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February 14, 2025

Consolidated Financial Results for the Six Months Ended December 31, 2024 (Under Japanese GAAP)



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 Listing: Tokyo Stock Exchange
 Securities code: 3856
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 Scheduled date to file semi-annual securities report: February 14, 2025
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None (video streaming only)

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

1. Consolidated financial results for the six months ended December 31, 2024 (from July 1, 2024 to December 31, 2024)

(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								
December 31, 2024	45,613	(58.0)	3,161	(68.6)	3,289	(68.7)	348	(90.4)
December 31, 2023	108,543	(2.7)	10,057	104.9	10,507	87.6	3,635	69.2

Note: Comprehensive income For the six months ended December 31, 2024: ¥573 million [(92.6)%]
 For the six months ended December 31, 2023: ¥7,734 million [77.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2024	19.60	—
December 31, 2023	209.75	207.68

Note: Diluted earnings per share for the six months ended December 31, 2024 are not presented as there were no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	141,733	44,048	17.0
June 30, 2024	150,173	42,432	15.8

Reference: Equity
 As of December 31, 2024: ¥24,051 million
 As of June 30, 2024: ¥23,800 million

2. 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 June 30, 2024	–	3.00	–	5.00	8.00
Fiscal year ending June 30, 2025	–	0.00			
Fiscal year ending June 30, 2025 (Forecast)			–	–	–

Notes: 1. Revisions to the forecast of dividends most recently announced: None

2. The year-end dividend forecast for the fiscal year ending June 30, 2025 is to be determined.

3. Consolidated financial result forecasts for the fiscal year ending March 31, 2025 (from July 1, 2024 to March 31, 2025)

(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	60,000	(71.3)	5,100	(78.2)	5,100	(79.5)	1,000	(89.5)	56.20

Notes: 1. Revisions to the financial result forecast most recently announced: Yes

2. Subject to the approval of the partial amendments to the Articles of Incorporation (change in fiscal year-end date) as proposed at the Extraordinary General Meeting of Shareholders scheduled for February 21, 2025, we plan to change our fiscal year-end from June 30 to March 31. Consequently, the fiscal year ending March 31, 2025, which will be a transitional period for the accounting term change, is planned to be a nine-month fiscal period from July 1, 2024 to March 31, 2025. As of today, since the Extraordinary General Meeting of Shareholders has not yet been held, items other than the consolidated financial result forecasts continue to be presented as “fiscal year ending June 30, 2025.”

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: — (Company name)

Excluded: 2 companies (Company name: Digital Sign Co., Ltd. and FORTHINK Co., Ltd.)

On November 26, 2024, the Company sold all its shares in Digital Sign Co., Ltd., a consolidated subsidiary. Accordingly, both Digital Sign Co., Ltd. and its consolidated subsidiary, FORTHINK Co., Ltd., have been excluded from the scope of consolidation.

(2) Adoption of accounting treatment specific to the preparation of semi-annual 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: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please refer to “2. Semi-annual Consolidated Financial Statements and Principal Notes (4) Notes to Semi-annual Consolidated Financial Statements (Changes in accounting policies)” on page 12 of the Attachments to this report.

(4) Number of issued shares (common shares)

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

As of December 31, 2024	17,930,693 shares
As of June 30, 2024	17,927,693 shares

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

As of December 31, 2024	136,994 shares
As of June 30, 2024	136,994 shares

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

Six months ended December 31, 2024	17,792,263 shares
Six months ended December 31, 2023	17,332,772 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

The earnings forecasts and other forward-looking statements in the report are based on information currently available to the Company and certain assumptions that the Company determines reasonable, and the Company does not in any way guarantee the achievement of the forecasts. Actual results and other data may differ significantly from the forecasts depending on various factors. For the assumptions used as the basis for the forecasts and precautions on the use of the forecasts, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 5 of the Attachments to this report.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period under Review

During the six months ended December 31, 2024, the Japanese economy maintained its recovery trend supported by a pickup in consumer spending due to the improvement in the employment and income situation as well as an increase in inbound tourism consumption. Meanwhile, the economic outlook remains uncertain due to such factors as the weak yen in the foreign exchange market, soaring raw material prices, and ongoing high energy prices.

In the renewable energy market in Japan, a target of reducing greenhouse gas emissions by 46% compared to 2013 levels by 2030 has been set based on the Japanese government's declaration of carbon neutrality in 2050. Internationally, there have been efforts to realize a carbon-free society, including climate change responses in accordance with the UN Framework Convention on Climate Change (COP29) held in 2024 and the US Inflation Reduction Act (IRA), and the renewable energy market is expected to grow in the medium to long term.

In the United States, domestic investment has increased due to the Inflation Reduction Act and other factors, and the "Made in USA" movement has been growing, but we are closely watching the impact of future energy policy trends under the Republican administration on the Group's business.

In the Solar Panel Manufacturing Business, our core business, although demand is strong worldwide, the market environment has been sluggish due to an oversupply of solar products. Market conditions are expected to take time to improve. In the US market, our main sales destination, a provisional ruling on the imposition of anti-dumping and countervailing duties was issued by the US government to Vietnam Sunergy Joint Stock Company ("VSUN") in Vietnam. We expect a final decision by mid-2025. In response to this business environment, new sales strategies in India and by OEMs for US customers have been successful, and we have seen a degree of improvement in this area.

As a result of the above, for the six months ended December 31, 2024, Abalance Corporation (the "Company," together with its subsidiaries, the "Group") recorded net sales of 45,613 million yen (down 58.0% year on year), operating profit of 3,161 million yen (down 68.6% year on year), ordinary profit of 3,289 million yen (down 68.7% year on year), and profit attributable to owners of parent of 348 million yen (down 90.4% year on year). For the six months ended December 31, 2024, the Group recorded foreign exchange gains of 672 million yen due to the depreciation of the yen, and extraordinary losses of 414 million yen due to loss on retirement of non-current assets of 270 million yen and tax penalty of 135 million yen at a subsidiary in Vietnam in the Solar Panel Manufacturing Business.

In the Solar Panel Manufacturing Business, the Group's earnings have been driven by VSUN in Vietnam. TOYO Co., Ltd. ("TOYO") owns TOYO SOLAR COMPANY LIMITED^{*1} ("TOYO SOLAR"), which manufactures the cells^{*2} that are the upstream processes of solar panels. Meanwhile the VSUN Group^{*3} manufactures ingots^{*4}, wafers^{*5}, and panels. Through their close cooperation, the Group is working to expand its global supply chain.

The TOYO Group^{*6} is currently constructing a new cell plant in the Hawassa City, Sidama Regional State, Federal Democratic Republic of Ethiopia (scheduled for completion in March 2025) that will supply products to a new solar panel plant under construction in Texas, the United States (scheduled for completion in March 2025). From the third quarter onward, we will work to establish a stable supply system for solar panel products in the US market and expand the Solar Panel Manufacturing Business in the country.

In the Green Energy Business, we are working to build a stable business foundation by expanding sales of components for solar power plants and related equipment (one-time revenue business model), and improving profitability through such means as strengthening management of owned solar power plants (recurring revenue business model).

(Notes)

- *1 TOYO SOLAR COMPANY LIMITED is the new name of Vietnam Sunergy Cell Company Limited, which changed its name in October 2024.
- *2 A cell is the smallest unit that makes up a solar panel, also known as “solar cell element,” and is an upstream process of a solar panel.
- *3 VSUN Group is a collective term that includes the consolidated subsidiary Vietnam Sunergy Joint Stock Company (VSUN) and other subsidiaries that manufacture and sell panels, wafers, and ingots under VSUN.
- *4 An ingot is a piece of silicon, a raw material for solar cells, which is heated to melt, crystallized, and solidified, and is an upstream process of a wafer.
- *5 A wafer is a thinly sliced plate of ingot processed from the raw material of silicon, also called “silicon wafer” or “solar cell wafer”, and is an upstream process of a cell.
- *6 TOYO Group is a collective term that includes the consolidated subsidiary TOYO Co., Ltd. and other subsidiaries that manufacture and sell cells and panels under TOYO.

The business results for each segment are as follows.

1. Solar Panel Manufacturing Business

For the six months ended December 31, 2024, net sales were 40,954 million yen (down 60.7% year on year), and segment profit was 3,295 million yen (down 67.3% year on year).

Net sales and segment profit decreased year on year as sales to the United States, our main sales destination, declined due to the termination of import duty exemptions for solar panel products, as well as uncertainty over the future of anti-dumping and countervailing duties, resulting in a decrease in orders received. Compared to the first quarter, earnings in the Solar Panel Manufacturing Business are improving. The Group has worked to stabilize business by diversifying its sales destinations of solar panels and cells to cover European and Asian markets, including India, while continuing to focus on the US market. Due to a decline in the utilization rate of the Vietnam plant caused by sluggish sales to the United States, we are making efforts to reduce operating costs among other initiatives.

2. Green Energy Business

For the six months ended December 31, 2024, solar power plant sales and component sales were 1,952 million yen, and sales of electricity and revenue from operation and maintenance (O&M) were 2,239 million yen. As a result, net sales were 4,191 million yen (up 6.2% year on year), and segment profit was 291 million yen (down 54.2% year on year) due mainly to a temporary decline in earnings in the one-time revenue business model resulting from the restructuring of our power plant portfolio with regard to business selection and concentration. The Group, led by WWB Corporation (“WWB”) and VALORS Corporation, sells components related to solar power generation facilities such as solar panels, PCS (power conditioners), and industrial and residential storage batteries, in addition to sales of solar power plants in a one-time revenue business model. At the same time, it is also pursuing a recurring revenue business model, in which the Company continues to own and manage power plants even after the completion of construction, as a way of securing stable revenue from sales of electricity.

In the one-time revenue business model, our establishment of a sales system with domestic mass retailers as a channel with the aim of increasing sales volume contributed to higher earnings. In the recurring revenue business model, we are working to develop high-quality power generation projects utilizing our in-house development capabilities, developing and constructing power plants, and expanding our business foundation.

Furthermore, we are also actively promoting expansion overseas and developing our solar panel reuse business, mainly through PV Repower inc., as part of our efforts to address the problem of solar panel disposal, a future social issue of concern. In addition, the Group has entered the grid-connected batteries business in the Hokkaido area, which will enable stable power supply in preparation for times of adjustment of electricity supply and demand or during power outages. In the current fiscal year, we have been granted a subsidy for our second such project in the area.

3. Other

For the six months ended December 31, 2024, net sales amounted to 467 million yen (up 39.1% year on year), and segment loss was 8 million yen (segment loss of 268 million yen in the same period of the previous fiscal year).

In the current fiscal year, WWB delivered an electric top lifter and charging station^{*7} to a major port transport customer in Kobe, a first for the industry in Japan. Through the sale of these products going forward, we will help our customers improve productivity at their cargo handling sites and contribute to the realization of a carbon-neutral society by reducing their environmental impact.

The Other category is a business segment not included in the reportable segments, and includes the IT Business, Photocatalyst Business, and sales of construction machinery. The IT Business and Photocatalyst Business have been excluded from the reportable segments from the six months ended December 31, 2024.

(Note)

*7 This electric lifter and charging system for port cargo handling operations is handled by WWB and manufactured by Sany Marine Heavy Industry Co., Ltd., a subsidiary of SANY Group in China. Benefits to customers include reduced environmental impact, an improved working environment for drivers, and reduced waiting time for third-party trucks.

(2) Overview of Financial Position for the Period under Review

(i) Assets, Liabilities and Net Assets

(Assets)

Current assets as of December 31, 2024 totaled 85,004 million yen, a decrease of 4,192 million yen from the end of the previous fiscal year. This was mainly due to decreases of 6,730 million yen in cash and deposits and 2,722 million yen in merchandise and finished goods, despite an increase of 6,224 million yen in accounts receivable - trade. Non-current assets amounted to 56,728 million yen, a decrease of 4,246 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 7,531 million yen in machinery, equipment and vehicles. This decrease was primarily due to the sale to TOYO SOLAR MANUFACTURING ONE MEMBER PLC, which was established in Ethiopia and was not consolidated as of December 31, 2024.

As a result, total assets were 141,733 million yen, a decrease of 8,440 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of December 31, 2024 totaled 75,309 million yen, a decrease of 7,952 million yen from the end of the previous fiscal year. This was mainly due to decreases of 5,104 million yen in accounts payable - trade and 1,093 million yen in provision for import, export tax. Non-current liabilities amounted to 22,376 million yen, a decrease of 2,103 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 2,093 million yen in long-term borrowings.

As a result, total liabilities amounted to 97,685 million yen, a decrease of 10,055 million yen from the end of the previous fiscal year.

(Net Assets)

Total net assets as of December 31, 2024 amounted to 44,048 million yen, an increase of 1,615 million yen from the end of the previous fiscal year. This was mainly due to recording of 348 million yen in profit attributable to owners of parent.

As a result, the equity ratio was 17.0% (15.8% at the end of the previous fiscal year).

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of December 31, 2024 decreased by 6,627 million yen from the end of the previous fiscal year to 30,425 million yen.

The analysis of cash flows for the six months ended December 31, 2024 is as follows:

(Cash flows from operating activities)

Net cash used in operating activities was 5,191 million yen (net cash provided of 16,727 million yen for the same period of the previous fiscal year). The main factors were, in addition to the recording of profit before income taxes of 3,058 million yen and depreciation of 3,695 million yen, working capital items such as an increase in cash of 4,045 million yen due to a decrease in inventories, offset by decreases in cash of 6,078 million yen due to an increase in trade receivables, 3,363 million yen due to a decrease in trade payables, and 2,012 million yen due to an increase in advance payments to suppliers.

(Cash flows from investing activities)

Net cash provided by investing activities was 97 million yen (net cash used of 8,667 million yen for the same period of the previous fiscal year). The main factors were 5,335 million yen in proceeds from collection of deposits paid, offset by 2,569 million yen in purchase of property, plant and equipment in connection with the development and ownership of solar power plants and capital investments at VSUN and others, and 2,862 million yen in payments of deposit.

(Cash flows from financing activities)

Net cash used in financing activities was 876 million yen (net cash provided of 2,437 million yen for the same period of the previous fiscal year). The main factors were proceeds from short-term borrowings of 24,677 million yen, offset by repayments of short-term borrowings of 23,419 million yen and repayments of long-term borrowings of 1,531 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The financial results forecast remains as announced in the “Notice Concerning Revision of Full-Year Consolidated Financial Results Forecast Due to Change in Fiscal Year-End” (in Japanese only), disclosed on February 14, 2025. Subject to the approval of the “Partial Amendments to the Articles of Incorporation” at the Extraordinary General Meeting of Shareholders scheduled for February 21, 2025, the current fiscal year will be an irregular nine-month period from July 1, 2024 to March 31, 2025, as it is a transitional period for the accounting term change.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	37,740	31,010
Accounts receivable - trade	3,558	9,782
Merchandise and finished goods	13,232	10,510
Real estate for sale	1,350	2,003
Work in process	4,891	4,212
Raw materials and supplies	2,168	869
Advance payments to suppliers	3,007	5,419
Accounts receivable - other	1,420	1,427
Deposits paid	20,508	18,124
Other	1,364	1,789
Allowance for doubtful accounts	(46)	(146)
Total current assets	89,197	85,004
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles	49,659	41,950
Accumulated depreciation	(11,096)	(10,917)
Machinery, equipment and vehicles, net	38,563	31,032
Land	2,542	2,390
Construction in progress	3,391	7,216
Other	4,806	4,598
Total property, plant and equipment	49,304	45,238
Intangible assets		
Goodwill	4,874	4,562
Other	1,530	2,939
Total intangible assets	6,404	7,502
Investments and other assets		
Investment securities	2,582	1,893
Long-term loans receivable	10	10
Deferred tax assets	565	345
Other	2,487	1,983
Allowance for doubtful accounts	(379)	(243)
Total investments and other assets	5,266	3,988
Total non-current assets	60,975	56,728
Deferred assets	1	0
Total assets	150,173	141,733

(Millions of yen)

	As of June 30, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	12,252	7,148
Short-term borrowings	28,753	28,810
Current portion of long-term borrowings	2,853	1,631
Current portion of bonds payable	66	66
Lease liabilities	1	328
Income taxes payable	2,227	2,083
Contract liabilities	8,635	7,496
Accounts payable - other	988	404
Current portion of long-term accounts payable - installment purchase	793	770
Provision for bonuses	53	–
Provision for import, export tax	18,447	17,353
Other	8,186	9,214
Total current liabilities	83,261	75,309
Non-current liabilities		
Bonds payable	66	33
Long-term borrowings	12,703	10,610
Long-term accounts payable - installment purchase	10,144	9,791
Provision for product warranties	138	19
Retirement benefit liability	0	0
Lease liabilities	513	983
Long-term accounts payable - other	2	6
Deferred tax liabilities	670	724
Other	240	206
Total non-current liabilities	24,479	22,376
Total liabilities	107,741	97,685
Net assets		
Shareholders' equity		
Share capital	2,518	2,521
Capital surplus	2,195	3,240
Retained earnings	17,800	18,059
Treasury shares	(144)	(144)
Total shareholders' equity	22,369	23,676
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37	23
Foreign currency translation adjustment	1,392	351
Total accumulated other comprehensive income	1,430	374
Share acquisition rights	305	276
Non-controlling interests	18,327	19,720
Total net assets	42,432	44,048
Total liabilities and net assets	150,173	141,733

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended December 31, 2023	For the six months ended December 31, 2024
Net sales	108,543	45,613
Cost of sales	89,838	36,492
Gross profit	18,704	9,120
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	59	62
Salaries, allowances and bonuses	1,935	1,274
Commission expenses	4,311	273
Taxes and dues	675	1,465
Depreciation	30	151
Amortization of goodwill	200	471
Other	1,435	2,260
Total selling, general and administrative expenses	8,647	5,959
Operating profit	10,057	3,161
Non-operating income		
Interest income	418	131
Dividend income	0	0
Foreign exchange gains	1,031	672
Reversal of allowance for doubtful accounts	–	11
Other	301	377
Total non-operating income	1,751	1,192
Non-operating expenses		
Interest expenses	940	832
Share of loss of entities accounted for using equity method	65	61
Other	295	170
Total non-operating expenses	1,301	1,063
Ordinary profit	10,507	3,289
Extraordinary income		
Gain on sale of non-current assets	0	7
Gain on sale of investment securities	8	148
Reversal of provision for loss on litigation	21	–
Gain on reversal of share acquisition rights	7	26
Total extraordinary income	37	183
Extraordinary losses		
Loss on sale of non-current assets	–	7
Loss on retirement of non-current assets	–	270
Impairment losses	28	–
Loss on sale of investment securities	–	0
Expense related to retrospective adjustment	60	–
Tax penalty	–	135
Total extraordinary losses	88	414
Profit before income taxes	10,456	3,058
Income taxes - current	1,178	(27)
Income taxes - deferred	245	257
Total income taxes	1,423	229
Profit	9,032	2,829
Profit attributable to non-controlling interests	5,397	2,480
Profit attributable to owners of parent	3,635	348

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended December 31, 2023	For the six months ended December 31, 2024
Profit	9,032	2,829
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(3)
Foreign currency translation adjustment	(1,311)	(2,264)
Share of other comprehensive income of entities accounted for using equity method	12	11
Total other comprehensive income	(1,298)	(2,255)
Comprehensive income	7,734	573
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,084	(710)
Comprehensive income attributable to non-controlling interests	4,650	1,283

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended December 31, 2023	For the six months ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	10,456	3,058
Depreciation	1,602	3,695
Impairment losses	28	–
Amortization of goodwill	200	471
Increase (decrease) in allowance for doubtful accounts	–	(34)
Increase (decrease) in provision for bonuses	(39)	(45)
Interest and dividend income	(418)	(131)
Interest expenses	940	832
Share of loss (profit) of entities accounted for using equity method	65	61
Foreign exchange losses (gains)	2,500	602
Loss (gain) on sale of non-current assets	(0)	(0)
Gain on reversal of share acquisition rights	(7)	(26)
Loss on retirement of non-current assets	–	270
Decrease (increase) in trade receivables	(2,983)	(6,078)
Decrease (increase) in inventories	13,938	4,045
Decrease (increase) in real estate for sale	–	266
Loss (gain) on sale of investment securities	–	(148)
Provision for import, export tax	–	(1,366)
Increase (decrease) in provision for product warranties	–	(111)
Increase (decrease) in provision for loss on litigation	(21)	–
Decrease (increase) in other current assets	–	164
Increase (decrease) in other current liabilities	–	(32)
Increase (decrease) in trade payables	(2,525)	(3,363)
Increase (decrease) in contract liabilities	(868)	(983)
Decrease (increase) in advance payments to suppliers	7,239	(2,012)
Other, net	(12,114)	(3,801)
Subtotal	17,990	(4,667)
Interest and dividends received	220	117
Interest paid	(1,064)	(634)
Income taxes refund (paid)	(419)	(6)
Net cash provided by (used in) operating activities	16,727	(5,191)
Cash flows from investing activities		
Payments into time deposits	(48)	(37)
Proceeds from withdrawal of time deposits	588	166
Purchase of property, plant and equipment	(3,311)	(2,569)
Proceeds from sale of property, plant and equipment	16	99
Purchase of intangible assets	–	(66)
Purchase of investment securities	(75)	(117)
Loan advances	(1)	–
Proceeds from collection of loans receivable	0	0
Payments of deposit	(6,014)	(2,862)
Proceeds from collection of deposits paid	361	5,335
Purchase of shares of subsidiaries and associates	–	(3)
Proceeds from sale of shares of subsidiaries and associates	26	–
Payments of leasehold and guarantee deposits	(97)	(1)
Proceeds from refund of leasehold and guarantee deposits	0	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(99)	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	153
Other, net	(13)	–
Net cash provided by (used in) investing activities	(8,667)	97

(Millions of yen)

	For the six months ended December 31, 2023	For the six months ended December 31, 2024
Cash flows from financing activities		
Repayments of installment payables	(421)	(375)
Proceeds from short-term borrowings	42,476	24,677
Repayments of short-term borrowings	(41,675)	(23,419)
Proceeds from long-term borrowings	1,746	200
Repayments of long-term borrowings	(4,035)	(1,531)
Redemption of bonds	(67)	(33)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	19	3
Repayments to non-controlling shareholders	(327)	–
Proceeds from sales and installment back transaction	5,004	–
Repayments of lease liabilities	(78)	(280)
Dividends paid	(85)	(88)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(91)	–
Net decrease (increase) of restricted cash	(26)	(28)
Other, net	(0)	–
Net cash provided by (used in) financing activities	2,437	(876)
Effect of exchange rate change on cash and cash equivalents	(1,940)	(657)
Net increase (decrease) in cash and cash equivalents	8,557	(6,627)
Cash and cash equivalents at beginning of period	19,507	37,053
Cash and cash equivalents at end of period	28,064	30,425

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

TOYO Company Limited, a consolidated subsidiary of the Company, was listed on NASDAQ on July 2, 2024. As a result, for the six months ended December 31, 2024, capital surplus increased by 850 million yen, and capital surplus as of December 31, 2024 was 3,240 million yen.

(Changes in accounting policies)

(Adoption of the Accounting Standard for Current Income Taxes, etc.)

The Group has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, "2022 Revised Accounting Standard"), etc. from the beginning of the six months ended December 31, 2024.

Revisions to the accounting classification of income taxes, etc. (taxation on other comprehensive income) are in accordance with the transitional treatment provided for in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment provided for in the proviso to Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, "2022 Revised Guidance"). This has no impact on the semi-annual consolidated financial statements.

Regarding the revisions related to the re-examination of the treatment in consolidated financial statements in cases where gains or losses arising from the sale of shares of subsidiaries, etc. among consolidated companies are deferred for tax purposes, the 2022 Revised Guidance has been applied from the beginning of the six months ended December 31, 2024. The change in accounting policies has been applied retrospectively, and the semi-annual consolidated financial statements for the first six-month period of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. The change in accounting policies has no impact on the semi-annual consolidated financial statements for the first six-month period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Adoption of the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules)

The Group has applied the "Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" (The Practical Solution No. 46, March 22, 2024) from the beginning of the six months ended December 31, 2024. Since Paragraph 7 of the said Practical Solution has been applied, current taxes related to the Global Minimum Tax Rules have not been recorded in the consolidated financial statements for the six months ended December 31, 2024.

(Semi-annual Consolidated Balance Sheets)

(Non-deductible expenses for tax purpose related to export duties, etc.)

The Company's consolidated subsidiary Vietnam Sunergy Joint Stock Company and its subsidiaries (the "VSUN Group") have recorded estimated amounts related to export duties, etc. on sales, and treated them as deductible expenses for local income tax purpose. However, the VSUN Group had not been examined by the tax authorities until December 2024, and such export duties, etc. on sales may not be considered deductible for tax purpose in the calculation of income taxes, etc.

The VSUN Group has not recognized income taxes, etc. related to such export duties, etc. on sales; however, there are uncertainties for such income taxes, etc. as they depend on the results of future examination by local tax authorities. Accordingly, it is difficult to reasonably estimate the likelihood of occurrence and the amount of additional income taxes in the future at this time.

(Litigation-related compensation, etc.)

The Company and its consolidated subsidiaries (hereinafter “the Company and its Subsidiaries”) have received a lawsuit filed by solar panel manufacturer and have been served with a complaint by the United States District Court for the Northern District of California. At present, it is difficult to reasonably predict the impact this will have on the future performance of the Company and its Subsidiaries.

(Notes on segment information, etc.)

(Segment information)

I Six months ended December 31, 2023 (from July 1, 2023 to December 31, 2023)

1. Net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment			Other (Note 3)	Total	Adjustments (Note 1)	Amounts recorded in semi-annual consolidated statements of income (Note 2)
	Solar Panel Manufacturing Business	Green Energy Business	Total				
Net sales							
Net sales to outside customers	104,259	3,947	108,206	336	108,543	–	108,543
Intersegment sales or transfers	–	–	–	–	–	–	–
Total	104,259	3,947	108,206	336	108,543	–	108,543
Segment profit (loss)	10,062	636	10,698	(268)	10,429	(372)	10,057

Notes: 1. The (372) million yen of segment profit (loss) adjustment consists of corporate expenses not allocated to any reportable segment which mostly consist of expenses incurred in the administrative division.

2. Segment profit (loss) is consistent with operating profit stated in the semi-annual consolidated statements of income.

3. The “Other” category refers to the IT Business, the Photocatalyst Business, the domestic and international sales and rental of construction machinery, and the development of a storage system for hydrogen energy, which are not included in the reportable segments.

2. Information regarding impairment losses on non-current assets or goodwill by reportable segment

(Significant changes in goodwill)

In the Green Energy Business segment, the amount of non-current assets and goodwill has decreased due to the recording of impairment losses on non-current assets and goodwill.

The decrease in non-current assets and goodwill due to this event amounted to 28 million yen in the six months ended December 31, 2023.

II Six months ended December 31, 2024 (from July 1, 2024 to December 31, 2024)

1. Net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment			Other (Note 3)	Total	Adjustments (Note 1)	Amounts recorded in semi-annual consolidated statements of income (Note 2)
	Solar Panel Manufacturing Business	Green Energy Business	Total				
Net sales							
Net sales to outside customers	40,954	4,191	45,146	467	45,613	–	45,613
Intersegment sales or transfers	–	–	–	0	0	(0)	–
Total	40,954	4,191	45,146	468	45,614	(0)	45,613
Segment profit (loss)	3,295	291	3,586	(8)	3,577	(416)	3,161

Notes: 1. The (416) million yen of segment profit (loss) adjustment consists of corporate expenses not allocated to any reportable segment which mostly consist of expenses incurred in the administrative division.

2. Segment profit (loss) is consistent with operating profit stated in the semi-annual consolidated statements of income.

3. The “Other” category refers to the IT Business, the Photocatalyst Business, the domestic and international sales and rental of construction machinery, and the development of a storage system for hydrogen energy, which are not included in the reportable segments.

2. Matters pertaining to changes in reportable segments, etc.

Until the previous fiscal year, the Group had four reportable segments: “Solar Panel Manufacturing Business,” “Green Energy Business,” “IT Business,” and “Photocatalyst Business.” Effective from the six months ended December 31, 2024, the Group has reviewed its performance management classification and has accordingly reclassified the reportable segments into two segments: “Solar Panel Manufacturing Business” and “Green Energy Business.” The “IT Business” and “Photocatalyst Business” have been included in the “Other” category.

Segment information for the six months ended December 31, 2023 has been prepared based on the reportable segment classification after the change.

(Significant subsequent events)

Not applicable.