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Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

November 12, 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: December 3,2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

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

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

(1) Consolidated operating results (cumulative)

(% indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	17,898	△1.1	1,607	0.4	1,466	△40.8	1,050	△42.4
September 30, 2023	18,099	10.7	1,601	88.3	2,478	56.6	1,822	52.2

Note: Comprehensive income For the six months ended September 30, 2024: ¥580 million [△82.7%]
For the six months ended September 30, 2023: ¥3,362 million [60.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	73.20	—
September 30, 2023	126.99	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	71,742	65,292	91.0
March 31, 2024	73,159	65,745	89.9

Reference: Equity
As of September 30, 2024: ¥65,292 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	—	25.00			
Fiscal year ending March 31, 2025 (Forecast)			—	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
Fiscal Year ending March 31, 2025	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 semi-annual 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 September 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 September 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)

Six months ended September 30, 2024	14,352,377 shares
Six months ended September 30, 2023	14,352,520 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 the Financial Results for the First Half (April 1, 2024 – September 30, 2024)

(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 half of the current fiscal year (April 1, 2024 – September 30, 2024), the effects of monetary tightening in Europe and the United States led to a reduction in inflation, although there were regional differences in the degree of impact. In the United States, consumption was firm and the economy was on a gradual recovery trend, but heightened geopolitical risks remained caused by the prolongation of conflict in Ukraine and increasing tension in the Middle East.

In Japan, the economy gradually recovered, supported by strong demand for capital investment and consumer spending, but the financial markets, including foreign exchange and stocks, continued to be unstable.

In this economic environment, sales in the domestic market increased, with sales of IP wireless equipment continuing to be strong from the previous year and growth in the stock business underpinning sales. In export markets, the yen was weaker than expected, but sales decreased due to a reactionary fall in the United States and Europe as a result of fulfilling back orders in the previous year, and the overall results for the Group were similar to the previous 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.

By product category, sales of land mobile radio communication equipment decreased, despite an increase in demand for BCP measures against geopolitical risks, due to a temporary oversupply in overseas markets caused by the fulfillment of backorders caused by parts procurement difficulties, which led to a build-up of market inventory for some products. Sales of marine and aviation radio communication equipment were maintained, and sales of amateur radio communication equipment increased, supported by strong demand and new products.

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

Reference: Sales by Region

	First Half, Previous Fiscal Year (April 1, 2023 ~Sept. 30, 2023)		First Half, Current Fiscal Year (April 1, 2024 ~ Sept. 30, 2024)		Increase/ Decrease (%)
	Total (Million Yen)	Ratio (%)	Total (Million Yen)	Ratio (%)	
Japan	5,118	28.3	5,351	29.9	4.6
North America	5,791	32.0	5,514	30.8	(4.8)
Europe (EMEA)	3,310	18.3	3,066	17.1	(7.4)
Asia/Oceania	2,934	16.2	3,153	17.6	7.4
Others (Incl. Central/South America)	944	5.2	812	4.6	(14.0)
Export total	12,981	71.7	12,546	70.1	(3.3)
Total sales	18,099	100.0	17,898	100.0	(1.1)

(Sales and Income)

Consolidated net sales for the first half of the current fiscal year were 17,898 million yen (down 1.1% year-on-year), and gross profit amounted to 8,004 million yen (up 3.5% year-on-year). Selling, general and administrative expenses increased by 264 million yen to 6,397 million yen due to an increase in personnel expenses and an increase in advertising activities, etc. Operating income increased by 5 million yen to 1,607 million yen (up 0.4% year-on-year), ordinary income was 1,466 million yen (down 40.8% year-on-year) due to a decrease in equity in earnings of affiliates as a result of making Comforce Inc., a subsidiary and foreign exchange losses, and net income attributable to owners of the parent was 1,050 million yen (down 42.4% year on year).

The average exchange rates applied to the U.S. dollar and euro during the period were 153.70 yen and 166.35 yen, respectively, so yen depreciation against the U.S. dollar was 10.9% and against the euro 10.6% 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)
For land mobile radio communication equipment, sales of license-free low-power radio equipment, which is a volume zone product line, were sluggish due to price competition in the market, but sales increased overall due to the continued strong performance of the stock business, which was driven by increased demand for IP radio equipment in line with the recovery of economic activity.

Overseas markets: (Sales from Japan to overseas markets excluding Company subsidiaries)
Although sales of specific models targeted for sales expansion were strong due to economic recovery in the Asian region, sales overall were weak due to the impact of the economic slowdown in Europe, resulting in a decrease in revenue.
As a result, sales to external customers in this segment amounted to 9,464 million yen (up 1.8% year-on-year), and operating income was 1,226 million yen (down 23.1% year-on-year) due to a decrease in internal sales.

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.]
Although there was an impact of an over-supply of amateur radio communication equipment and aviation radio communication equipment in the market, sales were relatively stable, and sales of marine radio communication equipment was maintained at the same level as the previous year despite a fall in demand for boat purchases due to high interest rates.
However, for land mobile radio communication equipment, sales were maintained due to an increase in demand for satellite communication equipment in Central and South America, but demand temporarily declined due to the fulfillment of backorders in the previous fiscal year due to parts procurement difficulties, and as a result, sales decreased overall in the region.
As a result, sales to external customers in this segment amounted to 6,311 million yen (down 6.9% year-on-year). In terms of profit, operating income was 155 million yen (down 51.0% year-on-year) due to an increase in selling, general and administrative expenses caused by the depreciation of the yen.

3) Europe [Icom (Europe) GmbH, Icom Spain, S.L.]
In addition to the steady performance of amateur radio communication equipment, which was underpinned by strong demand, marine radio communication equipment also performed well due to demand during the holiday season. However, although there was an impact from the decrease in demand due to the slowdown in economic activity in land mobile radio communication equipment and aviation radio communication equipment, there was an increase in revenue due to the acquisition of projects and growth in satellite communications equipment.
As a result, sales to external customers in this segment amounted to 1,292 million yen (up 3.5% year-on-year). In terms of profit, operating income was 100 million yen (down 31.4% year-on-year) due to an increase in selling, general and administrative expenses resulting from the impact of yen depreciation and an increase in depreciation expenses arising from the acquisition of fixed assets.

4) Asia and Oceania [Icom (Australia) Pty., Ltd., PURECOM CO., LTD., ICOM ASIA CO., LTD]
In Australia, the main market in this segment, sales of amateur radio communication equipment and marine radio equipment declined due to sluggish demand caused by inflation. However, sales of land mobile radio communication equipment increased due to strong demand for CB radios, as well as increased demand for satellite radio communication equipment, IP radios, and growth in radio rental business.
As a result, sales to external customers in this segment amounted to 830 million yen (up 7.1% year-on-year). In terms of profit, operating income increased to 71 million yen (up 9.5% year-on-year) due to the increase in sales.

(2) Overview of Financial Position

(Assets)

Total assets decreased by 1,417 million yen compared to the end of the previous fiscal year to 71,742 million yen.

The main breakdown shows that the reasons for the decrease were increasing factors of 635 million yen in other current assets, 523 million yen in property, plant and equipment and 88 million yen in investments and other assets, and decreasing factors of 1,851 million yen in cash and deposits, 400 million yen in investment securities, 274 million yen in notes and accounts receivable, and 176 million yen in inventories (total).

The 635 million yen increase in other current assets was mainly due to a 400 million yen increase in trust beneficiary rights, a 110 million yen increase in consumption taxes receivable, and a 69 million yen increase in advance payments.

In addition, the increase of 88 million yen in investments and other assets was mainly due to a 104 million yen increase in retirement benefit assets.

(Liabilities)

Total liabilities decreased by 964 million yen compared to the end of the previous fiscal year to 6,449 million yen.

The main breakdown shows that the reasons for the decrease were the increasing factors of 392 million yen in accounts payable-trade and 219 million yen in other non-current liabilities and decreasing factors of 822 million yen in income taxes payable, 439 million yen in other current liabilities and 330 million yen in provision for bonuses.

The main reason for the increase in other non-current liabilities of 219 million yen was an increase in deferred tax liabilities of 182 million yen.

The main reasons for the decrease in other current liabilities of 439 million yen were a decrease in accounts payable-other of 263 million yen and a decrease in accrued expenses of 169 million yen.

(Net assets)

Total net assets decreased by 452 million yen compared to the end of the previous fiscal year to 65,292 million yen.

The main breakdown shows that the reasons for the increase were increasing factors of 1,050 million yen in net income attributable to owners of the parent, and decreasing factors of 1,033 million yen due to dividends of surplus and 425 million yen in foreign currency translation adjustments.

As a result of the above, the equity ratio increased from 89.9% to 91.0%.

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

The consolidated financial results forecast for the full year of the fiscal year ending March 31, 2025 remains unchanged from the figures announced on May 14, 2024.

2.Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	27,838	25,986
Notes and accounts receivable - trade	5,231	4,957
Securities	600	199
Merchandise and finished goods	7,174	7,151
Work in process	107	113
Raw materials and supplies	7,111	6,951
Other	2,046	2,682
Allowance for doubtful accounts	△32	△34
Total current assets	50,077	48,007
Non-current assets		
Property, plant and equipment	8,718	9,242
Intangible assets	144	116
Investments and other assets		
Investment securities	8,193	8,262
Other	6,030	6,119
Allowance for doubtful accounts	△6	△6
Total investments and other assets	14,217	14,375
Total non-current assets	23,081	23,734
Total assets	73,159	71,742
Liabilities		
Current liabilities		
Accounts payable - trade	1,382	1,774
Income taxes payable	1,115	293
Provision for bonuses	1,085	754
Provision for product warranties	138	132
Other	2,265	1,826
Total current liabilities	5,988	4,782
Non-current liabilities		
Retirement benefit liability	580	604
Other	844	1,063
Total non-current liabilities	1,425	1,667
Total liabilities	7,414	6,449
Net assets		
Shareholders' equity		
Share capital	7,081	7,081
Capital surplus	10,449	10,449
Retained earnings	44,702	44,719
Treasury shares	△1,446	△1,446
Total shareholders' equity	60,786	60,803
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,821	1,789
Foreign currency translation adjustment	2,474	2,048
Remeasurements of defined benefit plans	662	651
Total accumulated other comprehensive income	4,958	4,488
Total net assets	65,745	65,292
Total liabilities and net assets	73,159	71,742

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income
Six Months Ended September 30, 2024

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	18,099	17,898
Cost of sales	10,365	9,893
Gross profit	7,734	8,004
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	5	5
Salaries and allowances	1,452	1,628
Provision for bonuses	220	239
Retirement benefit expenses	45	39
Experimentation and research expenses	1,932	1,985
Other	2,476	2,499
Total selling, general and administrative expenses	6,132	6,397
Operating profit	1,601	1,607
Non-operating income		
Interest income	97	149
Dividend income	72	91
Gain on sale of investment securities	10	1
Foreign exchange gains	589	—
Other	112	15
Total non-operating income	882	258
Non-operating expenses		
Foreign exchange losses	—	373
Other	5	25
Total non-operating expenses	5	399
Ordinary profit	2,478	1,466
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	2,478	1,477
Income taxes	655	426
Profit	1,822	1,050
Profit attributable to owners of parent	1,822	1,050

Consolidated Statements of Comprehensive Income

Six Months Ended September 30, 2024

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,822	1,050
Other comprehensive income		
Valuation difference on available-for-sale securities	625	△32
Foreign currency translation adjustment	913	△425
Remeasurements of defined benefit plans, net of tax	0	△11
Total other comprehensive income	1,540	△469
Comprehensive income	3,362	580
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,362	580

(3) Notes to 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 half ended September 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 consolidated financial statements for the first half ended September 30, 2024 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 half ended September 30, 2024. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the first half and full year of the previous fiscal year have been prepared retrospectively. There are no impacts on the consolidated financial statements for the first half and full year of the previous financial year.

(Segment information, etc.)

[Segment information]

For the half year ended September 30, 2023 (from April 1, 2023 to September 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	9,300	6,776	1,248	775	18,099	—	18,099
Transactions with other segments	6,747	2	—	181	6,932	△6,932	—
Net sales	16,048	6,779	1,248	956	25,032	△6,932	18,099
Operating profit (loss)	1,594	316	146	65	2,123	△521	1,601

(Notes) 1. Segment profit has been adjusted with operating income in the half year 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 half year ended September 30, 2024 (from April 1, 2024 to September 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	9,464	6,311	1,292	830	17,898	—	17,898
Transactions with other segments	4,934	2	0	107	5,044	△5,044	—
Net sales	14,398	6,313	1,292	938	22,942	△5,044	17,898
Operating profit (loss)	1,226	155	100	71	1,554	53	1,607

(Notes) 1 Segment profit has been adjusted with operating income in the half year 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 in case of significant changes in shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.

(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.