deferred gains or losses on hedges	78	(83)
Foreign currency translation adjustment	(12)	(1,609)
Remeasurements of defined benefit plans, net of tax	6	35
Total other comprehensive income	(146)	(1,375)
Comprehensive income	5,265	4,908
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,148	4,412
Comprehensive income attributable to non-controlling interests	116	495