Translation

August 9, 2024

Financial Results for the First Nine Months of the Fiscal Year Ending September 30, 2024 <under Japanese GAAP> (Non-Consolidated)

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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes

(Rounded down to the nearest million yen)

1. Non-Consolidated Performance for the First Nine Months of the Fiscal Year Ending September 30, 2024 (from October 1, 2023 to June 30, 2024)

(1) Non-consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
First nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	7,430	5.4	761	37.1	763	35.1	517	(14.2)
June 30, 2023	7,048	–	555	–	564	–	603	–

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
June 30, 2024	130.17	–
June 30, 2023	151.75	–

Note: The Company disclosed its consolidated financial results for the first three months of the fiscal year ended September 30, 2023. Starting with results for the first six months of the fiscal year ended September 30, 2023, it has decided to make disclosures on a non-consolidated basis. No year-on-year percentage changes are therefore stated for the figures in the first nine months of the fiscal year ended September 30, 2023.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2024	8,946	6,903	77.2
September 30, 2023	9,251	6,708	72.5

Reference: Equity As of June 30, 2024: 6,903 million yen
As of September 30, 2023: 6,708 million yen

2. Cash Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	–	0.00	–	102.00	102.00
Fiscal year ending September 30, 2024	–	0.00	–		
Fiscal year ending September 30, 2024 (Forecast)				102.00	102.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Non-Consolidated Earnings Forecasts for the Fiscal Year Ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	10,100	6.2	710	(1.1)	710	(2.5)	590	(17.7)	148.26

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

(1) Application of special accounting in preparing quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: None
(b) Changes in accounting principles other than (a): None
(c) Changes in accounting estimates: None
(d) Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common shares)

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

As of June 30, 2024	3,980,000 shares
As of September 30, 2023	3,980,000 shares

(b) Number of treasury shares at the end of the period

As of June 30, 2024	528 shares
As of September 30, 2023	418 shares

(c) Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

First nine months ended June 30, 2024	3,979,516 shares
First nine months ended June 30, 2023	3,979,623 shares

* Review by a certified public accountant or the auditing firm of the attached quarterly financial statements: None

* Cautionary statement regarding forecasts of operating results and special notes

Financial results forecasts and other forward-looking statements contained in this material are based on information available to the Company and certain assumptions that are deemed to be reasonable. Therefore, actual results may differ significantly from these forward-looking statements due to various factors. For a discussion of the assumptions and other factors considered by the Company in preparing projections, please refer to page 2 of the attachments, “1. Overview of Operating Results, etc., (3) Explanation regarding earnings forecasts and other forward-looking statements.”

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1. Overview of Operating Results, etc.

(1) Overview of operating results

During the first nine months of the fiscal year ending September 30, 2024, the global economy recovered. However, in terms of the outlook, the economic environment required that attention be paid to a number of developments including geopolitical risks such as the situation in the Middle East and the increasing likelihood of higher interest rates being maintained for a longer period of time given the upside inflation risks due to the rising prices of services.

The Japanese economy was on a path toward a moderate recovery, although there has been a temporary standstill lately. Looking ahead, the moderate recovery is expected to continue, particularly in the area of capital expenditures, due in part to the effects of measures taken alongside the improvement of employment and income conditions. However, overseas economies are experiencing a downturn, impacted by matters such as the interest rates in Europe and the United States continuing to be high and uncertainties regarding the Chinese economy, and this poses the risk of downward pressure being put on the Japanese economy, so sufficient attention should be paid to the effects of price increases, the situation in the Middle East, the fluctuation of the financial and capital markets, and other factors.

In the automobile industry and auto parts industry, where the Company operates its main business, the global trend towards decarbonization is continuing, and research and development are expected to accelerate to develop next-generation technologies. Since the Group's mainstay Design and Development Outsourcing business is an upstream process in production, automakers' suspension of plant operation or reduced production is unlikely to have a direct impact, such as contract cancellations. On the other hand, the performance of the business may be impacted in instances such as a more severe slowdown of overseas economies. Therefore, the observation of industry trends should continue. In addition, average wages in Japan are rising partly due to the government and Keidanren calling for wage increases as global consumer prices continue to rise.

In this business environment, the Company actively promoted not only its existing businesses but also new businesses with the aim of becoming a digital solution company that proposes solutions with greater added value. As a result of the improvement of unit prices, mainly in the Design Outsourcing business, in the first nine months year under review, the Company recorded net sales of 7,430 million yen (up 5.4% year on year), operating profit of 761 million yen (up 37.1%), ordinary profit of 763 million yen (up 35.1%) and profit of 517 million yen (down 14.2%).

The results in each segment are as follows.

(a) Design and Development Outsourcing business

In this segment, net sales stood at 7,302 million yen (up 5.4% year on year), and segment profit (operating profit) came to 1,359 million yen (up 10.6%). The segment profit (operating profit) margin was 18.6%. The major factor that contributed to sales was progress in the efforts to improve unit prices.

(b) 3D Printing business

In this segment, as a result of the business closure in March 2024, net sales stood at 38 million yen (down 26.0% year on year) and segment loss came to 8 million yen (compared to a 35 million-yen segment loss (operating loss) in the same period of the previous fiscal year).

(c) Beauty and Health Products Manufacture and Sale business

Net sales in this segment were 72 million yen (up 26.9% year on year) with a 6 million-yen segment loss (operating loss) (compared to a 19 million-yen segment loss (operating loss) in the same period of the previous fiscal year).

(d) Real Estate Leasing business

In this segment, net sales stood at 45 million yen (no change from the same period of the previous fiscal year), and segment profit (operating profit) came to 19 million yen (up 10.1% year on year). The segment profit (operating profit) margin was 43.7%. These results reflected the continuation of the high occupancy rates.

(2) Overview of financial position

Total assets at the end of the first nine months under review stood at 8,946 million yen, down 305 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease in deferred tax assets included in investments and other assets. Total liabilities stood at 2,042 million yen, a decrease of 500 million yen from the end of the previous fiscal year. This chiefly reflected decreases in provision for retirement benefits for directors and provision for bonuses. Net assets totaled 6,903 million yen, an increase of 195 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings.

(3) Explanation regarding earnings forecasts and other forward-looking statements

No change has been made to the forecasts for financial results announced on November 10, 2023. If any revision to the financial forecasts becomes necessary in the future, the Company will promptly disclose it.

2. Financial Statements and Primary Notes

(1) Non-consolidated quarterly balance sheets

(Thousand yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	4,310,800	4,180,418
Accounts receivable – trade	1,387,266	1,397,548
Merchandise and finished goods	121	489
Work in process	36,428	67,819
Raw materials and supplies	22,780	6,506
Prepaid expenses	116,513	131,696
Other	28,964	81,630
Total current assets	5,902,876	5,866,108
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	972,217	937,617
Land	993,400	993,400
Other, net	64,971	50,734
Total property, plant and equipment	2,030,589	1,981,752
Intangible assets	133,937	95,100
Investments and other assets	1,184,568	1,003,695
Total non-current assets	3,349,095	3,080,549
Total assets	9,251,971	8,946,657
Liabilities		
Current liabilities		
Accounts payable - trade	3,819	2,624
Short-term borrowings	50,000	50,000
Accounts payable - other	689,263	814,461
Accrued consumption taxes	144,524	167,795
Deposits received	69,996	166,338
Income taxes payable	10,567	–
Provision for bonuses	360,174	–
Provision for bonuses for directors	15,858	11,025
Provision for shareholder benefit program	42,530	21,759
Other	9,083	9,603
Total current liabilities	1,395,816	1,243,607
Non-current liabilities		
Provision for retirement benefits	595,240	620,148
Provision for retirement benefits for directors	* 486,092	* 6,465
Long-term accounts payable - other	15,516	122,803
Other	50,427	49,735
Total non-current liabilities	1,147,276	799,153
Total liabilities	2,543,093	2,042,760

(Thousand yen)

	As of September 30, 2023	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	1,026,650	1,026,650
Capital surplus	1,016,650	1,016,650
Retained earnings	4,411,001	4,523,083
Treasury shares	(1,315)	(1,657)
Total shareholders' equity	6,452,985	6,564,725
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	255,892	339,171
Total of valuation and translation adjustments, etc.	255,892	339,171
Total net assets	6,708,878	6,903,897
Total liabilities and net assets	9,251,971	8,946,657

(2) Non-consolidated quarterly statements of income

First nine-month period

(Thousand yen)

	First nine months ended June 30, 2023	First nine months ended June 30, 2024
Net sales	7,048,640	7,430,275
Cost of sales	5,261,928	5,370,230
Gross profit	1,786,712	2,060,044
Selling, general and administrative expenses	1,230,894	1,298,091
Operating profit	555,817	761,953
Non-operating income		
Interest income	238	152
Commission income	468	478
Subsidy income	1,301	772
Compensation income	7,214	–
Other	–	36
Total non-operating income	9,222	1,439
Non-operating expenses		
Interest expenses	253	225
Total non-operating expenses	253	225
Ordinary profit	564,786	763,167
Extraordinary income		
Gain on sale of non-current assets	*1 53,912	*1 69,543
Total extraordinary income	53,912	69,543
Extraordinary losses		
Loss on retirement of non-current assets	–	11,879
Provision for retirement benefits for directors	–	*2 3,150
Loss on withdrawal from business	–	*3 23,038
Loss on extinguishment of tie-in shares	*4 11,008	–
Total extraordinary losses	11,008	38,068
Profit before income taxes	607,690	794,642
Income taxes - current	67,172	12,788
Income taxes - deferred	(63,380)	263,854
Total income taxes	3,792	276,642
Profit	603,898	517,999

(3) Notes to non-consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

(Termination of the previous director retirement benefit system)

In conjunction with the termination of the previous director retirement benefit system, the Company resolved to pay accrued retirement benefits and introduce a long-term incentive plan for directors, which is the new director retirement benefit system, at the 18th Ordinary General Meeting of Shareholders held on December 22, 2023. As a result, the full amount of the provision for retirement benefits for directors associated with the previous director retirement benefit system has been withdrawn and 107,287 thousand yen , which was posted as provision for retirement benefits for directors, has been presented as long-term accounts payable - other.

(Notes to non-consolidated quarterly balance sheets)

* Provision for retirement benefits for directors

As of September 30, 2023

Related to the previous director retirement benefit system.

As of June 30, 2024

Related to the long-term incentive plan for directors.

(Notes to non-consolidated quarterly statements of income)

*1 Gain on sale of non-current assets

First nine months ended June 30, 2023

Mainly attributable to the sale of land and buildings.

First nine months ended June 30, 2024

Mainly attributable to the sale of machinery and equipment.

*2 Provision for retirement benefits for directors

First nine months ended June 30, 2024

Mr. Katsuhiro Shin stepped down as Director and passed away on December 15, 2023. In recognition of Mr. Shin’s distinguished service during his tenure, 3,150 thousand yen, which is compensation for his service during the period he was in office in the fiscal year under review, has been posted as provision for retirement benefits for directors. This amount is a portion of the 147,376 thousand yen of the former director retirement benefit system-related special compensation approved by the Ordinary General Meeting of Shareholders.

*3 Loss on withdrawal from business

First nine months ended June 30, 2024

These are losses attributable to certain assets that are expected to be idle and reflect the results of the reexamination of the future use of the Toyohashi facility as well as a further examination of the prospects for the use of that facility following the closure of the 3D Printing Business on March 31, 2024. Breaking down the losses, there was an impairment loss on non-current assets of 5,955 thousand yen, a loss on evaluation of raw materials of 14,077 thousand yen and other losses of 3,005 thousand yen.

The details of the resultant impairment loss are as follows.

Location	Use	Type	Impairment loss (Thousand yen)
Toyohashi-shi, Aichi	Assets for business (3D Printing Business)	Buildings and structures	5,955

Business assets to which impairment accounting is applied are grouped into units where profits and losses are continually determined.

As for idle assets that are not expected to be used, indications of impairment are evaluated for each asset.

The book values of those idle assets are reduced to recoverable amounts and the reduced amounts are included in the loss on withdrawal from business.

The recoverable amount is measured by value of use, and the value of use is deemed to be zero.

*4 Loss on extinguishment of tie-in shares

First nine months ended June 30, 2023

The loss on extinguishment of tie-in shares is attributable to the absorption-type merger of ABIST H&F Co., Ltd, a consolidated subsidiary, on February 1, 2023.

(Notes in the case of material changes in shareholders' equity)

Not applicable.

(Note to non-consolidated statement of cash flows)

The Group has not prepared a quarterly statement of cash flows for the first nine months of the fiscal year under review. Depreciation (including amortization of intangible assets) for the first nine months of the fiscal year under review is as follows.

(Thousand yen)

	First nine months ended June 30, 2023	First nine months ended June 30, 2024
Depreciation	100,418	102,333

(Notes to segment information, etc.)

[Segment information]

I. First nine months ended June 30, 2023

1. Information regarding amounts of net sales and profit/loss by reportable segment

(Thousand yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount recorded in the non-consolidated quarterly statement of income
	Design and Development Outsourcing business	3D Printing business	Beauty and Health Products Manufacture and Sale business	Real Estate Leasing business			
Net sales							
Sales to outside customers	6,925,607	51,413	25,912	45,707	7,048,640	–	7,048,640
Inter-segment sales and transfers	–	–	31,397	–	31,397	(31,397)	–
Total	6,925,607	51,413	57,309	45,707	7,080,038	(31,397)	7,048,640
Segment profit (loss)	1,229,371	(35,063)	(19,454)	18,125	1,192,978	(637,161)	555,817

(Note 1) The adjustment consists of the following items.

The adjustment to segment profit (loss), (637,161 thousand yen), is corporate costs that are not allocated to any of the reportable segments.

II. First nine months ended June 30, 2024

1. Information regarding amounts of net sales and profit/loss by reportable segment

(Thousand yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount recorded in the non-consolidated quarterly statement of income
	Design and Development Outsourcing business	3D Printing business	Beauty and Health Products Manufacture and Sale business	Real Estate Leasing business			
Net sales							
Sales to outside customers	7,302,996	38,035	43,536	45,707	7,430,275	–	7,430,275
Inter-segment sales and transfers	–	–	29,164	–	29,164	(29,164)	–
Total	7,302,996	38,035	72,701	45,707	7,459,440	(29,164)	7,430,275
Segment profit (loss)	1,359,502	(8,335)	(6,534)	19,954	1,364,586	(602,633)	761,953

(Note 1) The adjustment consists of the following items.

The adjustment to segment profit (loss), (602,633 thousand yen), is corporate costs that are not allocated to any of the reportable segments.

2. Information on impairment loss on non-current assets or goodwill by reportable segment

An impairment loss of 5,955 thousand yen was posted in the 3D Printing Business in the first nine months of the fiscal year under review.

For the details of the impairment loss, please see “*3 Loss on withdrawal from business” (Notes to non-consolidated quarterly statements of income)

(Notes to revenue recognition)

Information on the breakdown of revenue from contracts with customers

First nine months ended June 30, 2023

(Thousand yen)

	Reportable segments				Total
	Design and Development Outsourcing business	3D Printing business	Beauty and Health Products Manufacture and Sale business	Real Estate Leasing business	
Contract for work	3,936,191	–	–	–	3,936,191
Dispatch contract	2,955,140	–	–	–	2,955,140
Others	34,276	51,413	25,912	–	111,601
Revenue from contracts with customers	6,925,607	51,413	25,912	–	7,002,933
Other revenue	–	–	–	45,707	45,707
Sales to outside customers	6,925,607	51,413	25,912	45,707	7,048,640

(Note) Other revenue includes lease revenue under the Accounting Standard for Lease Transactions (ASBJ Statement No.13, March 30, 2007).

First nine months ended June 30, 2024

(Thousand yen)

	Reportable segments				Total
	Design and Development Outsourcing business	3D Printing business	Beauty and Health Products Manufacture and Sale business	Real Estate Leasing business	
Contract for work	4,100,283	–	–	–	4,100,283
Dispatch contract	3,184,413	–	–	–	3,184,413
Others	18,299	38,035	43,236	–	99,571
Revenue from contracts with customers	7,302,996	38,035	43,236	–	7,384,268
Other revenue	–	–	300	45,707	46,007
Sales to outside customers	7,302,996	38,035	43,536	45,707	7,430,275

(Note) Other revenue includes lease revenue under the Accounting Standard for Lease Transactions (ASBJ Statement No.13, March 30, 2007).

(Notes to significant subsequent events)

Not applicable.