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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 13, 2024

Company name: Restar Holdings Corporation

Stock exchange listing: Tokyo

Code number: 3156

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

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Scheduled date of filing quarterly securities report: February 14, 2024

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, 2023 (April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	374,882	1.9	11,316	(12.7)	6,220	(41.5)	4,773	(18.7)
December 31, 2022	367,930	24.2	12,967	113.9	10,642	92.8	5,873	8.4

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 5,549 million [(6.4)%]

Nine months ended December 31, 2022: ¥ 5,929 million [12.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	158.75	157.86
December 31, 2022	195.34	194.30

(Note) At the end of the previous consolidated fiscal year, the Company finalized the provisional accounting treatment for business M&A, and the amounts for the Nine Months Ended December 31, 2023, for the Nine Months Ended December 31, 2023, for the Nine Months Ended December 31, 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
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	273,370	88,182	30.0	2,726.32
March 31, 2023	269,427	85,095	30.0	2,686.31

(Reference) Equity: As of December 31, 2023: ¥ 81,975 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	14,000	2.9	8,000	(33.6)	7,000	(1.2)	232.80

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 1 (Company name: AIT Japan Inc.)

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, 2023: 30,072,643 shares

March 31, 2023: 30,072,643 shares

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

December 31, 2023: 4,680 shares

March 31, 2023: 4,568 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023: 30,068,021 shares

Nine months ended December 31, 2022: 30,068,283 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 third 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 third quarter 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 nine months of the fiscal year under review, the Japanese economy was on a moderate improvement trend due to the easing of restrictions on the economy and the recovery of inbound demand. Moreover, soaring energy and resource prices were also calming down. However, the outlook remained uncertain due to exchange rate fluctuations, the economic slowdown in China, the prolonged conflict between Russia and Ukraine, and the increasingly tense situation in the Middle East.

Under these circumstances, in January 2024, the Company changed the name of its consolidated subsidiary, AIT Japan Inc., to "Restar WPG Corporation" and made TSUZUKI EMBEDDED SOLUTIONS CO., LTD. a wholly owned subsidiary, changing its name to "Restar Embedded Solutions Corporation." We will continue to strive for further business expansion by integrating group management.

Moreover, as announced in the "(Progress in the Disclosed Matters) Notice concerning Acquisition of Shares of Dexerials Hong Kong Limited (Becoming a Consolidated Subsidiary)" on February 5, 2024, the Company entered into an agreement with Dexerials Corporation to establish a joint venture company for the purpose of forming a strategic partnership in the sales and marketing fields of semiconductors, chemical materials and other devices. We will expand line cards and strengthen marketing in the Group's devices business, creating new business opportunities and expanding local business in the Asian region.

We aim for further growth by continuing to work with respective companies and leveraging their strengths and demonstrating the group's synergies.

(Overview of Consolidated Operating Results)

(millions of yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change
Net sales	367,930	374,955	1.9%
Operating profit	12,967	11,316	(12.7)%
Ordinary profit	10,642	6,220	(41.5)%
Profit attributable to owners of parent	5,873	4,773	(18.7)%

- Performance Highlights

Net sales increased in the first nine months of the fiscal year under review due to strong sales in the Procurement Business and the Environmental Energy Business and higher sales in the Electronic Equipment Business with the recovery of the market, despite a decrease in sales in the Semiconductor and Electronic Components Business. Operating profit decreased due to the decrease in sales in the Semiconductor and Electronic Components Business, decrease in gross profit from inventory sales owing to the difference in exchange rate trends, 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, despite an increase in profits in the Environmental Energy Business. As a result of an increase in 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 nine months of the fiscal year under review were ¥374,955 million, up 1.9% year on year, operating profit was ¥11,316 million, down 12.7% year on year, ordinary profit was ¥6,220 million, down 41.5% year on year, and profit attributable to owners of parent was ¥4,773 million, down 18.7% 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 nine months of the fiscal year under review 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 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

(millions of yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change
Net sales	265,962	253,322	(4.8)%
Devices	248,644	238,148	(4.2)%
EMS	17,318	15,173	(12.4)%
Segment profit	12,040	6,998	(41.9)%

- Performance Overview

In the devices business, sales declined due to a decline in net sales for servers, PCs, and communications equipment, despite strong sales for in-vehicle devices due to recovery in new car production. In the EMS business, sales declined due to the slow sales for the mainstay smartphones and tablets. Segment profit decreased due to a decrease in sales in the devices business, a decrease in gross profit from inventory sales due to the difference in exchange rate trends, 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 decrease in sales in the EMS business.

As a result, the Semiconductor and Electronic Components Business recorded net sales of ¥253,322 million, down 4.8% year on year, and segment profit of ¥6,998 million, down 41.9% 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)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change
Net sales	76,459	93,875	22.8%
Segment profit	2,473	2,567	3.8%

- Performance Overview

Sales in the Procurement Business increased due to strong demand for in-vehicle products for major customers. Segment profit increased due to higher sales.

As a result, the Procurement Business recorded net sales of ¥93,875 million, up 22.8% year on year, and segment profit of ¥2,567 million, up 3.8% 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)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change
Net sales	14,361	15,088	5.1%
Electronic equipment	11,414	12,581	10.2%
System equipment	2,946	2,507	(14.9)%
Segment loss	(297)	(174)	—

- Performance Overview

In the Electronic Equipment Business, sales increased due to an increase in capital investment in medical products and corporate video and sound equipment. In the system equipment business, sales decreased due to a fall in special demand in the previous financial year for Individual Identification Number card 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 ¥15,088 million, up 5.1% year on year, and segment loss of ¥174 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)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change
Net sales	11,146	12,668	13.7%
Energy	3,224	3,216	(0.3)%
Power producer and supplier (PPS)	7,012	8,544	21.9%
Vegetable factory	909	907	(0.3)%
Segment profit (loss)	(345)	3,339	—

- Performance Overview

In the energy business, sales decreased slightly due to lower sales of facilities and equipment, although overseas solar power generation remained strong. Sales in the PPS business increased due to the solid demand from the government and private sectors. In the vegetable factory business, sales were flat as we worked to expand sales, mainly to supermarkets. Segment profit increased largely due to stable electricity purchase prices in the PPS business, increased profit in the energy business, and improved profit in the vegetable factory business.

As a result, the Environmental Energy Business recorded net sales of ¥12,668 million, up 13.7% year on year, and segment profit of ¥3,339 million.

(2) Explanation of Financial Position

Total assets at the end of the first nine months of the fiscal year under review increased by ¥3,943 million from the previous fiscal year to ¥273,370 million. This was mainly due to an increase in cash and deposits of ¥4,606 million, a decrease in accounts receivable - trade of ¥1,190 million, an increase in electronically recorded monetary claims - operating of ¥3,297 million, a decrease in merchandise and finished goods of ¥4,854 million, and an increase in accounts receivable included in other under current assets of ¥3,424 million.

Liabilities increased by ¥856 million from the end of the previous fiscal year to ¥185,188 million. This was mainly due to an increase of ¥1,384 million in short-term borrowings, and a decrease of ¥1,001 million in long-term lease liabilities.

Net assets increased by ¥3,086 million from the end of the previous fiscal year to ¥88,182 million. This was mainly due to profit attributable to owners of parent of ¥4,773 million, dividends from capital surplus of ¥2,255 million, dividends from retained earnings of ¥1,653 million, an increase of ¥1,875 million in non-controlling interests, and an increase of ¥333 million in foreign currency translation adjustment.

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

In light of the performance trends, the Company has decided to revise its full-year consolidated earnings forecast for the fiscal year ending March 2024 (in Japanese only), announced on February 13, 2024. For details, please refer to "Notice Concerning Revision of Full-Year Consolidated Earnings Forecast for the Fiscal Year Ending March 2024, Dividend (Interim Dividend) and Revision of Dividend Forecast (Increased Dividend)" separately disclosed today.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	32,987	37,594
Notes receivable - trade	387	374
Accounts receivable - trade	79,450	78,260
Electronically recorded monetary claims - operating	8,235	11,532
Contract assets	58	99
Merchandise and finished goods	73,062	68,207
Work in process	883	1,391
Raw materials and supplies	1,263	1,307
Other	14,791	18,367
Allowance for doubtful accounts	(303)	(321)
Total current assets	210,816	216,813
Non-current assets		
Property, plant and equipment		
Leased assets	15,704	15,574
Accumulated depreciation	(7,426)	(7,950)
Leased assets, net	8,278	7,624
Other	19,439	20,318
Total property, plant and equipment	27,717	27,942
Intangible assets		
Goodwill	6,165	5,601
Other	4,503	4,129
Total intangible assets	10,669	9,731
Investments and other assets		
Investment securities	5,779	3,990
Deferred tax assets	1,510	1,452
Bad debts	12,310	11,290
Long-term prepaid expenses	8,580	9,106
Other	4,023	4,271
Allowance for doubtful accounts	(11,979)	(11,227)
Total investments and other assets	20,224	18,883
Total non-current assets	58,611	56,557
Total assets	269,427	273,370

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,921	53,619
Short-term borrowings	85,409	86,793
Current portion of long-term borrowings	3,652	3,570
Lease liabilities	1,354	1,617
Income taxes payable	1,393	2,101
Contract liabilities	69	163
Provision for bonuses	1,281	637
Provision for bonuses for directors (and other officers)	40	706
Other	15,316	14,577
Total current liabilities	162,439	163,787
Non-current liabilities		
Long-term borrowings	9,036	9,516
Lease liabilities	7,314	6,312
Deferred tax liabilities	1,971	1,891
Retirement benefit liability	515	716
Other	3,054	2,963
Total non-current liabilities	21,892	21,400
Total liabilities	184,331	185,188
Net assets		
Shareholders' equity		
Share capital	4,383	4,383
Capital surplus	36,095	33,841
Retained earnings	37,976	41,230
Treasury shares	(8)	(9)
Total shareholders' equity	78,446	79,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	631	502
Deferred gains or losses on hedges	1	(14)
Foreign currency translation adjustment	1,721	2,055
Remeasurements of defined benefit plans	(28)	(14)
Total accumulated other comprehensive income	2,325	2,529
Share acquisition rights	113	121
Non-controlling interests	4,210	6,086
Total net assets	85,095	88,182
Total liabilities and net assets	269,427	273,370

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	367,930	374,882
Cost of sales	336,088	341,419
Gross profit	31,841	33,462
Selling, general and administrative expenses	18,874	22,145
Operating profit	12,967	11,316
Non-operating income		
Interest income	70	188
Dividend income	38	42
Insurance claim income	147	252
Share of profit of entities accounted for using equity method	89	95
Gain on investments in silent partnerships	114	147
Other	329	196
Total non-operating income	790	923
Non-operating expenses		
Interest expenses	1,259	2,903
Loss on sale of receivables	281	952
Foreign exchange losses	1,366	1,131
Other	207	1,032
Total non-operating expenses	3,115	6,019
Ordinary profit	10,642	6,220
Extraordinary income		
Surrender value of insurance policies	64	-
Gain on sale of investment securities	40	473
Gain on sale of non-current assets	-	1,854
Other	-	32
Total extraordinary income	104	2,360
Extraordinary losses		
Special survey costs, etc.	423	-
Loss on valuation of investment securities	319	34
Impairment losses	59	84
Other	38	27
Total extraordinary losses	841	146
Profit before income taxes	9,905	8,434
Income taxes	3,640	3,288
Profit	6,264	5,146
Profit attributable to non-controlling interests	391	373
Profit attributable to owners of parent	5,873	4,773

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

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	6,264	5,146
Other comprehensive income		
Valuation difference on available-for-sale securities	281	(128)
Deferred gains or losses on hedges	(83)	(19)
Foreign currency translation adjustment	(568)	544
Remeasurements of defined benefit plans, net of tax	35	7
Total other comprehensive income	(335)	403
Comprehensive income	5,929	5,549
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,433	4,976
Comprehensive income attributable to non-controlling interests	495	573