

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending September 30, 2022 <under Japanese GAAP>

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 Scheduled date to submit Quarterly Securities Report: May 11, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for analysts and institutional investors)

(Rounded down to the nearest million yen)

1. Consolidated Performance for the First Six Months of the Fiscal Year Ending September 30, 2022 (from October 1, 2021 to March 31, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First six months ended								
March 31, 2022	4,671	3.4	372	23.2	444	16.0	160	(34.5)
March 31, 2021	4,516	(3.7)	302	(42.4)	383	(22.9)	245	(26.2)

Note: Comprehensive income For the first six months ended March 31, 2022: 171 million yen [–34.9%]
 For the first six months ended March 31, 2021: 263 million yen [–30.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First six months ended		
March 31, 2022	40.42	–
March 31, 2021	61.68	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
March 31, 2022	8,336	5,907	70.9
September 30, 2021	8,410	6,141	73.0

Reference: Equity As of March 31, 2022: 5,907 million yen
 As of September 30, 2021: 6,141 million yen

2. Cash Dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2021	–	0.00	–	102.00	102.00
Fiscal year ending September 30, 2022	–	0.00			
Fiscal year ending September 30, 2022 (Forecast)			–	102.00	102.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending September 30, 2022 (from October 1, 2021 to September 30, 2022) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	9,670	7.2	710	61.6	800	29.5	410	(38.8)	103.02

Note: Revisions to the earnings forecasts most recently announced: Yes

* Notes

- (1) Significant changes to subsidiaries during the period
(changes in specified subsidiaries accompanying changes in the scope of consolidation): None
New: – Exclusion: –
- (2) Application of special accounting in preparing consolidated quarterly financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- | | |
|--|------|
| (a) Changes in accounting policies due to revisions to accounting standards and other regulations: | Yes |
| (b) Changes in accounting principles other than (a): | None |
| (c) Changes in accounting estimates: | None |
| (d) Restatement of prior period financial statements after error corrections: | None |
- (4) Number of issued shares (common shares)
- | | |
|---|------------------|
| (a) Total number of issued shares at the end of the period (including treasury shares) | |
| As of March 31, 2022 | 3,980,000 shares |
| As of September 30, 2021 | 3,980,000 shares |
| (b) Number of treasury shares at the end of the period: | |
| As of March 31, 2022 | 377 shares |
| As of September 30, 2021 | 344 shares |
| (c) Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year) | |
| First six months ended March 31, 2022 | 3,979,642 shares |
| First six months ended March 31, 2021 | 3,979,675 shares |

* Quarterly results are not subject to quarterly review by a certified public accountant or the auditing firm.

* Cautionary statement regarding forecasts of operating results and special notes
(Caution regarding forward-looking statements, etc.)

Financial results forecasts and other forward-looking statements contained in this material are based on information available to the Company and certain assumptions that are deemed to be reasonable. Therefore, actual results may differ significantly from these forward-looking statements due to various factors. For more information about these assumptions and other conditions that form the basis of these forecasts, please see page 3 of the Attached Materials of the Consolidated Financial Results, “1. Qualitative Information for Financial Results for the First Six Months, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements.”

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1. Qualitative Information for Financial Results for the First Six Months

(1) Explanation regarding operating results

During the first six months of the fiscal year ending September 30, the global economy was affected by the prolonged COVID-19 pandemic, supply chain risks such as a global semiconductor shortage and rising prices of energy and raw materials, geopolitical risks that included the situation in Ukraine, as well as heightened concern over inflation. Uncertainty about the outlook for the world economy is likely to continue. Trends in the world economy continue to need to be monitored closely.

The Japanese economy is expected to recover chiefly due to policy measures as economic and social activities normalize, supported by thorough infection control. However, there is uncertainty mainly due to the situation in Ukraine, and we need to pay careful attention to downside risks related to rising raw materials prices, changes in financial and capital markets, and supply restrictions, among other factors. We also need to closely monitor the effects of COVID-19 infections.

In the automobile industry and auto parts industry, where the Abist Group operates its main business, there are production adjustments due to the tight supply of parts, including semiconductors, but the global trend towards decarbonization is continuing, and research and development are expected to accelerate to develop next-generation technologies. The Design and Development Outsourcing business, the main business of the Company, is in the upstream process in manufacturing, and the suspension of plant operations and production cuts at automakers are not likely to have significant direct effects, for instance in the form of contract cancellations, on the Group. Nevertheless, it will take time for effort hours to recover to the pre-pandemic level. Any prolongation or worsening of the COVID-19 pandemic could affect results at the Group. We thus need to continue to closely monitor trends in the auto and auto parts industries.

In this business environment, the Company actively promoted business, focusing on expanding its core business, the Design and Development Outsourcing business. The Group consequently posted in the first six months under review consolidated net sales of 4,671 million yen (up 3.4 year on year), an operating profit of 372 million yen (up 23.2%), and an ordinary profit of 444 million yen (up 16.0%). Profit attributable to owners of parent came to 160 million yen (down 34.5% year on year), reflecting losses related to subsidiaries.

The results in each segment are as follows.

(a) Design and Development Outsourcing business

In this segment, net sales stood at 4,544 million yen (up 4.7% year on year), and segment profit (operating profit) came to 845 million yen (up 18.8%). The segment profit (operating profit) margin was 18.6%. The major contributing factors for the higher sales and profit were an increase in order volume primarily under contracts for work and a higher engineer (including young engineer) utilization rate than planned.

(b) 3D Printing business

In this segment, the Group proactively made proposals, including those related to DfAM (design for 3D printing). Meanwhile, the Group reviewed fixed costs and other expenses. These initiatives resulted in an increase in net sales to 51 million yen (up 9.9% year on year), but the Group posted a segment loss (operating loss) of 6 million yen (as compared to a segment loss (operating loss) of 30 million yen in the same period of the previous fiscal year).

(c) Beauty and Health Products Manufacture and Sale business

In this segment, net sales were 46 million yen (down 43.1% year on year), and the segment loss (operating loss) was 66 million yen (as compared to a segment loss (operating loss) of 34 million yen in the same period of the previous fiscal year), reflecting the effect of a recall of some nonconforming OEM products (jelly drinks) and a decrease in sales of beauty products.

(d) Real Estate Leasing business

In this segment, net sales stood at 29 million yen (down 37.1% year on year), reflecting the effect of the sale of income-producing properties in the second quarter in the previous fiscal year. Segment profit (operating profit) came to 12 million yen (down 20.6%). The segment profit (operating profit) margin was 42.6%.

(2) Explanation regarding financial position

Total assets at the end of the second quarter under review stood at 8,336 million yen, down 73 million yen from the end of the previous consolidated fiscal year. This is attributable mainly to a decrease in non-current assets resulting from impairment losses on machinery and equipment, etc. at subsidiaries, which more than offset an increase in cash and deposits resulting from operating activities.

Total liabilities stood at 2,429 million yen, an increase of 160 million yen from the end of the previous consolidated fiscal year. This is chiefly due to increases in short-term borrowings and in other provisions.

Net assets fell 234 million yen from the end of the previous consolidated fiscal year, to 5,907 million yen chiefly due to dividends paid.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

The Company has revised the forecasts of consolidated financial results for the fiscal year ending September 30, 2022 from those announced on November 10, 2021. For details, see Notice of Differences Between Forecast and Actual Results for the First Half of the Fiscal Year Ending September 30, 2022 and Revision of Full Year Financial Results Forecast released separately on May 11, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated quarterly balance sheets

(Thousand yen)

	As of September 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,590,970	3,686,925
Accounts receivable – trade	1,334,259	1,354,909
Work in process	46,776	68,177
Raw materials and supplies	41,247	23,086
Other	175,140	126,086
Total current assets	5,188,393	5,259,185
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,077,359	1,048,179
Land	1,044,527	1,044,527
Other, net	141,642	70,600
Total property, plant and equipment	2,263,529	2,163,308
Intangible assets	258,231	222,187
Investments and other assets	700,183	691,825
Total non-current assets	3,221,944	3,077,321
Total assets	8,410,338	8,336,507
Liabilities		
Current liabilities		
Short-term borrowings	50,000	150,000
Accounts payable - other	631,117	632,453
Income taxes payable	216,520	212,455
Provision for bonuses	363,086	352,642
Other provisions	–	44,548
Other	182,913	170,634
Total current liabilities	1,443,637	1,562,733
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	246,320	263,841
Retirement benefit liability	509,758	534,961
Other	68,957	67,721
Total non-current liabilities	825,036	866,523
Total liabilities	2,268,673	2,429,257
Net assets		
Shareholders' equity		
Share capital	1,026,650	1,026,650
Capital surplus	1,016,650	1,016,650
Retained earnings	4,142,169	3,897,092
Treasury shares	(1,081)	(1,176)
Total shareholders' equity	6,184,387	5,939,215
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(42,722)	(31,966)
Total accumulated other comprehensive income	(42,722)	(31,966)
Total net assets	6,141,665	5,907,249
Total liabilities and net assets	8,410,338	8,336,507

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

Consolidated quarterly statements of income

First six-month period

(Thousand yen)

	First six months ended March 31, 2021	First six months ended March 31, 2022
Net sales	4,516,904	4,671,933
Cost of sales	3,453,605	3,519,613
Gross profit	1,063,298	1,152,320
Selling, general and administrative expenses	760,816	779,620
Operating profit	302,482	372,699
Non-operating income		
Commission income	334	310
Subsidy income	80,211	71,346
Other	145	140
Total non-operating income	80,691	71,797
Non-operating expenses		
Interest expenses	111	110
Total non-operating expenses	111	110
Ordinary profit	383,062	444,386
Extraordinary losses		
Losses related to subsidiaries	–	* 108,151
Total extraordinary losses	–	108,151
Profit before income taxes	383,062	336,235
Income taxes - current	143,720	181,550
Income taxes - deferred	(6,122)	(6,162)
Total income taxes	137,597	175,387
Profit	245,464	160,847
Profit attributable to owners of parent	245,464	160,847

Consolidated quarterly statements of comprehensive income
 First six-month period

(Thousand yen)

	First six months ended March 31, 2021	First six months ended March 31, 2022
Profit	245,464	160,847
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	18,139	10,756
Total other comprehensive income	18,139	10,756
Comprehensive income	263,604	171,604
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	263,604	171,604
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated quarterly statement of cash flows

(Thousand yen)

	First six months ended March 31, 2021	First six months ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	383,062	336,235
Depreciation	90,641	88,670
Increase (decrease) in provision for bonuses	9,313	(10,444)
Increase (decrease) in retirement benefit liability	48,034	40,706
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(14,954)	17,521
Interest and dividend income	(17)	(21)
Interest expenses	111	110
Subsidy income	(80,211)	(71,346)
Losses related to subsidiaries	–	108,151
Decrease (increase) in trade receivables	29,482	(20,649)
Decrease (increase) in inventories	(25,896)	(2,661)
Decrease (increase) in prepaid expenses	14,106	55,520
Increase (decrease) in accounts payable - other	(29,892)	(9,456)
Increase (decrease) in accrued consumption taxes	(183,437)	(14,201)
Other	55,175	15,083
Subtotal	295,517	533,218
Interest and dividends received	17	21
Interest paid	(97)	(125)
Income taxes paid	(144,059)	(183,586)
Subsidies received	80,211	71,346
Net cash provided by (used in) operating activities	231,590	420,873
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,100)	(25,563)
Purchase of intangible assets	(22,458)	(701)
Payments of leasehold and guarantee deposits	(3,282)	(1,413)
Proceeds from refund of leasehold and guarantee deposits	1,895	8,045
Other	77	356
Net cash provided by (used in) investing activities	(33,867)	(19,275)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100,000	100,000
Repayments of finance lease obligations	(594)	(594)
Purchase of treasury shares	(152)	(95)
Dividends paid	(405,238)	(404,953)
Net cash provided by (used in) financing activities	(305,984)	(305,642)
Net increase (decrease) in cash and cash equivalents	(108,262)	95,955
Cash and cash equivalents at beginning of period	3,017,873	3,590,970
Cash and cash equivalents at end of period	2,909,611	3,686,925

(4) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of material changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first three months of the fiscal year under review and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The Company applies the Accounting Standard for Revenue Recognition, etc. pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. This has no impact on the beginning balance of retained earnings.

The application of the Accounting Standard for Revenue Recognition, etc. has no impact on profit and loss in the first six months of the fiscal year under review, either.

In accordance with the transitional treatment stipulated in Article 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, issued March 31, 2020), a breakdown of revenue from contracts with customers for the first six months of the previous fiscal year is omitted.

(Application of accounting standard for fair value measurement, etc.)

The Company applies "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. from the beginning of the first three months of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied prospectively a new accounting policy prescribed by Accounting Standard for Fair Value Measurement, etc.

The application of the Accounting Standard for Fair Value Measurement has no impact on the quarterly consolidated financial statements for the first six months under review.

(Matters concerning consolidated quarterly statements of income)

* Losses related to subsidiaries

First six months ended March 31, 2021

Not applicable.

First six months ended March 31, 2022

The losses related to subsidiaries are chiefly expenses for a recall of some nonconforming products delivered by consolidated subsidiaries and losses related to assets that are expected to become idle assets. They consist of expenses for a recall of 28,925 thousand yen, impairment losses on non-current assets of 54,880 thousand yen, and other losses of 18,573 thousand yen.

A breakdown of the impairment losses on assets expected to become idle assets is as shown below.

Location	Use	Type	Impairment loss (Thousand yen)
Kikuchi, Kumamoto	Business assets (Beauty and Health Products Manufacture and Sale business)	Buildings and structures	9,075
		Machinery, equipment and vehicles	44,654
		Software	1,150
Total			54,880

Business assets to which impairment accounting is applied are grouped into units where profits and losses are continually determined.

As for idle assets that are not expected to be used, indications of impairment are evaluated for each asset. The book values of those idle assets are reduced to recoverable amounts and the reduced amounts are included in the losses related to subsidiaries. The recoverable amount is measured by value of use, and the value of use is deemed to be zero.

(Segment information)

[Segment information]

I. First six months ended March 31, 2021

1. Information regarding amounts of net sales and profit/loss by reportable segment

(Thousand yen)

	Reportable segments				Total	Adjustment (Note)	Amount recorded in the consolidated quarterly statement of income
	Design and Development Outsourcing business	3D Printing business	Beauty and Health Products Manufacture and Sale business	Real Estate Leasing business			
Net sales							
Sales to outside customers	4,341,270	46,746	82,552	46,335	4,516,904	–	4,516,904
Inter-segment sales and transfers	–	–	75	–	75	(75)	–
Total	4,341,270	46,746	82,627	46,335	4,516,979	(75)	4,516,904
Segment profit (loss)	711,889	(30,527)	(34,443)	15,616	662,534	(360,052)	302,482

(Note) The adjustment consists of the following items.

The adjustment to segment profit (loss), (360,052 thousand yen), is corporate costs that are not allocated to any of the reportable segments.

II. First six months ended March 31, 2022

1. Information regarding amounts of net sales and profit/loss by reportable segment

(Thousand yen)

	Reportable segments				Total	Adjustments (Notes)	Amount recorded in the consolidated quarterly statement of income
	Design and Development Outsourcing business	3D Printing business	Beauty and Health Products Manufacture and Sale business	Real Estate Leasing business			
Net sales							
Sales to outside customers	4,544,499	51,380	46,926	29,127	4,671,933	–	4,671,933
Inter-segment sales and transfers	–	–	59	–	59	(59)	–
Total	4,544,499	51,380	46,985	29,127	4,671,992	(59)	4,671,933
Segment profit (loss)	845,476	(6,582)	(66,580)	12,400	784,713	(412,013)	372,699

(Note 1) The adjustment consists of the following items.

The adjustment to segment profit (loss), (412,013 thousand yen), is corporate costs that are not allocated to any of the reportable segments.

(Note 2) In the first six months of the fiscal year under review, impairment losses of 54,880 thousand yen were posted in the Beauty and Health Products Manufacture and Sales business. For details of the impairment losses, refer to Losses related to subsidiaries in (4) Notes to consolidated financial statements (Matters concerning consolidated quarterly statements of income).

2. Matters concerning the change in reportable segments, etc.

As stated in Changes in Accounting Policies, the Company began applying the Revenue Recognition Accounting Standard, etc., and changed the method of accounting in connection with revenue recognition from the first three months of the fiscal year under review. Accordingly, the Company changed the method of calculating profits and losses for its business segments. The change does not have any effects on net sales or profit or loss in each reportable segment in the first six months under review.

(Matters concerning revenue recognition)

Information on the breakdown of revenue from contracts with customers

First six months ended March 31, 2022

(Thousand yen)

	Reportable segments				Total
	Design and Development Outsourcing business	3D Printing business	Beauty and Health Products Manufacture and Sale business	Real Estate Leasing business	
Contract for work	2,776,207	–	–	–	2,776,207
Dispatch contract	1,739,319	–	–	–	1,739,319
Others	28,971	51,380	46,926	–	127,278
Revenue from contracts with customers	4,544,499	51,380	46,926	–	4,642,805
Other revenue	–	–	–	29,127	29,127
Sales to outside customers	4,544,499	51,380	46,926	29,127	4,671,933

(Note) Other revenue includes lease revenue under the Accounting Standard for Lease Transactions (ASBJ Statement No.13, March 30, 2007).