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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

August 13, 2024

Company name: Icom Incorporated
Listing: Tokyo Stock Exchange
Securities code: 6820
URL: https://www.icom.co.jp
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Scheduled date to commence dividend payments: —
Preparation of supplementary material on financial results: None
Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 – June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	8,786	1.5	804	△8.9	1,301	△13.8	937	△17.6
June 30, 2023	8,656	7.7	883	356.5	1,510	114.7	1,137	106.9

Note: Comprehensive income For the three months ended June 30, 2024: ¥1,338 million [△41.9%]
For the three months ended June 30, 2023: ¥2,304 million [105.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	65.35	—
June 30, 2023	79.28	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	72,927	66,050	90.6
March 31, 2024	73,159	65,745	89.9

Reference: Equity
As of June 30, 2024: ¥66,050 million
As of March 31, 2024: ¥65,745 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	25.00	—	72.00	97.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		25.00	—	54.00	79.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 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 half	18,400	1.7	1,570	△2.0	1,740	△29.8	1,280	△29.8	89.18
Full year	38,000	2.4	3,500	2.5	3,800	△14.0	2,800	△19.1	195.09

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(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

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2024	14,850,000 shares
As of March 31, 2024	14,850,000 shares

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

As of June 30, 2024	497,623 shares
As of March 31, 2024	497,623 shares

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

Three months ended June 30, 2024	14,352,377 shares
Three months ended June 30, 2023	14,352,549 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Explanation of the proper use of performance forecast and other notes

The forward-looking statements concerning future financial results presented in this document are prepared based on the information currently available for the Company and certain preconditions which the Company believes to be reasonable at this time. Actual results may be substantially different from any projections presented herein due to various factors. Please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the Attachments for the assumptions underlying the financial results forecasts and precautions when using the forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Group started its "Medium Term Business Plan 2026" (fiscal year ended March 31, 2024 to fiscal year ending March 31, 2026) last fiscal year, with the main strategies being the strengthening of core business, taking on the challenge of new business models and sustainable management aimed at becoming a 100-year company. We are now in the second year of this business plan.

During the first quarter of the current fiscal year, the Japanese economy showed signs of recovery due to improvements in employment and worker's income. On the other hand, in export markets, the outlook remains uncertain due to the impact of the continuation of tight monetary policy in the United States, and heightened geopolitical risks caused by the prolongation of conflict in Ukraine and increasing tension in the Middle East.

In this economic environment, while there were positive factors during the period under review, such as the continued growth of the Group's stock business from the previous period and the continuation of the trend for domestic market recovery, sales of amateur radio communications equipment in this market decreased due to new products not being released as in the same period of the previous fiscal year. In export markets, although demand for commercial land mobile radio communication equipment expanded as a BCP measure against geopolitical risks, back orders due to procurement difficulties for parts and materials were resolved in the previous fiscal year, resulting in temporary excess inventories and weak sales. However, sales of amateur radio communication equipment and marine radio communication equipment increased, supported by strong demand. In addition, because the yen was weaker than assumed at the beginning of the fiscal year, sales exceeded those of the previous fiscal year.

Issues remain with regard to the procurement of raw materials and electronic components, such as the prolongation of delivery times for some key parts and the end of production of major components, and we continued to focus on addressing them.

The situation by region is as shown in the table below.

Reference: Sales by Region

	1st Qtr of Previous Fiscal Year (April 1, 2023 ~ June 30, 2023)		1st Qtr of Current Fiscal Year (April 1, 2024 ~ June 30, 2024)		Increase/ Decrease (%)
	Total (Million Yen)	Ratio (%)	Total (Million Yen)	Ratio (%)	
Japan	2,441	28.2	2,441	27.8	(0.0)
North America	2,664	30.8	2,781	31.6	4.4
Europe (EMEA)	1,644	19.0	1,570	17.9	(4.5)
Asia/Oceania	1,390	16.1	1,572	17.9	13.1
Others (Incl. Central/South America)	514	5.9	421	4.8	(18.1)
Export total	6,214	71.8	6,345	72.2	2.1
Total sales	8,656	100.0	8,786	100.0	1.5

(Sales and Income)

Consolidated net sales for the first quarter of the current fiscal year reached a record high of 8,786 million yen (up 1.5% year-on-year), and gross profit amounted to 3,951 million yen (up 4.9% year-on-year). Selling, general and administrative expenses increased by 264 million yen to 3,147 million yen due to an increase in personnel expenses, the impact of yen depreciation, an increase in advertising activities, etc. Operating income decreased by 78 million yen to 804 million yen (down 8.9% year-on-year), ordinary income was 1,301 million yen (down 13.8% year-on-year) due to a decrease in equity in earnings of affiliates as a result of making Comforce Inc., a subsidiary and a decrease in foreign exchange gains, and net income attributable to owners of the parent was 937 million yen (down 17.6% year on year).

The average exchange rates applied to the U.S. dollar and euro during the period were 152.93 yen and 165.08 yen, respectively, so yen depreciation against the U.S. dollar was 13.5% and against the euro 13.0% compared with the same period last year.

Segment results are as follows.
(Segment results are presented as geographic segments, the reporting segments of the Group, which differs from the "Sales by Region" above.)

1) Japan [the Company, Wakayama Icom, Inc., Icom Information Equipment Inc., Macrotechnos, Co., Ltd. and Comforce, Inc.]
Domestic market: (Sales from Japan to the domestic market)
As in the previous fiscal year, stock business remained strong, but although demand for IP radio equipment increased in association with the recovery of economic activity, sales of land mobile radio communication equipment decreased due to sluggish sales of license-free low-power radio equipment, which is a volume zone product line. .

Overseas markets: (Sales from Japan to overseas markets excluding Company subsidiaries)
Although sales decreased in the European region due to soft demand, in addition to economic recovery in the Asian region, sales to overseas markets increased due to contributions from ODA (Overseas Development Aid) sales.
As a result, sales to external customers in this segment increased to 4,532 million yen (up 1.2% year-on-year), but operating income decreased to 541 million yen (down 37.5% year-on-year) due to increased personnel expenses, research and development expenses, etc.

2) North America [Icom America, Inc., ICOM CANADA HOLDINGS INC., ICOM DO BRASIL RADIOCOMUNICACAO LTDA., ICOM CENTRAL AMERICA, S.DE R.L.DE C.V.]
While sales of amateur radio communication equipment and maritime radio communication equipment both increased, supported by strong demand, sales of land mobile radio communication equipment in the Latin America region declined due to a temporary excess of inventories.
As a result, net sales to external customers in this segment amounted to 3,184 million yen (down 0.2% year-on-year). In terms of profit, operating income was 99 million yen (up 11.7% year-on-year) due to the impact of yen depreciation and an increase in gross profit margin due to an increase insales of high value-added products.

3) Europe [Icom (Europe) GmbH, Icom Spain, S.L.]
Sales of amateur radio communication equipment and marine radio communication equipment were soft, but sales of commercial land mobile radio communication equipment increased due to the acquisition of projects in Spain and increased demand for IP radio rental equipment in Germany.
As a result, sales to external customers in this segment amounted to 665 million yen (up 5.3% year-on-year). In terms of profit, operating income was 74 million yen (down 11.5% year-on-year) due to the impact of yen depreciation and selling, general and administrative expenses increasing due to an increase in depreciation expenses arising from the acquisition of a company building.

4) Asia and Oceania [Icom (Australia) Pty., Ltd., PURECOM CO., LTD., ICOM ASIA CO., LTD]
In Australia, the main market in this segment, sales in consumer business were sluggish due to the impact of declining household spending caused by inflationary pressures, but demand for commercial land mobile radio communication equipment remained steady, resulting in an increase in sales.
As a result, sales to external customers in this segment amounted to 404 million yen (up 14.3% year-on-year). In terms of profit, operating income increased to 36 million yen (up 48.5% year-on-year) due to the increase in sales.

(2) Overview of Financial Position in the Current Quarter

(Assets)

Total assets decreased by 231 million yen compared to the end of the previous fiscal year to 72,927 million yen.

The main breakdown shows that the reasons for the decrease were increasing factors of 767 million yen in property, plant and equipment, 349 million yen in other current assets, 189 million yen in inventories (total) and 61 million yen in other investments and assets, and decreasing factors of 814 million yen in cash and deposits, 611 million yen in notes and accounts receivable, and 161 million yen in investment securities.

The 349 million yen increase in other current assets was mainly due to a 100 million yen increase in trust beneficiary rights, a 77 million yen increase in consumption taxes receivable, a 71 million yen increase in prepaid expenses, and a 55 million yen increase in advance payments.

In addition, the increase of 61 million yen in other investments and assets was mainly due to a 52 million yen increase in assets related to retirement benefits.

(Liabilities) Total liabilities

Total liabilities decreased by 536 million yen compared to the end of the previous fiscal year to 6,877 million yen.

The main breakdown shows that the reasons for the decrease were the increasing factor of 286 million yen in accounts payable-trade and decreasing factors of 755 million yen in income taxes payable and 137 million yen in provision for bonuses.

(Net assets) Total net assets

Total net assets increased by 305 million yen compared to the end of the previous fiscal year to 66,050 million yen.

The main breakdown shows that the reasons for the increase were increasing factors of 937 million yen in net income attributable to owners of the parent and 663 million yen in foreign currency translation adjustments, and decreasing factors of 1,033 million yen due to dividends of surplus and 256 million yen in the valuation difference on available-for-sale securities.

As a result of the above, the equity ratio increased from 89.9% to 90.6%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The consolidated financial results forecast for the first six months and the full year of the fiscal year ending March 31, 2025 remains unchanged from the figures announced on May 14, 2024 as results are trending largely within the assumed range.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	27,838	27,023
Notes and accounts receivable - trade	5,231	4,620
Securities	600	600
Merchandise and finished goods	7,174	7,377
Work in process	107	76
Raw materials and supplies	7,111	7,128
Other	2,046	2,396
Allowance for doubtful accounts	△32	△33
Total current assets	50,077	49,190
Non-current assets		
Property, plant and equipment	8,718	9,485
Intangible assets	144	134
Investments and other assets		
Investment securities	8,193	8,032
Other	6,030	6,092
Allowance for doubtful accounts	△6	△6
Total investments and other assets	14,217	14,117
Total non-current assets	23,081	23,737
Total assets	73,159	72,927
Liabilities		
Current liabilities		
Accounts payable - trade	1,382	1,669
Income taxes payable	1,115	360
Provision for bonuses	1,085	948
Provision for product warranties	138	138
Other	2,265	2,278
Total current liabilities	5,988	5,396
Non-current liabilities		
Retirement benefit liability	580	591
Other	844	889
Total non-current liabilities	1,425	1,481
Total liabilities	7,414	6,877
Net assets		
Shareholders' equity		
Share capital	7,081	7,081
Capital surplus	10,449	10,449
Retained earnings	44,702	44,607
Treasury shares	△1,446	△1,446
Total shareholders' equity	60,786	60,691
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,821	1,565
Foreign currency translation adjustment	2,474	3,137
Remeasurements of defined benefit plans	662	656
Total accumulated other comprehensive income	4,958	5,359
Total net assets	65,745	66,050
Total liabilities and net assets	73,159	72,927

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	8,656	8,786
Cost of sales	4,890	4,834
Gross profit	3,765	3,951
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	△0	△0
Salaries and allowances	694	791
Provision for bonuses	99	132
Retirement benefit expenses	22	19
Experimentation and research expenses	904	976
Other	1,161	1,227
Total selling, general and administrative expenses	2,882	3,147
Operating profit	883	804
Non-operating income		
Interest income	45	68
Dividend income	56	62
Gain on sale of investment securities	7	0
Foreign exchange gains	406	382
Other	113	6
Total non-operating income	629	521
Non-operating expenses		
Other	2	24
Total non-operating expenses	2	24
Ordinary profit	1,510	1,301
Extraordinary income		
Gain on bargain purchase	—	21
Total extraordinary income	—	21
Extraordinary losses		
Loss on step acquisitions	—	10
Total extraordinary losses	—	10
Profit before income taxes	1,510	1,312
Income taxes	372	374
Profit	1,137	937
Profit attributable to owners of parent	1,137	937

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,137	937
Other comprehensive income		
Valuation difference on available-for-sale securities	429	△256
Foreign currency translation adjustment	737	663
Remeasurements of defined benefit plans, net of tax	0	△5
Total other comprehensive income	1,166	400
Comprehensive income	2,304	1,338
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,304	1,338

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

(Application of the “Accounting Standard for Current Income Taxes, etc.,” and other standards)

The Company is applying the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as “Revised Accounting Standard of 2022”) and other ASBJ standards from the beginning of the first quarter ended June 30, 2024.

Revisions to the categories for recording income taxes, etc., (taxation on other comprehensive income) conform to the transitional treatment established in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment established in the proviso of paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2002). There are no impacts on the quarterly consolidated financial statements due to these changes to accounting policies.

In addition, the Company has adopted the 2022 Revised Guidance on Accounting for Taxation on Sales of Subsidiaries’ Stock, etc., between Consolidated Companies from the beginning of the first quarter ended June 30, 2024. This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the quarter and full year of the previous fiscal year have been prepared retrospectively. There are no impacts on the quarterly consolidated financial statements and consolidated financial statements for the first quarter and full year of the previous financial year.

(Segment information, etc.)

[Segment information]

For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments					Reconciling items	Per quarterly consolidated financial statements
	Japan	North America	Europe	Asia/ Oceania	Reportable Segments		
Sales							
Revenues from external customers	4,477	3,192	632	353	8,656	—	8,656
Transactions with other segments	3,280	1	—	68	3,350	△3,350	—
Net sales	7,757	3,194	632	422	12,006	△3,350	8,656
Operating profit (loss)	866	88	83	24	1,063	△179	883

(Notes) 1 Segment profit has been adjusted with operating income in the quarterly consolidated statements of income.

2 The adjustment of segment profit is for the elimination of inter-segment transactions. In addition, there is no amount of non-allocable operating expenses.

For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments					Reconciling items	Per quarterly consolidated financial statements
	Japan	North America	Europe	Asia/ Oceania	Reportable segments		
Sales							
Revenues from external customers	4,532	3,184	665	404	8,786	—	8,786
Transactions with other segments	2,382	—	0	48	2,431	△2,431	—
Net sales	6,914	3,184	665	452	11,218	△2,431	8,786
Operating profit (loss)	541	99	74	36	751	53	804

(Notes) 1 Segment profit has been adjusted with operating income in the quarterly consolidated statements of income.

2 The adjustment of segment profit is for the elimination of inter-segment transactions. In addition, there is no amount of non-allocable operating expenses.

(Notes on going concern assumption)
Not applicable.

(Notes in case of significant changes in shareholders' equity)
Not applicable.

(Notes on Consolidated Statement of Cash Flows)

We have not prepared a Consolidated Statement of Cash Flows for the three months ended June 30, 2024. Depreciation (including depreciation of intangible assets) for the three months ended June 30 is as follows.

	Previous 1st Qtr Consolidated Accounting Period (April 1, 2023 to June 30, 2023)	1st Qtr Consolidated Accounting Period (April 1, 2024 to June 30, 2024)
Depreciation	¥218million	¥244 million

(Additional information)

In the first quarter consolidated accounting period, we additionally acquired shares of Comforce Incorporated, which was an equity-method affiliate, making it a wholly-owned consolidated subsidiary, and this company has been included in the scope of consolidation.