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

October 30, 2024

Company name: NEC Capital Solutions Limited

Listing: Tokyo

Securities code: 8793

URL: <https://www.necap.co.jp/>

Representative: Masaaki Suganuma

President

Inquiries: Seiichiro Kodama

Department Manager of IR & PR Department

Telephone: +81-3(6720)8400

Scheduled date to file semi-annual securities report: November 7, 2024

Scheduled date to commence dividend payments: December 10, 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 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	123,732	(0.2)	4,733	26.5	5,337	64.7	3,384	74.0
September 30, 2023	124,010	(8.6)	3,741	(49.9)	3,240	(62.4)	1,944	(55.9)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 3,210 million [(22.3) %]
Six months ended September 30, 2023: ¥ 4,132 million [(48.8) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	157.14	-
September 30, 2023	90.31	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	1,096,920	139,228	10.7
March 31, 2024	1,117,363	136,790	10.4

(Reference) Equity: As of September 30, 2024: ¥ 117,754 million
As of March 31, 2024: ¥ 115,743 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	65.00	-	65.00	130.00
Fiscal year ending March 31, 2025	-	75.00			
Fiscal year ending March 31, 2025 (Forecast)			-	75.00	150.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	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	260,000	1.6	12,000	2.6	12,500	5.8	8,000	13.7	371.50

(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

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):

September 30, 2024: 21,544,538 shares

March 31, 2024: 21,539,071 shares

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

September 30, 2024: 4,550 shares

March 31, 2024: 4,502 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 21,537,285 shares

Six months ended September 30, 2023: 21,531,816 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

Forecasts are based on the information available to management at the time they were made. Actual results may differ materially from forecasts for a number of reasons.

Semi-annual Consolidated Financial Statements

Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	53,844	37,162
Installment receivables	36,639	37,570
Lease receivables and investments in leases	489,455	455,597
Accounts receivable - lease	23,814	23,551
Accounts receivable - operating loans	230,267	224,025
Purchased receivables	9,140	8,510
Operational investment securities	25,851	26,377
Real estate for sale	33,969	37,035
Real estate for sale in process	3,285	4,859
Securities	-	546
Other	31,703	33,079
Allowance for doubtful accounts	(8,384)	(7,725)
Total current assets	929,587	880,591
Non-current assets		
Property, plant and equipment		
Assets for lease	84,671	99,525
Other operating assets	7,969	9,090
Own-used assets	312	279
Total property, plant and equipment	92,953	108,895
Intangible assets		
Assets for lease	1,084	893
Goodwill	1,521	1,355
Other	8,543	10,041
Total intangible assets	11,149	12,290
Investments and other assets		
Investment securities	71,113	82,612
Other	17,493	16,964
Allowance for doubtful accounts	(4,934)	(4,433)
Total investments and other assets	83,672	95,143
Total non-current assets	187,775	216,329
Total assets	1,117,363	1,096,920

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes payable - trade	79	224
Accounts payable - trade	12,009	9,243
Short-term borrowings	40,366	40,588
Current portion of long-term borrowings	110,145	207,243
Current portion of bonds payable	15,000	15,000
Commercial papers	272,000	257,000
Payables under securitization of lease receivables	483	431
Income taxes payable	1,047	1,536
Provision for bonuses	933	1,240
Provision for bonuses for directors (and other officers)	14	20
Other	34,020	33,418
Total current liabilities	486,101	565,948
Non-current liabilities		
Bonds payable	85,750	75,700
Long-term borrowings	392,982	301,771
Long-term payables under securitization of lease receivables	2,215	1,998
Retirement benefit liability	1,914	1,905
Other	11,609	10,368
Total non-current liabilities	494,471	391,743
Total liabilities	980,573	957,692
Net assets		
Shareholders' equity		
Share capital	3,783	3,783
Capital surplus	4,655	4,664
Retained earnings	101,192	103,176
Treasury shares	(9)	(9)
Total shareholders' equity	109,620	111,615
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,600	1,514
Deferred gains or losses on hedges	413	739
Foreign currency translation adjustment	4,044	3,854
Remeasurements of defined benefit plans	62	31
Total accumulated other comprehensive income	6,122	6,139
Non-controlling interests	21,047	21,474
Total net assets	136,790	139,228
Total liabilities and net assets	1,117,363	1,096,920

Semi-annual Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	124,010	123,732
Cost of sales	109,497	108,801
Gross profit	14,512	14,931
Selling, general and administrative expenses	10,771	10,197
Operating profit	3,741	4,733
Non-operating income		
Interest income	32	21
Dividend income	51	30
Share of profit of entities accounted for using equity method	11	293
Gain on investments in partnerships	215	848
Other	75	162
Total non-operating income	386	1,356
Non-operating expenses		
Interest expenses	246	174
Loss on investments in partnerships	53	71
Foreign exchange losses	517	495
Other	69	11
Total non-operating expenses	886	753
Ordinary profit	3,240	5,337
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	9	5
Gain on reversal of foreign currency translation adjustment	114	-
Total extraordinary income	124	5
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	-	16
Total extraordinary losses	-	16
Profit before income taxes	3,364	5,326
Income taxes - current	1,119	1,703
Income taxes - deferred	494	429
Total income taxes	1,614	2,132
Profit	1,750	3,193
Loss attributable to non-controlling interests	(194)	(190)
Profit attributable to owners of parent	1,944	3,384

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	1,750	3,193
Other comprehensive income		
Valuation difference on available-for-sale securities	147	(242)
Deferred gains or losses on hedges	(13)	345
Foreign currency translation adjustment	1,226	444
Remeasurements of defined benefit plans, net of tax	18	(31)
Share of other comprehensive income of entities accounted for using equity method	1,004	(499)
Total other comprehensive income	2,382	16
Comprehensive income	4,132	3,210
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,326	3,401
Comprehensive income attributable to non-controlling interests	(194)	(190)

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	3,364	5,326
Depreciation	9,246	10,964
Amortization of goodwill	97	103
Increase (decrease) in allowance for doubtful accounts	1,645	(1,160)
Increase (decrease) in provision for bonuses	351	306
Increase (decrease) in provision for bonuses for directors (and other officers)	(12)	5
Increase (decrease) in net defined benefit asset and liability	(57)	(19)
Interest and dividend income	(83)	(52)
Capital costs and interest expenses	3,866	4,526
Share of loss (profit) of entities accounted for using equity method	(11)	(293)
Foreign exchange losses (gains)	6,950	(898)
Loss (gain) on sale of shares of subsidiaries and associates	(9)	10
Reversal of provision incurred from foreign currency translation adjustment	(114)	-
Decrease (increase) in installment receivables	422	(931)
Net decrease (increase) in lease receivables and investments in leases	38,383	33,113
Decrease (increase) in accounts receivable - operating loans	828	5,836
Decrease (increase) in trade receivables	(754)	262
Decrease (increase) in purchased receivable-trade	(652)	630
Decrease (increase) in operational investment securities	(3,055)	(525)
Decrease (increase) in real estate for sale	(5,414)	(3,350)
Decrease (increase) in real estate for sale in process	(567)	(1,574)
Purchase of assets for lease	(32,960)	(25,837)
Proceeds from sale of assets for lease	1,377	1,768
Increase in other operating assets by purchase	(252)	(2,202)
Increase (decrease) in trade payables	(5,143)	(1,869)
Increase (decrease) in advances received-lease	(2,811)	(2,714)
Other, net	(2,443)	(5,654)
Subtotal	12,188	15,773
Interest and dividends received	109	57
Interest paid	(3,488)	(4,833)
Income taxes paid	(198)	(954)
Net cash provided by (used in) operating activities	8,610	10,041

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from investing activities		
Purchase of own-used assets	(1,249)	(1,697)
Purchase of investment securities	(10,068)	(16,183)
Proceeds from sale of investment securities	-	61
Proceeds from redemption of investment securities	3,725	6,958
Proceeds from liquidation of affiliates	354	-
Other, net	129	110
Net cash provided by (used in) investing activities	(7,108)	(10,750)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(7,807)	4,876
Net increase (decrease) in commercial papers	(9,000)	(15,000)
Proceeds from long-term borrowings	66,979	47,585
Repayments of long-term borrowings	(57,548)	(40,855)
Repayments of payables under securitization of lease receivables	(675)	(268)
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	(10,000)	(10,050)
Dividends paid	(1,660)	(1,400)
Dividends paid to non-controlling interests	(587)	(602)
Proceeds from share issuance to non-controlling shareholders	2,309	405
Other, net	(7)	(0)
Net cash provided by (used in) financing activities	(7,996)	(15,310)
Effect of exchange rate change on cash and cash equivalents	(907)	(692)
Net increase (decrease) in cash and cash equivalents	(7,401)	(16,711)
Cash and cash equivalents at beginning of period	35,557	53,722
Cash and cash equivalents at end of period	28,155	37,011