



Brief of (Consolidated) Settlement of Accounts (Based on Japanese standards) for the 2nd Quarter of Business Year 2023 Ending in March 2024

November 9, 2023

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Planned Submission Date of the quarterly report: November 13, 2023
 Planned Payment startup Date of Dividends: December 1, 2023
 Support Documentation to be made available : Yes
 Explanatory Meeting to be held : Yes

(Any fractional sum of less than a million yen is disregarded.)

1. Consolidated performance for the 2nd quarter of business year 2023 (April 1, 2023 - September 30, 2023)

(1) Consolidated operating results (cumulative) (% figures are the change against the same quarter of the previous year)

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
2nd quarter of the business year ending March 2024	445,917	9.0	12,792	16.7	12,933	15.3	8,526	11.2
2nd quarter of the business year ended March 2023	409,246	16.7	10,963	11.8	11,212	13.4	7,670	9.3

(Note) Comprehensive income 2nd quarter of the business year ending March 2024 10,789 million yen (13.4%)
 2nd quarter of the business year ended March 2023 9,516 million yen (33.3%)

	Quarterly net profit per share	Quarterly fully diluted EPS
	yen sen	yen sen
2nd quarter of the business year ending March 2024	91.23	-
2nd quarter of the business year ended March 2023	81.17	-

(2) Consolidated financial status

	Collective assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
BY2023 2Q	401,865	151,746	37.5
BY2022	406,688	143,961	35.2

Reference data: Net worth equity capital BY2023 2Q 150,727 million yen
 BY2022 142,994 million yen

2. Dividend status

	Annual dividend				
	At the end of 1st quarter	At the end of 2nd quarter	At the end of 3rd quarter	At the end of BY	Total
	yen sen	yen sen	yen sen	yen sen	yen sen
BY2022	-	30.00	-	32.00	62.00
BY2023	-	32.00	-	-	-
BY2023 (forecast)	-	30.00	-	32.00	64.00

(Note) Revision of most-recently announced dividend forecast: Nil

3. Estimated consolidated performance for business year 2023 (April 1, 2023 - March 31, 2024)

(% indicates the rate of change as compared to the preceding year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net earnings per share
	million yen	%	million yen	%	million yen	million yen	million yen	%	yen sen
Full-term	969,500	7.3	30,700	9.9	31,000	8.4	20,420	7.1	218.48

(Note) Revision of most-recently announced results forecast: Yes

* Comments

- (1) Important subsidiary movement during this quarterly cumulative consolidated accounting term (movement within subsidiaries affecting the overall consolidation size) : Nil
- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements : Nil
- (3) Modification of accounting policy, accounting estimate change, and restated modification
- (1) Modification of accounting policy required by a change or changes made to accounting standards : Nil
- (2) Modification of accounting policy required by any cause other than the foregoing (1) : Nil
- (3) Accounting estimate change : Nil
- (4) Restated modification : Nil

(4) Number of outstanding shares (of common stock)

(1) Number of outstanding shares (including treasury stock) at the end of BY	BY2023 2Q	96,356,460 shares	BY2022	96,356,460 shares
(2) Number of treasury stock at the end of BY	BY2023 2Q	2,889,870 shares	BY2022	2,892,570 shares
(3) Average number of shares during the period (quarterly cumulative)	BY2023 2Q	93,465,032 shares	BY2022 2Q	94,497,781 shares

* This brief of the quarterly settlement of accounts is not subject to a quarterly review by a certified public accountant or audit corporation.

* Explanation of the appropriate use of results forecasts and other special notes

(Notes on statements concerning the future, etc.)

Results forecasts and other statements concerning the future published in this document are based on the information that the company currently possesses and certain conditions that the company judges to be reasonable, and actual results, etc., may differ greatly due to various factors. If you want to know the conditions required by such projected figures and make use of such forecasts, please see "1. (3) Explanation of future forecast information such as consolidated results forecasts" on page 3 of the attached materials.

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1. Qualitative information on the quarterly settlement of accounts

(1) Explanation of operating results

During the cumulative consolidated second quarter of the fiscal year under review, a moderate economic recovery was apparent in the Japanese economy, including the improvement of corporate profits and the recovery of consumer spending, while the positioning of COVID-19 infections in terms of the Infectious Diseases Act transitioned to a Class 5 disease in May 2023 and socioeconomic activities have further normalized. On the other hand, the uncertain outlook continues with regard to the progress of yen depreciation, concerns about a slowdown in overseas economies, and high prices for resources and energy.

In such circumstances, we apprehend the period subject to the company group's Medium-Term Management Plan (BY2021 - BY2023) as "A turning point anticipating development into the future," and raise "The creation of next generation growth drivers," "Contributions to the creation of a new society as a leading company" and "Reform of management foundations" as the group's basic policies. We have been working on the improvement of corporate value based on our growth strategy aimed at the next era and the implementation of social contributions through business.

Results for the second consolidated cumulative quarter saw net sales of 445,917 million yen (up 9.0% compared to the same period of the previous term), operating profit of 12,792 million yen (up 16.7% compared to the same period of the previous term) and ordinary profit of 12,933 million yen (up 15.3% compared to the same period of the previous term). In addition, we recorded 23 million yen as a loss on valuation of shares of subsidiaries and associates and 1 million yen under others as extraordinary losses, while quarterly profit attributable to owners of parent finished at 8,526 million yen (up 11.2% compared to the same period of the previous term).

Segment results were as follows.

(IT Infrastructure Distribution Business)

In the corporate market, the importance of face-to-face business meetings using our sales branches nationwide was re-acknowledged. Many business meetings took place due to smooth communication, which resulted in acquiring IT-related investment orders for medium to large-sized projects stably and results were above those for the previous year, centered on the corporate and government markets. Sales of PCs, servers, services and support were strong, while the number of subscription product contracts through iKAZUCHI increased, and sales of cloud services centered on software also expanded.

In the consumer market, net sales were lower than the previous year due to the impact of market stagnation for both mass retailers and EC, but profit increased due to the improved profitability of PCs, monitors and printers.

As a result of the above, the net sales of this business were 409,237 million yen (up 10.1% compared to the same period of the previous term) and operating profit was 11,593 million yen (up 19.0% compared to the same period of the previous term).

(Fiber Business)

In the Synthetic Fibers and Rayon Divisions, non-woven fabric products such as antiperspirant sheets and cosmetic area products remained steady following the increase in people moving around post-COVID-19, and rayon for wet non-woven fabrics was also strong, but the divisions struggled in terms of profits due to high raw material and energy prices. In the Industrial Material Division, although construction sheets, belt-related products and rubber sponges remained steady, the recovery of demand for cartridge filters was delayed. Clothing Products Division achieved a certain level of improvement in profitability due to the recovery of sales for domestic apparel, price revisions, etc., but the difficult business environment continued due to the stagnation of demand in the United States.

As a result of the above, the net sales of this business were 29,679 million yen (down 5.3% compared to the same period of the previous term) and operating profit was 620 million yen (down 13.7% compared to the same period of the previous term).

(Industrial Machinery Business)

In the Machine Tools Division, the wind power generation industry in the Chinese market entered a period of inventory adjustment and demand tended to decrease, but sales to the domestic energy industry, where there is demand for highly efficient gas turbines, were strong and recovery was also apparent in demand for small and medium-sized engines in the aircraft industry, which had been sluggish due to the COVID-19 pandemic. In the Automatic Machinery Division, sales increased compared to the same period of the previous year, but profits decreased under the impact of soaring material prices, etc.

As a result of the above, the net sales of this business were 6,680 million yen (up 15.1% compared to the same period of the previous term) and operating profit was 521 million yen (up 19.0% compared to the same period of the previous term).

(2) Explanation of financial situation

Total assets at the end of the second consolidated cumulative period decreased by 4,823 million yen compared to the end of the previous consolidated business year to 401,865 million yen due to a decrease in accounts receivable, etc. In addition, liabilities decreased by 12,608 million yen compared to the end of the previous consolidated business year to 250,118 million yen due to decreases in notes and accounts payable. Net assets increased by 7,784 million yen compared to the end of the previous consolidated business year to 151,746 million yen due to an increase in retained earnings, etc.

(3) Explanation of future forecast information such as consolidated results forecasts

(1) Revision of estimated consolidated performance for business year 2023 (April 1, 2023 - March 31, 2024)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net earnings per share
Previous forecast (A)	million yen 950,000	million yen 30,700	million yen 31,000	million yen 20,420	yen sen 217.26
Revised forecast (B)	969,500	30,700	31,000	20,420	218.48
Change (B-A)	19,500	0	0	0	-
Rate of change (%)	2.1	0	0	0	-
Reference data: Results for previous term (BY2022)	903,918	27,944	28,608	19,059	202.79

(2) Reason for the revision

In IT Infrastructure Distribution Business, we received orders steadily for IT investment projects centered on companies and government offices, partly due to smooth communication with partners because of ties to local communities. In addition, net sales and operating profit are expected to exceed the previous forecast, as sales of subscription products through iKAZUCHI also remained favorable.

In Fiber Business, there are multiple areas where sales are strong following the recovery from the COVID-19 pandemic. On the other hand, net sales and operating profit are expected to be lower than previously forecast in business overall due to the impacts of factors such as persistently high raw material and fuel prices and the stagnation of demand overseas.

As a result of these factors, the consolidated results forecast for the fiscal year ending March 2024 has been revised with regard to net sales, but the previously announced forecast for operating profit, ordinary profit, and net profit attributable to owners of parent has been left unchanged.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(Unit: million yen)

	Previous consolidated business year (March 31, 2023)	2nd quarter of the current consolidated business year (September 30, 2023)
Assets		
Current assets		
Cash and deposits	52,123	56,749
Notes receivable	3,718	3,281
Accounts receivable	212,956	194,728
Electronically recorded monetary claims	23,181	24,260
Goods and products	39,273	48,188
Work in progress	3,725	3,834
Raw materials and supplies	2,049	2,297
Others	17,322	12,495
Allowance for doubtful accounts	-163	-152
Total current assets	354,188	345,683
Fixed assets		
Property, plant and equipment		
Land	18,029	18,075
Others (net)	19,098	19,008
Total property, plant and equipment	37,127	37,084
Intangible fixed assets		
Goodwill	-	2,191
Others	2,081	1,986
Total intangible fixed assets	2,081	4,177
Investments and other assets		
Others	13,349	14,976
Allowance for doubtful accounts	-57	-56
Total investments and other assets	13,291	14,920
Total fixed assets	52,500	56,181
Total assets	406,688	401,865

(Unit: million yen)

	Previous consolidated business year (March 31, 2023)	2nd quarter of the current consolidated business year (September 30, 2023)
Liabilities		
Current liabilities		
Notes payable and accounts payable	192,594	179,367
Short-term loans payable	12,869	10,991
Accrued corporate tax, etc.	6,077	4,241
Allowance for bonuses	2,879	2,938
Other allowances	442	233
Others	17,020	19,963
Total current liabilities	231,884	217,735
Non-current liabilities		
Long-term loans payable	13,230	13,600
Allowance for executive stock benefits	75	84
Retirement benefit liabilities	10,764	11,645
Others	6,772	7,053
Total fixed liabilities	30,842	32,383
Total liabilities	262,726	250,118
Net assets		
Shareholders' equity		
Capital	21,696	21,696
Capital surplus	7,951	7,951
Retained earnings	119,449	124,981
Treasury stock	-5,137	-5,132
Total shareholders' equity	143,959	149,496
Accumulated other comprehensive income		
Other valuation difference on securities	1,559	2,493
Deferred hedge gain or loss	-201	337
Exchange translation adjustment account	-208	190
Accumulated adjustments related to retirement benefits	-2,114	-1,790
Total accumulated other comprehensive income	-965	1,230
Non-controlling interests	966	1,019
Total net assets	143,961	151,746
Total liabilities and net assets	406,688	401,865

(2) Quarterly consolidated profit statement and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated profit statement)
 (2nd quarter consolidated cumulative period)

(Unit: million yen)

	Previous 2nd quarter consolidated cumulative period (From April 1, 2022 to September 30, 2022)	Current 2nd quarter consolidated cumulative period (From April 1, 2023 to September 30, 2023)
Net sales	409,246	445,917
Cost of sales	377,801	409,703
Gross profit	31,444	36,214
Selling, general and administrative expenses	20,480	23,421
Operating profit	10,963	12,792
Non-operating income		
Interest income	16	7
Dividend income	99	94
Sales support funding	152	168
Investment gain on equity method	83	-
Others	117	153
Total non-operating income	471	423
Non-operating expenses		
Interest paid	79	82
Investment loss on equity method	-	27
Others	142	172
Total non-operating expenses	222	282
Ordinary profit	11,212	12,933
Extraordinary profit		
Gain on sale of fixed assets	26	-
Gain on sale of investment securities	25	-
Others	6	-
Total extraordinary profit	58	-
Extraordinary loss		
Loss on disposal of fixed assets	44	-
Loss on valuation of shares of subsidiaries and associates	-	23
Others	-	1
Total extraordinary loss	44	25
Quarterly net income before income taxes, etc.	11,227	12,907
Corporate tax, inhabitant tax and business tax	3,524	3,964
Corporate tax adjustment amount	15	389
Total corporate tax, etc.	3,540	4,353
Quarterly net profit	7,686	8,554
Quarterly profit attributable to non-controlling interests	16	27
Quarterly profit attributable to owners of parent	7,670	8,526

(Quarterly consolidated statement of comprehensive income)
(2nd quarter consolidated cumulative period)

(Unit: million yen)

	Previous 2nd quarter consolidated cumulative period (From April 1, 2022 to September 30, 2022)	Current 2nd quarter consolidated cumulative period (From April 1, 2023 to September 30, 2023)
Quarterly net profit	7,686	8,554
Other comprehensive income		
Other valuation difference on securities	-234	937
Deferred hedge gain or loss	1,207	539
Exchange translation adjustment account	801	321
Adjustments related to retirement benefits	-42	323
Share of other comprehensive income of entities accounted for using equity method	96	113
Total other comprehensive income	1,829	2,235
Quarterly comprehensive income	9,516	10,789
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	9,440	10,722
Quarterly comprehensive income attributable to non-controlling interests	76	67

- (3) Notes on the quarterly consolidated financial statements
(Notes on the going concern assumption)
Not applicable.

(Notes on substantial changes in the amount of shareholders' equity)
Not applicable.

(Segment information, etc.)

[Segment information]

I Previous 2nd quarter consolidated cumulative period (from April 1, 2022 to September 30, 2022)

1. Information on net sales, profit or loss for each reporting segment

(Unit: million yen)

	Reporting segments				Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded on quarterly consolidated profit statement (Note) 3
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Total				
Net sales								
Net sales to external customers	371,705	31,356	5,804	408,866	379	409,246	-	409,246
Internal sales or transfers between segments	111	8	-	120	185	306	-306	-
Total	371,817	31,364	5,804	408,987	565	409,552	-306	409,246
Segment profit	9,739	718	437	10,895	58	10,954	9	10,963

- (Note)
1. The "Others" classification is a segment for business not included in the reporting segments and includes insurance agency business, engineering business, etc.
 2. The adjustment of segment profit is mainly for the deletion of transactions between segments.
 3. Segment profit is adjusted with the operating profit of the quarterly consolidated profit statement.

II Current 2nd quarter consolidated cumulative period (from April 1, 2023 to September 30, 2023)

1. Information on net sales, profit or loss for each reporting segment

(Unit: million yen)

	Reporting segments				Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded on quarterly consolidated profit statement (Note) 3
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Total				
Net sales								
Net sales to external customers	409,237	29,679	6,680	445,597	320	445,917	-	445,917
Internal sales or transfers between segments	90	9	-	100	113	214	-214	-
Total	409,328	29,688	6,680	445,698	434	446,132	-214	445,917
Segment profit	11,593	620	521	12,734	33	12,767	24	12,792

- (Note)
1. The "Others" classification is a segment for business not included in the reporting segments and includes insurance agency business, engineering business, etc.
 2. The adjustment of segment profit is mainly for the deletion of transactions between segments.
 3. Segment profit is adjusted with the operating profit of the quarterly consolidated profit statement.

2nd Quarter of the Fiscal Year Ending March 2024 Financial Results Materials

1. Capital investment and depreciation (Unit: million yen)

	Consolidated		
	BY2022 2Q	BY2022	BY2023 2Q
Capital investment	956	2,151	1,164
Depreciation	1,676	3,381	1,680

2. Interest-bearing liabilities (Unit: million yen)

	Consolidated		
	BY2022 2Q	BY2022	BY2023 2Q
Loans payable	26,964	26,099	24,591

3. R&D expenses (Unit: million yen)

	BY2022 2Q	BY2022	BY2023 2Q
Consolidated	488	928	468

4. Number of employees (Unit: people)

	BY2022 2Q	BY2022	BY2023 2Q
Consolidated	5,795	5,432	5,928
(of which overseas)	(1,644)	(1,510)	(1,629)
Non-consolidated	27	26	29

(Note) Including temporary employees, excluding seconded employees.

5. Results forecast for the full-term of BY2023 (Unit: million yen)

	Consolidated				
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Others	Total
Net sales	894,300	61,220	13,360	620	969,500
Operating profit	27,905	1,600	1,150	45	30,700

6. Capital investment and depreciation forecast for the full-term of BY2023 (Unit: million yen)

	Consolidated
Capital investment	3,970
Depreciation	3,359