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December 20, 2024

Consolidated Financial Results for the Six Months Ended November 20, 2024 (Under Japanese GAAP)

Company name: COSEL CO., LTD.
Listing: Tokyo Stock Exchange
Securities code: 6905
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Scheduled date to file semi-annual securities report: January 6, 2025
Scheduled date to commence dividend payments: February 4, 2025
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 November 20, 2024 (from May 21, 2024 to November 20, 2024)

(1) Consolidated operating results (cumulative)

(Percentages 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	%
November 20, 2024	14,855	(31.2)	634	(85.0)	594	(87.9)	278	(92.1)
November 20, 2023	21,602	32.3	4,218	108.2	4,898	112.1	3,539	117.8

Note: Comprehensive income For the six months ended November 20, 2024: ¥268 million [(93.3)%]
For the six months ended November 20, 2023: ¥3,990 million [76.8%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
November 20, 2024	7.16	–
November 20, 2023	106.75	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 20, 2024	62,685	58,032	92.6	1,410.79
May 20, 2024	54,397	47,257	86.6	1,419.11

Reference: Equity
As of November 20, 2024: ¥58,032 million
As of May 20, 2024: ¥47,086 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 May 20, 2024	–	27.00	–	27.00	54.00
Fiscal year ending May 20, 2025	–	27.00			
Fiscal year ending May 20, 2025 (Forecast)			–	28.00	55.00

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

3. Consolidated financial forecast for the year ending May 20, 2025 (from May 21, 2024 to May 20, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending May 20, 2025	29,174	(29.6)	1,245	(82.0)	1,278	(83.7)	751	(85.5)	18.76

Note: Revisions to the financial forecast most recently announced: Yes

*** 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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)

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

As of November 20, 2024	41,186,100 shares
As of May 20, 2024	35,712,000 shares

2) Number of treasury shares at the end of the period

As of November 20, 2024	51,758 shares
As of May 20, 2024	2,531,838 shares

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

Six months ended November 20, 2024	38,938,308 shares
Six months ended November 20, 2023	33,151,976 shares

(Note) At the Board of Directors meeting held on April 30, 2024, COSEL CO., LTD. resolved to conclude a capital and business alliance agreement with LITE-ON TECHNOLOGY CORPORATION, as well as to issue new shares and dispose of treasury shares through third-party allotment to LITE-ON TECHNOLOGY CORPORATION. Payment from LITE-ON TECHNOLOGY CORPORATION was completed on July 11, 2024. As a result, the total number of issued shares (including treasury shares) as of November 20, 2024 increased by 5,474,100 shares due to the issuance of new shares, and the number of treasury shares as of November 20, 2024 decreased by 2,476,900 shares due to the disposal of treasury shares.

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements such as result forecasts included in this document are based on the information currently available to us at the time of the announcement and on certain assumptions considered reasonable, and we make no representations as to their achievability. Actual results may differ substantially due to various factors.

Supplementary materials for semi-annual financial results will be posted on our website on Friday, December 20, 2024.

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1. Overview of operating results, etc.

(1) Overview of operating results for the period

During the six months under review, while there was some variation from region to region, the global economy showed signs of stabilizing inflation and continued to show moderate growth thanks to improvement in personal consumption. The United States enjoyed a solid economy supported by a stable income environment, among other factors. In Europe, the economy showed signs of recovery thanks to reduced inflationary pressure, but the conditions remain stagnant in some regions. In China, while exports helped support the economy, the real estate market has become increasingly severe and domestic demand remains sluggish. Japan as well saw gradual economy recovery, supported by a pick-up in personal consumption.

In the electronics industry, demand for semiconductors for servers and data centers continued to increase, thanks in large part to new investments in the use of AI to promote digitalization in society. However, in the industrial equipment market, capital investment remains weak, due in part to the impact of the sluggish Chinese economy.

Against this backdrop, the Group further stepped up sales expansion activities through door-to-door based sales, and focused on making proposals to key customers, particularly on new products, while strengthening cooperation between its sales and development departments.

As a result, with regard to financial results for the six months under review, orders received were ¥8,811 million (down 15.6% year on year), and net sales came to ¥14,855 million (down 31.2% year on year). At the profit level, operating profit came to ¥634 million (down 85.0% year on year) due to a decline in profitability as a result of the decrease in net sales and an increase in the variable cost ratio, temporary opportunity losses due to the replacement of core systems, and an increase in depreciation and other expenses. In addition, due to the impact of forex among other factors, ordinary profit came to ¥594 million (down 87.9% year on year), and although factors such as income taxes presented less of a burden compared to the year-ago period, profit attributable to owners of parent came to ¥278 million (down 92.1% year on year).

The following are the financial results by segment.

(i) Japan Production and Sales Business

In Japan, there was a recovery in demand for semiconductor production equipment-related products due to the promotion of digitalization of society, including the use of AI. Overall, however, customers have continued to adjust orders since the previous fiscal year due to a reaction to the sharp increase in orders received in previous fiscal years as a result of advanced arrangements and the resulting overstock of inventory. Orders adjustment led to a decrease in new orders, resulting in a decline in sales.

With regard to sales activities, we have worked to strengthen information sharing with dealers and have been proactively expanding sales through door-to-door sales, with a focus on promoting new products.

As a result, sales to external customers came to ¥9,784 million (down 26.2% year on year), and segment profit was ¥647 million (down 78.3% year on year).

(ii) North America Sales Business

In the United States, demand continued to undergo adjustment due to excess inventory at customers caused by shipments in response to increased production in the previous fiscal year, as well as the fact the everyone was waiting to see the results of the U.S. presidential election. Orders adjustment at customers led to a decrease in new orders, resulting in a decline in sales.

With regard to sales activities, we have focused on sales expansion activities in collaboration with factory representatives. For new products, we have worked to strengthen promotion through the use of videos.

As a result, sales to external customers came to ¥792 million (down 62.4% year on year), and segment profit was ¥47 million (down 86.5% year on year).

(iii) Europe Production and Sales Business

In Europe, orders remained weak due to adjustments in advance arrangement demand caused by economic uncertainty. Sales decreased due to a decline in new orders as a result of order adjustments, as well as requests from customers to postpone shipment and delivery dates.

With regard to sales activities, in addition to sales expansion activities through teleworking, we have increased sales expansion activities through door-to-door based sales.

As a result, sales to external customers came to ¥2,928 million (down 28.4% year on year), and segment loss was ¥343 million (segment profit of ¥287 million in the same period of the previous fiscal year).

(iv) Asia Sales Business

In Asia, a phase of demand adjustment continued amid sluggishness in the Chinese economy. Orders have been gradually recovering, due to an increase in some demand for semiconductor manufacturing equipment. Sales were sluggish due to a decline in new orders caused by customers adjusting orders in response to excess inventory.

With regard to sales activities, we continued to focus on web marketing to develop new business and expand sales of new products, as we did in the previous fiscal year.

As a result, sales to external customers came to ¥1,350 million (down 37.0% year on year), and segment profit was ¥45 million (down 68.5% year on year).

(v) China Production Business

In the China Production Business, we continued to adjust our production volumes as customers have been adjusting their orders due to a fallback from the surge in orders in past years. With regard to production activities, we have been proceeding with the construction of new production lines so as to increase production. In addition, we are also working to establish a production system for three new product models that are scheduled for market launch in the current fiscal year.

As a result, intersegment sales came to ¥1,004 million (down 46.4% year on year), and segment profit was ¥69 million (down 84.3% year on year).

For reference, the following are the financial results by product.

1) Orders received and backlog of orders received

	Six months ended November 20, 2024		As of November 20, 2024	
	Orders received (Millions of yen)	Year-on-year change (%)	Backlog of orders received (Millions of yen)	Year-on-year change (%)
COSEL products				
Unit power supplies	4,335	(16.8)	5,292	(62.4)
Onboard power supplies	1,832	(29.6)	2,426	(71.8)
EMI filters	376	(7.5)	239	(60.9)
PRBX products (*)	2,266	2.1	4,312	(1.2)
Total	8,811	(15.6)	12,270	(55.6)

2) Net sales

	Six months ended November 20, 2024	
	Net sales (Millions of yen)	Year-on-year change (%)
COSEL products		
Unit power supplies	7,927	(31.4)
Onboard power supplies	4,176	(29.7)
EMI filters	540	(42.3)
PRBX products (*)	2,210	(30.4)
Total	14,855	(31.2)

(*) PRBX products: Products developed, manufactured and sold by Powerbox International AB

(2) Overview of financial position for the period

(i) Assets, liabilities and net assets

(Assets)

Current assets as of November 20, 2024, were ¥49,532 million, up ¥8,371 million from the end of the previous fiscal year. This was mainly due to increases of ¥11,285 million in cash and deposits, and ¥551 million in inventories, despite decreases of ¥2,710 million in notes and accounts receivable - trade, and ¥684 million in electronically recorded monetary claims - operating.

Non-current assets were ¥13,152 million, down ¥83 million from the end of the previous fiscal year. This was mainly due to a decrease in ¥84 million in investment securities.

As a result, total assets were ¥62,685 million, up ¥8,287 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of November 20, 2024, were ¥3,446 million, down ¥2,561 million from the end of the previous fiscal year. This was mainly due to decreases of ¥264 million in accounts payable - trade, ¥647 million in accounts payable - other, ¥1,184 million in income taxes payable, and ¥205 million in the provision for bonuses.

Non-current liabilities were ¥1,206 million, up ¥74 million from the end of the previous fiscal year.

As a result, total liabilities were ¥4,652 million, down ¥2,486 million from the end of the previous fiscal year.

(Net assets)

Total net assets as of November 20, 2024, were ¥58,032 million, up ¥10,774 million from the end of the previous fiscal year. This was due to an increase of ¥10,979 million in shareholders' equity, despite a decrease of ¥170 million in non-controlling interests. The increase in shareholders' equity was mainly due to the recording of profit attributable to owners of parent of ¥278 million, dividends of surplus of ¥895 million, as well as a ¥3,987 million increase in share capital due to the issuance of new shares and the disposal of treasury stock through third-party allotment, a ¥4,861 million increase in capital surplus, and a ¥2,734 million decrease in treasury shares. The decrease in non-controlling interests is due to the conversion of consolidated subsidiary SHANGHAI COSEL INTERNATIONAL TRADING CO., LTD. to a wholly owned subsidiary.

As a result, the equity-to-asset ratio was 92.6% (86.6% as of the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents ("net cash") at the end of the six months under review was ¥26,902 million, an increase of ¥11,508 million compared with the end of the fiscal year ended May 20, 2024. The status of each cash flow and their factors during the six months under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,048 million (compared to ¥2,240 million net cash provided in the same period of the previous fiscal year). This was mainly attributable to recording of profit before income taxes of ¥591 million, depreciation of ¥710 million, and a decrease in trade receivables of ¥3,372 million, despite recording a decrease in provision for bonuses of ¥205 million, an increase in inventories of ¥564 million, a decrease in trade payables of ¥243 million, and income taxes paid of ¥1,317 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥992 million (compared to ¥1,062 million used in the same period of the previous fiscal year). This was mainly attributable to recording of proceeds from withdrawal of time deposits of ¥422 million, despite recording purchase of property, plant and equipment of ¥994 million, purchase of intangible assets of ¥208 million, and payments into time deposits of ¥211 millions.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥10.4 billion (compared to ¥622 million used in the same period of the previous fiscal year). This was mainly attributable to recording of proceeds from issuance of shares of ¥7,940 million, and proceeds from sale of treasury shares of ¥3,608 million, despite recording dividends paid of ¥895 million, and purchase of investments in capital of subsidiaries and associates not resulting in change in scope of consolidation of ¥145 million.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

We have reassessed our full-year financial forecasts to take into account the progress of financial results during the six months under review, as well as the future economic environment and market trends. As a result, we have revised the full-year financial forecasts (consolidated and non-consolidated) we announced on June 19, 2024.

	Consolidated financial forecast		Non-consolidated financial forecast	
	Amount (Millions of yen)	Year-on-year change (%)	Amount (Millions of yen)	Year-on-year change (%)
Net sales	29,174	(29.6)	22,602	(28.9)
Operating profit	1,245	(82.0)	1,210	(75.2)
Ordinary profit	1,278	(83.7)	1,988	(67.3)
Profit attributable to owners of parent/Profit	751	(85.5)	1,552	(61.9)

Full-year financial forecasts are premised on exchange rates for the second half of the fiscal year of ¥145.00/USD, ¥161.00/EUR, and ¥14.00/SEK.

For specific details, please refer to the "Notice of Differences between Forecast and Actual Results for the First Half of the Fiscal Year Ending May 2025 and Revision of Full-Year Financial Result Forecast" released today (December 20, 2024).

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheets

(Thousands of yen)

	As of May 20, 2024	As of November 20, 2024
Assets		
Current assets		
Cash and deposits	16,909,879	28,195,015
Notes and accounts receivable - trade	9,785,666	7,075,086
Electronically recorded monetary claims - operating	2,422,864	1,738,524
Merchandise and finished goods	3,045,102	3,329,280
Work in process	765,610	741,230
Raw materials and supplies	7,722,844	8,014,789
Other	515,961	442,787
Allowance for doubtful accounts	(6,553)	(4,143)
Total current assets	41,161,376	49,532,571
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,645,196	7,683,288
Accumulated depreciation	(3,878,075)	(4,002,644)
Buildings and structures, net	3,767,121	3,680,644
Machinery, equipment and vehicles	8,242,277	8,242,812
Accumulated depreciation	(6,709,706)	(6,801,005)
Machinery, equipment and vehicles, net	1,532,570	1,441,806
Tools, furniture and fixtures	6,798,769	6,907,818
Accumulated depreciation	(6,068,093)	(6,144,604)
Tools, furniture and fixtures, net	730,676	763,213
Land	1,220,328	1,276,671
Leased assets	611,700	618,992
Accumulated depreciation	(306,950)	(318,158)
Leased assets, net	304,749	300,833
Construction in progress	10,984	111,850
Total property, plant and equipment	7,566,429	7,575,020
Intangible assets		
Software	25,579	23,472
Software in progress	302,191	414,523
Technical assets	293,203	258,738
Customer relationship	751,661	712,062
Goodwill	63,655	53,852
Other	5,337	1,301
Total intangible assets	1,441,628	1,463,951
Investments and other assets		
Investment securities	3,741,258	3,656,671
Retirement benefit asset	167,601	166,228
Deferred tax assets	85,621	72,194
Other	233,166	218,432
Total investments and other assets	4,227,647	4,113,526
Total non-current assets	13,235,705	13,152,498
Total assets	54,397,081	62,685,069

(Thousands of yen)

	As of May 20, 2024	As of November 20, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,776,682	1,511,801
Accounts payable - other	1,092,414	444,635
Lease liabilities	104,657	107,491
Income taxes payable	1,453,601	269,054
Provision for bonuses	468,511	263,093
Provision for product warranties	155,000	132,000
Other	957,254	718,545
Total current liabilities	6,008,122	3,446,621
Non-current liabilities		
Deferred tax liabilities	462,347	597,387
Retirement benefit liability	245,934	246,926
Lease liabilities	220,423	207,565
Other	202,843	154,491
Total non-current liabilities	1,131,549	1,206,370
Total liabilities	7,139,671	4,652,992
Net assets		
Shareholders' equity		
Share capital	2,055,000	6,042,881
Capital surplus	2,287,728	7,157,955
Retained earnings	42,996,740	42,379,584
Treasury shares	(2,795,411)	(57,157)
Total shareholders' equity	44,544,057	55,523,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	662,345	606,664
Foreign currency translation adjustment	1,887,354	1,905,808
Remeasurements of defined benefit plans	(7,321)	(3,660)
Total accumulated other comprehensive income	2,542,377	2,508,812
Non-controlling interests	170,974	-
Total net assets	47,257,410	58,032,077
Total liabilities and net assets	54,397,081	62,685,069

(2) Semi-annual consolidated statements of income and semi-annual consolidated statements of comprehensive income

Semi-annual consolidated statements of income

(Thousands of yen)

	Six months ended November 20, 2023	Six months ended November 20, 2024
Net sales	21,602,138	14,855,397
Cost of sales	14,178,043	10,806,513
Gross profit	7,424,094	4,048,884
Selling, general and administrative expenses	3,205,522	3,414,501
Operating profit	4,218,571	634,382
Non-operating income		
Interest income	17,432	39,662
Dividend income	28,713	31,117
Foreign exchange gains	498,565	-
Compensation income	128,231	92,576
Other	11,112	9,377
Total non-operating income	684,054	172,733
Non-operating expenses		
Interest expenses	4,254	7,878
Foreign exchange losses	-	169,664
Share issuance costs	-	35,454
Other	0	-
Total non-operating expenses	4,255	212,996
Ordinary profit	4,898,371	594,119
Extraordinary income		
Gain on sale of non-current assets	-	6
Total extraordinary income	-	6
Extraordinary losses		
Loss on sale of non-current assets	-	23
Loss on retirement of non-current assets	2,685	886
Loss on valuation of investment securities	12,462	-
Loss on abandonment of inventories	-	2,019
Total extraordinary losses	15,147	2,929
Profit before income taxes	4,883,224	591,196
Income taxes - current	1,189,022	119,159
Income taxes - deferred	115,590	174,005
Total income taxes	1,304,612	293,164
Profit	3,578,611	298,031
Profit attributable to non-controlling interests	39,488	19,322
Profit attributable to owners of parent	3,539,122	278,709

Semi-annual consolidated statements of comprehensive income

(Thousands of yen)

	Six months ended November 20, 2023	Six months ended November 20, 2024
Profit	3,578,611	298,031
Other comprehensive income		
Valuation difference on available-for-sale securities	41,240	(55,680)
Foreign currency translation adjustment	372,114	22,143
Remeasurements of defined benefit plans, net of tax	(1,859)	3,660
Total other comprehensive income	411,494	(29,876)
Comprehensive income	3,990,105	268,155
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,943,606	245,144
Comprehensive income attributable to non-controlling interests	46,499	23,011

(3) Semi-annual consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 20, 2023	Six months ended November 20, 2024
Cash flows from operating activities		
Profit before income taxes	4,883,224	591,196
Depreciation	624,144	710,032
Loss on abandonment of inventories	-	2,019
Amortization of goodwill	11,893	9,264
Increase (decrease) in provision for product warranties	30,000	(23,000)
Increase (decrease) in provision for bonuses	(79,703)	(205,263)
Increase (decrease) in allowance for doubtful accounts	(14,815)	(2,289)
Decrease (increase) in retirement benefit asset	1,212	6,010
Increase (decrease) in retirement benefit liability	284	2,229
Interest and dividend income	(46,145)	(70,779)
Interest expenses	4,254	7,878
Share issuance costs	-	35,454
Foreign exchange losses (gains)	(342,484)	3,776
Loss (gain) on sale of property, plant and equipment	-	17
Loss on retirement of property, plant and equipment	2,685	886
Loss (gain) on valuation of investment securities	12,462	-
Decrease (increase) in trade receivables	(771,981)	3,372,625
Decrease (increase) in inventories	(658,943)	(564,870)
Increase (decrease) in trade payables	146,834	(243,991)
Other, net	(172,485)	(329,409)
Subtotal	3,630,436	3,301,786
Interest and dividends received	45,815	70,520
Interest paid	(4,254)	(7,878)
Income taxes paid	(1,542,177)	(1,317,225)
Income taxes refund	110,587	994
Net cash provided by (used in) operating activities	2,240,406	2,048,196
Cash flows from investing activities		
Purchase of investment securities	(300)	(299)
Purchase of property, plant and equipment	(490,710)	(994,664)
Proceeds from sale of property, plant and equipment	-	6
Purchase of intangible assets	(119,351)	(208,051)
Payments into time deposits	(448,425)	(211,400)
Proceeds from withdrawal of time deposits	-	422,800
Other, net	(3,405)	(1,220)
Net cash provided by (used in) investing activities	(1,062,191)	(992,829)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	14,111	-
Proceeds from issuance of shares	-	7,940,670
Proceeds from sale of treasury shares	-	3,608,482
Repayments of lease liabilities	(53,552)	(66,890)
Purchase of treasury shares	(50)	(25)
Dividends paid	(562,218)	(895,137)
Dividends paid to non-controlling interests	(20,827)	(40,537)
Purchase of investments in capital of subsidiaries and associates not resulting in change in scope of consolidation	-	(145,581)
Net cash provided by (used in) financing activities	(622,537)	10,400,979
Effect of exchange rate change on cash and cash equivalents	339,668	51,890
Net increase (decrease) in cash and cash equivalents	895,345	11,508,236
Cash and cash equivalents at beginning of period	12,612,140	15,394,379
Cash and cash equivalents at end of period	13,507,486	26,902,615

(4) Notes to semi-annual consolidated financial statements

(Notes on going-concern assumptions)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

At the Board of Directors meeting held on April 30, 2024, COSEL CO., LTD. resolved to conclude a capital and business alliance agreement with LITE-ON TECHNOLOGY CORPORATION, as well as to issue new shares and dispose of treasury shares through third-party allotment to LITE-ON TECHNOLOGY CORPORATION. Payment from LITE-ON TECHNOLOGY CORPORATION was completed on July 11, 2024. As a result, we issued 5,474,100 new shares and disposed of 2,476,900 treasury shares.
Consequently, for the six months under review, share capital increased by ¥3,987,881 thousand, capital surplus increased by ¥4,861,979 thousand, and treasury shares decreased by ¥2,734,745 thousand, resulting in share capital of ¥6,042,881 thousand, capital surplus of ¥7,157,575 thousand, and treasury shares of ¥60,665 thousand as of November 20, 2024.

(Notes on changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes" and other relevant ASBJ regulations)
We have applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the six months of the fiscal year ending May 20, 2025.
Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022"). This change in accounting policy has no impact on the semi-annual consolidated financial statements.
In addition, with regard to the revisions related to changes to the treatment in consolidated financial statements when gain or loss on sales arising from sales of shares of subsidiaries, etc., between consolidated companies are deferred for tax purposes, the Revised Guidance of 2022 has been applied from the beginning of the six months of the fiscal year ending May 20, 2025. This change in accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. This change in accounting policy has no impact on the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year.

(Notes on segment information)

Segment information

(1) Six months ended November 20, 2023 (from May 21, 2023 to November 20, 2023)

1) Information about the amounts of net sales and profit (or loss) by reportable segment

(Thousands of yen)

	Reportable segments						Adjustments (Note 1)	Total amount recorded in semi-annual consolidated statements of income (Note 2)
	Japan Production and Sales Business	North America Sales Business	Europe Production and Sales Business	Asia Sales Business	China Production Business	Total		
Net sales								
Sales to external customers	13,266,016	2,104,337	4,089,361	2,142,423	–	21,602,138	–	21,602,138
Intersegment sales	3,322,804	–	–	–	1,875,375	5,198,180	(5,198,180)	–
Total	16,588,821	2,104,337	4,089,361	2,142,423	1,875,375	26,800,318	(5,198,180)	21,602,138
Segment profit	2,984,393	355,773	287,087	143,795	444,487	4,215,537	3,034	4,218,571

(Notes) 1. Adjustments for segment profit of ¥3,034 thousand consists of elimination of intersegment transactions of ¥85,678 thousand and elimination of unrealized gain (loss) on non-current assets and inventories of negative ¥82,644 thousand.

2. Total segment profit and adjustments are consistent with operating profit as reported in the semi-annual consolidated statements of income.

2) Information on impairment losses on non-current assets and goodwill by reportable segment

Not applicable.

(2) Six months ended November 20, 2024 (from May 21, 2024 to November 20, 2024)

1) Information about the amounts of net sales and profit (or loss) by reportable segment

(Thousands of yen)

	Reportable segments						Adjustments (Note 1)	Total amount recorded in semi-annual consolidated statements of income (Note 2)
	Japan Production and Sales Business	North America Sales Business	Europe Production and Sales Business	Asia Sales Business	China Production Business	Total		
Net sales								
Sales to external customers	9,784,158	792,005	2,928,703	1,350,530	–	14,855,397	–	14,855,397
Intersegment sales	1,763,570	–	–	–	1,004,982	2,768,552	(2,768,552)	–
Total	11,547,729	792,005	2,928,703	1,350,530	1,004,982	17,623,950	(2,768,552)	14,855,397
Segment profit (loss)	647,467	47,907	(343,724)	45,341	69,923	466,915	167,466	634,382

(Notes) 1. Adjustments for segment profit (or loss) of ¥167,466 thousand consists of elimination of intersegment transactions of ¥72,884 thousand and elimination of unrealized gain (loss) on non-current assets and inventories of ¥94,581 thousand.

2. Total segment profit and adjustments are consistent with operating profit as reported in the semi-annual consolidated statements of income.

2) Information on impairment losses on non-current assets and goodwill by reportable segment

Not applicable.