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October 27, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: Aoi Electronics Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6832
 URL: <https://www.aoi-electronics.co.jp/>
 Representative: Kazuhiro Kinoshita, President
 Inquiries: Ryoji Aoki, Director, General Manager of Administration Div.
 Telephone: +81-87-882-1131
 Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: December 1, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(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, 2023 | 17,076 | (17.3) | (789) | — | (646) | — | (657) | — |
| September 30, 2022 | 20,657 | (5.9) | 1,102 | (44.6) | 1,409 | (33.4) | 972 | (32.8) |

Note: Comprehensive income For the six months ended September 30, 2023: ¥(592) million [—%]
 For the six months ended September 30, 2022: ¥954 million [(39.0)%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| September 30, 2023 | (54.80) | — |
| September 30, 2022 | 81.04 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|--------------------|-----------------|-----------------|-----------------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| September 30, 2023 | 56,721 | 49,597 | 87.4 | 4,133.50 |
| March 31, 2023 | 57,368 | 50,537 | 88.1 | 4,211.84 |

Reference: Equity
 As of September 30, 2023: ¥49,597 million
 As of March 31, 2023: ¥50,537 million

2. Cash dividends

| | Annual dividends per share | | | | |
|--|----------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2023 | – | 27.00 | – | 29.00 | 56.00 |
| Fiscal year ending March 31, 2024 | – | 25.00 | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | | – | 29.00 | 54.00 |

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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 | 35,300 | (5.2) | (900) | – | (900) | – | (930) | – | (77.51) |

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

Regarding revisions to the consolidated financial results forecast, please refer to the “Notice Regarding Differences Between Consolidated Financial Results Forecasts and Actual Results for the Six Months Ended September 30, 2023 and Revisions to Full-Year Consolidated Financial Results Forecasts of the Fiscal Year Ending March 31, 2024” announced today (October 27, 2023) in Japanese.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

| | |
|--------------------------|-------------------|
| As of September 30, 2023 | 12,000,000 shares |
| As of March 31, 2023 | 12,000,000 shares |

(ii) Number of treasury shares at the end of the period

| | |
|--------------------------|------------|
| As of September 30, 2023 | 975 shares |
| As of March 31, 2023 | 975 shares |

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

| | |
|-------------------------------------|-------------------|
| Six months ended September 30, 2023 | 11,999,025 shares |
| Six months ended September 30, 2022 | 11,999,101 shares |

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Although the financial results forecast was calculated based on information currently available as of the announcement date of these materials, a considerable number of uncertain factors are also included. Please understand that actual financial results may differ significantly from the forecasts presented in these materials due to changes to business conditions, etc.

Means of access to supplementary material on quarterly financial results

The supplementary material on quarterly financial results will be available on the Company's website.

Attached Materials

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1. Qualitative information on the quarterly financial results

(1) Operating results

During the six months ended September 30, 2023, the Japanese economy maintained its track of recovery with increased services consumption and higher demand from inbound tourism resulting from the normalization of social and economic activities following the lifting of COVID-19 related activity restrictions. On the other hand, the economic outlook remains uncertain due to the negative impact on business results and personal consumption from not only rising price of goods accompanying soaring resource and energy prices but also fluctuations in the financial and capital markets and other factors. Overseas, although the U.S. economy has underlying strength from the support of expanding personal consumption amid a firm employment environment, the pace of recovery in China appears to be slow mainly due to the slump in the real estate market and weak consumer sentiment. In addition, considering the constraints placed on business by consistently high global raw material prices and monetary tightening, the geopolitical risk in Eastern Europe and the Middle East, and other factors, the level of uncertainty for the global economy remains high.

In the electronic components industry, to which the Group belongs, extremely difficult conditions have persisted due to not only demand falling sharply, mainly on account of the absence of the special COVID-19 related demand and the slowdown in the Chinese economy, but also the drastic adjustments to balance of supply and demand ongoing since the middle of last year, particularly with respect to components for mobile information devices.

Amid these circumstances, for the six months ended September 30, 2023, consolidated net sales totaled ¥17,076 million (decrease of ¥3,581 million (-17.3%) year on year), operating loss totaled ¥789 million (compared with operating profit of ¥1,102 million in the same period of the previous fiscal year) due to soaring raw material prices as well as the decrease in net sales, ordinary loss totaled ¥646 million (compared with ordinary profit of ¥1,409 million in the same period of the previous fiscal year) despite foreign exchange gains, and loss attributable to owners of parent totaled ¥657 million (compared with profit attributable to owners of parent of ¥972 million in the same period of the previous fiscal year).

With regard to net sales by category of the Group's products, integrated circuits recorded ¥15,119 million (decrease of ¥2,570 million (-14.5%) year on year) due to a large decline in demand for components for mobile information devices caused by the stagnation of the Chinese economy. Sales of functional components totaled ¥1,953 million (decrease of ¥990 million (-33.7%) year on year) due to the production termination of certain products and struggling orders for thermal print heads for the Chinese market.

(2) Financial position

Assets as of September 30, 2023 totaled ¥56,721 million (decrease of ¥647 million from the end of the previous fiscal year) due to an increase in notes and accounts receivable - trade and a decrease in construction in progress. Liabilities totaled ¥7,123 million (increase of ¥292 million from the end of the previous fiscal year) due to an increase in long-term borrowings. As a result, net assets totaled ¥49,597 million (decrease of ¥940 million from the end of the previous fiscal year), and the equity-to-asset ratio was 87.4%.

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

Regarding the financial results forecast for the fiscal year ending March 31, 2024, please refer to the "Notice Regarding Differences Between Consolidated Financial Results Forecasts and Actual Results for the Six Months Ended September 30, 2023 and Revisions to Full-Year Consolidated Financial Results Forecasts of the Fiscal Year Ending March 31, 2024" announced today (October 27, 2023) in Japanese.

2. Quarterly consolidated financial statements and significant notes thereto
(1) Consolidated balance sheets

(Thousands of yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 22,561,943 | 22,485,076 |
| Notes and accounts receivable - trade | 6,247,175 | 6,703,941 |
| Electronically recorded monetary claims - operating | 2,113,781 | 2,103,296 |
| Securities | 3,000,000 | 3,000,000 |
| Merchandise and finished goods | 83,755 | 114,854 |
| Work in process | 1,118,635 | 866,390 |
| Raw materials and supplies | 2,225,637 | 2,171,391 |
| Prepaid expenses | 78,967 | 92,821 |
| Other | 785,646 | 361,635 |
| Total current assets | 38,215,541 | 37,899,407 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 21,166,342 | 22,414,629 |
| Accumulated depreciation and impairment | (15,690,299) | (16,076,559) |
| Buildings and structures, net | 5,476,042 | 6,338,069 |
| Machinery, equipment and vehicles | 46,225,613 | 45,459,998 |
| Accumulated depreciation and impairment | (43,367,398) | (42,531,596) |
| Machinery, equipment and vehicles, net | 2,858,214 | 2,928,401 |
| Tools, furniture and fixtures | 8,865,107 | 8,631,253 |
| Accumulated depreciation and impairment | (8,349,649) | (8,159,862) |
| Tools, furniture and fixtures, net | 515,457 | 471,391 |
| Land | 3,464,288 | 3,457,070 |
| Leased assets | 348,453 | 333,127 |
| Accumulated depreciation and impairment | (196,798) | (209,444) |
| Leased assets, net | 151,654 | 123,683 |
| Construction in progress | 1,577,451 | 404,333 |
| Total property, plant and equipment | 14,043,109 | 13,722,949 |
| Intangible assets | | |
| Goodwill | 123,667 | 117,325 |
| Other | 154,630 | 140,302 |
| Total intangible assets | 278,297 | 257,627 |
| Investments and other assets | | |
| Investment securities | 2,755,349 | 2,904,981 |
| Retirement benefit asset | 778,130 | 802,248 |
| Deferred tax assets | 937,957 | 886,322 |
| Other | 360,432 | 248,225 |
| Total investments and other assets | 4,831,870 | 4,841,778 |
| Total non-current assets | 19,153,278 | 18,822,355 |
| Total assets | 57,368,820 | 56,721,763 |

(Thousands of yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 1,630,025 | 1,828,093 |
| Electronically recorded obligations - operating | 851,717 | 889,590 |
| Short-term borrowings | 190,000 | 190,000 |
| Current portion of long-term borrowings | 160,496 | 194,996 |
| Lease liabilities | 63,870 | 56,811 |
| Accounts payable - other | 2,074,116 | 1,845,537 |
| Income taxes payable | 51,533 | 68,426 |
| Provision for bonuses | 712,970 | 697,465 |
| Other | 594,581 | 616,718 |
| Total current liabilities | 6,329,312 | 6,387,639 |
| Non-current liabilities | | |
| Long-term borrowings | 141,681 | 436,683 |
| Lease liabilities | 95,408 | 70,499 |
| Deferred tax liabilities | 2,121 | 2,045 |
| Retirement benefit liability | 175,496 | 141,077 |
| Asset retirement obligations | 27,742 | 27,816 |
| Other | 59,121 | 58,091 |
| Total non-current liabilities | 501,571 | 736,213 |
| Total liabilities | 6,830,884 | 7,123,853 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,545,500 | 4,545,500 |
| Capital surplus | 5,790,950 | 5,790,950 |
| Retained earnings | 39,745,691 | 38,740,172 |
| Treasury shares | (2,028) | (2,028) |
| Total shareholders' equity | 50,080,112 | 49,074,593 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 232,553 | 285,283 |
| Remeasurements of defined benefit plans | 225,270 | 238,032 |
| Total accumulated other comprehensive income | 457,823 | 523,316 |
| Total net assets | 50,537,936 | 49,597,910 |
| Total liabilities and net assets | 57,368,820 | 56,721,763 |

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)
Consolidated statements of income (cumulative)

(Thousands of yen)

| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
|---|--|--|
| Net sales | 20,657,960 | 17,076,660 |
| Cost of sales | 17,298,299 | 15,774,402 |
| Gross profit | 3,359,660 | 1,302,258 |
| Selling, general and administrative expenses | 2,256,878 | 2,091,441 |
| Operating profit (loss) | 1,102,782 | (789,182) |
| Non-operating income | | |
| Interest income | 731 | 847 |
| Dividend income | 7,149 | 7,842 |
| Foreign exchange gains | 262,601 | 102,834 |
| Technical support fee income | 30,608 | 24,854 |
| Compensation income | 24,972 | 97 |
| Rental income | 17,234 | 15,473 |
| Subsidy income | - | 24,783 |
| Other | 31,881 | 37,679 |
| Total non-operating income | 375,178 | 214,414 |
| Non-operating expenses | | |
| Interest expenses | 3,094 | 1,642 |
| Compensation expenses | 39,075 | 25,365 |
| Depreciation of assets for rent | 15,754 | 17,124 |
| Share of loss of entities accounted for using equity method | 1,020 | 17,305 |
| Other | 9,245 | 10,471 |
| Total non-operating expenses | 68,190 | 71,910 |
| Ordinary profit (loss) | 1,409,769 | (646,678) |
| Extraordinary income | | |
| Gain on sale of non-current assets | 23,754 | 61,539 |
| Gain on sale of investment securities | - | 87 |
| Total extraordinary income | 23,754 | 61,627 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | - | 21,293 |
| Loss on retirement of non-current assets | 50,541 | 9,601 |
| Environmental expenses | 1,467 | 13,530 |
| Total extraordinary losses | 52,008 | 44,424 |
| Profit (loss) before income taxes | 1,381,515 | (629,476) |
| Income taxes - current | 364,877 | 5,001 |
| Income taxes - deferred | 44,253 | 23,069 |
| Total income taxes | 409,131 | 28,070 |
| Profit (loss) | 972,384 | (657,546) |
| Profit (loss) attributable to owners of parent | 972,384 | (657,546) |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
|--|--|--|
| Profit (loss) | 972,384 | (657,546) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (40,406) | 52,730 |
| Remeasurements of defined benefit plans, net of tax | 22,946 | 12,762 |
| Total other comprehensive income | (17,459) | 65,492 |
| Comprehensive income | 954,924 | (592,054) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 954,924 | (592,054) |
| Comprehensive income attributable to non-controlling interests | – | – |

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable

Notes on significant changes in the amount of shareholders' equity

Not applicable

Application of special accounting for preparing quarterly consolidated financial statements

Not applicable

Changes in accounting policies

Not applicable

Changes in accounting estimates

Not applicable

Additional information

Not applicable

Segment information

Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022) and the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

The Group consists of a single operating segment, of which business activities are manufacturing and selling electric and electronic components, and the entire Group formulates comprehensive business strategies and conducts business activities. Accordingly, segment information has been omitted.