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Consolidated Financial Results for the Nine Months Ended December 31, 2024
[JGAAP]

February 12, 2025

Company name:	Onoken Co., Ltd.
Listing:	Tokyo Stock Exchange, Fukuoka Stock Exchange
Securities code:	7414
URL:	http://www.onoken.co.jp/
Representative:	Ken Ono, President
Inquiries:	Tetsuji Ono, Executive Managing Director, Management Control Division
Telephone:	+81-93-561-0036
Scheduled date to commence dividend payments:	-
Preparation of supplementary materials on financial results:	Yes
Holding of financial results briefing:	None

(Amounts of less than ¥1 million are rounded)

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

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating profit				Ordinary profit		Profit attributable to owners of parent	
	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	206,284	(3.1)	5,071	(16.7)	5,194	(15.9)	3,415	(18.5)
Nine months ended December 31, 2023	212,924	10.7	6,084	(17.2)	6,174	(17.4)	4,188	(14.7)

Note: Comprehensive income	Nine months ended December 31, 2024:	¥3,423 million [(27.5%)]
	Nine months ended December 31, 2023:	¥4,719 million [(3.6%)]

	Net income per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	134.09	133.19
Nine months ended December 31, 2023	167.41	162.58

Note: In the fiscal year ended March 31, 2024, a provisional accounting process regarding business combinations was finalized and each figure related to the third quarter of the fiscal year ended March 31, 2024, where provisional figures were used, has been adjusted to reflect the contents of the change.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	215,136	96,840	44.6
As of March 31, 2024	208,502	95,550	45.4

Reference: Equity

As of December 31, 2024:	95,976 million yen
As of March 31, 2024:	94,732 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2024	Yen -	Yen 36.00	Yen -	Yen 33.00	Yen 69.00
Fiscal year ending March 31, 2025	-	34.00	-		
Fiscal year ending March 31, 2025 (forecast)				35.00	69.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated financial forecasts for FY2024 (April 1, 2024, to March 31, 2025)

(Percentages indicate year-on-year changes.)

	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	282,200	0.1	6,500	(20.9)	6,500	(22.1)	4,400	(23.6)	172.22

Note: Revisions to the most recently announced financial results forecast: None

* Notes

(1) Material changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For details, see “(3) Notes to Quarterly Consolidated Financial Statements (Notes on accounting treatment specific to the preparation of quarterly consolidated financial statements)” in “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto” on page 8 of the Attachment.

(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 reasons other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2024	25,873,913
As of March 31, 2024	25,715,186

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

As of December 31, 2024	641,948
As of March 31, 2024	227,346

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

Nine months ended December 31, 2024	25,469,388
Nine months ended December 31, 2023	25,017,322

* Review by certified public accountants or an audit corporation of the attached quarterly consolidated financial statements: Yes (discretionary)

* Proper use of earnings forecasts, and other special matters

Forward-looking statements such as earnings forecasts contained in this material are based on information available to the Company, as well as certain assumptions that the Company judges to be reasonable, and are not intended to be a promise that the Company will achieve them. Furthermore, actual results may differ significantly depending on various factors. For conditions underlying the financial results forecast and cautions concerning the use of the financial results forecast, please see “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” in “1. Overview of Operating Results, etc.” on page 3 of the Attachment.

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[Mid-term Review Report]

1. Overview of Operating Results, etc.

(1) Overview of operating results for the current period

Japan's economy during the nine months ended December 31, 2024, remained uncertain due to situation in Ukraine and unstable economic conditions in the EU countries, China, and other countries, as well as ongoing inflation and a significant depreciation of the yen due to fluctuations in overseas situations such as the U.S. presidential election.

However, there are also signs that economic activities will be gradually revitalized due to governmental measures to prioritize economic activities and the recovery of inbound demand.

In the steel and construction materials distribution industry to which the Group belongs, domestic demand trends vary widely by type and category of business and region, and overall domestic demand has not increased due to labor shortages and rising prices. The market for steel products also remained slightly weak due to the unstable situation described above. Going forward, the overall demand environment is expected to remain weak for the time being.

In the Group, for the Iron and Steel Sales business, in circumstances where demand is lacking and the market for steel products remains somewhat weak, the Saga and Yamaguchi Sales Offices went into full operation after the relocation, and the Shizuoka Center was opened, and we actively promoted the development of bases including the expansion of processing facilities with a medium- to long-term perspective. The aim is to continuously secure sales volumes and to achieve stable profits that are less susceptible to changes in the steel product market.

Further, for the Sales of Construction Materials and Contract Construction business, in the construction-related industry, which is our main customers, while demand for small- and medium-sized projects in regional cities remains sluggish due to labor shortages and rising prices, orders for large-scale projects, mainly in urban areas, have been steadily received, and the progress of existing orders has been almost on schedule, albeit slightly behind. In addition, looking ahead to the next fiscal year and beyond, we focused on receiving orders for construction projects for hotels, commercial facilities, etc. in anticipation of a recovery in inbound demand, and civil engineering construction materials for public works such as disaster recovery work.

For the business results, net sales were 206,284 million yen (down 3.1% year-on-year) due to a slight decrease in the steel product market, although the sales volume of steel products remained at the same level as the previous fiscal year, and also due to a slight delay in the progress of large-sized construction in the Contract Construction business. In terms of profit, the Iron and Steel Sales business and Sales of Construction Materials and Contract Construction business secured almost the same level of profit as the previous fiscal year, but selling, general and administrative expenses rose due to higher freight charges brought by soaring fuel costs and personnel expenses caused by increases in the number of employees and salaries, as well as increases in depreciation expenses for facility expansion etc. This resulted in operating profit of 5,071 million yen (down 16.7% year-on-year), ordinary profit of 5,194 million yen (down 15.9% year-on-year) and profit attributable to owners of parent of 3,415 million yen (down 18.5% year-on-year).

In the fiscal year ended March 31, 2024, a provisional accounting process regarding business combinations was finalized and the figures after finalizing the provisional accounting are used in year-on-year comparisons and analysis for the first nine months of the fiscal year ending March 31, 2025.

Results by segment are as follows:

(i) Kyushu and Chugoku region

Net sales increased year-on-year due to growth in the Contract Construction business, despite weaker sales brought by a slight decrease in sales volume in the Iron and Steel Sales business. Profit decreased due to an increase in selling, general and administrative expenses, despite growth in the Contract Construction business. As a result, net sales to external customers amounted to 113,781 million yen (up 0.7% year-on-year), and segment profit was 2,861 million yen (down 5.4% year-on-year).

(ii) Kansai and Chukyo region

Net sales decreased year-on-year due to a decrease in sales volume in the Iron and Steel Sales business and a slight decline in the steel product market. Profit decreased due to lower net sales in the Iron and Steel Sales business. As a result, net sales to external customers amounted to 51,985 million yen (down 6.2% year-on-year), and segment profit was 787 million yen (down 35.9% year-on-year).

(iii) Kanto and Tohoku region

Net sales decreased year-on-year due to a slight decline in the steel product market, although sales volume in the Iron and Steel Sales business was maintained at the same level as the previous fiscal year, and a decrease in the Contract Construction business. Profit dropped due to an increase in selling, general and administrative expenses, including an increase in expenses related to the construction of the Shizuoka Center. As a result, net sales to external customers amounted to 40,517 million yen (down 9.0% year-on-year), and segment profit was 1,453 million yen (down 19.5% year-on-year).

(2) Overview of Financial Position for the Current period

(Assets)

Assets increased 6,634 million yen from the end of previous fiscal year to 215,136 million yen. The main factors were increases of 1,159 million yen in merchandise and finished goods, 2,689 million yen in other current assets, and 12,787 million yen in buildings and structures in spite of decreases of 7,270 million yen in notes and accounts receivable - trade, and contract assets and 3,761 million yen in other property, plant and equipment.

(Liabilities)

Liabilities increased 5,344 million yen from the end of previous fiscal year to 118,296 million yen. The main factors were increases of 10,080 million yen in short-term borrowings and 6,173 million yen in long-term borrowings despite decreases of 5,506 million yen in notes and accounts payable - trade, and 2,318 million yen in other current liabilities.

(Net assets)

Net assets were up 1,289 million yen from the end of previous fiscal year to 96,840 million yen. The main factor was an increase of 1,707 million yen in retained earnings despite an increase of 625 million yen in treasury shares.

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

There is no change to the full-year financial results forecast announced in the Consolidated Financial Results dated November 8, 2024.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2024 (As of March 31, 2024)	Third quarter of the fiscal year ending March 31, 2025 (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	6,692	6,347
Notes and accounts receivable - trade, and contract assets	58,524	51,253
Electronically recorded monetary claims - operating	26,589	26,577
Merchandise and finished goods	28,215	29,374
Raw materials and supplies	3,561	3,695
Other	4,828	7,518
Allowance for doubtful accounts	(137)	(128)
Total current assets	128,274	124,639
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,455	34,243
Land	34,167	35,274
Other, net	18,574	14,813
Total property, plant and equipment	74,196	84,330
Intangible assets		
Goodwill	290	252
Other	377	386
Total intangible assets	667	639
Investments and other assets		
Other	5,480	5,621
Allowance for doubtful accounts	(117)	(94)
Total investments and other assets	5,363	5,526
Total non-current assets	80,227	90,497
Total assets	208,502	215,136
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,400	25,894
Electronically recorded obligations - operating	22,542	21,653
Short-term borrowings	28,850	38,930
Current portion of long-term borrowings	434	430
Current portion of bonds payable	370	10
Income taxes payable	1,637	389
Contract liabilities	686	509
Provision for bonuses	1,423	1,020
Other	6,091	3,773
Total current liabilities	93,437	92,611
Non-current liabilities		
Long-term borrowings	17,110	23,284
Provision for retirement benefits for directors (and other officers)	9	7
Retirement benefit liability	1,333	1,396
Asset retirement obligations	173	174
Other	886	821
Total non-current liabilities	19,514	25,684
Total liabilities	112,952	118,296

(Millions of yen)

	Fiscal year ended March 31, 2024 (As of March 31, 2024)	Third quarter of the fiscal year ending March 31, 2025 (As of December 31, 2024)
Net assets		
Shareholders' equity		
Share capital	6,842	6,947
Capital surplus	6,809	6,901
Retained earnings	80,557	82,265
Treasury shares	(309)	(935)
Total shareholders' equity	93,900	95,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	856	771
Deferred gains or losses on hedges	5	32
Remeasurements of defined benefit plans	(29)	(7)
Total accumulated other comprehensive income	832	796
Non-controlling interests	817	863
Total net assets	95,550	96,840
Total liabilities and net assets	208,502	215,136

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (First nine months)

(Millions of yen)

	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024, to December 31, 2024)
Net sales	212,924	206,284
Cost of sales	192,995	185,944
Gross profit	19,928	20,340
Selling, general and administrative expenses	13,844	15,269
Operating profit	6,084	5,071
Non-operating income		
Interest income	3	6
Dividend income	45	53
Rental income from buildings	61	68
Other	109	158
Total non-operating income	219	286
Non-operating expenses		
Interest expenses	26	140
Other	103	22
Total non-operating expenses	130	163
Ordinary profit	6,174	5,194
Extraordinary income		
Gain on sale of non-current assets	26	1
Total extraordinary income	26	1
Profit before income taxes	6,200	5,196
Income taxes	1,919	1,732
Profit	4,281	3,463
Profit attributable to non-controlling interests	93	48
Profit attributable to owners of parent	4,188	3,415

(Quarterly Consolidated Statement of Comprehensive Income)
(First nine months)

(Millions of yen)

	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024, to December 31, 2024)
Profit	4,281	3,463
Other comprehensive income		
Valuation difference on available-for-sale securities	376	(89)
Deferred gains or losses on hedges	(32)	27
Remeasurements of defined benefit plans, net of tax	93	22
Total other comprehensive income	438	(39)
Comprehensive income	4,719	3,423
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,622	3,379
Comprehensive income attributable to non-controlling interests	96	44

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on changes in accounting policies)

(Application of “Accounting Standard for Corporate Tax, Inhabitants Tax, Enterprise Tax, etc.,” etc.)

Starting from the beginning of the nine months ended December 31, 2024, we began to apply “Accounting Standard for Corporate Tax, Inhabitants Tax, Enterprise Tax, etc.” etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as “Revised Accounting Standard for 2022”).

With regard to the revision of the accounting classification for income taxes (taxation on other comprehensive income), we complied with the transitional treatment set forth in the proviso of Paragraph 20-3 of the Revised Accounting Standards of 2022 and the transitional treatment set forth in the proviso of Paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Application Guidelines 2022”). The above-mentioned accounting policy change had no impact on the quarterly consolidated financial statements.

With regard to the revision to treatment in the consolidated financial statements in the case of deferring, for tax purposes, gains and losses on sales of shares of subsidiaries between consolidated companies, we began to apply the 2022 revision application guidelines starting from the beginning of the nine months ended December 31, 2024. We applied this accounting policy change retroactively, so the consolidated financial statements for the nine months ended December 31, 2023, and the fiscal year ended March 31, 2024, are ones after the retroactive application. The accounting policy change had no impact on the consolidated financial statements for the nine months ended December 31, 2023, and the fiscal year ended March 31, 2024.

(Notes on accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting with regard to profit before income taxes for the fiscal year that includes the nine months ended December 31, 2024, and multiplying the quarterly profit before income taxes by that estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

I Nine months ended December 31, 2023 (from April 1, 2023, to December 31, 2023)

1. Information concerning the amount of net sales and profit or loss for each reporting segment

(Millions of yen)

	Kyushu and Chugoku	Kansai and Chukyo	Kanto and Tohoku	Total
Net sales				
Net sales to external customers	113,015	55,392	44,516	212,924
Internal net sales or transfers between segments	1,346	2,999	470	4,815
Total	114,361	58,391	44,986	217,739
Segment profit	3,026	1,228	1,805	6,060

2. Difference Between the Total Profit (Loss) Amount of Reporting Segments and Amount Recorded in Quarterly Consolidated Financial Statement and Main Contents of the Said Difference

(Millions of yen)

Profit	Amount
Total Reporting Segments	6,060
Erasure of intersegment business transactions	5
Amount of adjustment of inventories	60
Amount of amortization of goodwill	(31)
Amount of amortization of customer-related assets	(9)
Operating Profit on Quarterly Consolidated Statement of Income	6,084

Note: In the fiscal year ended March 31, 2024, a provisional accounting process regarding business combinations was finalized and each figure related to the third quarter of the fiscal year ended March 31, 2024, where provisional figures were used, has been adjusted to reflect the contents of the change.

II Nine months ended December 31, 2024 (from April 1, 2024, to December 31, 2024)

1. Information concerning the amount of net sales and profit or loss for each reporting segment

(Millions of yen)

	Kyushu and Chugoku	Kansai and Chukyo	Kanto and Tohoku	Total
Net sales				
Net sales to external customers	113,781	51,985	40,517	206,284
Internal net sales or transfers between segments	657	1,733	34	2,426
Total	114,439	53,719	40,552	208,711
Segment profit	2,861	787	1,453	5,102

2. Difference Between the Total Profit (Loss) Amount of Reporting Segments and Amount Recorded in Quarterly Consolidated Financial Statement and Main Contents of the Said Difference

(Millions of yen)

Profit	Amount
Total Reporting Segments	5,102
Erasure of intersegment business transactions	29
Amount of adjustment of inventories	(4)
Amount of amortization of goodwill	(37)
Amount of amortization of customer-related assets	(20)
Operating Profit on Quarterly Consolidated Statement of Income	5,071

(Notes if there are significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on assumptions of going concern)

Not applicable.

(Notes to quarterly consolidated statement of cash flows)

No consolidated statement of cash flows for the nine months ended December 31, 2024, was prepared. Shown below are depreciation (including amortization of intangible assets other than goodwill and customer-related assets) for the nine months ended December 31, 2024, and amortization of goodwill and depreciation of customer-related assets.

	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024, to December 31, 2024)
Depreciation	2,190 million yen	2,804 million yen
Amount of amortization of goodwill	31	37
Amount of amortization of customer-related assets	9	20

(Significant subsequent events)

(Cancellation of treasury shares)

At a meeting of the Board of Directors held on February 12, 2025, the Company resolved to cancel its own shares pursuant to Article 178 of the Companies Act of Japan.

1 Reason for cancellation of treasury shares

The planned cancellation of treasury shares is aimed to enhance shareholder returns and further boost corporate value through improving capital efficiency.

2 Details of cancellation

(1) Class of stock to be cancelled	Common stock of the Company
(2) Total number of shares to be cancelled	750,000 (2.90% of the total number of issued stocks before cancellation)
(3) Scheduled date of cancellation	February 26, 2025

Quarterly Review Report on the Quarterly Consolidated Financial Statements by an Independent Audit Corporation

February 12, 2025

To the Board of Directors of Onoken Co., Ltd.

Ernst & Young ShinNihon LLC Fukuoka Office

Designated Limited
Liability PartnerDesignated Engagement
PartnerCertified Public
Accountant

Sento Fukumoto

Designated Limited
Liability PartnerDesignated Engagement
PartnerCertified Public
Accountant

Akira Kotake

Opinion

We have reviewed the quarterly consolidated financial statements, namely, the quarterly consolidated balance sheet, the quarterly consolidated statement of income, the quarterly consolidated statement of comprehensive income, and the notes thereto of Onoken Co., Ltd. for the third quarter of the consolidated fiscal year from April 1, 2024, to March 31, 2025 (from October 1, 2024, to December 31, 2024) and the first nine months of the consolidated fiscal year (from April 1, 2024, to December 31, 2024), which are shown in the “Attachment” of the Quarterly Financial Results.

In our opinion, the accompanying quarterly consolidated financial statements present fairly, in all material respects, the consolidated financial position of Onoken Co., Ltd. in accordance with Article 4, Paragraph 1 of the Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange as well as accounting standards for quarterly financial statements that are generally accepted in Japan (however, the omission prescribed in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements was applied).

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Quarterly Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries and fulfilled our ethical responsibilities as auditors in accordance with the regulations on professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit and Supervisory Committee Members and the Audit and Supervisory Committee for the Quarterly Consolidated Financial Statements

Management is responsible for preparing quarterly consolidated financial statements in accordance with Article 4, Paragraph 1 of the Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange as well as accounting standards for quarterly financial statements that are generally accepted in Japan (however, the omission prescribed in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements was applied). Management is also responsible for developing and operating internal controls that management deems necessary for preparing quarterly consolidated financial statements free from material misstatement due to fraud or error.

In preparing quarterly consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the quarterly consolidated financial statements based on a going concern assumption, and if being required to disclose any matter related to the going concern in accordance with Article 4, Paragraph 1 of the Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange as well as accounting standards for quarterly financial statements that are generally accepted in Japan (however, the omission prescribed in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements was applied), management is responsible for disclosing the information.

The Audit and Supervisory Committee is responsible for monitoring the execution of directors’ duties to develop and operate financial reporting processes.

The auditor’s Responsibilities for the Mid-Term Review of the Quarterly Consolidated Financial Statements

The auditor is responsible for expressing in the mid-term review report an opinion on the quarterly consolidated financial statements from an independent standpoint in accordance with the mid-term review conducted by itself.

In accordance with mid-term review standards generally accepted in Japan, the auditor makes judgment as a professional expert through the mid-term review process, and conducts the following while keeping professional skepticism.

- The auditor asks questions mainly to management and persons responsible for financial and accounting matters and takes analytical procedures and other mid-term review procedures. A mid-term review procedure is a procedure more limited than an annual financial statements audit conducted in accordance with auditing standards generally accepted in Japan.

- Upon finding a material uncertainty about any event or situation giving rise to material suspicion concerning a going concern assumption, the auditor is required to assess to conclude, based on evidence obtained, whether the quarterly consolidated financial statements have been prepared in accordance with Article 4, Paragraph 1 of the Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange as well as accounting standards for quarterly financial statements that are generally accepted in Japan (however, the omission prescribed in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements was applied) If finding a material uncertainty about a going concern assumption, the auditor is required to draw attention in a mid-term review report to the notes to the quarterly consolidated financial statements, and if the notes to the quarterly consolidated financial statements about the material uncertainty are not appropriate, the auditor is required to express a qualified or negative opinion on the quarterly consolidated financial statements. Although the auditor's opinion is based on evidence obtained up to the date of the mid-term review report, the company could potentially cease to exist as a going concern due to a future event or circumstance.
- The auditor assesses to see if quarterly consolidated financial statements have been prepared in accordance with Article 4, Paragraph 1 of the Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange as well as accounting standards for quarterly financial statements that are generally accepted in Japan (however, the omission prescribed in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements was applied), based on obtained evidence if concluding there is significant uncertainty about any matter or situation causing material suspicion about a going concern assumption.
- The auditor obtains such evidence for the financial information of the Company and its consolidated subsidiaries as forms the basis for expressing an opinion on the quarterly consolidated financial statements. The auditor is responsible for the direction, supervision, and inspection of the mid-term review of the quarterly consolidated financial statements. The auditor is solely responsible for its opinion.

The auditor informs the Audit and Supervisory Committee of the scope of the planned mid-term review, the timing of its implementation, and important findings of the review.

The auditor informs the Audit and Supervisory Committee: i) of the fact that the auditor has complied with professional ethics rules in Japan regarding independence; ii) of details of any measure taken to remove anything reasonably thought to affect the auditor's independence and remove impediments and of any safeguard applied in order to reduce impediments to tolerable levels.

Interest

There is no such interest between the Company or its consolidated subsidiaries and the audit corporation or its designated engagement partners as is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

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- Note:
1. The Company (the company disclosing quarterly financial statements) separately keeps the original of the above mid-term review report.
 2. XBRL data and HTML data are not covered by the mid-term review.