

1. Summary of operating results for the fiscal year under review

During the first six months of the consolidated fiscal year under review (April 1, 2024 to September 30, 2024), the Japanese economy gradually recovered, with capital investment picking up and improvements seen in corporate earnings, employment and the income environment. However, the outlook remained uncertain due to factors such as rising prices, fluctuations in financial and capital markets, and uncertainty regarding the Chinese economy.

In the electronics sector, to which our Group belongs, the market for PCs and smartphones was sluggish, despite the strong performance of AI servers and AI-related semiconductors due to the spread and expansion of generative AI. In addition, the inventory adjustment phase for industrial equipment and in-vehicle equipment has continued for a long time, resulting in prolonged sluggish demand.

Under these circumstances, the Group's net sales for the first six months of the consolidated fiscal year under review decreased 20.3% year on year to 98,583 million yen, the result of weak overall demand in the Electronic Devices Business, including semiconductors for consumer equipment, and decreased sales of medical equipment in the Electronic Systems Business. In terms of profit, operating income decreased 40.5% year on year to 4,372 million yen due to the decrease in sales. On the other hand, ordinary income increased 50.3% year on year to 3,125 million yen, and profit attributable to owners of parent increased 88.4% year on year to 2,143 million yen, the result of recording a foreign exchange gain of 661 million yen due to the shift from yen depreciation during the period under review to yen appreciation toward the end of the period.

Operating results by business segment are as follows:

(Electronic Devices Business)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Change	Change (%)
	Millions of Yen	Millions of Yen	Millions of Yen	%
Net Sales	99,352	74,817	(24,534)	(24.7)
Operating Income	6,595	3,757	(2,838)	(43.0)

In the Electronic Devices Business, net sales decreased 24.7% year on year to 74,817 million yen, the result of a significant decrease in demand for semiconductors for consumer equipment in addition to sluggish sales of semiconductors for automobiles as well as of PC and computer peripherals. Operating income decreased 43.0% year on year to 3,757 million yen due to the decrease in sales.

(Electronic Systems Business)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Change	Change (%)
	Millions of Yen	Millions of Yen	Millions of Yen	%
Net Sales	23,538	22,807	(730)	(3.1)
Operating Income	920	806	(113)	(12.4)

In the Electronic Systems Business, sales in the aerospace sector increased against the backdrop of the expansion of the space and defense markets. On the other hand, sales in the medical equipment sector decreased due to postponement of sales recording for some projects to the second half of the year. Sales in the industrial equipment sector also decreased due to decreased demand for assembly and inspection equipment for electronic components, the result of the impact of capital investment reductions. Due to the above, net sales decreased 3.1% year on year to 22,807 million yen. Operating income decreased 12.4% year on year to 806 million yen due to an increase in selling expenses.

(Electronic Solutions Business)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Change	Change (%)
	Millions of Yen	Millions of Yen	Millions of Yen	%
Net Sales	838	957	118	14.2
Operating Loss	(169)	(187)	(17)	—

In the Electronic Solutions Business, net sales increased 14.2% year on year to 957 million yen due to increased demand for time synchronization systems for communication infrastructure in the ICT sector. In terms of operating income/loss, an operating loss of 187 million yen was recorded (an operating loss of 169 million yen was recorded in the same period of the previous year) due to increased selling, general and administrative expenses associated with the expansion of cloud services.

2. Summary of consolidated financial conditions for the fiscal year under review

(Assets)

At the end of the first six months of the consolidated fiscal year under review, current assets stood at 160,720 million yen, a decrease of 1,895 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to decreases of 8,750 million yen in notes and accounts receivable - trade; 3,166 million yen in merchandise and finished goods; and 2,489 million yen in cash and deposits; despite an increase of 13,031 million yen in accounts receivable - other. Non-current assets stood at 13,114 million yen, an increase of 1,610 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of 856 million yen in intangible assets and an increase of 537 million yen in land.

As a result, total assets stood at 173,835 million yen, a decrease of 284 million yen compared to the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the first six months of the consolidated fiscal year under review, current liabilities stood at 113,973 million yen, a decrease of 2,695 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 4,979 million yen in short-term borrowings and a decrease of 3,967 million yen in notes and accounts payable - trade, despite an increase of 5,886 million yen in accounts payable - other. Non-current liabilities stood at 847 million yen, a decrease of 170 million yen compared to the end of the previous consolidated fiscal year.

As a result, total liabilities stood at 114,821 million yen, a decrease of 2,866 million yen compared to the end of the previous consolidated fiscal year.

(Net assets)

Total net assets at the end of the first six months of the consolidated fiscal year under review stood at 59,014 million yen, an increase of 2,581 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,436 million yen in retained earnings and an increase of 928 million yen in foreign currency translation adjustments.

As a result, the equity ratio was 30.3% (compared to 29.1% at the end of the previous consolidated fiscal year).

3. Explanation of forward-looking statements, including consolidated financial forecasts

The consolidated financial forecasts for the fiscal year ending March 31, 2025 have been revised from the forecasts announced on May 10, 2024. Net sales for the current fiscal year are expected to be 210,000 million yen (down 11.1% year on year) due to factors including decreased demand for semiconductors for consumer equipment as well as PC and computer peripherals in addition to a projected slowdown in the industrial equipment market due to prolonged inventory adjustments. Operating income is expected to be 9,050 million yen (down 30.3% year on year) due to the decrease in sales. On the other hand, ordinary income is expected to be 6,000 million yen (up 6.6% year on year) due to the recording of foreign exchange gains of 661 million yen resulting from fluctuations in foreign exchange rates in the first six months of the consolidated fiscal year (foreign exchange losses of 3,438 million yen were recorded for the full year of the previous fiscal year), and profit attributable to owners of parent is expected to be 4,150 million yen (up 22.0% year on year).

For the details of the revisions, please see the “Notice of Differences between Forecast and Actual Results for the First Half of the Fiscal Year Ending March 2025 and Revision of Full-Year Financial Results Forecast” released today.

(Note) The above results forecasts have been prepared based on information available as of the date on which this material was announced, and actual results may differ from the forecasts due to a variety of factors going forward.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	23,823	21,333
Notes and accounts receivable - trade	45,432	36,682
Electronically recorded monetary claims - operating	5,422	4,206
Merchandise and finished goods	51,316	48,150
Work in process	135	232
Accounts receivable - other	34,847	47,878
Other	1,677	2,327
Allowance for doubtful accounts	(38)	(90)
Total current assets	162,616	160,720
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,676	3,515
Accumulated depreciation	(2,538)	(2,224)
Buildings and structures, net	1,137	1,291
Machinery, equipment and vehicles	8	7
Accumulated depreciation	(8)	(7)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,269	2,171
Accumulated depreciation	(1,819)	(1,735)
Tools, furniture and fixtures, net	450	436
Land	1,411	1,949
Leased assets	34	41
Accumulated depreciation	(23)	(26)
Leased assets, net	10	14
Right of use assets	255	288
Accumulated depreciation	(137)	(195)
Right of use assets, net	117	93
Construction in progress	165	65
Total property, plant and equipment	3,293	3,850
Intangible assets	1,356	2,213
Investments and other assets		
Investment securities	3,299	3,237
Deferred tax assets	191	290
Retirement benefit asset	677	710
Other	2,900	3,025
Allowance for doubtful accounts	(214)	(212)
Total investments and other assets	6,854	7,050
Total non-current assets	11,504	13,114
Total assets	174,120	173,835

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,243	24,275
Short-term borrowings	59,507	54,528
Current portion of long-term borrowings	5,000	5,000
Lease liabilities	95	101
Accounts payable - other	19,027	24,913
Income taxes payable	853	1,273
Provision for bonuses	1,040	1,054
Other	2,900	2,826
Total current liabilities	116,669	113,973
Non-current liabilities		
Lease liabilities	112	79
Deferred tax liabilities	273	133
Retirement benefit liability	327	318
Provision for retirement benefits for directors (and other officers)	116	115
Asset retirement obligations	109	123
Other	77	78
Total non-current liabilities	1,018	847
Total liabilities	117,687	114,821
Net assets		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,363	6,367
Retained earnings	35,567	37,004
Treasury shares	(1,611)	(1,602)
Total shareholders' equity	46,534	47,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,476	1,371
Deferred gains or losses on hedges	128	(63)
Foreign currency translation adjustment	2,237	3,166
Remeasurements of defined benefit plans	319	159
Total accumulated other comprehensive income	4,162	4,634
Non-controlling interests	5,736	6,395
Total net assets	56,433	59,014
Total liabilities and net assets	174,120	173,835

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	123,729	98,583
Cost of sales	108,475	86,069
Gross profit	15,254	12,513
Selling, general and administrative expenses	7,911	8,141
Operating profit	7,342	4,372
Non-operating income		
Interest income	62	111
Dividend income	37	43
Foreign exchange gains	—	661
Share of profit of entities accounted for using equity method	173	—
Miscellaneous income	43	46
Total non-operating income	317	862
Non-operating expenses		
Interest expenses	1,893	1,752
Loss on sale of trade receivables	312	291
Foreign exchange losses	3,361	—
Share of loss of entities accounted for using equity method	—	58
Miscellaneous losses	12	7
Total non-operating expenses	5,580	2,109
Ordinary profit	2,080	3,125
Extraordinary income		
Gain on sale of non-current assets	1	6
Gain on sales of real estate for investment	—	246
Total extraordinary income	1	253
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	5
Total extraordinary losses	1	5
Profit before income taxes	2,079	3,372
Income taxes	633	1,201
Profit	1,446	2,171
Profit attributable to non-controlling interests	308	28
Profit attributable to owners of parent	1,137	2,143

Consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,446	2,171
Other comprehensive income		
Valuation difference on available-for-sale securities	289	(104)
Deferred gains or losses on hedges	175	(194)
Foreign currency translation adjustment	1,150	1,574
Remeasurements of defined benefit plans, net of tax	29	(160)
Share of other comprehensive income of entities accounted for using equity method	(2)	1
Total other comprehensive income	1,642	1,117
Comprehensive income	3,088	3,288
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,318	2,615
Comprehensive income attributable to non-controlling interests	769	672

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,079	3,372
Depreciation	288	195
Increase (decrease) in allowance for doubtful accounts	106	49
Increase (decrease) in provision for bonuses	21	6
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3	(1)
Increase (decrease) in retirement benefit liability	10	(28)
Decrease (increase) in retirement benefit asset	4	(245)
Interest and dividend income	(100)	(155)
Interest expenses	1,893	1,752
Foreign exchange losses (gains)	6,434	(2,262)
Share of loss (profit) of entities accounted for using equity method	(173)	58
Loss (gain) on sale and retirement of non-current assets	0	(0)
Loss (gain) on sales of real estate for investment	—	(246)
Decrease (increase) in trade receivables	(3,320)	10,969
Decrease (increase) in inventories	495	3,446
Increase (decrease) in trade payables	(2,561)	(4,817)
Decrease (increase) in accounts receivable - other	(22,920)	(13,020)
Increase (decrease) in accounts payable - other	16,156	5,856
Other, net	509	(978)
Subtotal	(1,071)	3,952
Interest and dividends received	93	146
Interest paid	(1,946)	(1,783)
Income taxes paid	(1,084)	(837)
Income taxes refund	13	0
Net cash provided by (used in) operating activities	(3,995)	1,477
Cash flows from investing activities		
Payments into time deposits	(351)	(169)
Proceeds from withdrawal of time deposits	232	197
Purchase of property, plant and equipment	(274)	(807)
Proceeds from sale of property, plant and equipment	—	142
Purchase of intangible assets	(208)	(898)
Proceeds from sale of investment property	—	246
Purchase of investment securities	(14)	(94)
Other, net	(49)	(8)
Net cash provided by (used in) investing activities	(667)	(1,391)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,715	(2,032)
Repayments of long-term borrowings	(25)	—
Dividends paid	(1,565)	(706)
Dividends paid to non-controlling interests	(9)	(14)
Other, net	(36)	(44)
Net cash provided by (used in) financing activities	3,078	(2,797)
Effect of exchange rate change on cash and cash equivalents	1,248	171
Net increase (decrease) in cash and cash equivalents	(335)	(2,540)
Cash and cash equivalents at beginning of period	20,658	23,026
Cash and cash equivalents at end of period	20,322	20,486

Consolidated Segment Information

Previous consolidated fiscal year (from April 1, 2023 to September 30, 2023)

(Millions of Yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Electronic Devices business	Electronic Systems business	Electronic Solutions business	Total		
Sales						
Revenues from external customers	99,352	23,538	838	123,729	-	123,729
Transactions with other segments	49	84	13	147	(147)	-
Net sales	99,401	23,622	851	123,876	(147)	123,729
Operation profit (loss)	6,595	920	(169)	7,345	(2)	7,342

Current consolidated fiscal year (from April 1, 2024 to September 30, 2024)

(Millions of Yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Electronic Devices business	Electronic Systems business	Electronic Solutions business	Total		
Sales						
Revenues from external customers	74,817	22,807	957	98,583	-	98,583
Transactions with other segments	11	525	0	538	(538)	-
Net sales	74,829	23,333	958	99,121	(538)	98,583
Operation profit (loss)	3,757	806	(187)	4,375	(3)	4,372