





## 1. Qualitative information concerning the current quarterly financial statement

- Explanation of management result of the current term

The Japanese economics in the current second quarter consolidated accumulative period continues to shift with uncertain situation due to the impacts on the global economics given by trend of the issues between US and China and future of Chinese economics, and uncertainty in the policies. In addition, while we are exploring brand new corporate activities because visiting to the clients and business negotiation, etc. are strictly restricted due to pandemic of Covid-19 since the beginning of this year and “declaration of state of emergency” by the Japanese government on April 7, our group has engaged in both prevention of infection spread and sales activities by shifting to working from home and holding video conferences by restriction on non-essential outings and measures including temperature check and mask wearing, etc.

Under such economic circumstances, for the electronic and communication device business, in addition to sales expansion business mainly in the 5G related market and public related market continuously from last year, we have been also dedicated to new markets and client exploration to actively acquire orders from new fields. We have also worked on enhancement of proposal of our self-developed products by continuously promoting “effort for high added-value products,” “expansion and exploration of business field” and “co-development with the company of business tie-up.”

As a result, newly explored clients and inquiries are increasing from new markets besides the existing analog high frequency products, including optics related products used for various business-use wireless, digital signal processor, etc. indispensable for high-speed signal processing, millimeter wave band products, etc. necessary for wireless transmission of data of large volumes.

Especially in the current second quarter consolidated accumulative period, we have gained remarkable sales from large order of semiconductor burn-in equipment, etc. and we have firmly achieved success such as specific launching of “manufacturing of the low-power high-frequency circuit for linear accelerator and beam monitor circuit system of the next-generation radiant light facility.”

In the mobile communication field, demands for high-frequency components are increasing including the 5G related market.

In addition, inquiry cases from new clients related to mobile communication facilities for overseas are gradually increasing.

Demands for the optical transmission device, digital signal processor, etc. are increasing for disaster measures, business-use wireless and surveillance system in the public filed, and therefore we will work on further demand expansion in the public filed as well as positively working on self-developed products including product development for equipment of the 5G related market.

Although order receipt condition in general electronic and communication device business is slightly decreasing compared to the previous term, it is mainly due to slowing of progress of the clients’ plans, and we will continue to promote expansion of our group’s business field as well as proposing new sales method according to change of time and also continue the activities for profit expansion by implementation and enhancement of self-development products.

We have promoted development and sales of the solar power plants and small wind power plants in the renewable energy system sales business. For development and sale of solar power plants, we conduct the entire flow of development of land, procurement, sale and maintenance inhouse in order to secure profit while fixed price purchase is dropping and we will continue to reduce costs for construction and maintenance as well as promoting the development / sales to contribute to the business performance.

We are considering development / sales of the small wind power plants as our future middle and long-term major business and we will continue further promotion of them. We hold the power selling right of the fixed purchase price of 55 yen/kWh for 20 years in Hokkaido, where the wind condition is good, and will obtain profit from increase of power selling income from our own plants and through sales after the development. Three units have been interconnected and sold in Hokkaido before July 2020, and approximately ten units are also scheduled to be interconnected before December 2020. We will continue to speed up the development for profit expansion.

In the renewable power plant business, the already-operating solar power plants have been selling power at a good rate including Nagasaki Pref., Goto City, Kojindake Solar Power Plant. Small wind power plants are also promoting development, and some units have been selling power since October 2020. In addition to the full-scale wind condition survey started since April 2020, we have started the boring survey since June for the large wind power plant (1.984MW) in Nemuro City, Hokkaido. We are in process of interconnection in 2022 at a good rate.

Additionally, our group has promoted development in renewable energy and overall environmental business also in Southeast Asia. Construction of the small waterpower plant under development in Flores Island, Nusa Tenggara, Indonesia has been started. This project to sell power to the Indonesian government owned electric company and contribute to reduction of greenhouse gas (GHG) and reduction of GHG in Japan by obtaining JCM credit. Electricity penetration rate in Nusa Tenggara is 61.9%, which is the lowest in Indonesia, and therefore, our project will also contribute to improvement of their electricity penetration rate.

As the result of the above, the amount of orders received in the current second quarter consolidated accumulative period was 2,093mil. yen (6.2% increase compared with the same term of the previous year), and the sales amount was 2,256 mil. yen (8.6% decrease compared with the same term of the previous year). In terms of profit and loss, operating profit was recorded as 56 mil. yen (82.9% decrease compared with the same term of the previous year), ordinary profit was recorded as 22 mil. yen (90.6% decrease compared with the same term of the previous year), and therefore the quarterly net profit belonging to the parent company shareholders was 32 mil. yen (74.8% decrease compared with the same term of the previous year).

For the electronic and communication device business, in addition to sales expansion activities mainly in the public related market, we are focusing on exploration of new clients. Especially in the civil service field, the demands are stably increasing and it is expected to shift steadily hereafter. We will continue to promote expansion of our group's business fields and also continue the activities for profit expansion by enhancement of proposal of self-developed products.

Our group is positively considering development of the renewable energy and overall environmental businesses which will become our next pillar overseas mainly in Southeast Asia in addition to Japan for expansion of operations of such businesses. We will continuously endeavor not only to reduce CO<sub>2</sub>, but also to contribute to the community and domestic and international societies and to introduce, spread and promote renewable energy by taking advantage of characteristics of the community, and accelerating development of community-based renewable energy.

Management result status by business type segments is as follows.

a. Electronic / communication device business

Thanks to steady demand in the mobile communication field and civil service and public related field, the amount of orders received was 1,942 mil. yen (11.2% decrease compared with the same term of the previous year), sales amount was 1,859 mil. yen (32.2% increase compared with the same term of the previous year), and segment profit was 210 mil. yen (147.9% increase compared with the same term of the previous year).

b. Renewable energy system sales business

Since we focused on lot selling of small wind power plants and we could also sell the solar power plants, the amount of orders received was 150 mil. yen (235.4% increase compared with the same term of the previous year), sales amount was 211 mil. yen (154.2% increase compared to the same term of the previous year), and segment loss was 57 mil. yen (segment loss of the same term of the previous year: 85 mil. yen).

c. Renewable energy plant business

The already-operating solar power plants in Noboribetsu City and the mega solar power plants in Goto City, Nagasaki Pref. and the solar sharing plants in Shimada City, Shizuoka Pref. have been selling power at a

good rate. However, in such second quarter consolidated cumulative period, since sales and profit by sellout of one megasolar power plant during the previous second quarter consolidated cumulative period and income from such power selling decreased, the sales amount was 204 mil. yen (78.9% decrease compared with the same term of the previous year) and segment profit was 42 mil. yen (90.0% decrease compared with the same term of the previous year).

## 2.Consolidated financial statements and Notes

### (1)Consolidated balance sheet

(In thousand yen)

	FY 2020 (consolidated) (As of March 31,2020)	2Q FY 2021 (consolidated) (As of September 30,2020)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	2,215,666	2,030,827
Notes and accounts receivable - trade	1,391,469	1,586,296
Merchandise and finished goods	2,889,509	2,814,903
Work in process	778,562	745,495
Raw materials and supplies	231,870	236,527
Advance payments - trade	105,709	56,604
Other	166,749	209,582
Allowance for doubtful accounts	△17,632	△17,632
<b>Total current assets</b>	<b>7,761,905</b>	<b>7,662,603</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	514,488	516,405
Accumulated depreciation	△346,363	△353,361
Buildings and structures, net	168,125	163,044
Machinery, equipment and vehicles	368,769	371,897
Accumulated depreciation	△135,540	△150,775
Machinery, equipment and vehicles, net	233,229	221,122
Tools, furniture and fixtures	824,843	855,015
Accumulated depreciation	△687,178	△708,355
Tools, furniture and fixtures, net	137,665	146,660
Land	272,573	272,573
Construction in progress	—	990
<b>Total property, plant and equipment</b>	<b>811,592</b>	<b>804,390</b>
<b>Intangible assets</b>		
Goodwill	39,039	38,677
Software	51,809	50,202
Other	0	0
<b>Total intangible assets</b>	<b>90,848</b>	<b>88,879</b>
<b>Investments and other assets</b>		
Investment securities	51,164	107,567
Long-term loans receivable	55,725	109,572
Deferred tax assets	181,357	202,601
Other	458,529	519,529
Allowance for doubtful accounts	△8,700	△8,700
<b>Total investments and other assets</b>	<b>738,077</b>	<b>930,570</b>
<b>Total non-current assets</b>	<b>1,640,518</b>	<b>1,823,840</b>
<b>Deferred assets</b>		
Share issuance cost	2,935	58,022
Development expenses	71	56
Business commencement expenses	17,749	14,955
<b>Total deferred assets</b>	<b>20,755</b>	<b>73,034</b>
<b>Total assets</b>	<b>9,423,180</b>	<b>9,559,478</b>

(In thousand yen)

	FY 2020 (consolidated) (As of March 31,2020)	2Q FY 2021 (consolidated) (As of September 30,2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	400,496	446,490
Short-term loans payable	74,980	84,170
Current portion of long-term loans payable	315,775	330,066
Lease obligations	172,964	142,837
Accounts payable - other	176,095	123,526
Income taxes payable	96,648	26,366
Advances received	322,665	320,144
Provision for bonuses	119,402	95,904
Provision for product warranties	22,878	24,229
Other	259,627	145,577
Total current liabilities	1,961,534	1,739,314
Non-current liabilities		
Long-term loans payable	368,911	462,281
Lease obligations	2,289,987	2,218,407
Deferred tax liabilities	331	283
Net defined benefit liability	207,112	224,141
Asset retirement obligations	15,155	15,155
Other	423,289	407,043
Total non-current liabilities	3,304,788	3,327,313
Total liabilities	5,266,322	5,066,627
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,961,823	2,127,436
Capital surplus	1,235,035	1,365,644
Retained earnings	1,034,475	1,066,576
Treasury shares	△61,313	△61,313
Total shareholders' equity	4,170,020	4,498,344
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△3,962	△193
Foreign currency translation adjustment	△11,724	△19,765
Accumulated other comprehensive income	△15,687	△19,959
Share acquisition rights	2,524	14,465
Total net assets	4,156,857	4,492,851
Total liabilities and net assets	9,423,180	9,559,478

(2) Quarterly consolidated statements of income and Quarterly consolidated statements of comprehensive income  
Quarterly

Consolidated statements of income

Consolidated second quarter period

(In thousand yen)

	2Q FY2020 (from April 1, 2019 to September 30, 2019)	2Q FY2021 (from April 1, 2020 to September 30, 2020)
Net Sales	2,469,210	2,256,459
Cost of sales	1,527,357	1,649,551
Gross profit	941,852	606,907
Selling, general and administrative expenses	610,683	550,209
Operating profit	331,168	56,698
Non-operating income		
Interest income	2,207	5,870
Dividend income	270	536
Share of profit of entities accounted for using equity method	3,308	—
Insurance income	1,976	25,571
Gain on forgiveness of debts	—	12,104
Other	2,258	5,136
Total non-operating income	10,021	49,219
Non-operating expenses		
Interest expenses	91,562	71,968
Foreign exchange losses	676	1,069
Share of loss of entities accounted for using equity method	—	2,416
Other	4,843	7,509
Total non-operating expenses	97,082	82,964
Ordinary income	244,107	22,953
Profit before income taxes	244,107	22,953
Income taxes - current	80,776	15,117
Income taxes - deferred	36,007	△24,265
Total income taxes	116,784	△9,147
Net Profit for the Quarter	127,323	32,101
Profit attributable to owners of parent	127,323	32,101

Quarterly consolidated statements of comprehensive income

Consolidated second quarter period

(In thousand yen)

	2Q FY2020 (from April 1, 2019 to September 30, 2019)	2Q FY2021 (from April 1, 2020 to September 30, 2020)
Net Profit for the Quarter	127,323	32,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△1,523	3,769
Foreign currency translation adjustment	△8,233	△8,041
Total other comprehensive income	△9,757	△4,272
Comprehensive income	117,566	27,829
(breakdown)		
Comprehensive income attributable to owners of parent	117,566	27,829

(Segment information, etc.)

【Segment information】

I. Previous 2Q consolidated cumulative period (from April 1, 2019 to June 30, 2019)

Information concerning the sales amount and the amount of profit or loss per report segment

(unit: thousand yen)

	Report segment				Adjusted amount (Note) 1	Amount recorded in quarterly consolidated profit and loss statement (Note) 2
	Electronic / communication device business	Renewable energy system sales business	Renewable energy generation business	Total		
Sales amount						
Sales amount to external clients	1,407,360	83,013	971,147	2,461,521	7,689	2,469,210
Internal sales amount or transfer amount between segments	—	—	—	—	—	—
Total	1,407,360	83,013	971,147	2,461,521	7,689	2,469,210
Segment profit or loss (△)	84,791	△85,688	421,271	420,374	△89,205	331,168

(Note)

- Adjusted amount of segment profit or loss (△) △ 89,205 thousand yen is adjusted amount of unrealized profit △4,640 thousand yen, adjusted amount of dividends from the consolidated subsidiary △35,000 thousand yen, and profit and loss of group management division not distributed to business segment △58,845 thousand yen.
- Segment profit or loss (△) matches operating loss (△) in the quarterly consolidated profit and loss statement.

II. Current 2Q consolidated cumulative period (from April 1, 2020 to September 30, 2020)

Information concerning the sales amount and the amount of profit or loss per report segment

(unit: thousand yen)

	Report segment				Adjusted amount (Note) 1	Amount recorded in quarterly consolidated profit and loss statement (Note) 2
	Electronic / communication device business	Renewable energy system sales business	Renewable energy generation business	Total		
Sales amount						
Sales amount to external clients	1,859,997	198,414	198,047	2,256,459	—	2,256,459
Internal sales amount or transfer amount between segments	—	12,612	6,450	19,062	△19,062	—
Total	1,859,997	211,027	204,497	2,275,522	△19,062	2,256,459
Segment profit or loss (△)	210,206	△57,163	42,115	195,157	△138,459	56,698

(Note)

- Adjusted amount of segment profit or loss (△) △138,459 thousand yen is adjusted amount of inter-segment transactions 8,293 thousand yen, adjusted amount of dividends from the consolidated subsidiary △55,000 thousand yen and profit and loss of group management division not distributed to business segment △75,165 thousand yen.
- Segment profit or loss (△) matches operating profit in the quarterly consolidated profit and loss statement.