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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

October 31, 2024

Company name: Shinko Shoji Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 8141
URL: http://www.shinko-sj.co.jp/
Representative: Tatsuya Ogawa, President and Representative Director
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Phone: +81-3-6361-8111
Scheduled date of filling semi-annual securities report: November 14, 2024
Scheduled date of commencing dividend payments: December 5, 2024
Availability of supplementary briefing material on semi-annual financial results: Available
Schedule of semi-annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

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

	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	64,883	(30.7)	1,358	(59.9)	1,169	(65.5)	325	(85.7)
September 30, 2023	93,629	4.7	3,388	6.7	3,387	(0.6)	2,267	0.1

(Note) Comprehensive income: Six months ended September 30, 2024: 518 million yen [(87.9)%]
Six months ended September 30, 2023: 4,303 million yen [(4.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	9.83	–
September 30, 2023	68.53	–

The average number of shares during the period used for calculating basic earnings per share is calculated by excluding the number of shares held in own name as well as treasury shares held by the board benefit trust of 477,386 shares for the six months ended September 30, 2023 and 471,500 shares for the six months ended September 30, 2024 and treasury shares held by the employee benefit trust of 320,929 shares for the six months ended September 30, 2023 and 597,000 shares for the six months ended September 30, 2024.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	84,811	55,899	64.9
As of March 31, 2024	99,813	56,119	55.4

(Reference) Equity: As of September 30, 2024: 55,083 million yen
As of March 31, 2024: 55,328 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	26.50	–	22.00	48.50
Fiscal year ending March 31, 2025	–	7.50			
Fiscal year ending March 31, 2025 (Forecast)			–	8.00	15.50

* Revisions to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to 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
	Millions of yen %	Millions of yen %	Millions of yen %	Millions of yen %	Yen
Full year	112,000 (36.3)	1,800 (63.1)	1,600 (66.4)	1,000 (68.7)	31.28

* Revisions to the financial results forecast announced most recently: Yes

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: No

(2) Accounting policies adopted specially for the preparation of semi-annual consolidated financial statements: Yes

(Note) For details, please refer to "2. Semi-annual Consolidated Financial Statements and Primary Notes, (4) Notes to Semi-annual Consolidated Financial Statements" on page 10 of the attached document.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(Note) For details, please refer to "2. Semi-annual Consolidated Financial Statements and Primary Notes, (4) Notes to Semi-annual Consolidated Financial Statements" on page 10 of the attached document.

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):
September 30, 2024: 38,010,566 shares
March 31, 2024: 38,010,566 shares

2) Total number of treasury shares at the end of the period:
September 30, 2024: 4,897,623 shares
March 31, 2024: 4,904,651 shares

3) Average number of shares during the period:
Six months ended September 30, 2024: 33,106,883 shares
Six months ended September 30, 2023: 33,091,475 shares

1. The total number of treasury shares at the end of the period includes the Company's shares held by the board benefit trust of 471,500 shares for the fiscal year ended March 31, 2024 and 471,500 shares for the six months ended September 30, 2024 and the Company's shares held by the employee benefit trust of 312,300 shares for the fiscal year ended March 31, 2024 and 705,200 shares for the six months ended September 30, 2024.
2. Treasury shares excluded for calculation of the average number of shares during the period includes the Company's shares held by the board benefit trust of 477,386 shares for the six months ended September 30, 2023 and 471,500 shares for the six months ended September 30, 2024 and the Company's shares held by the employee benefit trust of 320,929 shares for the six months ended September 30, 2023 and 597,000 shares for the six months ended September 30, 2024.

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

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

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company has deemed reasonable. These statements are not intended as the Company's commitment to achieve them, and actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions for financial results forecast and precautions for using financial results forecast, please refer to "1. Overview of Business Results, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 3 of the attached document.

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1. Overview of Business Results

(1) Overview of Operating Results

During the six months ended September 30, 2024, despite a gradual recovery trend, the outlook for the Japanese economy remained uncertain mainly due to prolonged geopolitical risks, political trends in various countries, and changes in monetary policies.

In the electronics industry, despite strong demand for AI-related products worldwide, demand remained weak except for AI-related products, and the inventory adjustment has continued.

Under these situations, our group (our Company and consolidated subsidiaries) posted overall results at a decreased level compared with the same period of the previous year, as the businesses related to industrial products, OA products, amusement products, and automotive electronic products, which are our core businesses, have all been performing sluggishly.

As a result, the business performances during the six months ended September 30, 2024 were: net sales 64,883 million yen (30.7% decrease compared with the same period of the previous year); operating profit 1,358 million yen (59.9% decrease); ordinary profit 1,169 million yen (65.5% decrease); and profit attributable to owners of parent 325 million yen (85.7% decrease). Business performances per segment are as follows.

A portion of net sales of electronic devices previously reported in the Electronic Device Business has been reported in the Other Businesses from the beginning of the six months ended September 30, 2024. The net sales for the same period of the previous year were reclassified in accordance with the changed segment for the financial results comparison and analysis.

Electronic Device Business

All businesses, including the businesses related to industrial products, remained sluggish.

As a result of the above, net sales were: semiconductors 31,230 million yen (45.5% decrease compared with the same period of the previous year), electronic devices 21,935 million yen (6.0% decrease), and overall 53,165 million yen (34.1% decrease).

Assembly Business

The businesses related to amusement products remained sluggish.

As a result of the above, net sales of assembly products were 7,967 million yen (20.3% decrease compared with the same period of the previous year).

Other Businesses

The businesses related to industrial products remained strong.

As a result of the above, net sales of electronic products and contract development of microcomputer software were 3,751 million yen (24.9% increase compared with the same period of the previous year).

(2) Overview of Financial Position

(i) Status of assets, liabilities and net assets

(Assets)

Total assets as of September 30, 2024 decreased by 15,002 million yen from the end of the previous period to 84,811 million yen. This is mainly attributable to decreases in notes and accounts receivable - trade, and contract assets, merchandise and finished goods, and accounts receivable - other of 9,311 million yen, 7,724 million yen, and 1,482 million yen, respectively, despite an increase in cash and deposits of 3,770 million yen.

(Liabilities)

Total liabilities as of September 30, 2024 decreased by 14,781 million yen from the end of the previous period to 28,912 million yen. This is mainly attributable to decreases in notes and accounts payable - trade and short-term borrowings of 6,877 million yen and 6,786 million yen, respectively.

(Net assets)

Total net assets as of September 30, 2024 decreased by 220 million yen from the end of the previous period to 55,899 million yen. This is mainly attributable to a decrease in retained earnings of 420 million yen despite an increase in foreign currency translation adjustment of 223 million yen.

This resulted in an equity ratio of 64.9% (55.4% at the end of the previous year).

(ii) Analysis of cash flows

Cash and cash equivalents (hereinafter referred to as "Net cash") as of September 30, 2024 increased by 3,753 million yen from the end of the previous year to 16,910 million yen, mainly due to a decrease in inventories, a decrease in accounts receivable - other, and a decrease in trade receivables, despite repayments of short-term borrowings, a decrease in trade payables, dividends paid, and other factors, as profit before income taxes was 811 million yen (77.0% decrease from the previous fiscal year).

Status of cash flows and factors behind them for the six months ended September 30, 2024 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 11,544 million yen (3,968 million yen used in the previous fiscal year). This is mainly attributable to a decrease in trade receivables of 9,666 million yen, a decrease in inventories of 8,065 million yen, and a decrease in accounts receivable - other of 1,217 million yen despite a decrease in trade payables of 7,091 million yen and income taxes paid of 641 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 50 million yen (292 million yen provided in the previous fiscal year). This is mainly attributable to purchase of property, plant and equipment of 36 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 7,764 million yen (3,110 million yen provided in the previous fiscal year). This is mainly attributable to net decrease in short-term borrowings of 6,979 million yen and dividends paid of 745 million yen.

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

Based on the results of the six months ended September 30, 2024, the Company has revised its consolidated financial results forecast for the fiscal year ending March 31, 2025. Operating profit and ordinary profit have been revised upwards, while net sales and profit remain unchanged from the previous announcement. As a result, the Company projects consolidated financial results for the fiscal year ending March 31, 2025 of consolidated net sales of 112,000 million yen, operating profit of 1,800 million yen, ordinary profit of 1,600 million yen, and profit attributable to owners of parent of 1,000 million yen.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	13,389	17,160
Notes and accounts receivable - trade, and contract assets	36,410	27,098
Merchandise and finished goods	31,683	23,958
Work in process	52	53
Accounts receivable - other	11,128	9,646
Other	206	192
Allowance for doubtful accounts	(41)	(40)
Total current assets	92,829	78,069
Non-current assets		
Property, plant and equipment	693	699
Intangible assets	218	138
Investments and other assets		
Investment securities	4,465	4,398
Deferred tax assets	307	226
Other	1,298	1,278
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	6,071	5,903
Total non-current assets	6,983	6,742
Total assets	99,813	84,811
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,354	9,477
Electronically recorded obligations - operating	2,400	2,445
Short-term borrowings	8,982	2,195
Current portion of long-term borrowings	700	700
Income taxes payable	607	339
Accounts payable - other	1,359	763
Provision for bonuses	590	522
Provision for bonuses for directors	98	29
Other	2,309	2,176
Total current liabilities	33,401	18,648
Non-current liabilities		
Long-term borrowings	7,800	7,800
Deferred tax liabilities	677	664
Provision for share awards for directors	124	129
Provision for share awards for employees	435	461
Retirement benefit liability	802	736
Other	451	471
Total non-current liabilities	10,291	10,263
Total liabilities	43,693	28,912

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	9,501	9,501
Capital surplus	9,599	9,616
Retained earnings	34,518	34,098
Treasury shares	(4,585)	(4,595)
Total shareholders' equity	49,034	48,621
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,850	1,800
Deferred gains or losses on hedges	0	(0)
Revaluation reserve for land	(61)	(61)
Foreign currency translation adjustment	4,484	4,708
Remeasurements of defined benefit plans	18	15
Total accumulated other comprehensive income	6,293	6,462
Non-controlling interests	791	815
Total net assets	56,119	55,899
Total liabilities and net assets	99,813	84,811

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

(Semi-annual Consolidated Statements of Income)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	93,629	64,883
Cost of sales	85,214	59,091
Gross profit	8,415	5,792
Selling, general and administrative expenses	5,027	4,433
Operating profit	3,388	1,358
Non-operating income		
Interest income	23	101
Dividend income	64	70
Purchase discounts	0	6
Miscellaneous income	32	18
Total non-operating income	121	196
Non-operating expenses		
Interest expenses	91	65
Foreign exchange losses	21	305
Miscellaneous expenses	9	15
Total non-operating expenses	122	385
Ordinary profit	3,387	1,169
Extraordinary income		
Gain on sale of investment securities	83	–
Gain on liquidation of subsidiaries and associates	69	–
Total extraordinary income	152	–
Extraordinary losses		
Loss on sale and retirement of non-current assets	8	3
Extra retirement payments	–	353
Total extraordinary losses	8	357
Profit before income taxes	3,531	811
Income taxes	1,213	459
Profit	2,318	352
Profit attributable to non-controlling interests	50	26
Profit attributable to owners of parent	2,267	325

(Semi-annual Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	2,318	352
Other comprehensive income		
Valuation difference on available-for-sale securities	375	(49)
Deferred gains or losses on hedges	3	(1)
Foreign currency translation adjustment	1,609	220
Remeasurements of defined benefit plans, net of tax	(3)	(3)
Total other comprehensive income	1,984	166
Comprehensive income	4,303	518
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,244	494
Comprehensive income attributable to non-controlling interests	58	24

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,531	811
Depreciation	167	173
Amortization of goodwill	6	9
Increase (decrease) in allowance for doubtful accounts	(2)	0
Increase (decrease) in provision for bonuses for directors	(77)	(68)
Increase (decrease) in provision for share awards for directors	7	4
Increase (decrease) in provision for share awards for employees	77	25
Increase (decrease) in provision for bonuses	(4)	(67)
Increase (decrease) in retirement benefit liability	(10)	(65)
Interest and dividend income	(88)	(171)
Interest expenses	91	65
Loss (gain) on sale and retirement of property, plant and equipment	8	3
Loss (gain) on sale of investment securities	(83)	–
Loss (gain) on liquidation of subsidiaries and associates	(69)	–
Decrease (increase) in trade receivables	(647)	9,666
Decrease (increase) in accounts receivable - other	(1,843)	1,217
Decrease (increase) in inventories	(5,706)	8,065
Increase (decrease) in trade payables	2,876	(7,091)
Increase (decrease) in accrued consumption taxes	(381)	43
Increase/decrease in other assets/liabilities	(482)	(530)
Non cash flow transaction	75	(4)
Subtotal	(2,554)	12,084
Interest and dividends received	88	170
Interest paid	(68)	(68)
Income taxes refund (paid)	(1,433)	(641)
Net cash provided by (used in) operating activities	(3,968)	11,544
Cash flows from investing activities		
Purchase of investment securities	(2)	(4)
Proceeds from sale of investment securities	285	–
Purchase of property, plant and equipment	(76)	(36)
Purchase of intangible assets	(33)	(13)
Proceeds from liquidation of associates	131	–
Purchase of other investments	(15)	(6)
Proceeds from sales and cancelation of other investments	4	9
Net cash provided by (used in) investing activities	292	(50)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,499	(6,979)
Repayments of lease liabilities	(37)	(39)
Purchase of treasury shares	(0)	(405)
Proceeds from sale of treasury shares	–	405
Dividends paid	(1,351)	(745)
Net cash provided by (used in) financing activities	3,110	(7,764)
Effect of exchange rate change on cash and cash equivalents	381	23
Net increase (decrease) in cash and cash equivalents	(184)	3,753
Cash and cash equivalents at beginning of period	10,746	13,157
Cash and cash equivalents at end of period	10,561	16,910

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Accounting policies adopted specially for the preparation of semi-annual consolidated financial statements)

Tax expenses were calculated by rationally estimating the effective tax rate after applying tax effect accounting for profit before income taxes for the fiscal year including the six months ended September 30, 2024 and multiplying the profit before income taxes for the six-month period by said estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the six months ended September 30, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the six months ended September 30, 2024. This change in accounting policies was applied retrospectively.

Hence, the semi-annual consolidated financial statements for the same six-month period of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been modified retrospectively. This change in accounting policies has no impact on the semi-annual consolidated financial statements for the same six-month period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Changes in accounting estimates)

Not applicable.

(Changes in presentation)

"Proceeds from short-term borrowings" and "Repayments of short-term borrowings" which were previously shown in "Cash flows from financing activities" are shown as "Net increase (decrease) in short-term borrowings" from the previous fiscal year in order to enhance the overall clarity. The semi-annual consolidated financial statements for the previous fiscal year have been reclassified in order to reflect the change in presentation.

As a result, "Proceeds from short-term borrowings" of 4,499 million yen shown in "Cash flows from financing activities" in the semi-annual consolidated statements of cash flows for the previous fiscal year has been reclassified as "Net increase (decrease) in short-term borrowings" of 4,499 million yen.

(Segment information)

I. For the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment				Adjustment amount (Note 1)	Semi-annual consolidated statements of income amount (Note 2)
	Electronic device business	Assembly business	Other businesses	Total		
Net sales:						
Sales to external customers	80,629	9,997	3,002	93,629	–	93,629
Inter-segment sales and transfers	–	–	–	–	–	–
Total	80,629	9,997	3,002	93,629	–	93,629
Segment profit	3,925	409	192	4,527	(1,139)	3,388

(Notes) 1. The adjustment amount for segment profit of (1,139) million yen includes corporate expenses of (1,139) million yen not allocated to the reportable segments. The corporate expenses are mainly administrative expenses and common expenses not attributed to the reportable segments.

2. Segment profit is reconciled to operating profit in the semi-annual consolidated statements of income.

2. Information about loss on impairment of non-current assets and goodwill by reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

II. For the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment				Adjustment amount (Note 1)	Semi-annual consolidated statements of income amount (Note 2)
	Electronic device business	Assembly business	Other businesses	Total		
Net sales:						
Sales to external customers	53,165	7,967	3,751	64,883	–	64,883
Inter-segment sales and transfers	–	–	–	–	–	–
Total	53,165	7,967	3,751	64,883	–	64,883
Segment profit	1,856	316	189	2,362	(1,004)	1,358

(Notes) 1. The adjustment amount for segment profit of (1,004) million yen includes corporate expenses of (1,004) million yen not allocated to the reportable segments. The corporate expenses are mainly administrative expenses and common expenses not attributed to the reportable segments.

2. Segment profit is reconciled to operating profit in the semi-annual consolidated statements of income.

2. Information about loss on impairment of non-current assets and goodwill by reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

3. Changes in reportable segments

As a result of the review of the performance segment classification, some transactions related to industrial products, which were classified in the Electronic Device Business in the six months ended September 30, 2023, have been included in the Other Businesses starting in the six months ended September 30, 2024. The segment information for the six-month period of the previous fiscal year was prepared in accordance with the changed classification method.

(Significant subsequent events)

(Conclusion of a capital and business alliance agreement)

At a meeting of the Board of Directors held on October 31, 2024, the Company resolved to conclude a capital and business alliance agreement (the "Alliance Agreement") with Restar Corporation (Head office: Minato-ku, Tokyo; Representative Director Chairman and President: Kunihiro Konno; "Restar") listed on the Tokyo Stock Exchange Prime Market, effective as the same date. The details are as described below.

1. Objectives and reasons for the Alliance Agreement

Throughout the history of over 70 years since its foundation, the Company has built up a robust customer base in a wide range of fields, primarily industrial products and automotive electronic products, but also including OA products and amusement products, through the sale of semiconductors and electronic devices, as well as the provision of diverse solutions, including the EMS coordination business, system LSI design support, and contracted design development of ASICs and micro-computers.

Restar is engaged in a diverse range of business activities, including the sale and solution proposal of semiconductors and electronic components, as well as the handling of audio-visual and communications equipment for broadcasting and the public sector, the development, manufacture, and sale of payment and access control systems that integrate near field communication (NFC) technology, the planning and operation of renewable energy business such as solar and wind power generation plants, and the management of plant factories, creating and providing new services in the course of its diverse business operations.

As previously announced, the Company's distribution agreement with Renesas Electronics Corporation terminated on September 30, 2024. To take advantage of the experience, knowledge, and resources concerning semiconductor products that it has built up over many years, the Company is exploring the handling of new semiconductor products and is proceeding with discussions with multiple suppliers. The conclusion of a distributorship agreement with Taiwan-based Faraday Technology Corporation and of an exclusive sales agency agreement in Japan with US-based SiMa Technologies, Inc., both of which have been announced in press releases, are part of these efforts.

Amid these developments, in June 2024, the Company began talks with Restar, which has outstanding account assets, primarily in the manufacturing industry, and an extensive range of products and services, about strengthening the relationship between the two companies through a business alliance. The Company proceeded to discuss with Restar the expansion of sales of semiconductors, electronic components, and electronic and other devices and the provision of added value to the Company's customers in a wide range of areas, including industrial equipment and automotive electronic products, through the provision of Restar's extensive products and services. The two companies also discussed technological collaboration in software development and other areas, and cooperation in the EMS business. As the Company and Restar are in a complementary relationship with no overlap, and we have been able to confirm the probability of the creation of synergies through collaborative measures, we entered into formal discussions concerning a business alliance in early October 2024. We also discussed holding each other's shares as a way of building a cooperative framework and giving added certainty to the business alliance. These discussions led to the decision to conclude the Alliance Agreement.

2. Details of business alliance

The Company and Restar will build a strategic partnership through the business alliance set forth in the Alliance Agreement. We will make organic use of our respective management resources and expertise in our efforts to improve the business efficiency of the corporate group that includes the Company and Restar and our respective subsidiaries, affiliates, and associated companies. With the objective of the mutual expansion of profits, we will conduct a business alliance in the businesses concerning the sale and mounting of semiconductors, electronic components, and electronic and other devices, the contracted development of software, EMS coordination and solution services.

3. Details of capital alliance

The Company plans to acquire 550,000 common shares of Restar (1.83% of Restar's total issued shares, with a total value of approximately 1.5 billion yen, as of September 30, 2024) through Restar's disposal of treasury shares effected by a private allocation of shares to the Company.

Restar plans to acquire 1,550,000 common shares of the Company (4.08% of the Company's total issued shares, with a total value of approximately 1.5 billion yen, as of September 30, 2024) from the Company's existing shareholders.

4. Overview of the counterparty to the Alliance Agreement

Name	Restar Corporation	
Address	Restar Building, 2-10-9, Konan, Minato-ku, Tokyo	
Name and title of representative	Kunihiro Konno Representative Director Chairman and President	
Description of business	・Sales and technical support of semiconductors and electronic components, LSI design and development, contracted reliability testing services ・Solutions, design, construction, and maintenance engineering for video, audio, communications, and measurement ・Operation and management for the introduction and diffusion of renewable energy through solar power generation	
Share capital	4,383 million yen (as of September 30, 2024)	
Date of establishment	October 1, 2009	
Major shareholders and shareholding ratios (percentage of total issued shares [excluding treasury shares]) (as of September 30, 2024)	KMF Corporation	21.20%
	S-Grant. CO., LTD.	8.27%
	The Master Trust Bank of Japan, Ltd. (trust account)	7.46%
	Retirement Benefit Trust (Sony Group 003) of Mizuho Trust & Banking Co., Ltd. Retrustee: Custody Bank of Japan, Ltd.	7.43%
	SBI Holdings, Inc.	3.32%
	MUFG Bank, Ltd.	2.72%
	Retirement Benefit Trust (Sony Group 008) of Mizuho Trust & Banking Co., Ltd. Retrustee: Custody Bank of Japan, Ltd.	2.38%
	Mizuho Bank, Ltd.	2.30%
	Restar Holdings Corporation Employee Stock Ownership Association	2.20%
	Custody Bank of Japan, Ltd. (trust account)	2.07%
Relationship between the Company and said company	Capital relationship	None
	Personnel relationship	None
	Business relationship	Sales relationship
	Related party relationship	None

Consolidated operating results and consolidated financial positions of said company for the last three years (millions of yen, unless otherwise stated)			
As of/Fiscal year ended	March 31, 2022	March 31, 2023	March 31, 2024
Consolidated net assets	81,657	85,095	91,024
Consolidated total assets	241,958	269,427	291,704
Consolidated net sales	399,590	487,129	512,484
Consolidated operating profit	7,588	14,423	15,931
Consolidated ordinary profit	6,711	12,043	9,690
Profit attributable to owners of parent	5,957	7,085	7,004
Consolidated basic earnings per share (Yen)	198.12	235.64	232.95
Consolidated net assets per share (Yen)	2,580.33	2,686.31	2,800.38
Dividend per share (Yen) [of which, interim dividend per share] (Yen)	100.00 [45.00]	115.00 [40.00]	115.00 [55.00]

5. Timetable
   (1) Date of conclusion of the Alliance Agreement
   October 31, 2024
   (2) Date of commencement of business alliance under the Alliance Agreement
   November 1, 2024 (scheduled)

6. Effect on business performance

While the effect of this alliance on the Company's business performances for the full fiscal year ending March 31, 2025 is expected to be immaterial, any matters arising that require public announcement will be disclosed promptly.

(Treasury shares purchase and tender offer)

At a meeting of the Board of Directors held on October 31, 2024, the Company resolved to purchase its treasury shares and to execute a tender offer for the treasury shares as the specific method of the purchase (the "Tender Offer") in accordance with Article 156, Paragraph 1 of the Companies Act (Act No. 86 of 2005, including any subsequent amendments; the "Companies Act"), as applied pursuant to Article 165, Paragraph 3 of the said Act, and Article 7 of the Company's Articles of Incorporation.

1. Purpose and reasons

The basic policy of the Company is to distribute dividends to shareholders with a target consolidated payout ratio of 50% in consideration of the balance between stable and continuous distribution of dividends to shareholders and investment in the growth strategy.

Also, Article 7 of the Company's Articles of Incorporation stipulates that the Company may purchase treasury shares of the Company upon resolution of the Board of Directors in accordance with Article 165, Paragraph 2 of the Companies Act. This article in the Articles of Incorporation is intended to enable the execution of a flexible capital policy that can respond to changes in the business environment by giving the Board of Directors the authority to purchase treasury shares, and the Company has purchased its treasury shares to date as part of this objective.

Under these circumstances, the Company received communication from Kitai & Co., a major shareholder and the major and largest shareholder of the Company, that it intended to sell a portion of the Company's common shares that it held for the purpose of cashing. The Company responded that it would give an on-going examination to the matter while also considering its financial position, etc.

Meanwhile, the Company terminated its distribution agreement with Renesas Electronics Corporation ("Renesas"), its major supplier, on September 30, 2024. Therefore, it decided to sell its inventory of Renesas products to its customers or to transfer the inventory to the successor distributor by a date no later than September 30, 2024. As the Company anticipated that it will have an increase in cash reserves following the sale of the Renesas product inventory and the inventory transfer to the successor distributor, the Company decided on a policy of effectively using these funds as part of its growth and capital strategies.

It was as part of this capital strategy that the Company began initial considerations as to the purchase of its treasury shares with the aim of improving its capital efficiency and shareholder returns.

Against this backdrop, we once again confirmed the intention of Kitai & Co. as had been previously communicated to us, to which we received the response that it intended to sell a portion of the Company's shares that it held. In response to this intention and in consideration of the impact on the liquidity and market price of the Company's common shares and on the Company's financial position, etc. that a temporary release of such a high number of shares onto the market could have, we on the same day began specific considerations as to the purchase of the shares to be tendered in the form of treasury shares. The Company reached a conclusion that it would be possible to avoid a deterioration in supply and demand for the Company's common shares and a negative impact on the its share price, which would be expected outcomes should there be a temporary release of such a high number of shares onto the market, by repurchasing the shares to be tendered in the form of treasury shares.

As a result, the Company determined that repurchasing the shares to be tendered in the form of treasury shares would contribute to improved capital efficiency, such as the Company's basic earnings per share (EPS) and return on equity (ROE), while also leading to returns of profit to our shareholders. With regard to the specific method for repurchasing the treasury shares, after exhaustive consideration of, among others: (1) Equality among shareholders, (2) Transparency in transactions, (3) The fact that being able to purchase the Company's common shares at a price with a certain discount relative to its market price and then buying the shares at that discounted price would help prevent the outflow of the Company's assets, and (4) Providing shareholders other than Kitai & Co. with a certain amount of time to consider their options and to ensure that they have the opportunity to tender based on the Company's share price fluctuations, the Company decided that the method of a tender offer would be appropriate. The Company proposed to Kitai & Co. that it purchase its own shares,

and received a response from Kitai & Co. that it would tender 3,430,000 shares, a portion of the Company's shares that it held, for the tender offer.

With regard to the share price used as basis for discount, the Company confirmed at a meeting of the Board of Directors held on October 31, 2024, that the lowest price out of the closing price of the Company's common shares on the Tokyo Stock Exchange Prime Market on October 30, 2024, one business day prior to the meeting of the Board of Directors (950 yen), and the simple average of closing prices of the Company's common shares over a period of one month up to and including October 30, 2024 (940 yen) was 940 yen. In accordance with Article 156, Paragraph 1 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the said Act, and Article 7 of the Company's Articles of Incorporation, the Company resolved to purchase its treasury shares and to execute the tender offer as the specific method of this purchase, with a tender offer price of 846 yen, a price with a 10% discount to 940 yen, the simple average of closing prices of the Company's common shares on the Tokyo Stock Exchange Prime Market over a period of one month up to and including October 30, 2024, one business day prior to the resolution at the meeting of the Board of Directors held on October 31, 2024.

2. Details of resolution of the Board of Directors concerning the purchase of treasury shares

Type of share certificates, etc.	Total number	Total cost of purchase
Common shares	3,773,100 shares (upper limit)	3,192,042,600 yen (upper limit)

(Note) Period of purchase: November 1, 2024 (Fri.) to January 31, 2025 (Fri.)

3. Overview of purchase, etc.

(1) Timetable, etc.

1) Resolution of the Board of Directors	October 31, 2024 (Thu.)
2) Date of public notice of commencement of tender offer	November 1, 2024 (Fri.)
3) Date to file tender offer statement	November 1, 2024 (Fri.)
4) Period of purchase, etc.	November 1, 2024 (Fri.) through December 2, 2024 (Mon.) (21 business days)
5) Commencement date of settlement	December 24, 2024 (Tue.)

(2) Price of purchase, etc.

846 yen per common share

(3) Number of shares to be purchased

Type of share certificates, etc.	Planned number to be purchased	Number in excess of planned purchase number	Total
Common shares	3,773,000 shares	— shares	3,773,000 shares