



Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 14, 2023

Company name: Restar Holdings Corporation
 Stock exchange listing: Tokyo
 Code number: 3156
 URL: <https://www.restargp.com/>
 Representative: Tomoharu Asaka Representative Director
 Contact: Atsuki Ishida Corporate Officer
 Phone: +81-3-3458-4618
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 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	245,264	2.3	7,098	(16.0)	3,955	(53.3)	3,367	(27.0)
September 30, 2022	239,795	24.5	8,445	147.1	8,474	161.5	4,613	16.6

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 4,267 million [11.7 %]
 Six months ended September 30, 2022: ¥ 3,821 million [12.2 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	111.99	111.22
September 30, 2022	153.45	152.41

(Note) At the end of the previous consolidated fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the amounts for the six months ended September 30, 2023, are based on the amounts after reflecting the said revision.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	286,282	88,575	28.7	2,736.94
March 31, 2023	269,427	85,095	30.0	2,686.31

(Reference) Equity: As of September 30, 2023: ¥ 82,294 million
 As of March 31, 2023: ¥ 80,772 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, 2023	-	40.00	-	75.00	115.00
Fiscal year ending March 31, 2024	-	55.00			
Fiscal year ending March 31, 2024 (Forecast)			-	60.00	115.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	500,000	2.6	10,000	(30.7)	7,000	(41.9)	7,000	(1.2)	232.80

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(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):

September 30, 2023: 30,072,643 shares

March 31, 2023: 30,072,643 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 4,636 shares

March 31, 2023: 4,568 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 30,068,039 shares

Six months ended September 30, 2022: 30,068,318 shares

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Forward-looking statements in the text are based on judgments made as of the end of the second quarter of the current consolidated fiscal year.

The business merger with Lavinics Co., Ltd. on April 12, 2022, was accounted for on a provisional basis in the first half of the previous consolidated fiscal year. Since it was finalized at the end of the previous consolidated fiscal year, comparisons and analysis with the same period of the previous consolidated fiscal year use the amounts after the revision due to the finalization of the provisional accounting treatment.

During the first half of the fiscal year under review, the Japanese economy showed moderate improvement due to the new type of coronavirus infection, which became a category class 5, the further easing of restraints on the economy, and a recovery of inbound demand. However, the outlook for the economy remains uncertain, with price increases due to the ongoing depreciation of the yen and soaring energy and resource prices, as well as concerns about economic trends in China and prolonged monetary tightening in the United States.

Under these circumstances, the Company is working to strengthen its management foundation for a new business structure in April 2024 and beyond. In August 2023, the Company resolved to merge three companies, Restar Electronics Corporation, Restar Communications Corporation, and Vitec Enesta Co., Ltd., with the Company as the surviving company. Going forward, we will work to expand our business by optimally allocating management resources and promoting changes in our profit structure to strengthen the Group over the medium to long term.

In July 2023, we made AIT Japan Inc., a subsidiary of WPG Holdings Limited (headquarters: Taipei, Taiwan; "WPG"), a consolidated subsidiary of the Company (classified into Semiconductor and Electronic Components Business), aiming to strengthen the management foundations to meet diversifying customer needs and accelerate global expansion. In addition, for the purpose of expanding line cards and further strengthening our customer base, in September 2023 we entered into a share transfer agreement with TSUZUKI DENKI CO., LTD., to make four companies under TSUZUKI DENKI CO., LTD. -- TSUZUKI EMBEDDED SOLUTIONS CO., LTD., TSUZUKI DENSAN TRADING (SHANGHAI) CO., LTD., TSUZUKI DENSAN HONG KONG CO., LTD., and TSUZUKI DENSAN SINGAPORE PTE. LTD. -- wholly owned subsidiaries. We aim for further growth by leveraging the strengths of newly joining companies and demonstrating synergies with the Group.

(Overview of Consolidated Operating Results)

(millions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Net sales	239,795	245,264	2.3%
Operating profit	8,445	7,098	(16.0)%
Ordinary profit	8,474	3,955	(53.3)%
Profit attributable to owners of parent	4,613	3,367	(27.0)%

- Performance Highlights

Net sales increased in the first half of the fiscal year under review due to solid sales in the Procurement Business, the Environmental Energy Business and the Electronic Equipment Business, despite a decrease in sales in the Semiconductor and Electronic Components Business. Operating profit declined due to a decline in sales in the Devices Business, difference in exchange rate trends, inventory write-downs related to specific customers, allowance for doubtful accounts, and the absence of special demand from the same period of the previous year. As a result of recording of interest expenses due to rising interest rates, ordinary profit decreased, and profit attributable to owners of parent also decreased.

As a result, net sales for the first half of the fiscal year under review were ¥245,264 million, up 2.3% year-on-year, operating profit was ¥7,098 million, down 16.0% year-on-year, ordinary profit was ¥3,955 million, down 53.3% year-on-year, and profit attributable to owners of parent was ¥3,367 million, down 27.0% 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.

Effective from the first quarter of the fiscal year, the business segments to be included as reportable have been changed, and comparisons and analysis for the first quarter of the fiscal year are based on the new segments. The segment to which Vitec WPG Limited (located in Hong Kong) belongs has been changed from "Procurement Business" to "Semiconductor and Electronic Components 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 for liquid crystal systems and overseas products; 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

(millions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Net sales	177,199	165,279	(6.7)%
Devices	167,077	157,730	(5.6)%
EMS	10,122	7,548	(25.4)%
Segment profit	7,808	4,320	(44.7)%

- Performance Overview

In the devices business, sales declined due to a decrease in sales for servers, PCs and communication equipment although sales for industrial equipment and in-vehicle devices continued growing. In the EMS business, sales declined due to the sluggishness in the mainstay smartphone/tablet market. Segment profit decreased due to decline in sales in the devices business, the impact of foreign exchange rates caused by differences in the range of fluctuations in the yen's depreciation, the absence of special demand in the same period of the previous year, as well as inventory write-downs and allowance for doubtful accounts related to specific customer, and a sales decrease in the EMS business.

As a result, the Semiconductor and Electronic Components Business recorded net sales of ¥165,279 million, down 6.7% year-on-year, and segment profit of ¥4,320 million, down 44.7% year-on-year.

2) Procurement Business

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

(millions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Net sales	45,380	61,341	35.2%
Segment profit	1,532	1,642	7.2%

- Performance Overview

In the procurement business, sales increased due to strong performance of in-vehicle products, and expansion of sales channels. Segment profit increased due to higher sales.

As a result, the Procurement Business recorded net sales of ¥61,341 million, up 35.2% year-on-year, and segment profit of ¥1,642 million, up 7.2% year-on-year.

3) Electronic Equipment Business

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

(millions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Net sales	9,707	10,160	4.7%
Electronic equipment	8,055	8,519	5.8%
System equipment	1,652	1,641	(0.7)%
Segment loss	(166)	(105)	—

- Performance Overview

In the electronic equipment business, sales increased due to growth in medical products and an increase in education-related demand. In the system equipment business, sales decreased slightly due to a fall in special demand for Individual Identification Number authentication related devices, despite increased sales of overseas-made payment terminals and other products. Segment profit improved due to a better product mix.

As a result, the Electronic Equipment Business recorded net sales of ¥10,160 million, up 4.7% year-on-year, and segment loss of ¥105 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

(millions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Net sales	7,506	8,483	13.0%
Energy	2,317	2,326	0.4%
Power producer and supplier (PPS)	4,538	5,527	21.8%
Vegetable factory	651	629	(3.4)%
Segment profit (loss)	(498)	2,348	—

- Performance Overview

The energy business remained strong due to the expansion of power generation at overseas solar power plants and the domestic power purchase agreement (PPA) business. In the PPS business, sales increased owing mainly to the demand from the government sector. In the vegetable factory business, sales decreased slightly despite efforts to increase the yield of conventional varieties while working on high-value-added vegetables. Segment profit increased owing to the contribution by owned power sources in the PPS business, the firm energy business and improved profit of the vegetable factory.

As a result, the Environmental Energy Business recorded net sales of ¥8,483 million, up 13.0% year-on-year, and segment profit of ¥2,348 million.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets at the end of the first half of the fiscal year under review increased by ¥16,854 million from the previous fiscal year to ¥286,282 million. This was mainly due to an increase in cash and deposits of ¥6,119 million, an increase in accounts receivable - trade of ¥6,242 million, a decrease in merchandise and finished goods of ¥3,848 million, and an increase in accounts receivable included in other under current assets of ¥7,102 million.

Liabilities increased by ¥13,374 million from the end of the previous fiscal year to ¥197,706 million. This was mainly due to a decrease of ¥1,568 million in notes and accounts payable - trade, and an increase of ¥13,453 million in short-term borrowings.

Net assets increased by ¥3,480 million from the end of the previous fiscal year to ¥88,575 million. This was mainly due to profit attributable to owners of parent of ¥3,367 million, dividends from capital surplus of ¥2,255 million, an increase of ¥1,949 million in non-controlling interests, and an increase of ¥308 million in foreign currency translation adjustment.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as "Funds") for the first half of the fiscal year under review were ¥38,982 million.

The cash flows and their main factors for the first half of the fiscal year under review are as follows.

(Cash flows from operating activities)

Cash and cash equivalents used in operating activities amounted to ¥977 million (¥16,251 million used in the previous fiscal year). This was mainly due to profit before income taxes of ¥5,916 million, a decrease in foreign exchange losses ¥4,414 million, an increase in trade receivables of ¥3,981 million, a decrease in inventories of ¥6,132 million, a decrease in trade payable of ¥5,454 million, and an increase in accounts receivable-other ¥6,969 million.

(Cash flows from investing activities)

Funds obtained from investing activities amounted to ¥2,142 million (¥875 million used in the previous fiscal year). This was mainly due to proceeds from sale of property, plant and equipment of ¥4,196 million and purchase of property, plant and equipment of ¥1,831 million, proceeds from withdrawal of time deposits of ¥1,045 million, purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥805 million, purchase of long-term prepaid expenses of ¥583 million.

(Cash flows from financing activities)

Funds obtained from financing activities amounted to ¥4,313 million (¥10,658 million obtained in the previous fiscal year). This was mainly due to a net increase of ¥8,287 million in short-term borrowings, ¥2,255 million yen in dividends paid, ¥710 million yen in repayments of lease liabilities, and ¥529 million yen in repayments of long-term borrowings.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

Consolidated earnings forecast for the current fiscal year

There is no change to the consolidated earnings forecast for the current fiscal year.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	32,987	39,106
Notes receivable - trade	387	426
Accounts receivable - trade	79,450	85,693
Electronically recorded monetary claims - operating	8,235	10,119
Contract assets	58	197
Merchandise and finished goods	73,062	69,213
Work in process	883	1,065
Raw materials and supplies	1,263	1,296
Other	14,791	22,011
Allowance for doubtful accounts	(303)	(338)
Total current assets	210,816	228,791
Non-current assets		
Property, plant and equipment		
Leased assets	15,704	15,924
Accumulated depreciation	(7,426)	(7,983)
Leased assets, net	8,278	7,940
Other	19,439	19,480
Total property, plant and equipment	27,717	27,421
Intangible assets		
Goodwill	6,165	5,846
Other	4,503	4,257
Total intangible assets	10,669	10,103
Investments and other assets		
Investment securities	5,779	4,522
Deferred tax assets	1,510	1,850
Bad debts	12,310	13,639
Long-term prepaid expenses	8,580	9,108
Other	4,023	4,590
Allowance for doubtful accounts	(11,979)	(13,746)
Total investments and other assets	20,224	19,965
Total non-current assets	58,611	57,490
Total assets	269,427	286,282

(Millions of yen)

As of March 31, 2023

As of September 30, 2023

Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,921	52,352
Short-term borrowings	85,409	98,863
Current portion of long-term borrowings	3,652	3,616
Lease liabilities	1,354	1,579
Income taxes payable	1,393	2,868
Contract liabilities	69	186
Provision for bonuses	1,281	1,159
Provision for bonuses for directors (and other officers)	40	424
Other	15,316	15,408
Total current liabilities	162,439	176,459
Non-current liabilities		
Long-term borrowings	9,036	8,805
Lease liabilities	7,314	6,691
Deferred tax liabilities	1,971	1,978
Retirement benefit liability	515	692
Other	3,054	3,079
Total non-current liabilities	21,892	21,246
Total liabilities	184,331	197,706
Net assets		
Shareholders' equity		
Share capital	4,383	4,383
Capital surplus	36,095	33,841
Retained earnings	37,976	41,478
Treasury shares	(8)	(9)
Total shareholders' equity	78,446	79,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	631	565
Deferred gains or losses on hedges	1	18
Foreign currency translation adjustment	1,721	2,030
Remeasurements of defined benefit plans	(28)	(13)
Total accumulated other comprehensive income	2,325	2,600
Share acquisition rights	113	121
Non-controlling interests	4,210	6,159
Total net assets	85,095	88,575
Total liabilities and net assets	269,427	286,282

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	239,795	245,264
Cost of sales	218,972	223,244
Gross profit	20,822	22,019
Selling, general and administrative expenses	12,376	14,920
Operating profit	8,445	7,098
Non-operating income		
Interest income	26	125
Dividend income	22	26
Foreign exchange gains	390	-
Insurance claim income	88	218
Share of profit of entities accounted for using equity method	70	60
Gain on investments in silent partnerships	133	165
Other	254	151
Total non-operating income	987	747
Non-operating expenses		
Interest expenses	673	1,887
Loss on sale of receivables	133	585
Foreign exchange losses	-	470
Other	152	947
Total non-operating expenses	959	3,890
Ordinary profit	8,474	3,955
Extraordinary income		
Surrender value of insurance policies	42	-
Gain on sale of investment securities	40	143
Gain on sale of non-current assets	-	1,817
Total extraordinary income	82	1,960
Extraordinary losses		
Special survey costs, etc.	422	-
Loss on valuation of investment securities	269	-
Other	33	-
Total extraordinary losses	725	-
Profit before income taxes	7,831	5,916
Income taxes	3,046	2,249
Profit	4,784	3,666
Profit attributable to non-controlling interests	170	299
Profit attributable to owners of parent	4,613	3,367

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

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	4,784	3,666
Other comprehensive income		
Valuation difference on available-for-sale securities	(76)	(65)
Deferred gains or losses on hedges	82	18
Foreign currency translation adjustment	(972)	633
Remeasurements of defined benefit plans, net of tax	2	14
Total other comprehensive income	(963)	601
Comprehensive income	3,821	4,267
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,400	3,641
Comprehensive income attributable to non-controlling interests	421	625

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	7,831	5,916
Depreciation	1,333	1,518
Amortization of goodwill	336	317
Intangible assets	292	293
Increase (decrease) in retirement benefit liability	81	94
Increase (decrease) in allowance for doubtful accounts	(59)	349
Interest and dividend income	(49)	(152)
Interest expenses	673	1,887
Foreign exchange losses (gains)	2,497	4,414
Share of loss (profit) of entities accounted for using equity method	(70)	(60)
Loss (gain) on investments in silent partnerships	(133)	(165)
Special investigation expenses, etc.	422	-
Loss (gain) on sale of property, plant and equipment	2	(1,817)
Decrease (increase) in trade receivables	(13,607)	(3,981)
Decrease (increase) in inventories	(15,699)	6,132
Increase (decrease) in trade payables	3,003	(5,454)
Decrease (increase) in accounts receivable - other	(2,516)	(6,969)
Increase (decrease) in accounts payable - other	2,414	1,244
Other, net	(317)	(1,969)
Subtotal	(13,565)	1,598
Interest and dividends received	34	87
Interest paid	(669)	(1,863)
Income taxes paid	(2,085)	(1,203)
Income taxes refund	36	404
Net cash provided by (used in) operating activities	(16,251)	(977)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,433)	(1,831)
Proceeds from sale of property, plant and equipment	2,770	4,196
Purchase of long-term prepaid expenses	(28)	(583)
Purchase of investment securities	(578)	(4)
Proceeds from sale of investment securities	121	567
Purchase of shares of subsidiaries and associates	(255)	-
Payments into time deposits	-	(118)
Proceeds from withdrawal of time deposits	-	1,045
Net decrease (increase) in short-term loans receivable	(270)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(306)	(805)
Proceeds from collection of long-term loans receivable	106	0
Payments of guarantee deposits	(139)	(335)
Other, net	138	10
Net cash provided by (used in) investing activities	(875)	2,142

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	11,243	8,287
Proceeds from long-term borrowings	3,699	-
Repayments of long-term borrowings	(1,124)	(529)
Payment for liquidation of debts	(195)	(195)
Repayments of lease liabilities	(559)	(710)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,653)	(2,255)
Dividends paid to non-controlling interests	(151)	(43)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(600)	-
Other	-	(239)
Net cash provided by (used in) financing activities	10,658	4,313
Effect of exchange rate change on cash and cash equivalents	1,546	1,220
Net increase (decrease) in cash and cash equivalents	(4,921)	6,698
Cash and cash equivalents at beginning of period	33,438	31,984
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	298
Cash and cash equivalents at end of period	28,517	38,982