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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

February 12, 2025

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 Listing: Tokyo
 Securities code: 3156
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 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	%
Nine months ended December 31, 2024	416,820	11.2	10,063	(11.1)	6,662	7.1	5,386	12.9
December 31, 2023	374,882	1.9	11,316	(12.7)	6,220	(41.5)	4,773	(18.7)

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥ 12,001 million [116.3%]
 Nine months ended December 31, 2023: ¥ 5,549 million [(6.4)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	183.05	181.84
December 31, 2023	158.75	157.86

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2024	300,526	98,768	28.8	3,077.21
March 31, 2024	291,704	91,024	28.9	2,800.38

(Reference) Equity: As of December 31, 2024: ¥ 86,524 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
Fiscal year ended March 31, 2024	Yen -	Yen 55.00	Yen -	Yen 60.00	Yen 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 quarterly 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):

December 31, 2024: 30,072,643 shares

March 31, 2024: 30,072,643 shares

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

December 31, 2024: 1,954,690 shares

March 31, 2024: 4,680 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 29,427,955 Shares

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

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

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 fiscal year.

During the first nine months of the fiscal year under review, the Japanese economy experienced moderate recovery with signs of a pickup in capital investment as the employment and income environment improved and inbound demand expanded. Meanwhile, the outlook remained uncertain due to the slowdown of the Chinese economy, U.S. policies, global geopolitical risks and exchange rate fluctuations caused by interest rate trends in Japan and overseas.

In the semiconductor market, demand for products showed mixed trends. There were signs of recovery in demand for generative AI-related products, but demand for industrial equipment applications remained sluggish and did not lead to a recovery in overall market demand.

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, a consolidated subsidiary. It will serve as the foundation of the new IT & SIER Business Unit of the four Business Units structure, a key component of the Medium-Term Management Plan. Based on PCI Group'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.

For the purpose of expanding the line card of chemical products in the devices business and strengthening marketing in sales expansion of material-based products, a joint venture with Dexerials Corporation, Restar Dexerials Hong Kong Limited began operations as a consolidated subsidiary of the Company on July 1, 2024. In addition, Restar Dexerials Korea Corporation and Restar Dexerials Taiwan Corporation also began operating as consolidated subsidiaries of the Company on July 12, 2024, January 2, 2025 and February 3, 2025, respectively, and will further expand sales. Meanwhile, on October 1, 2024, the Company repurchased its own shares and, on October 31, 2024, 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 share each other's management resources such as scale, financial strength, products, personnel resources and technology capabilities, all of which enable us to expand our customer base, sales network, and product portfolio. We are working on to develop a cooperative base to further cultivate 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)	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change (%)
Net sales	374,882	416,820	11.2%
Operating profit	11,316	10,063	(11.1%)
Ordinary profit	6,220	6,662	7.1%
Profit attributable to owners of parent	4,773	5,386	12.9%

- Performance Highlights

Consolidated net sales for the first nine months of the fiscal year under review increased, due to the addition of consolidated subsidiaries (Restar WPG Corporation in July 2023 and Restar Embedded Solutions Corporation in January 2024 and Restar Dexerials Hong Kong Limited in July 2024 and PCI Holdings, INC. in September 2024), and sales growth of consumer products such as high-performance camera and PC-related applications in the devices business. The EMS business also contributed to net sales as its performance improved following the installation of our products in new smartphone models. Despite higher profit mainly in the EMS business, operating profit declined due to factors including the following: lower gross profit caused by the sharp appreciation of the yen over the period from August to September, poorer sales mix due to the slow recovery of the industrial equipment market in the devices business, and decrease in profit in the eco-solution business. Ordinary profit grew mainly due to a decrease in interest expenses resulting from a change in the mix of borrowing currencies and 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 nine months of the fiscal year under review were ¥416,820 million, up 11.2% year on year, operating profit was ¥10,063 million, down 11.1% year on year, ordinary profit was ¥6,662 million, up 7.1% year on year, and profit attributable to owners of parent was ¥5,386 million, up 12.9% year on year.

(Operating Results by Reportable Segment)

The Group has three reportable segments: the Devices Business Unit and the System Business Unit, which were established as reportable segments following the business reorganization in April 2024, as well as the IT&Sier Business Unit, which was added when PCI Group became a consolidated subsidiary of the Company in September 2024.

Effective from the first quarter of the fiscal year under review, the business segments to be included as reportable have been changed. In addition, "IT & Sier Business Unit" was newly added as a reportable segment from the second quarter of the fiscal year. Comparisons and analysis for the first nine months 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)	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change (%)
Net sales	347,125	382,127	10.1%
Devices	331,951	358,774	8.1%
EMS	15,173	23,352	53.9%
Segment profit	9,576	8,365	(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 of consumer products such as high-performance camera and PC-related applications. In the EMS business, sales increased due to the effects of our products being installed in new smartphone models and continued strong sales of applications for tablets and other consumer products. Although the EMS business saw an increase in profit, segment profit declined due to lower gross profit caused by the sharp appreciation of the yen over the period from August to September, the poorer sales mix due to the slow recovery of the industrial equipment market, and other factors in the devices business.

As a result, the Devices Business Unit recorded net sales of ¥382,127 million, up 10.1% year on year, and segment profit of ¥8,365 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 sales, 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, 2023	Nine months ended December 31, 2024	Change (%)
Net sales	27,757	28,548	2.9%
System Solution	15,088	12,524	(17.0%)
Eco-solution	12,668	16,024	26.5%
Segment profit	3,164	2,675	(15.5%)

- Performance Overview

In the system solution business, while business for corporate customers grew backed by office relocation needs and other factors, sales of system equipment for broadcasting and payment terminals remained slow. 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 declined mainly due to lower profit in the system solution business and intensified competition in the market for electricity supply and demand adjustment in the eco-solution business.

As a result, the System Business Unit recorded net sales of ¥28,548 million, up 2.9% year on year, and segment profit of ¥2,675 million, down 15.5% year on year.

③ IT&Sier BU

Reportable Segment	Business Description
IT&Sier BU	Software development, industrial PC design and manufacturing, inhouse solution development and maintenance Semiconductor design and testing, and other information service businesses

(Million yen)	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change (%)
Net sales	—	6,144	—
Segment profit	—	227	—

- Performance Overview

PCI Group became a consolidated subsidiary of the Company on September 27, 2024, and the IT&Sier Business Unit recorded net sales of ¥6,144 million and segment profit of ¥227 million. We conduct inventories of technologies for the purpose of service commercialization, select services and products that can be utilized within both groups, and promote sales activities that take advantage of their respective customer bases. We will continue our efforts to generate synergies among the Devices Business Unit, the System Business Unit, and the newly added IT&Sier Business Unit.

(2) Explanation of Financial Position

Total assets at the end of the first nine months of the fiscal year under review increased by ¥8,822 million from the end of the previous fiscal year to ¥300,526 million. This was mainly due to increases in accounts receivable - trade of ¥8,023 million, deferred tax assets of ¥5,863 million, electronically recorded monetary claims operating of ¥2,416 million and goodwill of ¥1,940 million, despite decreases in merchandise and finished goods of ¥6,780 million and other current assets of ¥4,672 million.

Liabilities increased by ¥1,079 million from the end of the previous fiscal year to ¥201,758 million. This was mainly due to increases in long-term borrowings of ¥21,764 million and notes and accounts payable – trade of ¥7,160 million, despite a decrease in short-term borrowings of ¥27,486 million.

Net assets increased by ¥7,743 million from the end of the previous fiscal year to ¥98,768 million. This was mainly due to increases in foreign currency translation adjustments of ¥6,148 million, non-controlling interests of ¥5,390 million and retained earnings of ¥4,372 million, despite an increase in treasury shares of ¥5,388 million and a decrease in capital surplus of ¥2,468 million.

As a result, interest-bearing debt excluding lease obligations, stood at ¥106,064 million at the end of the third quarter under review, and the net debt to equity ratio (*1, 2) after taking into account the equity nature of hybrid finance stood at 0.7 times, maintaining a stable level below 1.2 times. The equity ratio stood at 28.8%, with no significant change from 28.9% at the end of the previous financial year.

(*1) Net debt to equity ratio = (interest-bearing debt excluding lease obligations - cash and deposits) / equity capital.

(*2) The calculation takes into account the 50% equity nature of the hybrid loan (subordinated loan) of ¥10 billion raised in August 2024 in the rating.

(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, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	39,919	37,672
Notes receivable - trade	417	377
Accounts receivable - trade	88,940	96,964
Electronically recorded monetary claims - operating	16,043	18,459
Contract assets	49	605
Merchandise and finished goods	68,158	61,377
Work in process	980	2,150
Raw materials and supplies	1,632	2,116
Other	18,334	13,661
Allowance for doubtful accounts	(124)	(128)
Total current assets	234,350	233,258
Non-current assets		
Property, plant and equipment		
Leased assets	16,684	16,962
Accumulated depreciation	(8,202)	(8,773)
Leased assets, net	8,481	8,189
Other	20,057	22,281
Total property, plant and equipment	28,538	30,471
Intangible assets		
Goodwill	5,460	7,400
Other	4,029	4,256
Total intangible assets	9,490	11,657
Investments and other assets		
Investment securities	4,062	3,652
Deferred tax assets	2,338	8,201
Bad debts	11,665	4,822
Long-term prepaid expenses	8,646	8,361
Other	4,438	5,244
Allowance for doubtful accounts	(11,827)	(5,143)
Total investments and other assets	19,324	25,139
Total non-current assets	57,353	67,268
Total assets	291,704	300,526

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	55,846	63,006
Short-term borrowings	96,993	69,507
Current portion of long-term borrowings	5,130	7,320
Lease liabilities	1,967	2,805
Income taxes payable	3,864	1,073
Contract liabilities	147	1,116
Provision for bonuses	1,334	839
Provision for bonuses for directors (and other officers)	120	5
Other	14,728	14,186
Total current liabilities	180,132	159,862
Non-current liabilities		
Long-term borrowings	7,352	29,116
Lease liabilities	6,845	5,517
Deferred tax liabilities	1,867	1,857
Retirement benefit liability	1,582	1,745
Other	2,898	3,659
Total non-current liabilities	20,547	41,896
Total liabilities	200,679	201,758
Net assets		
Shareholders' equity		
Share capital	4,383	4,383
Capital surplus	33,841	31,372
Retained earnings	43,461	47,834
Treasury shares	(9)	(5,397)
Total shareholders' equity	81,677	78,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	304	(28)
Deferred gains or losses on hedges	(1)	(22)
Foreign currency translation adjustment	2,263	8,412
Remeasurements of defined benefit plans	(42)	(29)
Total accumulated other comprehensive income	2,524	8,332
Share acquisition rights	123	152
Non-controlling interests	6,699	12,090
Total net assets	91,024	98,768
Total liabilities and net assets	291,704	300,526

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, 2023	For the nine months ended December 31, 2024
Net sales	374,882	416,820
Cost of sales	341,419	382,336
Gross profit	33,462	34,484
Selling, general and administrative expenses	22,145	24,421
Operating profit	11,316	10,063
Non-operating income		
Interest income	188	206
Dividend income	42	14
Insurance claim income	252	141
Share of profit of entities accounted for using equity method	95	38
Gain on investments in silent partnerships	147	134
Other	196	366
Total non-operating income	923	901
Non-operating expenses		
Interest expenses	2,903	2,075
Loss on sale of receivables	952	1,004
Foreign exchange losses	1,131	639
Other	1,032	582
Total non-operating expenses	6,019	4,302
Ordinary profit	6,220	6,662
Extraordinary income		
Gain on sale of non-current assets	1,854	12
Gain on sale of investment securities	473	-
Gain on bargain purchase	-	153
Gain on step acquisitions	-	16
Gain on liquidation of subsidiaries	-	130
Other	32	53
Total extraordinary income	2,360	365
Extraordinary losses		
Loss on valuation of investment securities	34	-
Impairment losses	84	53
Loss on liquidation of subsidiaries	-	4,481
Other	27	14
Total extraordinary losses	146	4,549
Profit before income taxes	8,434	2,478
Income taxes	3,288	(3,857)
Profit	5,146	6,335
Profit attributable to non-controlling interests	373	948
Profit attributable to owners of parent	4,773	5,386

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

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	5,146	6,335
Other comprehensive income		
Valuation difference on available-for-sale securities	(128)	(408)
Deferred gains or losses on hedges	(19)	(17)
Foreign currency translation adjustment	544	6,079
Remeasurements of defined benefit plans, net of tax	7	12
Total other comprehensive income	403	5,665
Comprehensive income	5,549	12,001
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,976	11,118
Comprehensive income attributable to non-controlling interests	573	883