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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

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 Listing: Tokyo
 Securities code: 3156
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 Scheduled date to file semi-annual securities report: November 14, 2024
 Scheduled date to commence dividend payments: December 5, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	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, 2024	273,042	11.3	6,826	(3.8)	4,621	16.8	4,391	30.4
September 30, 2023	245,264	2.3	7,098	(16.0)	3,955	(53.3)	3,367	(27.0)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 7,842 million [83.8%]
 Six months ended September 30, 2023: ¥ 4,267 million [11.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	146.05	145.38
September 30, 2023	111.99	111.22

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	291,739	101,775	30.9	2,997.56
March 31, 2024	291,704	91,024	28.9	2,800.38

(Reference) Equity: As of September 30, 2024: ¥ 90,130 million
 As of March 31, 2024: ¥ 84,201 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, 2024	-	55.00	-	60.00	115.00
Fiscal year ending March 31, 2025	-	60.00			
Fiscal year ending March 31, 2025 (Forecast)			-	60.00	120.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	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	560,000	9.3	16,000	0.4	10,500	8.4	8,000	14.2	266.06

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 8 (Company name: Restar Dexerials Hong Kong Limited, PCI Holdings, INC., PCI Solutions INC., Institute of PCI Solutions Inc., SORD CORPORATION, Personal)
Joho System, Inc., Nihon System Research, PRIVATECH Inc.
Excluded: 3 (Company name: Restar Electronics Corporation, Restar Communications Corporation,)
Vitec Enesta Co., Ltd.

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

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

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

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

September 30, 2024: 30,072,643 shares
March 31, 2024: 30,072,643 shares

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

September 30, 2024: 4,721 shares
March 31, 2024: 4,680 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 30,067,952 shares
Six months ended September 30, 2023: 30,068,039 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

1. Qualitative Information on First Half Financial Results

(1) Explanation of Operating Results

Forward-looking statements in the text are based on judgments made as of the first half of the fiscal year.

During the first half of the fiscal year under review, the Japanese economy experienced moderate recovery as consumer spending picked up due to improvements in the employment and income environment and an expansion in inbound demand. Meanwhile, the outlook remained uncertain due to the slowdown of the Chinese economy, ongoing price hikes, global geopolitical risks and exchange rate fluctuations caused by interest rate trends in Europe, the United States, and Japan. In the semiconductor market, despite signs of a recovery driven by demand for generative AI-related products, demand for other products remains mixed.

Under these circumstances, in May 2024, the Company announced its first Medium-Term Management Plan since the business integration in 2019. It has set basic policies for growth through the fiscal year ending March 31, 2027, and aims to establish a structure with four Business Units. We will work to further expand our business and improve profitability, and promote measures to achieve the goals of the Medium-Term Management Plan. On September 27, 2024, the Company made PCI Group (hereinafter referred to as “PCI”), which will serve as the foundation of the new IT&SIer Business Unit, a consolidated subsidiary, as part of the four Business Units structure, a key component of the Medium-Term Management Plan. Based on PCI's strengths in information service businesses, including software development, solution development and maintenance, the Company will upgrade its technical resources by leveraging each company's strengths, and accelerate the development to upstream processes, such as planning and proposals, in an effort to further deepen and expand the market.

Restar Dexerials Hong Kong Limited, a joint venture with Dexerials Corporation, began operations as a consolidated subsidiary of the Company on July 1, 2024, for the purpose of expanding the line card of chemical products in the device business and strengthen marketing in expanding sales of material-based products. Meanwhile, on October 1, 2024, the Company repurchased its own shares and on October 31, 2024, the company resolved to enter into a capital and business alliance with Shinko Shoji Co., Ltd. and to dispose of its own shares through a third-party allotment. Through this alliance, as part of the company's long tail strategy, we will be able to further cultivate the mass market and strengthen our technical and proposal capabilities by sharing each other's management resources such as scale, financial strength, products, personnel resources, and technology capabilities. This collaboration is expected to deepen our presence in the mass market and strengthen our technical and proposal expertise.

We will continue to pursue M&A and capital alliances in Japan and overseas in addition to Group synergies aiming to be “The Electronics Value Platformer” that accommodates all manner of stakeholder needs in order to realize the sustainable development of the world and society leveraging information and technology and to enhance our corporate value.

(Overview of Consolidated Operating Results)

(Million yen)	Six months ended September 30, 2023	Six months ended September 30, 2024	Change (%)
Net sales	245,264	273,042	11.3%
Operating profit	7,098	6,826	(3.8%)
Ordinary profit	3,955	4,621	16.8%
Profit attributable to owners of parent	3,367	4,391	30.4%

- Performance Highlights

Consolidated net sales for the first half of the fiscal year under review increased, mainly due to the addition of consolidated subsidiaries (Restar WPG Corporation in July 2023, Restar Embedded Solutions Corporation in January 2024 and Restar Dexerials Hong Kong Limited in July 2024), sales growth in the devices business mainly for high-performance consumer camera applications, PC-related products, and automotive applications, and an improved performance in the EMS business following the recovery in the smartphone market. Despite higher sales mainly in the EMS and eco-solutions businesses, operating profit declined due to lower sales of products for industrial equipment in the devices business, and the sharp appreciation of the yen over the period from August to September. Ordinary profit increased mainly due to a decrease in foreign exchange losses. Despite recording a loss on liquidation

of a subsidiary following the Company's resolution to dissolve the consolidated subsidiary in September 2024, profit attributable to owners of parent increased partly due to a tax effect related to the liquidation.

As a result, net sales for the first half of the fiscal year under review were ¥273,042 million, up 11.3% year on year, operating profit was ¥6,826 million, down 3.8% year on year, ordinary profit was ¥4,621 million, up 16.8% year on year, and profit attributable to owners of parent was ¥4,391 million, up 30.4% year on year.

(Operating Results by Reportable Segment)

The Group has two reportable segments: the Devices Business Unit and the System Business Unit, following the business reorganization in April 2024.

Effective from the first half of the fiscal year under review, the business segments to be included as reportable have been changed, and comparisons and analysis for the first half of the fiscal year under review are based on the new segments.

① Devices Business Unit

Reportable Segment	Business	Business Description
Devices Business Unit	Devices	<ul style="list-style-type: none"> • 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 specializing in liquid crystal systems and overseas suppliers; design and manufacturing; LSI design development and support; and reliability test service • Operation and proposal of optimal supply chain management through global procurement/trading for electronics and entrustment service for related operations
	EMS	Electronics manufacturing service for electronic components, modules, etc., with cutting-edge technology, procurement, production management and quality assurance at our factories

(Million yen)	Six months ended September 30, 2023	Six months ended September 30, 2024	Change (%)
Net sales	226,620	253,609	11.9%
Devices	219,071	238,933	9.1%
EMS	7,548	14,675	94.4%
Segment profit	5,957	5,199	(12.7%)

- Performance Overview

In the devices business, sales increased. This was due to the addition of consolidated subsidiaries (Restar WPG Corporation in July 2023, Restar Embedded Solutions Corporation in January 2024 and Restar Dexerials Hong Kong Limited in July 2024) and sales growth mainly for high-performance consumer camera applications, PC-related products and automotive applications, although the recovery of the industrial equipment market has been slow. In the EMS business, sales increased due to continued strong sales for mainstay smartphone applications. Although the EMS business saw an increase in profit driven by higher sales, segment profit decreased due to weak sales of products for industrial equipment and the impact of the sharp yen appreciation from August to September.

As a result, the Devices Business Unit recorded net sales of ¥253,609 million, up 11.9% year on year, and segment profit of ¥5,199 million, down 12.7% year on year.

② System Business Unit

Reportable Segment	Business	Business Description
System Business Unit	System Solution	<ul style="list-style-type: none"> • Proposal, design, construction, and maintenance of solutions for video, audio, and communications in various fields such as broadcasting, business, education, medical care/life sciences, and public facilities • 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 Individual Number authentication-related devices
	Eco-solution	<ul style="list-style-type: none"> • 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. • 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 • 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)	Six months ended September 30, 2023	Six months ended September 30, 2024	Change (%)
Net sales	18,643	19,433	4.2%
System Solution	10,160	7,943	(21.8%)
Eco-solution	8,483	11,489	35.4%
Segment profit	2,243	2,484	10.8%

- Performance Overview

In the system solution business, sales decreased. This was due to weak performance in system equipment for broadcasting and access control terminals, despite growth in corporate demand, such as office relocation needs. Additionally, the overall decline in revenue was influenced by the transfer of the image sensing business area to the devices business as part of efforts to strengthen the sensor-related business.

In the eco-solution business, sales increased owing to an expansion of power sales destinations in the power producer and supplier business, an expansion of solar power generation in Japan and overseas, and an increase in the number of new contracts in the power purchase agreement (PPA) business. Segment profit increased due to higher profit in the eco-solution business, despite a lower profit in the system solution business.

As a result, the System Business Unit recorded net sales of ¥19,433 million, up 4.2% year on year, and segment profit of ¥2,484 million, up 10.8% year on year.

(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 decreased by ¥35 million from the end of the previous fiscal year to ¥291,739 million. This was mainly due to an increase in Cash and deposits of ¥4,420 million, a decrease in merchandise and finished goods of ¥10,864 million, and a decrease in accounts receivable included in other under current assets of ¥7,976 million, an increase in deposits of ¥6,907 million, an increase in deferred tax assets of ¥5,905 million, a decrease in bad debts of ¥7,314 million, a decrease in allowance for doubtful accounts for investments and other assets of ¥7,314 million.

Liabilities decreased by ¥10,714 million from the end of the previous fiscal year to ¥189,964 million. This was mainly due to a decrease of ¥33,974 million in short-term borrowings and an increase of ¥20,513 million in long-term borrowings.

Net assets increased by ¥10,750 million from the end of the previous fiscal year to ¥101,775 million. This was mainly due to an increase of ¥1,804 million in capital surplus, in retained earnings resulting from recording profit attributable to owners of parent of ¥4,391 million, and an increase of ¥3,605 million in foreign currency translation adjustment and an increase of ¥4,790 million in non-controlling interests.

2) Analysis of cash flows

Cash and cash equivalents (“cash”) for the first half of the fiscal year under review were ¥44,210 million.

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 (“cash”) generated from operating activities amounted to ¥20,352 million (¥977 million used in the same period of the previous year). This was mainly due to profit before income taxes of ¥491 million, a decrease of ¥7,020 million in the allowance for doubtful accounts, a decrease of ¥8,050 million in trade receivables, a decrease of ¥7,308 million in fixed operating receivables, a decrease of ¥9,999 million in inventories, a decrease of ¥7,849 million in accounts receivable, and an increase of ¥6,907 million in deposits.

(Cash flows from investing activities)

Cash provided by/used in investing activities amounted to ¥1,925 million (¥2,142 million provided in the same period of the previous year). This was mainly due to proceeds from sale of property, plant and equipment of ¥1,519 million, proceeds of ¥600 million from the redemption of investment securities, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥577 million.

(Cash flows from financing activities)

Cash used in financing activities amounted to ¥14,275 million (¥4,313 million provided in the previous fiscal year). This was mainly due to a net decrease of ¥33,779 million in short-term borrowings, and ¥23,160 million 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.

Semi-annual Consolidated Financial Statements
Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	39,919	44,340
Notes receivable - trade	417	228
Accounts receivable - trade	88,940	87,989
Electronically recorded monetary claims - operating	16,043	14,457
Contract assets	49	201
Merchandise and finished goods	68,158	57,293
Work in process	980	1,392
Raw materials and supplies	1,632	2,605
Other	18,334	18,425
Allowance for doubtful accounts	(124)	(216)
Total current assets	234,350	226,717
Non-current assets		
Property, plant and equipment		
Leased assets	16,684	17,307
Accumulated depreciation	(8,202)	(8,720)
Leased assets, net	8,481	8,587
Other	20,057	20,695
Total property, plant and equipment	28,538	29,282
Intangible assets		
Goodwill	5,460	7,680
Other	4,029	4,112
Total intangible assets	9,490	11,792
Investments and other assets		
Investment securities	4,062	2,217
Deferred tax assets	2,338	8,243
Bad debts	11,665	4,351
Long-term prepaid expenses	8,646	8,494
Other	4,438	5,152
Allowance for doubtful accounts	(11,827)	(4,512)
Total investments and other assets	19,324	23,947
Total non-current assets	57,353	65,022
Total assets	291,704	291,739

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	55,846	57,256
Short-term borrowings	96,993	63,019
Current portion of long-term borrowings	5,130	7,005
Lease liabilities	1,967	2,548
Income taxes payable	3,864	1,827
Contract liabilities	147	1,133
Provision for bonuses	1,334	1,769
Provision for bonuses for directors (and other officers)	120	4
Other	14,728	14,026
Total current liabilities	180,132	148,591
Non-current liabilities		
Long-term borrowings	7,352	27,866
Lease liabilities	6,845	6,241
Deferred tax liabilities	1,867	1,859
Provision for retirement benefits for directors (and other officers)	-	37
Retirement benefit liability	1,582	1,732
Other	2,898	3,636
Total non-current liabilities	20,547	41,373
Total liabilities	200,679	189,964
Net assets		
Shareholders' equity		
Share capital	4,383	4,383
Capital surplus	33,841	31,281
Retained earnings	43,461	48,643
Treasury shares	(9)	(9)
Total shareholders' equity	81,677	84,298
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	304	20
Deferred gains or losses on hedges	(1)	(29)
Foreign currency translation adjustment	2,263	5,868
Remeasurements of defined benefit plans	(42)	(28)
Total accumulated other comprehensive income	2,524	5,831
Share acquisition rights	123	154
Non-controlling interests	6,699	11,490
Total net assets	91,024	101,775
Total liabilities and net assets	291,704	291,739

Semi-annual Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	245,264	273,042
Cost of sales	223,244	250,617
Gross profit	22,019	22,425
Selling, general and administrative expenses	14,920	15,598
Operating profit	7,098	6,826
Non-operating income		
Interest income	125	137
Dividend income	26	12
Insurance claim income	218	92
Share of profit of entities accounted for using equity method	60	17
Gain on investments in silent partnerships	165	153
Other	151	217
Total non-operating income	747	631
Non-operating expenses		
Interest expenses	1,887	1,611
Loss on sale of receivables	585	729
Foreign exchange losses	470	8
Other	947	485
Total non-operating expenses	3,890	2,835
Ordinary profit	3,955	4,621
Extraordinary income		
Gain on sale of non-current assets	1,817	12
Gain on sale of investment securities	143	-
Gain on bargain purchase	-	153
Gain on step acquisitions	-	16
Gain on liquidation of subsidiaries	-	130
Other	-	38
Total extraordinary income	1,960	350
Extraordinary losses		
Loss on liquidation of subsidiaries	-	4,481
Total extraordinary losses	-	4,481
Profit before income taxes	5,916	491
Income taxes	2,249	(4,365)
Profit	3,666	4,856
Profit attributable to non-controlling interests	299	465
Profit attributable to owners of parent	3,367	4,391

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	3,666	4,856
Other comprehensive income		
Valuation difference on available-for-sale securities	(65)	(284)
Deferred gains or losses on hedges	18	(34)
Foreign currency translation adjustment	633	3,290
Remeasurements of defined benefit plans, net of tax	14	13
Total other comprehensive income	601	2,986
Comprehensive income	4,267	7,842
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,641	7,698
Comprehensive income attributable to non-controlling interests	625	144

Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,916	491
Depreciation	1,518	1,535
Amortization of goodwill	317	293
Intangible assets	293	294
Increase (decrease) in retirement benefit liability	94	(8)
Increase (decrease) in allowance for doubtful accounts	349	(7,020)
Interest and dividend income	(152)	(150)
Interest expenses	1,887	1,611
Foreign exchange losses (gains)	4,414	(797)
Share of loss (profit) of entities accounted for using equity method	(60)	(17)
Loss (gain) on investments in silent partnerships	(165)	(153)
Gain on bargain purchase	-	(153)
Loss (gain) on sale of non-current assets	(1,817)	(12)
Loss (gain) on liquidation of subsidiaries	-	4,350
Decrease (increase) in trade receivables	(3,981)	8,050
Decrease (increase) in bad debts	-	7,308
Decrease (increase) in inventories	6,132	9,999
Increase (decrease) in trade payables	(5,454)	422
Decrease (increase) in accounts receivable - other	(6,969)	7,849
Decrease (increase) in deposits paid	-	(6,907)
Increase (decrease) in accounts payable - other	1,244	(1,066)
Other, net	(1,969)	(2,485)
Subtotal	1,598	23,434
Interest and dividends received	87	186
Interest paid	(1,863)	(1,631)
Income taxes paid	(1,203)	(3,621)
Income taxes refund	404	1,984
Net cash provided by (used in) operating activities	(977)	20,352
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,831)	(1,519)
Proceeds from sale of property, plant and equipment	4,196	74
Purchase of long-term prepaid expenses	(583)	(1)
Purchase of investment securities	(4)	(1)
Proceeds from sale of investment securities	567	0
Proceeds from redemption of investment securities	-	600
Payments into time deposits	(118)	(124)
Proceeds from withdrawal of time deposits	1,045	146
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(805)	(577)
Proceeds from collection of long-term loans receivable	0	2
Payments of guarantee deposits	(335)	(299)
Other, net	10	(225)
Net cash provided by (used in) investing activities	2,142	(1,925)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,287	(33,779)
Proceeds from long-term borrowings	-	23,160
Repayments of long-term borrowings	(529)	(1,109)
Payment for liquidation of debts	(195)	(195)
Repayments of lease liabilities	(710)	(789)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,255)	(1,804)
Dividends paid to non-controlling interests	(43)	(15)
Other, net	(239)	259
Net cash provided by (used in) financing activities	4,313	(14,275)
Effect of exchange rate change on cash and cash equivalents	1,220	286
Net increase (decrease) in cash and cash equivalents	6,698	4,438
Cash and cash equivalents at beginning of period	31,984	39,771
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	298	-
Cash and cash equivalents at end of period	38,982	44,210