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Consolidated Financial Results for the Fiscal Year Ended May 31, 2024 [Japanese GAAP]



July 12, 2024

Company name: SATORI ELECTRIC CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7420
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 Scheduled date of annual general meeting of shareholders: August 21, 2024
 Scheduled date of filing annual securities report: August 21, 2024
 Scheduled date of commencing dividend payments: August 5, 2024
 Availability of supplementary briefing materials on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended May 31, 2024 (June 1, 2023 to May 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
May 31, 2024	148,113	1.2	4,755	25.4	3,653	27.4	2,156	(4.5)
May 31, 2023	146,336	16.3	3,791	45.7	2,867	10.2	2,257	18.3

(Note) Comprehensive income: Fiscal year ended May 31, 2024: ¥4,289 million [44.9%]

Fiscal year ended May 31, 2023: ¥2,960 million [9.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
May 31, 2024	148.86	-	6.4	4.4	3.2
May 31, 2023	137.22	-	6.8	3.7	2.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended May 31, 2024: -

Fiscal year ended May 31, 2023: ¥(6) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2024	83,494	34,856	40.1	2,334.61
As of May 31, 2023	81,556	34,945	41.4	2,052.73

(Reference) Equity: As of May 31, 2024: ¥33,440 million

As of May 31, 2023: ¥33,776 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
May 31, 2024	5,325	(2,057)	(4,519)	9,243
May 31, 2023	(4,889)	(13)	6,629	10,023

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
May 31, 2023	-	26.00	-	44.00	70.00	1,187	51.0	3.5
May 31, 2024	-	30.00	-	50.00	80.00	1,186	55.0	3.6
Fiscal year ending May 31, 2025 (Forecast)	-	40.00	-	46.00	86.00		51.0	

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	75,000	1.1	2,000	(25.4)	1,600	(17.9)	1,200	(6.1)	83.78
Full year	154,000	4.0	4,300	(9.6)	3,500	(4.2)	2,500	15.9	174.53

* Notes:

- Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
Newly included: 1 company (Company name: MAGnetIC Holding B.V.)
Excluded: — (Company name)
- Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - Changes in accounting policies due to the revision of accounting standards: No
 - Changes in accounting policies other than 1) above: No
 - Changes in accounting estimates: No
 - Retrospective restatement: No
- Total number of issued shares (common shares)
 - Total number of issued shares at the end of the period (including treasury shares):
May 31, 2024: 17,946,826 shares
May 31, 2023: 17,946,826 shares
 - Total number of treasury shares at the end of the period:
May 31, 2024: 3,622,815 shares
May 31, 2023: 1,492,415 shares
 - Average number of shares during the period:
Fiscal year ended May 31, 2024: 14,488,032 shares
Fiscal year ended May 31, 2023: 16,454,541 shares

(Note) The total number of treasury shares at the end of the period includes the Company's shares held by a trust in connection with the stock compensation plan (505,100 shares as of May 31, 2024, 505,100 shares as of May 31, 2023). The Company's shares held by the trust have been included in the treasury shares deducted in calculation of the average number of shares during the period (505,100 shares for the fiscal year ended May 31, 2024, 505,100 shares for the fiscal year ended May 31, 2023).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 31, 2024 (June 1, 2023 to May 31, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the corresponding period)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2024	47,805	(5.7)	392	84.7	1,644	15.4	1,289	(25.3)
May 31, 2023	50,700	13.7	212	-	1,425	(2.5)	1,727	362.5

Fiscal year ended	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
May 31, 2024	89.02		-	
May 31, 2023	104.96		-	

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of May 31, 2024	47,104		22,147		47.0		1,546.16	
As of May 31, 2023	47,004		24,596		52.3		1,494.84	

(Reference) Equity: As of May 31, 2024: ¥22,147 million

As of May 31, 2023: ¥24,596 million

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended to guarantee the achievement of the forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions of financial results forecast and notes on using financial results forecast, please refer to "(4) Future Outlook" in "1. Overview of Business Results, etc." on page 4 of the Attachments.

The Company plans to hold a financial results briefing session for securities analysts and institutional investors on July 17, 2024. The video of the financial results briefing session and explanatory materials used in the session will be available on the Company's website promptly following the briefing session.

Table of Contents - Attachments

1. Overview of Business Results, etc.	2
(1) Overview of Business Results for the Period Under Review	2
(2) Overview of Financial Position for the Period Under Review	2
(3) Overview of Cash Flows for the Period Under Review	3
(4) Future Outlook	4
2. Basic Stance Concerning Choice of Accounting Standards	4
3. Consolidated Financial Statements and Primary Notes	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Operations and Comprehensive Income	7
Consolidated Statements of Operations	7
Consolidated Statements of Comprehensive Income	8
(3) Consolidated Statements of Changes in Net Assets	9
(4) Consolidated Statements of Cash Flows	11
(5) Notes to the Consolidated Financial Statements	12
(Notes on going concern assumption)	12
(Changes in significant subsidiaries during the period under review)	12
(Segment information, etc.)	13
(Per share information)	18
(Significant subsequent events)	18

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

The Japanese economy during the fiscal year under review continued to face factors, such as prolonged geopolitical risk, the tightening of monetary policies in various countries to curb global inflation, and changes in exchange rate trends, and the outlook remained unclear.

Amid this environment, regarding the financial results for the current fiscal year, net sales amounted to ¥148,113 million (an increase of 1.2% year on year), mainly attributed to the positive factors including the acquisition of SM Electronic Technologies Pvt. Ltd. (hereinafter, “SMET”) as a subsidiary as well as the effects of yen depreciation, despite the decreased sales of electronic components due to a decline in demand for personal computers, and a decrease in the Procurement Management Division. Regarding profits, operating profit amounted to ¥4,755 million (an increase of 25.4% year on year) mainly attributed to the increased gross profit associated with the acquisition of SMET as a subsidiary and other factors as well as the effects of yen depreciation. Ordinary profit amounted to ¥3,653 million (an increase of 27.4% year on year). Profit attributable to owners of parent amounted to ¥2,156 million (a decrease of 4.5% year on year), mainly due to an increase in income taxes.

The financial results of the segments are as follows.

In addition, in the current fiscal year ended May 31, 2024, the Company made a change to its business management categories to recategorize the storage division, which was previously categorized as the “Mobility business,” as the “Enterprise business.” The following year-on-year comparisons use the figures for the previous fiscal year based on the business management categories after the recategorization.

1) Industrial Infrastructure business

Net sales amounted to ¥30,021 million (a decrease of 4.0% year on year), and segment profit amounted to ¥1,594 million (an increase of 40.8% year on year), due to decreased demand for control devices for machine tools.

2) Enterprise business

Net sales amounted to ¥49,181 million (a decrease of 21.8% year on year), and segment profit amounted to ¥2,065 million (a decrease of 13.0% year on year), driven by decreased sales in the Procurement Management Division and other factors.

3) Mobility business

Net sales amounted to ¥32,003 million (an increase of 150.7% year on year) and segment profit amounted to ¥1,824 million (an increase of 75.1% year on year), driven by the acquisition of SMET as a subsidiary and strong sales of semiconductors for automotive applications.

4) Global business

Net sales amounted to ¥43,966 million (a decrease of 7.9% year on year), and segment profit amounted to ¥579 million (an increase of 19.4% year on year). This is attributable to decreased sales of electronic components due to a decline in demand for personal computers, etc.

(2) Overview of Financial Position for the Period Under Review

(Assets)

Total assets at the end of the current fiscal year were ¥83,494 million, an increase of ¥1,937 million compared with ¥81,556 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥4,206 million in notes and accounts receivable - trade and an increase of ¥1,905 million in goodwill due to acquisition of shares in MAGnetIC Holding B.V. to make it a subsidiary, despite a decrease of ¥4,594 million in merchandise and finished goods.

(Liabilities)

Liabilities at the end of the current fiscal year were ¥48,637 million, an increase of ¥2,026 million compared with ¥46,611 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥1,346 million in notes and accounts payable - trade and an increase of ¥1,147 million in other under current liabilities, despite a decrease of ¥1,679 million in deposits received.

(Net assets)

Net assets at the end of the current fiscal year were ¥34,856 million, a decrease of ¥89 million compared with ¥34,945 million at the end of the previous fiscal year. This is mainly attributable to a decrease of ¥3,178 million due to purchase of treasury shares, despite an increase of ¥965 million in retained earnings and an increase of ¥1,218 million in foreign currency translation adjustment due to yen depreciation. Equity ratio changed to 40.1% from 41.4% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Period Under Review

Cash and cash equivalents (hereinafter referred to as “capital”) for the current fiscal year amounted to ¥9,243 million provided (compared with ¥10,023 million provided at the end of the previous fiscal year), with ¥779 million used.

(Cash flows from operating activities)

Capital provided by operating activities during the current fiscal year amounted to ¥5,325 million (compared with ¥4,889 million used in the previous fiscal year).

This is mainly attributable to an increase in capital caused by an increase due to recording profit before income taxes and a decrease in inventories, despite a decrease in capital due to an increase in trade receivables.

(Cash flows from investing activities)

Capital used in investing activities during the current fiscal year amounted to ¥2,057 million (compared with ¥13 million used in the previous fiscal year).

This is mainly attributable to a decrease in capital due to acquisition of shares in MAGnetIC Holding B.V.

(Cash flows from financing activities)

Capital used in financing activities during the current fiscal year amounted to ¥4,519 million (compared with ¥6,629 million provided during the previous fiscal year).

This is mainly attributable to a decrease in capital due to the purchase of treasury shares and dividends paid.

(Reference) Changes in indicators related to cash flows

	78th FY ended May 31, 2020	79th FY ended May 31, 2021	80th FY ended May 31, 2022	81st FY ended May 31, 2023	82nd FY ended May 31, 2024
Equity ratio (%)	48.5	47.8	43.3	41.4	40.1
Equity ratio based on fair value (%)	22.9	20.2	25.1	32.3	35.4
Years of debt redemption (Years)	4.6	2.2	-	-	4.6
Interest coverage ratio	17.8	59.9	-	-	10.6

(Notes) Equity ratio:	Shareholders' equity / Total assets
Equity ratio based on fair value:	Market capitalization / Total assets
Years of debt redemption:	Interest-bearing debt / Cash flows
Interest coverage ratio:	Cash flows / Interest paid

* The indicators were calculated using consolidated financial figures.

* The market capitalization was calculated by multiplying the closing price of the closing date by the total number of issued shares (less the treasury shares) on the day.

* Cash flows represent net cash provided by (used in) operating activities recorded in the Consolidated Statements of

Cash Flows. Interest-bearing debt includes all debts recorded in the Consolidated Balance Sheets for which interest is paid. Interest paid is the amount shown in the Consolidated Statements of Cash Flows.

- * The years of debt redemption and the interest coverage ratio appear as a dash (-) when cash flows from operating activities are negative.

(4) Future Outlook

The electronics industry, where the Company operates, is performing steadily despite the impact of inventory adjustments for semiconductors and electronic components.

Regarding the consolidated financial results forecast for the fiscal year ending May 31, 2025, projections are net sales of ¥154.0 billion (an increase of 4.0% from the previous fiscal year), operating profit of ¥4.3 billion (a decrease of 9.6% from the previous fiscal year), ordinary profit of ¥3.5 billion (a decrease of 4.2% from the previous fiscal year), and profit attributable to owners of parent of ¥2.5 billion (an increase of 15.9% from the previous fiscal year). Operating profit is expected to decrease because the forecast for the fiscal year ending May 31, 2025 does not incorporate the effects of yen depreciation, which were included for the fiscal year ended May 31, 2024. However, excluding the effect of yen depreciation, the Company projects profit to increase.

Consolidated financial results forecast for the fiscal year ending May 31, 2025

Net sales	¥154.0 billion	(up 4.0% from the previous fiscal year)
Operating profit	¥4.3 billion	(down 9.6% from the previous fiscal year)
Ordinary profit	¥3.5 billion	(down 4.2% from the previous fiscal year)
Profit attributable to owners of parent	¥2.5 billion	(up 15.9% from the previous fiscal year)

2. Basic Stance Concerning Choice of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group prepares its consolidated financial statements using Japanese GAAP for the time being.

Regarding the application of International Financial Reporting Standards (IFRS), the Group's policy is to respond appropriately based on consideration of the situation in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of May 31, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	10,051	9,246
Notes and accounts receivable - trade	31,483	35,689
Electronically recorded monetary claims - operating	5,587	5,753
Merchandise and finished goods	20,628	16,034
Work in process	446	300
Raw materials and supplies	526	489
Other	4,255	5,270
Allowance for doubtful accounts	(7)	(91)
Total current assets	72,972	72,692
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,338	2,298
Accumulated depreciation	(2,263)	(988)
Buildings and structures, net	1,074	1,310
Land	850	787
Other	2,395	2,319
Accumulated depreciation	(1,315)	(1,345)
Other, net	1,080	973
Total property, plant and equipment	3,004	3,071
Intangible assets		
Goodwill	492	2,398
Other	687	230
Total intangible assets	1,180	2,629
Investments and other assets		
Investment securities	3,421	4,344
Deferred tax assets	633	423
Other	920	971
Allowance for doubtful accounts	(576)	(639)
Total investments and other assets	4,399	5,100
Total non-current assets	8,584	10,801
Total assets	81,556	83,494

(Million yen)

	As of May 31, 2023	As of May 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,112	18,458
Short-term borrowings	14,279	15,103
Current portion of long-term borrowings	—	1,008
Deposits received	6,413	4,734
Accrued expenses	1,018	1,211
Income taxes payable	713	793
Other	1,013	2,160
Total current liabilities	40,550	43,470
Non-current liabilities		
Bonds payable	1,400	1,400
Long-term borrowings	2,822	1,815
Deferred tax liabilities	20	155
Deferred tax liabilities for land revaluation	9	9
Retirement benefit liability	1,431	1,467
Other	376	318
Total non-current liabilities	6,060	5,166
Total liabilities	46,611	48,637
Net assets		
Shareholders' equity		
Share capital	2,611	2,611
Capital surplus	3,447	3,447
Retained earnings	26,322	27,288
Treasury shares	(1,761)	(4,940)
Total shareholders' equity	30,620	28,407
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,157	1,795
Deferred gains or losses on hedges	(44)	(23)
Revaluation reserve for land	22	22
Foreign currency translation adjustment	2,021	3,239
Total accumulated other comprehensive income	3,156	5,033
Non-controlling interests	1,169	1,415
Total net assets	34,945	34,856
Total liabilities and net assets	81,556	83,494

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations

(Million yen)

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Net sales	146,336	148,113
Cost of sales	132,775	132,365
Gross profit	13,560	15,748
Selling, general and administrative expenses		
Packing and transportation costs	923	854
Travel and transportation expenses	341	486
Provision of allowance for doubtful accounts	(5)	17
Salaries and allowance	5,131	5,628
Retirement benefit expenses	248	257
Rent expenses	326	349
Commission expenses	1,236	1,499
Depreciation	491	454
Other	1,076	1,445
Total selling, general and administrative expenses	9,769	10,992
Operating profit	3,791	4,755
Non-operating income		
Interest income	20	95
Dividend income	90	82
Purchase discounts	50	40
Compensation income	223	102
Subsidy income	—	40
Other	77	25
Total non-operating income	462	386
Non-operating expenses		
Interest expenses	303	498
Foreign exchange losses	432	288
Loss on sale of receivables	542	589
Other	108	111
Total non-operating expenses	1,386	1,488
Ordinary profit	2,867	3,653
Extraordinary income		
Gain on sale of non-current assets	7	73
Gain on sale of investment securities	703	1
Total extraordinary income	711	74
Extraordinary losses		
Loss on retirement of non-current assets	51	54
Impairment losses	692	177
Other	77	—
Total extraordinary losses	821	232
Profit before income taxes	2,757	3,496
Income taxes - current	730	1,082
Income taxes - deferred	(338)	85
Total income taxes	391	1,167
Profit	2,365	2,329
Profit attributable to non-controlling interests	107	172
Profit attributable to owners of parent	2,257	2,156

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Profit	2,365	2,329
Other comprehensive income		
Valuation difference on available-for-sale securities	(276)	639
Deferred gains or losses on hedges	(52)	25
Foreign currency translation adjustment	923	1,295
Share of other comprehensive income of entities accounted for using equity method	(0)	—
Total other comprehensive income	595	1,960
Comprehensive income	2,960	4,289
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,847	4,034
Comprehensive income attributable to non-controlling interests	112	254

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,611	3,558	25,229	(1,725)	29,674
Changes during period					
Dividends of surplus			(1,164)		(1,164)
Profit attributable to owners of parent			2,257		2,257
Purchase of treasury shares				(620)	(620)
Disposal of treasury shares		36		583	619
Change in ownership interest of parent due to transactions with non-controlling interests		(147)			(147)
Net changes in items other than shareholders' equity					
Total changes during period	—	(110)	1,092	(36)	945
Balance at end of period	2,611	3,447	26,322	(1,761)	30,620

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1,433	(0)	22	1,110	2,566	216	32,457
Changes during period							
Dividends of surplus							(1,164)
Profit attributable to owners of parent							2,257
Purchase of treasury shares							(620)
Disposal of treasury shares							619
Change in ownership interest of parent due to transactions with non-controlling interests							(147)
Net changes in items other than shareholders' equity	(276)	(44)	—	910	590	952	1,542
Total changes during period	(276)	(44)	—	910	590	952	2,488
Balance at end of period	1,157	(44)	22	2,021	3,156	1,169	34,945

For the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,611	3,447	26,322	(1,761)	30,620
Changes during period					
Dividends of surplus			(1,191)		(1,191)
Profit attributable to owners of parent			2,156		2,156
Purchase of treasury shares				(3,178)	(3,178)
Disposal of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	965	(3,178)	(2,213)
Balance at end of period	2,611	3,447	27,288	(4,940)	28,407

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1,157	(44)	22	2,021	3,156	1,169	34,945
Changes during period							
Dividends of surplus							(1,191)
Profit attributable to owners of parent							2,156
Purchase of treasury shares							(3,178)
Disposal of treasury shares							—
Change in ownership interest of parent due to transactions with non-controlling interests							—
Net changes in items other than shareholders' equity	637	21	—	1,218	1,877	246	2,124
Total changes during period	637	21	—	1,218	1,877	246	(89)
Balance at end of period	1,795	(23)	22	3,239	5,033	1,415	34,856

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,757	3,496
Depreciation	604	562
Increase (decrease) in allowance for doubtful accounts	(10)	(10)
Increase (decrease) in retirement benefit liability	39	30
Interest and dividend income	(110)	(177)
Interest expenses	303	498
Loss (gain) on sale of investment securities	(703)	(1)
Decrease (increase) in trade receivables	(1,516)	(2,155)
Decrease (increase) in inventories	(450)	5,770
Increase (decrease) in trade payables	(6,468)	(1,369)
Increase (decrease) in accrued consumption taxes	287	892
Increase (decrease) in deposits received	1,245	(1,679)
Impairment losses	692	177
Loss on retirement of non-current assets	51	54
Loss (gain) on sale of property, plant and equipment	(7)	(73)
Other, net	(907)	685
Subtotal	(4,195)	6,700
Interest and dividends received	109	178
Interest paid	(301)	(502)
Income taxes refund (paid)	(502)	(1,051)
Net cash provided by (used in) operating activities	(4,889)	5,325
Cash flows from investing activities		
Purchase of investment securities	(48)	(133)
Proceeds from sale of investment securities	838	31
Purchase of property, plant and equipment	(234)	(305)
Proceeds from sale of property, plant and equipment	60	116
Purchase of intangible assets	(169)	(250)
Proceeds from sale of intangible assets	—	375
Payments for acquisition of businesses	(208)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(252)	(1,955)
Other, net	1	64
Net cash provided by (used in) investing activities	(13)	(2,057)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,994	(38)
Purchase of treasury shares	(620)	(3,178)
Proceeds from disposal of treasury shares	619	—
Dividends paid	(1,160)	(1,215)
Other, net	(204)	(87)
Net cash provided by (used in) financing activities	6,629	(4,519)
Effect of exchange rate change on cash and cash equivalents	301	471
Net increase (decrease) in cash and cash equivalents	2,027	(779)
Cash and cash equivalents at beginning of period	7,996	10,023
Cash and cash equivalents at end of period	10,023	9,243

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in significant subsidiaries during the period under review)

In the current fiscal year, the Company acquired shares in MAGnetIC Holding B.V. and made it a subsidiary, thereby including it within the scope of consolidation.

(Business combination)

(Business combination due to acquisition)

On May 1, 2024, the Company acquired shares in MAGnetIC Holding B.V. (hereinafter referred to as “MH”), a Dutch company engaged in semiconductor design business, making it a consolidated subsidiary (80.0%) of the Company.

1. Summary of business combination

(1) Name and business of acquired company

Name: MAGnetIC Holding B.V.

Business description: Semiconductor circuit design, and sales of IP and Wafer, etc. (mainly Analog Mixed-Signal)

(2) Main reason for undertaking the business combination

The Company believes that synergies can be created by incorporating MH’s semiconductor design technology and talented semiconductor design engineers and combining them with the Company’s strong customer base and the sales capabilities it has cultivated over the years. The Company also aims to expand and enhance its business portfolio, while strengthening our solution capabilities to better address customers' needs.

Moreover, using the European and Japanese markets as a starting point, the Company plans to gradually enter the Chinese, Taiwanese, Korean, US, and Indian markets going forward, achieving further evolution and growth in global expansion, creating synergies, and increasing the Company’s corporate value. This is the purpose behind the Company’s acquisition of shares in MH (conversion to a subsidiary).

(3) Date of business combination

Deemed acquisition date: May 31, 2024

(4) Legal form of business combination

Acquisition of shares in consideration of cash

(5) Company name after business combination

There was no change to the company name.

(6) Ratio of voting rights acquired

80.0%

(7) Main basis for determining the acquirer

The basis was that the acquisition of MH’s shares would result in the Company’s acquisition of 80.0% of the voting rights in that company.

2. Period of the acquired company's financial results included in the consolidated statements of operations for the current fiscal year

Since the deemed acquisition date is May 31, 2024, only the balance sheets have been consolidated for the current fiscal year, and the performance of the acquired company is not included in the Consolidated Statements of Operations.

3. Acquisition costs of the acquired company and breakdown thereof

Consideration for acquisition:	Cash	¥2,017 million
<hr/>		
Acquisition price		¥2,017 million

4. Breakdown and amount of major acquisition-related expenses

Advisory fees, etc.: ¥88 million

5. Amounts of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	¥150 million
Non-current assets	¥28 million
<hr/> Total assets	<hr/> ¥179 million
Current liabilities	¥80 million
Non-current liabilities	¥7 million
<hr/> Total liabilities	<hr/> ¥87 million

6. The amount of goodwill that occurred, the cause for the occurrence, the amortization method, and the amortization period

(1) The amount of goodwill that occurred

¥1,944 million

At the end of the current fiscal year, the identification of identifiable assets and liabilities as of the date of the business combination and the calculation of fair value have not been completed, and the allocation of acquisition costs has not been completed. Therefore, provisional accounting treatment has been performed based on reasonable information available at the time.

(2) The cause for the occurrence

The excess earnings expected from future business activities.

(3) The amortization method and amortization period

Straight-line method over a period of 10 years. This period has been provisionally determined and will be finalized based on the results of the allocation of acquisition costs.

(Segment information, etc.)

A. Segment information

1. Description of reportable segments

(1) Matters related to changes in reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's chief decision-making body is being performed in order to decide how management

resources are allocated among the Group.

The Group promotes management by market segments.

(2) Types of products and services belonging to each reportable segment

The details of each reportable segment are as follows.

1) Industrial Infrastructure business

The Industrial Infrastructure business is mainly engaged in the development and sales of system solutions, and the sales of communications components and electronic equipment, for industrial and social infrastructures.

2) Enterprise business

The Enterprise business is mainly engaged in the sales of semiconductors and electronic components, procurement management services, the development and sales of switching devices, and the provision of solutions, for domestic customers.

3) Mobility business

The Mobility business is mainly engaged in the sales of semiconductors and electronic equipment and the provision of solutions, for automotive applications.

4) Global business

The Global business is mainly engaged in the sales of semiconductors and electronic components, and the provision of solutions, for overseas customers.

5) Corporate Items and Eliminations

Corporate Items and Eliminations segment mainly involves business development and corporate staff functions.

(3) Matters related to changes in reportable segments

In the current fiscal year, the Company made a change to its business management categories to recategorize the storage division, which was previously categorized as the “Mobility business,” as the “Enterprise business.” Based on this change, the segment information for the previous fiscal year has been recategorized.

2. Measurement method of net sales, profit or loss, assets and other items for each reportable segment

The methods of accounting in the reportable segments are based on amounts in accordance with the accounting standards that are used for preparing the consolidated financial statements.

Segment profit is based on operating profit.

Inter-segment net sales are based on the arm’s length price.

3. Information on net sales, profit or loss, assets and other items by reportable segment and information on the disaggregation of revenue

For the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Million yen)

	Reportable segment					Reconciliation (Note) 1 (Note) 3	Amount recorded in Consolidated Financial Statements (Note) 2
	Industrial Infrastruct ure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	31,011	55,475	12,232	47,616	146,336	—	146,336
Net sales to outside customers	31,011	55,475	12,232	47,616	146,336	—	146,336
Inter-segment net sales or transfers	260	7,392	533	102	8,288	(8,288)	—
Total	31,271	62,868	12,766	47,719	154,625	(8,288)	146,336
Segment profit	1,132	2,373	1,041	485	5,033	(1,241)	3,791
Segment assets	18,089	26,042	11,776	20,215	76,124	5,432	81,556
Other items: Depreciation and amortization	148	226	34	164	573	30	604

(Notes) 1. The reconciliation of segment profit in an amount of ¥(1,241) million includes elimination of inter-segment transactions.

2. Segment profit is reconciled with “Operating profit” in the Consolidated Statements of Operations.

3. The ¥5,432 million adjustment to segment assets is mainly corporate assets that do not belong to any reportable segment.

For the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Million yen)

	Reportable segment					Reconciliation (Note) 1 (Note) 3	Amount recorded in Consolidated Financial Statements (Note) 2
	Industrial Infrastruct ure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	29,676	43,313	31,207	43,915	148,113	—	148,113
Net sales to outside customers	29,676	43,313	31,207	43,915	148,113	—	148,113
Inter-segment net sales or transfers	344	5,868	795	50	7,059	(7,059)	—
Total	30,021	49,181	32,003	43,966	155,172	(7,059)	148,113
Segment profit	1,594	2,065	1,824	579	6,063	(1,308)	4,755
Segment assets	16,863	22,518	18,731	20,182	78,296	5,197	83,494
Other items: Depreciation and amortization	133	183	80	136	533	28	562

(Notes) 1. The reconciliation of segment profit in an amount of ¥(1,308) million includes elimination of inter-segment transactions.

2. Segment profit is reconciled with “Operating profit” in the Consolidated Statements of Operations.

3. The ¥5,197 million adjustment to segment assets is mainly corporate assets that do not belong to any reportable segment.

B. Related information

For the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

1. Information about product and service lines

(Million yen)

	Semi-conductors	General electronic components	Electronic equipment	Products	Total
Net sales to outside customers	56,613	55,808	29,260	4,653	146,336

2. Information by region

(1) Net sales

(Million yen)

Japan	Overseas						Total
	China	India	Thailand	Other Asia	Other	Subtotal	
70,773	42,302	3,130	11,748	11,689	6,692	75,562	146,336

(Notes) 1. Net sales are distributed to each country or region based on the actual destinations of the products.

2. In the table above, the region “China” includes Hong Kong.

(2) Property, plant and equipment

(Million yen)

Japan	Other	Total
2,183	821	3,004

3. Information by major customer

Omitted because any customer who constitutes net sales to outside customers does not account for 10% or more of net sales on the Consolidated Statements of Operations.

For the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

1. Information about product and service lines

(Million yen)

	Semi-conductors	General electronic components	Electronic equipment	Products	Total
Net sales to outside customers	55,747	59,965	27,646	4,753	148,113

2. Information by region

(1) Net sales

(Million yen)

Japan	Overseas						Total
	China	India	Thailand	Other Asia	Other	Subtotal	
64,276	34,171	18,426	12,764	12,686	5,788	83,836	148,113

(Notes) 1. Net sales are distributed to each country or region based on the actual destinations of the products.

2. In the table above, the region “China” includes Hong Kong.

(2) Property, plant and equipment

(Million yen)

Japan	Other	Total
2,219	851	3,071

3. Information by major customer

Omitted because any customer who constitutes net sales to outside customers does not account for 10% or more of net sales on the Consolidated Statements of Operations.

C. Information about impairment losses on non-current assets by reportable segment

For the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

Regarding idle assets include in corporate assets, the Company wrote off the carrying amounts of buildings, land, and intangible assets to their recoverable amounts and recorded the difference as impairment losses. The impairment losses amounted to ¥692 million.

For the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

In the Enterprise business, the Company transferred the power tool and gardening equipment trigger switch businesses to a newly established company through a company split, with an effective date of August 30, 2024, and all of the issued shares of the newly established company were transferred. Accordingly, the Company wrote off the carrying amounts of assets held subject to division and succession to their recoverable amounts and recorded the difference as impairment losses. The impairment losses amounted to ¥177 million.

D. Information about amortization amount and unamortized balance of goodwill by reportable segment

For the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Million yen)

	Reportable segment					Corporate Items and Eliminations	Total
	Industrial Infrastructure business	Enterprise business	Mobility business	Global business	Total		
Amortization amount	—	—	21	—	21	—	21
Unamortized balance	—	—	492	—	492	—	492

For the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Million yen)

	Reportable segment					Corporate Items and Eliminations	Total
	Industrial Infrastructure business	Enterprise business	Mobility business	Global business	Total		
Amortization amount	—	—	108	—	108	—	108
Unamortized balance	—	—	2,398	—	2,398	—	2,398

E. Information about gain on bargain purchase by reportable segment

There is no relevant information.

(Per share information)

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Net assets per share	¥2,052.73	¥2,334.61
Basic earnings per share	¥137.22	¥148.86

(Notes) 1. Information about diluted earnings per share is omitted because dilutive shares do not exist.

2. In the calculation of net assets per share, the Company's shares held by the trust in connection to the stock compensation plan are included in treasury shares, and is deducted from the total number of shares issued at the end of the fiscal year (505,100 shares for the previous fiscal year, 505,100 shares for the current fiscal year). In addition, with the calculation of basic earnings per share, the Company's shares held by the trust in connection with the stock compensation plan are included in the treasury shares as a deduction in the calculation of the average number of shares during the period (505,100 shares for the previous fiscal year, 505,100 shares for the current fiscal year).

3. The underlying items for calculating basic earnings per share are as follows:

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Profit attributable to owners of parent (Million yen)	2,257	2,156
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	2,257	2,156
Average number of shares during the period (Thousand shares)	16,454	14,488

(Significant subsequent events)

There is no relevant information.