

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

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

November 10, 2023

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 file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: December 11, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors)

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023, to September 30, 2023)

(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 September 30, 2023	140,317	12.0	4,220	(20.3)	4,349	(19.1)	2,969	(16.8)
Six months ended September 30, 2022	125,280	21.5	5,294	(22.8)	5,373	(23.2)	3,568	(25.1)

Note: Comprehensive income For the six months ended September 30, 2023: ¥3,426 million [(5.8%)]

For the six months ended September 30, 2022: ¥3,637 million [(24.4%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	118.71	115.28
Six months ended September 30, 2022	152.74	138.66

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	199,790	92,678	46.0
As of March 31, 2023	188,688	90,321	47.5

Reference: Equity

As of September 30, 2023: ¥91,922 million

As of March 31, 2023: ¥89,620 million

2. Cash 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 March 31, 2023	-	46.00	-	44.00	90.00
Fiscal year ending March 31, 2024	-	36.00			
Fiscal year ending March 31, 2024 (forecast)			-	45.00	81.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated financial results forecast for the fiscal year ending March 31, 2024 (from April 1, 2023, to March 31, 2024)

(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	286,583	9.1	9,370	(3.8)	9,574	(3.8)	6,709	(4.5)	268.32

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

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): 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 (Adoption of 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 : None
- (ii) Changes in accounting policies due to other reasons : 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 September 30, 2023	25,254,114 shares
As of March 31, 2023	25,254,114 shares

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

As of September 30, 2023	227,326 shares
As of March 31, 2023	250,986 shares

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

Six months ended September 30, 2023	25,013,268 shares
Six months ended September 30, 2022	23,362,964 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* 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 on 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. Qualitative Information on Financial Results for the Six Months Ended September 30, 2023” on page 3 of the Attachment.

○ Table of Contents of Attachment

1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2023	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	4
(1) Quarterly Consolidated Balance Sheet.	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
(Quarterly Consolidated Statement of Income)	6
(First six months).	6
(Quarterly Consolidated Statement of Comprehensive Income)	7
(First six months).	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Going Concern Assumption).	8
(Notes If There Are Significant Changes in the Amount of Shareholders' Equity)	8
(Changes in significant subsidiaries during the period).	8
(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)	8

1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2023

(1) Explanation of Operating Results

In Japan's economy during the six months ended September 30, 2023, the impact of the spread of COVID-19 was gradually decreasing, and economic activity was heading toward normalization. However, the global economic environment is undergoing major changes due to the depreciation of the yen and rising inflation caused by rapid changes in overseas situations such as Russia's invasion of Ukraine, and there continues to be a sense of uncertainty about future business confidence.

In the steel and construction materials distribution industry to which the Group belongs, domestic demand trends vary depending on the type and category of business. Particularly in the construction-related field, there is a significant imbalance in demand, as there are many large-scale construction projects, while demand for small and medium-sized construction projects is lacking momentum. In addition, the market for steel products has been slightly weak since the beginning of the fiscal year due to weak market conditions for iron scrap, the main raw material for steel products. Going forward, the demand environment is expected to remain the same and vary depending on the region, and the type and category of business.

In our group, for the Iron and Steel Sales business, in circumstances where demand is lacking and the market for steel products remains somewhat weak, we have actively expanded our business by increasing the inventory at each site and adding new processing equipment. The aim is to secure sales volume and 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, the large-scale construction projects for which orders have been received are progressing smoothly, and we continue to receive orders mainly for large-scale construction projects steadily. In addition, we have also focused on activities to receive orders for civil engineering construction materials for disaster recovery work, etc.

For the business results, net sales were 140,317 million yen (up 12.0% year-on-year), because both sales volume and unit sales price in the Iron and Steel Sales business remained at the same level as the previous fiscal year, and also because the Contract Construction business made steady progress mainly in large-scale construction projects. Selling, general and administrative expenses rose due to an increase in personnel expenses caused by increases in the number of employees and base salaries, as well as an increase in capital expenditure related to development of operating bases, resulting in operating profit of 4,220 million yen (down 20.3% year-on-year) and ordinary profit of 4,349 million yen (down 19.1% year-on-year).

Results by segment are as follows:

(i) Kyushu and Chugoku region

Net sales increased year-on-year, mainly due to steady progress in the Contract Construction business, centered on large-scale construction projects. Profit decreased due to an increase in selling, general and administrative expenses. As a result, net sales to external customers amounted to 72,911 million yen (up 4.6% year-on-year), and segment profit was 1,926 million yen (down 24.0% year-on-year).

(ii) Kansai and Chukyo region

Net sales grew year-on-year due to an increase in sales volume in the Iron and Steel Sales business. Profit decreased because, although the sales volume of the Iron and Steel Sales business increased, the profit margin declined and the gross profit remained at the same level year-on-year, and also due to an increase in selling, general and administrative expenses. As a result, net sales to external customers amounted to 36,808 million yen (up 21.3% year-on-year), and segment profit was 869 million yen (down 23.2% year-on-year).

(iii) Kanto and Tohoku region

Net sales increased year-on-year due to a slight increase in sales volume in the Iron and Steel Sales business and steady progress in large-scale construction projects in the Contract Construction business. Profit decreased due to an increase in selling, general and administrative expenses. As a result, net sales to external customers amounted to 30,597 million yen (up 21.3% year-on-year), and segment profit was 1,398 million yen (down 9.7% year-on-year).

(2) Explanation of Financial Position

(Assets)

Assets increased by 11,101 million yen from the end of the previous fiscal year to 199,790 million yen. The main factors were increases of 4,178 million in electronically recorded monetary claims - operating, 3,166 million in land and 4,259 million in other property, plant and equipment, despite a decrease of 1,118 million yen in merchandise and finished goods.

(Liabilities)

Liabilities increased by 8,744 million yen from the end of the previous fiscal year to 107,112 million yen. The main factors were increases of 7,650 million yen in short-term borrowings and 1,010 million yen in income taxes payable.

(Net assets)

Net assets increased by 2,357 million yen from the end of the previous fiscal year to 92,678 million yen. The main factor was an increase of 1,869 million yen in retained earnings.

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

There is no change to the financial results forecast announced on May 15, 2023, for the fiscal year ending March 31, 2024.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Second quarter of the fiscal year ending March 31, 2024 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	2,975	3,428
Notes and accounts receivable - trade, and contract assets	62,335	62,462
Electronically recorded monetary claims - operating	20,064	24,242
Merchandise and finished goods	31,563	30,445
Raw materials and supplies	3,491	3,484
Other	6,396	6,635
Allowance for doubtful accounts	(120)	(132)
Total current assets	126,706	130,566
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,924	21,365
Land	30,723	33,889
Other, net	5,487	9,747
Total Property, plant and equipment	58,135	65,002
Intangible assets		
Goodwill	257	390
Other	259	274
Total intangible assets	516	665
Investments and other assets		
Other	4,051	3,698
Allowance for doubtful accounts	(721)	(142)
Total investments and other assets	3,329	3,556
Total non-current assets	61,982	69,224
Total assets	188,688	199,790
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,177	31,317
Electronically recorded obligations - operating	21,781	20,805
Short-term borrowings	35,200	42,850
Current portion of long-term borrowings	52	52
Income taxes payable	398	1,409
Contract liabilities	199	218
Provision for bonuses	1,453	1,725
Provision for loss on construction contracts	8	7
Other	4,823	5,334
Total current liabilities	95,094	103,721
Non-current liabilities		
Bonds payable	981	981
Long-term borrowings	118	96
Provision for retirement benefits for directors (and other officers)	6	7
Retirement benefit liability	1,101	1,261
Asset retirement obligations	171	172
Other	893	872
Total non-current liabilities	3,273	3,391
Total liabilities	98,367	107,112

(Millions of yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Second quarter of the fiscal year ending March 31, 2024 (As of September 30, 2023)
Net assets		
Shareholders' equity		
Share capital	6,537	6,537
Capital surplus	6,498	6,504
Retained earnings	76,797	78,666
Treasury shares	(341)	(309)
Total shareholders' equity	89,491	91,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	257	540
Deferred gains or losses on hedges	(2)	46
Remeasurements of defined benefit plans	(125)	(62)
Total accumulated other comprehensive income	129	524
Non-controlling interests	700	755
Total net assets	90,321	92,678
Total liabilities and net assets	188,688	199,790

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

	(Millions of yen)	
	Six months ended September 30, 2022 (from April 1, 2022, to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023, to September 30, 2023)
Net sales	125,280	140,317
Cost of sales	111,975	127,058
Gross profit	13,305	13,259
Selling, general and administrative expenses	8,010	9,038
Operating profit	5,294	4,220
Non-operating income		
Interest income	3	2
Dividend income	16	26
Rental income from buildings	38	40
Gain on sale of investment securities	-	42
Other	53	49
Total non-operating income	112	161
Non-operating expenses		
Interest expenses	13	15
Other	19	16
Total non-operating expenses	32	32
Ordinary profit	5,373	4,349
Extraordinary income		
Gain on sale of non-current assets	-	26
Total extraordinary income	-	26
Extraordinary losses		
Loss on sale of non-current assets	3	-
Total extraordinary losses	3	-
Profit before income taxes	5,370	4,375
Income taxes	1,736	1,343
Profit	3,633	3,032
Profit attributable to non-controlling interests	65	62
Profit attributable to owners of parent	3,568	2,969

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

(Millions of yen)

	Six months ended September 30, 2022 (from April 1, 2022, to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023, to September 30, 2023)
Profit	3,633	3,032
Other comprehensive income		
Valuation difference on available-for-sale securities	7	282
Deferred gains or losses on hedges	(3)	49
Remeasurements of defined benefit plans, net of tax	(0)	62
Total other comprehensive income	3	394
Comprehensive income	3,637	3,426
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,572	3,360
Comprehensive income attributable to non-controlling interests	64	66

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes If There Are Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in significant subsidiaries during the period)

Not applicable.

Although it does not correspond to changes in specified subsidiaries, we acquired shares in Okinaga Kozai Co., Ltd. (head office: Minami-ku, Hiroshima City) during the six months ended September 30, 2023, so the company is included in the scope of consolidation. Additionally, since September 30, 2023, was set as the deemed acquisition date, only the balance sheet has been consolidated for the second quarter of the fiscal year ending March 31, 2024.

(Adoption of 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 six months ended September 30, 2023, and multiplying the quarterly profit before income taxes by that estimated effective tax rate.