

November 6, 2024

Summary of Consolidated Financial Results for the First Half Ended September 30, 2024 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.
 Stock Code: 8154 URL: <https://www.taxan.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
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 Date of filing of quarterly securities report (tentative): November 13, 2024
 Date of commencement of dividend payment (tentative): December 6, 2024
 Interim earnings supplementary explanatory documents: Yes
 Interim earnings presentation: Yes (For institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending March 2025 (April 1, 2024 – September 30, 2024)

(1) Result of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2024	259,064	(5.8)	11,501	(17.1)	11,278	(19.1)	7,941	(30.4)
First half ended September 2023	275,044	(7.9)	13,876	(24.4)	13,945	(26.3)	11,404	(15.0)

Note: Comprehensive income: First half of FY3/2025: 10,709 million yen [(36.9%)] First half of FY3/2024: 16,983 million yen [(19.3%)]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2024	151.15	—
First half ended September 2023	217.11	—

Notes: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024.

Earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2024.

Note that diluted earnings per share is indicated as “-” because there are no diluted shares.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	289,122	159,214	55.0
As of March 31, 2024	286,792	151,231	52.6

Reference: Shareholders' equity : As of September 30, 2024: 158,907 million yen As of March 31, 2024: 150,834 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2024	—	110.00	—	110.00	220.00
Fiscal year ending March 2025	—	110.00			
Fiscal year ending March 2025 (Forecast)			—	55.00	—

Notes: 1. Change in the dividend forecast from the latest announcement: None

2. The Company conducted a two-for-one stock split of its common stock effective October 1, 2024.

The amount of the year-end dividend per share presented above for the fiscal year ending March 2025

(forecast) takes into account the effect of the stock split, and the full-year dividend amount is indicated as “-”.

If the stock split is not taken into account, the year-end dividend per share and the full-year dividend per share for the fiscal year ending March 2025 (forecast) would be 110.00 yen and 220.00 yen, respectively.

3. Forecast for the fiscal year ending March 2025 (Consolidated, April 1, 2024 – March 31, 2025)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	555,000	2.3	26,000	0.6	26,000	0.1	18,000	(11.5)	342.53

Note: 1. Change in the forecast from the latest announcement: None

2. With respect to earnings per share for the fiscal year ending March 2025 (full year), the figure presented above is the amount that takes into account the stock split as described in "1. Financial results for the first half of the fiscal year ending March 2025 (April 1, 2024 – September 30, 2024)."

* Notes

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

(2) Use of accounting methods specifically for the preparation of the interim consolidated financial statements : None

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

(a) Changes due to revision of accounting standards : Yes

(b) Changes other than (a) : None

(c) Changes in accounting estimates : None

(d) Retrospective restatement : None

Note: For details, please refer to "Notes to interim consolidated financial statements (Notes regarding changes in Accounting Policy)" under 2. Interim Consolidated Financial Statements and Major Notes" on page 12 of the attached Supplementary Information.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of September 30, 2024: 57,404,236 As of March 31, 2024: 57,404,236

(b) Treasury shares

As of September 30, 2024: 4,847,712 As of March 31, 2024: 4,869,088

(c) Average number of shares (quarterly consolidated during the period)

Period ended September 30, 2024: 52,544,267 Period ended September 30, 2023: 52,528,116

Notes: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024.

Number of shares outstanding (common stock) is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2024.

* The interim audit procedures by a certified public accountant or auditing firm are not applicable to this Financial Results report.

* Cautionary statement regarding forecasts of operating results and special notes

(Caution regarding forward-looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For conditions as assumption for earnings forecast and cautionary statement regarding use of the forecast, please see "1. Results of Operations, (3) Qualitative information on consolidated earnings forecast" on page 4.

(Supplementary materials for financial results and how to obtain details of the financial results meeting)

We plan to hold an earnings briefing for institutional investors and analysts on Thursday, November 28, 2024. Supplementary materials for the earnings briefing will be posted on TDnet and our website today (Wednesday, November 6th). We plan to post a video of the earnings briefing, together with the briefing materials used on that day, on our website on November 28th.

(A video of the earnings briefing in English will be posted at a later date.)

(Japanese) https://www.taxan.co.jp/jp/ir/event/event_01.html

(English) https://www.taxan.co.jp/en/ir/event/event_01.html

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1. Results of Operations

(1) Overview of consolidated business performance

Looking at the global economy during the first half of the consolidated fiscal period under review, a gradual recovery was observed in the U.S., including growth in personal consumption and capital investment. However, the outlook remained uncertain given such circumstances as continued sluggish real estate market in China, escalating tensions in the Middle East, and sharp fluctuations in exchange rates. Meanwhile, in Japan, despite the impact of price increases, the economy continued to follow a gradual recovery trend, supported by a rebound in personal consumption against the backdrop of improvement in employment and income environment.

In the electronics industry to which the Group belongs, demand related to automotive applications remained robust on the back of vehicle electrification, while in applications related to industrial equipment, inventory adjustments showed signs of moderation. In some areas, including applications related to air-conditioning equipment, an inventory adjustment phase continued.

Under such circumstances, during the first half of the consolidated fiscal year under review, net sales decreased by 5.8% year on year to 259,064 million yen and gross profit decreased by 2.9% year on year to 34,133 million yen, due to such factors in the electronic components business as the impact of inventory adjustments and diminution of transactions with a certain major customer of an overseas subsidiary. Nonetheless, because the said transactions with a certain customer were comparatively low in profitability, gross profit margin improved by 0.4 percentage points year on year. Operating income decreased by 17.1% year on year to 11,501 million yen. In addition to a gross profit decline, the decrease was also attributable to an increase in selling, general and administrative expenses resulting from such factors as an increase in personnel expenses resulting from wage increases implemented during the period under review and rising logistics costs. Ordinary income decreased by 19.1% year on year to 11,278 million yen, due partly to the impact of foreign exchange gains and losses. Profit attributable to owners of parent decreased by 30.4% year on year to 7,941 million yen, partly reflecting the absence of 1,074 million yen in gain on sale of investment securities and 481 million yen in gain on bargain purchase both recorded in the same period of the previous fiscal year.

	FY 2024/3 2Q (April 1, 2023 – September 30, 2023)	FY 2025/3 2Q (April 1, 2024 – September 30, 2024)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	275,044	259,064	(15,979)	(5.8%)
Gross profit	35,160	34,133	(1,027)	(2.9%)
(Margin)	12.8%	13.2%	0.4pt	–
SG&A	21,284	22,631	1,347	6.3%
Operating income	13,876	11,501	(2,374)	(17.1%)
Ordinary income	13,945	11,278	(2,667)	(19.1%)
Profit before income taxes	15,795	11,244	(4,551)	(28.8%)
Profit attributable to owners of parent	11,404	7,941	(3,462)	(30.4%)
Exchange Rate (Average rate during the year) USD	141.00yen	152.63yen	11.63yen	–

Business segment performance was as follows.

(a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS*¹), and other activities)

In this business, the components sales business enjoyed robust sales of SoC*² products by Kaga FEI Co., Ltd., but overall, business was slow due largely to the impact of inventory adjustments at key customers and diminution of transactions with a certain major customer of an overseas subsidiary of Excel Co., Ltd. As a result, net sales and income both recorded decreases. In the EMS business, net sales and income increased due to strong sales in automotive sector and recovery in industrial equipment sector. Sales to the air conditioning equipment sector also started to show positive signs of recovery beginning in the second quarter, despite being affected by inventory adjustments at major customers. As a result, net sales decreased by 6.9% year on year to 225,866 million yen, and segment income decreased by 26.4% year on year to 8,679 million yen.

Note: 1. Electronics Manufacturing Service: Provision of product development and manufacturing services on an outsourcing basis.

2. Abbreviation for System on a Chip. A design technique of integrating all the functions necessary for operation of a device or system on a single semiconductor chip.

(b) Information equipment (Sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products)

In this business, the PC sales business saw continued strong sales of PCs for educational institutions, in contrast to sluggish sales of PCs for mass retailers due to a reduction in product lines by a major PC supplier. Additionally, the LED installation business faced a decrease in net sales given completion of the large-scale project that the Group had been pushing forward on a full scale since the fiscal year ended March 2023. Income margin, however, improved due partly to robust sales of security software with its comparatively high profit-margin.

As a result, net sales decreased by 10.1% year on year to 18,633 million yen, and segment income increased by 8.7% year on year to 1,392 million yen.

(c) Software (Production of computer graphics, planning and development of amusement products, and other activities)

In this business, orders for computer graphics production remained generally steady. Net sales increased by 20.1% year on year to 1,471 million yen, and segment income increased by 127.2% year on year to 256 million yen.

(d) Others (Repair and support for electronics equipment, and sales of amusement equipment and sports goods, and others)

In this business, the PC product and PC peripheral recycling business remained strong, as did sales of amusement equipment and sporting goods. Net sales increased by 24.2% year on year to 13,093 million yen, and segment income increased by 75.6% year on year to 1,094 million yen.

Financial Results by Business Segment

		FY 2024/3 2Q (April 1, 2023 – September 30, 2023)	FY 2025/3 2Q (April 1, 2024 – September 30, 2024)	YoY	
		(Million yen)	(Million yen)	(Million yen)	
Electronic components	Net sales	242,564	225,866	(16,698)	(6.9%)
	Segment income	11,785	8,679	(3,105)	(26.4%)
Information equipment	Net sales	20,715	18,633	(2,082)	(10.1%)
	Segment income	1,280	1,392	111	8.7%
Software	Net sales	1,225	1,471	246	20.1%
	Segment income	112	256	143	127.2%
Others	Net sales	10,539	13,093	2,554	24.2%
	Segment income	623	1,094	471	75.6%
Total	Net sales	275,044	259,064	(15,979)	(5.8%)
	Segment income	13,876	11,501	(2,374)	(17.1%)

Note: "Segment income" shows unadjusted figures for each business segment and adjusted figures for the total.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Total assets as of September 30, 2024, increased by 2,330 million yen from March 31, 2024, to 289,122 million yen.

Current assets decreased by 274 million yen compared with the end of the previous fiscal year, to 241,924 million yen. This was primarily due to a 8,220 million yen increase in cash and deposits and a 1,129 million yen increase in inventories, along with a 11,245 million yen decrease in accounts receivable - trade.

Non-current assets increased by 5,035 million yen from March 31, 2024, to 47,198 million yen. This was primarily due to a 2,672 million yen increase in Property, plant and equipment and a 2,068 million yen increase in Investment securities.

Liabilities decreased by 5,652 million yen from March 31, 2024, to 129,908 million yen. This was primarily due to a 346 million yen decrease in notes and accounts payable – trade.

Net assets increased by 7,982 million yen from March 31, 2024, to 159,214 million yen. This is primarily due to a 5,113 million yen increase in total shareholders' equity and a 1,822 million yen increase in foreign currency translation adjustment resulting from the recording of profit attributable to owners of parent.

(b) Cash flows

Cash and cash equivalents as of September 30, 2024, increased by 1,571 million yen from March 31, 2024, to 63,989 million yen.

(Operating activities)

Net cash provided by operating activities was 14,929 million yen (9,551 million yen provided by the same period of the previous fiscal year), mainly due to the posting of profit before income taxes.

(Investing activities)

Net cash used in investing activities was 10,174 million yen (797 million yen used in the same period of the previous fiscal year), mainly due to Payments into time deposits and purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 3,824 million yen (4,194 million yen used in the same period of the previous fiscal year), mainly due to the payment of dividends.

(3) Qualitative information on consolidated earnings forecast

The full-year earnings forecasts for the fiscal year ending March 2025, announced on May 9, 2024, remain unchanged. Should any revision to the forecasts become necessary in the future, an announcement will be made promptly.

(4) Formulation of the next medium-term management plan

The Company has formulated Medium-Term Management Plan 2027 to lay out the path for the Group's growth over the next three years, with the aim of becoming a company with net sales of 1 trillion yen by the fiscal year ending March 2029, the 60th anniversary of our founding. We have announced an outline of the plan today in order to share it with our stakeholders as soon as possible.

<Outline of Medium-Term Management Plan 2027>

(i) Plan duration

From the fiscal year ending March 2026 to the fiscal year ending March 2028 (three years)

(ii) Basic policy

Enhance corporate value through management that emphasizes profitability and capital efficiency

(iii) Priority measures

- Further improvements to profitability: will seek to expand core businesses, carry out new M&As, and create new businesses with the aim of achieving net sales of 1 trillion yen
- Reinforcement of management base: implement strategic cash allocation, maintain and strengthen investment in human capital
- Promotion of SDGs management: aim for sustainable growth by balancing corporate value improvement and social value

(iv) Management Target

		Final year of current medium-term plan (FY2024)	Final year of next medium-term plan (FY2027)	CAGR
Management targets aiming for JPY 1 tn in final year	Net Sales	–	JPY 800 bn or higher	–
	Operating Income	–	JPY 36 bn or higher	–
Increase in revenue through organic growth	Net Sales	JPY 555 bn	JPY 700 bn or higher	8.0%
	Operating Income (Profit Margin)	JPY 26 bn (4.7%)	JPY 35 bn or higher (5.0%)	10.4%
Index in capital efficiency	ROE [Ref. Equity Cost]	11.5% [around 10%]	12.0% or higher [around 10%]	–

(v) Policy on Shareholder Returns

- With the aim of more actively paying dividends to shareholders, we will increase the consolidated dividend payout ratio to 30–40% and strive for dividend growth through medium- to long-term profit growth.
- For the ordinary dividend, “DOE of 4.0%” will be used as the new target for stable and continuous ordinary dividend payments.
- Additional measures aligned with profit levels and capital efficiency will be flexibly implemented through special dividends and acquisition of treasury shares.

For details, please refer to “Notes regarding Notice Regarding the Formulation of the New Medium-Term Management Plan” announced today (November 6, 2024).

Furthermore, on November 28, 2024 (scheduled date for the Q2 earnings briefing for the fiscal year ending March 2025), we plan to announce more specific details, including the priority measures and action plans formulated in Medium-Term Management Plan 2027.

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim consolidated balance sheet

	(Million yen)	
	Fiscal year ended	First half ended
	March 2024	September 2024
	(As of March 31, 2024)	(As of September 30, 2024)
ASSETS		
Current assets		
Cash and deposits	66,596	74,817
Notes receivable – trade	900	1,396
Electronically recorded monetary claims – operating	10,146	8,179
Accounts receivable – trade	101,528	90,282
Securities	171	158
Merchandise and finished goods	37,999	38,771
Work in process	1,878	2,166
Raw materials and supplies	14,861	14,931
Other	10,770	11,418
Allowance for doubtful accounts	(223)	(198)
Total current assets	244,629	241,924
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,266	9,590
Machinery, equipment and vehicles, net	7,647	9,954
Tools, furniture and fixtures, net	1,362	1,442
Land	6,036	6,078
Construction in progress	2,824	742
Total property, plant and equipment	25,135	27,807
Intangible assets		
Goodwill	16	–
Software	2,021	1,851
Other	54	48
Total intangible assets	2,092	1,899
Investments and other assets		
Investment securities	10,472	12,540
Deferred tax assets	1,179	877
Distressed receivables	5,015	5,005
Other	3,340	4,129
Allowance for doubtful accounts	(5,073)	(5,063)
Total investments and other assets	14,934	17,490
Total non-current assets	42,162	47,198
Total assets	286,792	289,122

(Million yen)

	Fiscal year ended March 2024 (As of March 31, 2024)	First half ended September 2024 (As of September 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	71,392	67,986
Short-term loans payable	10,604	9,734
Current portion of bonds payable	–	5,000
Accrued expenses	8,419	7,654
Income taxes payable	2,238	2,563
Provision for directors' bonuses	437	18
Other	11,709	10,254
Total current liabilities	104,803	103,212
Non-current liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	10,500	10,500
Deferred tax liabilities	3,241	4,251
Provision for directors' retirement benefits	94	88
Net defined benefit liability	2,342	2,477
Asset retirement obligations	660	666
Other	3,918	3,711
Total non-current liabilities	30,757	26,696
Total liabilities	135,560	129,908
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,849	14,885
Retained earnings	110,250	115,302
Treasury shares	(5,603)	(5,579)
Total shareholders' equity	131,629	136,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,075	3,653
Deferred gains or losses on hedges	21	(40)
Foreign currency translation adjustment	15,803	17,626
Remeasurements of defined benefit plans	303	925
Total accumulated other comprehensive income	19,204	22,164
Non-controlling interests	396	307
Total net assets	151,231	159,214
Total liabilities and net assets	286,792	289,122

(2) Interim consolidated statements of income and comprehensive income

For the First half (April 1, 2024 – September 30, 2024)

(Million yen)

	First half ended September 2023 (April 1, 2023 – September 30, 2023)	First half ended September 2024 (April 1, 2024 – September 30, 2024)
Net sales	275,044	259,064
Cost of sales	239,883	224,931
Gross profit	35,160	34,133
Selling, general and administrative expenses	21,284	22,631
Operating income	13,876	11,501
Non-operating income		
Interest income	291	648
Dividends income	179	139
Commission fee	88	66
Share of profit of entities accounted for using equity method	20	–
Other	406	583
Total non-operating income	987	1,437
Non-operating expenses		
Interest expenses	441	403
Share of loss of entities accounted for using equity method	–	58
Foreign exchange losses	291	995
loss on net monetary position	48	138
Other	136	64
Total non-operating expenses	917	1,660
Ordinary income	13,945	11,278
Extraordinary income		
Gain on sales of non-current assets	6	2
Gain on sales of investment securities	1,074	76
Gain on bargain purchase	481	–
Gain on liquidation of subsidiaries and associates	480	–
Other	2	3
Total extraordinary income	2,043	82
Extraordinary loss		
Impairment loss	7	–
Loss on retirement of non-current assets	1	7
Loss on valuation of investment securities	184	101
Other	1	8
Total extraordinary loss	193	116
Profit before income taxes	15,795	11,244
Income taxes - current	2,501	2,615
Income taxes - deferred	1,878	879
Total income taxes	4,379	3,495
Profit	11,416	7,749
Profit attributable to owners of parent	11,404	7,941
Profit (loss) attributable to non-controlling interests	11	(192)

(Million yen)

	First half ended September 2023 (April 1, 2023 – September 30, 2023)	First half ended September 2024 (April 1, 2024 – September 30, 2024)
Other comprehensive income		
Valuation difference on available-for-sale securities	(258)	579
Deferred gains or losses on hedges	49	(62)
Foreign currency translation adjustment	5,711	1,689
Remeasurements of defined benefit plans, net of tax	(3)	621
Share of other comprehensive income of associates accounted for using equity method	69	131
Total other comprehensive income	5,567	2,960
Comprehensive income	16,983	10,709
Comprehensive income attributable to owners of parent	16,965	10,901
Comprehensive income attributable to non-controlling interests	18	(192)

(3) Consolidated statement of cash flows

	(Million yen)	
	First half ended September 2023 (April 1, 2023 – September 30, 2023)	First half ended September 2024 (April 1, 2024 – September 30, 2024)
Cash flows from operating activities		
Profit before income taxes	15,795	11,244
Depreciation	2,026	2,094
Impairment loss	7	–
Amortization of goodwill	16	16
Increase (decrease) in allowance for doubtful accounts	228	(26)
Interest and dividend income	(471)	(787)
Interest expenses	441	403
Share of (profit) loss of entities accounted for using equity method	(20)	58
Loss (gain) on sales of investment securities	(1,073)	(72)
Loss (gain) on valuation of investment securities	184	101
Gain on bargain purchase	(481)	–
Loss (gain) on liquidation of subsidiaries and associates	(480)	–
Decrease (increase) in notes and accounts receivable - trade	15,540	12,295
Decrease (increase) in inventories	(4,491)	(1,952)
Decrease (increase) in accounts receivable - other	519	(931)
Decrease (increase) in advance payments	222	(71)
Increase (decrease) in notes and accounts payable - trade	(5,723)	(2,626)
Increase (decrease) in accrued expenses	(918)	(683)
Decrease (increase) in consumption taxes refund receivable	(1,287)	(902)
Decrease (increase) in other current assets	589	(472)
Increase (decrease) in other current liabilities	(4,515)	(1,702)
Other, net	640	(833)
Subtotal	16,750	15,151
Interest and dividend income received	474	788
Interest expenses paid	(440)	(419)
Income taxes paid	(7,232)	(590)
Net cash provided by (used in) operating activities	9,551	14,929
Cash flows from investing activities		
Net decrease (increase) in time deposits	(2,709)	(6,525)
Purchase of property, plant and equipment	(1,987)	(2,500)
Proceeds from sales of property, plant and equipment	10	2
Purchase of intangible assets	(118)	(195)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	491	–
Purchase of investment securities	(25)	(1,140)

	(Million yen)	
	First half ended September 2023 (April 1, 2023 – September 30, 2023)	First half ended September 2024 (April 1, 2024 – September 30, 2024)
Proceeds from sales of investment securities	3,204	103
Short-term loan advances	(30)	(0)
Other payments	(103)	(152)
Other proceeds	469	233
Net cash provided by (used in) investing activities	(797)	(10,174)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(746)	(510)
Repayments of long-term loans payable	(20)	–
Purchase of treasury shares	(3)	(1)
Cash dividends paid	(3,146)	(2,885)
Other, net	(277)	(426)
Net cash provided by (used in) financing activities	(4,194)	(3,824)
Effect of exchange rate change on cash and cash equivalents	2,338	641
Net increase (decrease) in cash and cash equivalents	6,898	1,571
Cash and cash equivalents at beginning of period	50,307	62,417
Cash and cash equivalents at end of period	57,205	63,989

(4) Notes to interim consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Notes regarding changes in Accounting Policies)

(Application of "Accounting Standard for Current Income Taxes" and related implementation guidance)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard of 2022") and related implementation guidance are applied since the beginning of the first half under review.

With respect to the revision concerning accounting classification of income taxes (taxes on other comprehensive income), the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment stipulated in the proviso of Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28 2022; hereinafter, "Revised Guidance of 2022") are followed. The foregoing has no impact on the interim consolidated financial statements for the first half under review.

With respect to the revision concerning change in the accounting treatment in consolidated financial statements of tax deferral of gains/losses on sale of subsidiaries' shares, etc. between consolidated subsidiaries, the Company has applied the Revised Guidance of 2022 from the beginning of the first half under review. As this change in the accounting policies is to be applied retrospectively, the interim consolidated financial statements and the full-year consolidated financial statements for the fiscal year ended March 31, 2024, reflect retrospective application of the said change in the accounting policies. The said change has no impact on the interim consolidated financial statements for the first half ended September 30, 2023, and the consolidated financial statements for the fiscal year ended March 31, 2024.

(Segment information)

I. For the first half ended September 2023 (April 1, 2023 – September 30, 2023)

Information about net sales and income (loss) by reportable segments

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	242,564	20,715	1,225	10,539	275,044	–	275,044
Inter-segment sales or transfers	1,604	4,383	582	2,638	9,208	(9,208)	–
Total	244,169	25,098	1,807	13,178	284,252	(9,208)	275,044
Segment income	11,785	1,280	112	623	13,801	74	13,876

Notes: 1. Adjustment in segment income of 74 million yen includes 74 million yen for elimination of inter-segment trade.
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

2. Information regarding impairment loss on non-current assets or on goodwill and other matters by reportable segment

(Material impairment loss pertaining to non-current assets)

Disclosure is omitted due to immateriality of the information.

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

481 million yen is recorded as a gain on bargain purchase in the electronic components business. This is primarily associated with the acquisition of shares in Candra GmbH by Kaga FEI Co., Ltd.

II. For the first half ended September 2024 (April 1, 2024 – September 30, 2024)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	225,866	18,633	1,471	13,093	259,064	–	259,064
Inter-segment sales or transfers	1,777	4,947	682	2,848	10,255	(10,255)	–
Total	227,644	23,580	2,154	15,941	269,320	(10,255)	259,064
Segment income	8,679	1,392	256	1,094	11,422	78	11,501

Notes: 1. Adjustment in segment income of 78 million yen includes 78 million yen for elimination of inter-segment trade.
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

2. Information regarding impairment loss on non-current assets or on goodwill and other matters by reportable segment

(Material impairment loss pertaining to non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(Notes regarding significant subsequent events)

(Stock split and a partial amendment to the Articles of Incorporation)

The Company executed a stock split and a partial amendment to the Articles of Incorporation in accordance with the resolution of the Board of Directors passed at its meeting held on May 23, 2024.

1. Purpose of the stock split

The purpose of the stock split is to create an environment conducive to investment to Company's share by lowering the amount required per investment unit of the Company's shares, thereby improving the liquidity of Company's share and expanding the range of potential investors.

2. Outline of the stock split

(1) Method of stock split

Each share of the Company's common stock held by shareholders listed or recorded in the final shareholders' registry on the record date, September 30, 2024, was split into two shares (2-for-1 stock split).

(2) Number of shares to be increased by the stock split

Total number of issued shares before the stock split	28,702,118 shares
Number of shares to be increased due to the stock split	28,702,118 shares
Total number of issued shares after the stock split	57,404,236 shares
Total number of shares authorized to be issued after the stock split	160,000,000 shares

(3) Schedule of the stock split

Date of public notice of record date	Friday, September 13, 2024
Record date	Monday, September 30, 2024
Effective date	Tuesday, October 1, 2024

(4) Impact on per share information

The impact of the stock split on per-share information is shown in the applicable section.

3. Partial amendment to the Articles of Incorporation pursuant to the Stock Split

(1) Reason for the amendment to the Articles of Incorporation

In conjunction with the stock split described above, the Company has amended its total number of shares authorized to be issued provided in Article 6 of the Company's Articles of Incorporation, effective October 1, 2024, pursuant to the provisions of Paragraph 2 of Article 184 of the Companies Act.

(2) Details of the amendment

Details of the amendment are as follows.

(The amended sections are underlined.)

Present Articles of Incorporation	After Amendments
Article 6 (Total Number of Shares Authorized to be Issued) The total number of the Company's shares authorized to be issued shall be <u>eighty million (80,000,000)</u> .	Article 6 (Total Number of Shares Authorized to be Issued) The total number of the Company's shares authorized to be issued shall be <u>one hundred sixty million (160,000,000)</u> .