

Summary of Financial Results (Japan GAAP) [Consolidated] For the First Quarter of Fiscal Year Ending March 31, 2025

August 2, 2024

Company name: IDEC CORPORATION URL <http://jp.idec.com/>
 Stock exchange listing: Tokyo Stock Exchange – Prime Market
 Stock code: 6652
 Representative: Toshiyuki Funaki, Chairman and Chief Executive Officer
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 Scheduled date for dividend payment: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts)

(Amounts less than one million yen are omitted.)

1. Consolidated financial results for the three months ended June 30, 2024 (From April 1 to June 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	%
Three months ended								
June 30, 2024	15,962	(12.2)	272	(83.6)	494	(75.6)	300	(79.5)
June 30, 2023	18,180	(9.8)	1,665	(47.2)	2,022	(43.2)	1,467	(42.6)

(Note) Comprehensive income: Three months ended June 30, 2024 3,263 million yen (41.6%)
 Three months ended June 30, 2023 5,591 million yen 11.2%

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	10.21	10.19
June 30, 2023	50.16	49.91

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	108,091	67,469	62.0
March 31, 2024	107,138	66,006	61.2

(Reference) Shareholders' equity: As of June 30, 2024 66,977 million yen
 As of March 31, 2024 65,551 million yen

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Annual (Total)
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	65.00	–	65.00	130.00
Fiscal year ended March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		65.00	–	65.00	130.00

(Note) Changes in the forecasted cash dividends in this quarter: None

3. Forecast of consolidated results for the fiscal year ending March 31, 2025
(From April 1, 2024 to March 31, 2025)

(Percentages indicate changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	71,700	(1.4)	5,200	(17.1)	5,200	(24.9)	4,000	(9.2)	136.23

(Note) Revisions of the forecast most recently announced: None

* Notes

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

New: - company (company name) -, Excluded: - company (company name) -

(2) Applying of specific accounting of the consolidated quarterly financial statements: Yes

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

(a) Changes in accounting policies based on revisions of accounting standards: None

(b) Changes in accounting policies other than ones based on revisions of accounting standards: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of issued and outstanding shares (common shares)

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

As of June 30, 2024	33,224,485 shares	As of March 31, 2024	33,224,485 shares
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(b) Number of treasury shares at the end of the period

As of June 30, 2024	3,758,672 shares	As of March 31, 2024	3,789,485 shares
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(c) Average number of shares during the period

Three months ended June 30, 2024	29,448,072 shares	Three months ended June 30, 2023	29,264,116 shares
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* Review of accompanying quarterly consolidated financial statements by certified public accountants or auditing firms: None

* Proper use of earnings forecasts, and other special matters

The forecasts included in this documents are based on the information that the Company has obtained at the time of disclosure.

Actual results may differ significantly from the forecast due to a various factors in the future.

* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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1. Overview of business performance, etc.

(1) Overview of business results for this quarter

During the first quarter under review, the Japanese economy showed a moderate recovery trend given the improved employment and income environment and an increase in inbound tourism. On the other hand, the outlook remains uncertain in light of factors such as soaring raw materials prices due to surging resource prices and a weakening yen, the impact of continued high interest rates in Europe and the U.S., and downside risks associated with the stagnant real estate market in China.

The Group announced that it will revise its medium-term management plan in May 2024 in order to transform into a highly profitable business structure by promoting fundamental reforms globally. We will announce details at a later date, but we are promoting structural reforms aimed at new growth.

Under these circumstances, the Group saw domestic net sales decrease by 1,744 million yen year on year to hit 4,937 million yen (down 26.1% year on year), mainly due to the impact of distributors' inventory adjustments continuing from last year. Overseas net sales declined 473 million yen year on year to reach 11,025 million yen (down 4.1% year on year) mainly as a result of a decrease in sales caused by distributors' inventory adjustments continuing from last year as with domestic net sales although net sales increased in some regions due to the weaker yen. As a result, consolidated net sales for the first quarter under review totaled 15,962 million yen (down 12.2% year on year).

In terms of profit, operating income decreased 1,392 million yen year on year to total 272 million yen (down 83.6% year on year) due to a decrease in profit resulting from a drop in revenue. Ordinary income fell 1,528 million yen year on year to 494 million yen (down 75.6% year on year), and net income attributable to owners of the parent decreased 1,167 million yen year on year to hit 300 million yen (down 79.5% year on year).

The above results for the first quarter under review are as shown below.

	Three months ended June 30, 2023	Three months ended June 30, 2024	increase/ decrease	Rate of Change
Net sales (Millions of yen)	18,180	15,962	(2,218)	(12.2%)
Gross profit (Millions of yen)	7,900	6,861	(1,039)	(13.2%)
Gross income margin(%)	43.5	43.0	(0.5)	-
Operating profit (Millions of yen)	1,665	272	(1,392)	(83.6%)
Operating income margin(%)	9.2	1.7	(7.5)	-
Ordinary profit (Millions of yen)	2,022	494	(1,528)	(75.6%)
Profit attributable to owners of parent (Millions of yen)	1,467	300	(1,167)	(79.5%)

(Exchange Rate)

Average exchange rate for USD	137.49	155.86	+18.37	-
Average exchange rate for EUR	149.58	167.84	+18.26	-
Average exchange rate for CNY	19.56	21.47	+1.91	-

Results by segment for the first quarter under review are as follows.

【Japan】

In Japan, net sales decreased 2,062 million yen year on year to hit 5,673 million yen (down 26.7% year on year), and operating loss totaled 457 million yen (operating income of 672 million yen in the same period of the previous fiscal year). This was due in part to a sense of stagnation in key industries such as robotics and machine tools, and distributors' inventory adjustments.

【Americas】

In North America, although distributors' inventory that was in excess at the end of the previous fiscal year settled down at a certain level and orders were getting on a track to recovery, compared to the same period of the previous fiscal year when backlog of orders were cleared, net sales decreased 169 million yen year on year to reach 3,506 million yen (down 4.6% year on year). Operating income decreased 14 million yen year on year to 341 million yen (down 4.2% year on year).

【Europe, Middle East and Africa(EMEA)】

Net sales in the European market fell year on year in local currency terms due to weak demand in major industries, but in yen terms, net sales increased 274 million yen year on year to total 4,091 million yen (up 7.2% year on year) due to the weak yen against euro. Although the gross profit margin improved due to a better model mix and the effect of price hikes, the decrease in sales in local currency terms resulted in an operating loss of 62 million yen (operating income of 193 million yen in the same period of the previous year).

【Asia Pacific】

In the Asia-Pacific region, net sales decreased 260 million yen year on year to total 2,690 million yen (down 8.8% year on year), and operating income dropped 254 million yen year on year to hit 196 million yen (down 56.4% year on year) due to the impact of the economic slowdown in China and Southeast Asia.

Net sales by product category for the first quarter under review are as follows.

【HMI】

Net sales decreased 445 million yen year on year to reach 8,149 million yen (down 5.2% year on year) as a result of distributors' inventory adjustments for our mainstay switches and programmable displays in Japan, the Americas, and the Asia-Pacific region.

*This product category includes control switches, joysticks, indicator lights, and programmable displays, which are key human-machine interfaces (HMIs).

【Industrial relays & components】

Net sales were down 415 million yen year on year to hit 2,533 million yen (down 14.1% year on year) as a result of a decrease in sales of industrial relays in the Asia-Pacific region, our key market, due to the economic slowdown particularly in the Chinese market and continuing distributors' inventory adjustments.

*This product category includes switching power supplies, terminal blocks, control relays/sockets, and circuit protectors, which are built into control panels for controlling and operating machines and production lines and are used as the basis for control parts of machines and equipment.

【Automation & sensing】

Net sales decreased 269 million yen year on year to reach 2,071 million yen (down 11.5% year on year) as a result of decreased new orders particularly in Japan and the Americas as most of backlog of orders for programmable logic controllers were cleared and products were delivered to customers thanks to the improved delivery time for electronic components in the previous fiscal year.

*This product category includes products designed to contribute to the automation of equipment used in a wide range of industrial and consumer applications, programmable controllers, which act as the brains of machines and equipment, and automatic identification devices, which are used in retail, logistics, and various other areas.

【Safety & explosion protection】

Net sales fell 753 million yen year on year to total 2,350 million yen (down 24.3% year on year) due to a downturn in sales of safety components as distributors' inventory adjustments continued and demand kept decreasing in major industries such as semiconductors and machine tools in Japan and the Asia-Pacific region, particularly in the Chinese market.

*This product category includes safety components, such as emergency stop pushbutton switches, safety switches, and enabling devices, which protect the safety of industrial sites, as well as explosion-protection devices that prevent accidents at sites where explosive gases exist, such as oil and chemical plants.

【Systems】

Net sales dropped 196 million yen year on year to reach 714 million yen (down 21.6% year on year) due to a decrease in sales of control panels for semiconductor manufacturing facilities, logistics facilities, etc. in the Asia-Pacific region.

*This product category includes various systems custom-made with IDEC products according to customer needs as well as collaborative robot system solutions that combine safety components and safety technologies to create optimal systems.

【Others】

Net sales fell 137 million yen year on year to total 142 million yen (down 49.1% year on year) as a result of a decrease in demand for other related products in Japan.

*This product category includes mega-solar and photovoltaic power generation power management systems (renewable energy business), which are being researched for application in a wide range of fields.

(2) Overview of financial position for this quarter

(Assets, liabilities, and net assets)

Total assets at the end of the first quarter under review came to 108,091 million yen, an increase of 952 million yen since the end of the previous fiscal year. This uptick was mainly due to an increase of 1,206 million yen in property, plant and equipment and intangible assets, an increase of 831 million yen in inventories, and an increase of 760 million yen in cash and deposits, despite a decrease of 2,222 million yen in trade receivables.

Liabilities decreased 510 million yen from the end of the previous fiscal year to total 40,622 million yen. This fall was mainly due to a decrease of 1,319 million yen in borrowings, despite an increase of 446 million yen in contract liabilities, an increase of 295 million yen in trade payables, and an increase of 105 million yen in lease liabilities.

Net assets increased 1,462 million yen from the end of the previous fiscal year to reach 67,469 million yen mainly due to an increase of 2,911 million yen in foreign currency translation adjustments, despite a decrease of 1,612 million yen in retained earnings.

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

There is no change to the consolidated earnings forecast for the fiscal year ending March 2025, which was announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2024" dated May 10, 2024.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	17,628	18,388
Notes and accounts receivable - trade, and contract assets	12,716	10,763
Electronically recorded monetary claims - operating	928	659
Merchandise and finished goods	13,000	13,690
Work in process	1,919	1,907
Raw materials and supplies	6,559	6,714
Other	2,203	2,455
Allowance for doubtful accounts	(35)	(36)
Total current assets	<u>54,921</u>	<u>54,541</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,668	9,682
Machinery, equipment and vehicles, net	3,932	3,982
Tools, furniture and fixtures, net	1,798	1,896
Land	5,958	6,008
Leased assets, net	142	214
Right-of-use assets, net	1,749	1,770
Construction in progress	752	690
Total property, plant and equipment	<u>24,000</u>	<u>24,245</u>
Intangible assets		
Trademark right	2,534	2,624
Customer-related intangible assets	7,965	8,233
Software	1,602	1,746
Goodwill	12,284	12,708
Other	1,123	1,160
Total intangible assets	<u>25,511</u>	<u>26,473</u>
Investments and other assets		
Investment securities	489	493
Retirement benefit asset	399	401
Deferred tax assets	1,201	1,321
Other	646	638
Allowance for doubtful accounts	(31)	(24)
Total investments and other assets	<u>2,704</u>	<u>2,830</u>
Total non-current assets	<u>52,217</u>	<u>53,549</u>
Total assets	<u>107,138</u>	<u>108,024</u>

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,792	4,090
Electronically recorded obligations - operating	537	534
Short-term borrowings	7,000	6,650
Current portion of long-term borrowings	6,073	3,455
Lease liabilities	566	611
Accounts payable - other	852	748
Accrued expenses	2,430	2,291
Income taxes payable	505	490
Contract liabilities	477	924
Deposits received	165	207
Provision for product warranties	40	45
Other	1,388	1,483
Total current liabilities	23,830	21,533
Non-current liabilities		
Long-term borrowings	10,183	11,832
Lease liabilities	1,418	1,479
Deferred tax liabilities	3,026	3,129
Provision for retirement benefits for directors (and other officers)	56	30
Retirement benefit liability	1,485	1,479
Asset retirement obligations	116	117
Other	1,014	1,019
Total non-current liabilities	17,301	19,088
Total liabilities	41,132	40,622
Net assets		
Shareholders' equity		
Share capital	10,056	10,056
Capital surplus	9,571	9,593
Retained earnings	41,077	39,464
Treasury shares	(6,970)	(6,916)
Total shareholders' equity	53,735	52,198
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(16)	17
Foreign currency translation adjustment	11,801	14,712
Remeasurements of defined benefit plans	30	49
Total accumulated other comprehensive income	11,815	14,778
Share acquisition rights	455	491
Total net assets	66,006	67,469
Total liabilities and net assets	107,138	108,024

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
(Consolidated Quarterly Statements of Income)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	18,180	15,962
Cost of sales	10,279	9,100
Gross profit	7,900	6,861
Selling, general and administrative expenses	6,235	6,589
Operating profit	1,665	272
Non-operating income		
Interest and dividend income	34	35
Share of profit of entities accounted for using equity method	40	29
Foreign exchange gains	581	374
Other	90	54
Total non-operating income	745	495
Non-operating expenses		
Interest expenses	30	41
Loss on valuation of derivatives	289	148
Other	68	82
Total non-operating expenses	388	273
Ordinary profit	2,022	494
Extraordinary income		
Gain on sale of non-current assets	3	3
Gain on sale of investment securities	62	-
Gain on reversal of share acquisition rights	3	1
Total extraordinary income	70	4
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on abandonment of non-current assets	0	1
Total extraordinary losses	1	1
Profit before income taxes	2,091	497
Income taxes - current	483	337
Income taxes - deferred	139	(141)
Total income taxes	623	196
Profit	1,467	300
Profit attributable to owners of parent	1,467	300

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,467	300
Other comprehensive income		
Valuation difference on available-for-sale securities	(43)	33
Foreign currency translation adjustment	4,169	2,911
Remeasurements of defined benefit plans, net of tax	(1)	18
Total other comprehensive income	4,123	2,963
Comprehensive income	5,591	3,263
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,591	3,263

(3) Notes on the Consolidated Quarterly Financial Statements

[Notes - Uncertainties of entity's ability to continue as going concern]

No items to report

[Notes - When there are significant changes in amounts of equity]

No items to report

[Notes - Accounting treatments specific to quarterly financial statements]

(Calculation of Income tax expense)

Some consolidated subsidiaries have adopted a method for reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year that includes the first quarter under review and multiplying quarterly profit before income taxes by this estimated effective tax rate.

[Notes - Quarterly consolidated statement of cash flows]

The Company has not prepared the quarterly consolidated statement of cash flows for the first quarter under review. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first quarter under review are as follows.

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	946	1,019
Amortization of goodwill	238	253

[Notes - Segment information, etc.]

[Segment Information]

I Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

1. Disclosure of sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments					Adjustments	Consolidated total
	Japan	Americas	EMEA	Asia Pacific	Total		
Net Sales							
Revenue from Contracts with Customers	7,736	3,675	3,817	2,950	18,180	-	18,180
Other income	-	-	-	-	-	-	-
Revenues from external customers	7,736	3,675	3,817	2,950	18,180	-	18,180
Transactions with other segments	2,076	233	667	2,173	5,151	(5,151)	-
Total	9,813	3,908	4,485	5,124	23,331	(5,151)	18,180
Segment profit	672	356	193	450	1,673	(8)	1,665

(Notes)1. Adjustments of segment profit (8) million yen represents intersegment transactions.

2. Segment profit has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.

3. These are mainly performance obligations that are satisfied at a point in time, but some performance obligations are satisfied over a period of time.

The amounts recognized as performance obligations satisfied over time are insignificant.

II Three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

1. Disclosure of sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments					Adjustments	Consolidated total
	Japan	Americas	EMEA	Asia Pacific	Total		
Net Sales							
Revenue from Contracts with Customers	5,673	3,506	4,091	2,690	15,962	-	15,962
Other income	-	-	-	-	-	-	-
Revenues from external customers	5,673	3,506	4,091	2,690	15,962	-	15,962
Transactions with other segments	1,650	214	545	1,329	3,740	(3,740)	-
Total	7,323	3,720	4,637	4,020	19,702	(3,740)	15,962
Segment profit(loss)	(457)	341	(62)	196	18	253	272

(Notes)1. Adjustments of segment profit(loss) 253 million yen represents intersegment transactions.

2. Segment profit(loss) has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.

3. These are mainly performance obligations that are satisfied at a point in time, but some performance obligations are satisfied over a period of time.

The amounts recognized as performance obligations satisfied over time are insignificant.

3. Supplementary Information

(1) Summary of consolidated performance

(Millions of yen, %)

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	First quarter	YoY	Full year	YoY	First quarter	YoY	Full year (Forecast)	YoY
Net sales	18,180	90.2	72,711	86.7	15,962	87.8	71,700	98.6
Operating profit	1,665	52.8	6,276	44.6	272	16.4	5,200	82.9
Ordinary profit	2,022	56.8	6,920	48.1	494	24.4	5,200	75.1
Profit attributable to owners of parent	1,467	57.4	4,407	43.4	300	20.5	4,000	90.8

(2) Net sales by products

(Millions of yen, %)

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	First quarter	YoY	Full year	YoY	First quarter	YoY	Full year (Forecast)	YoY
HMI	8,594	96.8	33,948	94.9	8,149	94.8	34,700	102.2
Industrial relays & components	2,948	73.7	11,629	75.1	2,533	85.9	11,000	94.6
Automation & sensing	2,341	108.4	9,904	95.9	2,071	88.5	9,900	100.0
Safety & explosion protection	3,104	80.8	11,647	71.5	2,350	75.7	11,300	97.0
Systems	911	95.8	3,969	81.9	714	78.4	3,200	80.6
Others	280	86.6	1,612	137.3	142	50.9	1,600	99.2
Total	18,180	90.2	72,711	86.7	15,962	87.8	71,700	98.6

(3) Net sales by regions

(Millions of yen, %)

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	First quarter	YoY	Full year	YoY	First quarter	YoY	Full year (Forecast)	YoY
Japan	6,681	80.3	26,907	77.9	4,937	73.9	25,200	93.7
Overseas								
Americas	3,707	107.2	14,158	90.3	3,572	96.4	-	-
EMEA	3,776	113.9	15,589	115.8	3,977	105.3	-	-
Asia Pacific	4,015	79.3	16,056	79.4	3,474	86.5	-	-
Total Overseas	11,498	97.1	45,804	92.8	11,025	95.9	46,500	101.5
Total	18,180	90.2	72,711	86.7	15,962	87.8	71,700	98.6

(4) Orders received and orders backlog

(Millions of yen, %)

	First quarter of fiscal year ending March 31, 2024				First quarter of fiscal year ending March 31, 2025			
	Orders received	YoY	Orders backlog	YoY	Orders received	YoY	Orders backlog	YoY
Japan	6,550	59.2	12,329	62.0	6,551	100.0	7,013	56.9
Americas	2,681	55.0	3,863	60.3	3,403	126.9	2,750	71.2
EMEA	4,164	117.1	9,947	133.9	4,136	99.3	8,038	80.8
Asia Pacific	2,257	60.3	3,392	46.9	2,907	128.8	3,205	94.5
Total	15,655	67.4	29,532	72.1	16,999	108.6	21,008	71.1

(5) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Cash flows from operating activities	(414)	2,816	(215)	3,318	4,036	-	-	-
Cash flows from investing activities	78	(282)	(958)	(760)	(347)	-	-	-
Cash flows from financing activities	(2,327)	(523)	1,421	(3,033)	(3,309)	-	-	-
Cash and cash equivalents	12,969	15,131	15,167	15,040	15,957	-	-	-

(6) Capital expenditure

(Millions of yen, %)

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	First quarter	YoY	Full year	YoY	First quarter	YoY	Full year (Forecast)	YoY
Consolidated	928	120.2	2,960	72.4	854	92.0	4,400	148.6

(7) Depreciation and amortization expense

(Millions of yen, %)

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	First quarter	YoY	Full year	YoY	First quarter	YoY	Full year (Forecast)	YoY
Consolidated	946	112.5	3,917	110.5	1,019	107.7	4,200	107.2

(8) R&D expense

(Millions of yen, %)

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	First quarter	Sales Ratio	Full year	Sales Ratio	First quarter	Sales Ratio	Full year (Forecast)	Sales Ratio
Consolidated	687	3.8	2,796	3.8	755	4.7	2,800	3.9