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Consolidated Financial Results for the Three Months Ended June 30, 2024 [JGAAP]

August 9, 2024

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 three months ended June 30, 2024 (from April 1, 2024, to June 30, 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	%
Three months ended June 30, 2024	71,497	2.5	2,176	(1.6)	2,274	(1.7)	1,507	(1.5)
Three months ended June 30, 2023	69,723	12.8	2,212	(24.1)	2,314	(21.8)	1,530	(21.3)

Note: Comprehensive income For the three months ended June 30, 2024 ¥1,576 million [(8.2%)]
 For the three months ended June 30, 2023 ¥1,717 million [(15.4%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	59.04	58.48
Three months ended June 30, 2023	61.21	59.45

Note: In the fiscal year ended March 31, 2024, a provisional accounting process regarding business combinations was finalized and each figure related to the first quarter of the fiscal year ended June 30, 2023, 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 June 30, 2024	223,325	96,483	42.8
As of March 31, 2024	208,502	95,550	45.4

Reference: Equity

As of June 30, 2024 95,643 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 ended March 31, 2025	-				
Fiscal year ending March 31, 2025 (forecast)		34.00	-	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 for the full year and quarterly increase/decrease for each quarter.)

	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
First half (cumulative)	147,100	4.8	4,100	(2.9)	4,200	(3.4)	2,800	(5.7)	109.85
Full-year	302,000	7.1	8,500	3.4	8,600	3.1	5,800	0.7	227.55

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 7 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

Note: For details, see “(3) Notes to Quarterly Consolidated Financial Statements (Notes on changes in accounting policies)” in “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto” on page 7 of the Attachment.

(4) Number of issued shares (common shares)

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

As of June 30, 2024	25,866,355 shares
As of March 31, 2024	25,715,186 shares

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

As of June 30, 2024	227,346 shares
As of March 31, 2024	227,346 shares

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

Three months ended June 30, 2024	25,525,632 shares
Three months ended June 30, 2023	25,003,128 shares

* Review by certified public accountants or an audit corporation of the attached consolidated quarterly 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 2 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 three months ended June 30, 2024 remained uncertain with the rise of inflation and depreciation of the yen in progress due to changes in overseas conditions, such as Russia's protracted invasion of Ukraine and China's unstable economy.

In the steel and construction materials distribution industry to which the Group belongs, demand rebounded not at a steady pace as demand momentum varied depending on customer sector and region. Although Japanese steel manufacturers remained optimistic, steel product market conditions were somewhat weak as domestic demand was slow to recover at a time when imported steel products entered into a downturn due to the sluggish performance of overseas economies such as China. The construction materials sector was beset with a widening future uncertainty as small- to medium-sized projects suffered rising costs and labor shortages although large-sized projects were abundant.

In the iron and steel sales business, amid sluggish demand, the Company's group pursued sales activities in earnest with the aim of growing sales volumes and revenues by: i) ensuring substantial inventories at our business bases; and ii) working to meet customer needs through stepping up our delivery platform and processing facilities.

In the steel and building products sales business and the construction contracting business, order intake grew strongly as a result of the fact that: i) contracted large-sized projects progressed smoothly; and ii) we simultaneously engaged in activities to acquire orders for mainly large-sized new projects.

For the business results, net sales were 71,497 million yen (up 2.5% year-on-year) as the sales volume of the Iron and Steel Sales business was flat year-on-year amid sluggish demand and the Contract Construction business made steady progress mainly in large-scale construction projects. In terms of profit, due to increases in freight charges under selling, general and administrative expenses, personnel expenses, and expenses for facility expansion, operating profit was 2,176 million yen (down 1.6% year-on-year), ordinary profit came to 2,274 million yen (down 1.7% year-on-year) and net profit attributable to owners of the parent was 1,507 million yen (down 1.5% year-on-year).

Results by segment are as follows:

(i) Kyushu and Chugoku region

Net sales increased year-on-year as the number of consolidated subsidiaries in the iron and steel sales business grew and the construction materials distribution business and the construction contracting business saw civil engineering products expand and large projects progress smoothly. Profit increased from the same period of the previous fiscal year in spite of an increase in selling, general and administrative expenses. As a result, net sales to external customers amounted to 38,800 million yen (up 7.0% year-on-year), and segment profit was 1,077 million yen (up 4.6% year-on-year).

(ii) Kansai and Chukyo region

Net sales decreased from the same quarter of the previous fiscal year due to significant unit sales price declines in the iron and steel sales business despite a slight growth in sales quantity although the construction contracting business saw its net sales increase as its work projects progressed. Profit decreased from the same period of the previous fiscal year due to an increase in selling, general and administrative expenses. As a result, net sales to external customers amounted to 18,667 million yen (down 1.3% year-on-year), and segment profit was 359 million yen (down 20.1% year-on-year).

(iii) Kanto and Tohoku region

Net sales increased from the same period of the previous fiscal year in the iron and steel sales business as its sales quantity grew. Overall sales declined from the same period of the previous fiscal year as the contract construction business saw its work projects fail to progress as much as in the period despite having sizeable order backlogs. Profit increased from the same period of the previous fiscal year due to greater profitability of the iron and steel sales business despite an increase in selling, general and administrative expenses. As a result, net sales to external customers amounted to 14,028 million yen (down 3.5% year-on-year), and segment profit was 736 million yen (up 7.1% year-on-year).

(2) Overview of Financial Position for the Current period

(Assets)

Assets grew 14,823 million yen from the end of previous fiscal year to 223,325 million yen. The main factors were increases of

2,827 million yen in merchandise and finished goods, 1,683 million yen in raw materials and supplies, 2,512 million yen in other current assets, and 13,722 million yen in buildings and structures in spite of a decrease of 7,210 million yen in other property, plant and equipment.

(Liabilities)

Liabilities grew 13,890 million yen from the end of previous fiscal year to 126,842 million yen. The main factors were, despite an 845 million yen decrease in income taxes payable, an increase of 1,230 million yen in notes and accounts payable - trade, an increase of 8,355 million yen in short-term borrowings and an increase of 6,386 million yen in long-term borrowings.

(Net assets)

Net assets were up 933 million yen from the end of previous fiscal year to 96,483 million yen. The main factor was an increase of 665 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 forecasts for the first half and the full-year that were announced in the Consolidated Financial Results dated May 15, 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)	First quarter of the fiscal year ending March 31, 2025 (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	6,692	7,037
Notes and accounts receivable - trade, and contract assets	58,524	58,612
Electronically recorded monetary claims - operating	26,589	26,491
Merchandise and finished goods	28,215	31,042
Raw materials and supplies	3,561	5,244
Other	4,828	7,341
Allowance for doubtful accounts	(137)	(131)
Total current assets	128,274	135,638
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,455	35,177
Land	34,167	34,967
Other, net	18,574	11,363
Total property, plant and equipment	74,196	81,508
Intangible assets		
Goodwill	290	277
Other	377	367
Total intangible assets	667	645
Investments and other assets		
Other	5,480	5,624
Allowance for doubtful accounts	(117)	(91)
Total investments and other assets	5,363	5,532
Total non-current assets	80,227	87,686
Total assets	208,502	223,325
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,400	32,630
Electronically recorded obligations - operating	22,542	22,244
Short-term borrowings	28,850	37,205
Current portion of long-term borrowings	434	434
Current portion of bonds payable	370	170
Income taxes payable	1,637	789
Contract liabilities	686	353
Provision for bonuses	1,423	1,749
Other	6,091	5,406
Total current liabilities	93,437	100,984
Non-current liabilities		
Long-term borrowings	17,110	23,497
Provision for retirement benefits for directors (and other officers)	9	8
Retirement benefit liability	1,333	1,357
Asset retirement obligations	173	173
Other	886	821
Total non-current liabilities	19,514	25,857
Total liabilities	112,952	126,842

(Millions of yen)

	Fiscal year ended March 31, 2024 (As of March 31, 2024)	First quarter of the fiscal year ending March 31, 2025 (As of June 30, 2024)
Net assets		
Shareholders' equity		
Share capital	6,842	6,942
Capital surplus	6,809	6,904
Retained earnings	80,557	81,223
Treasury shares	(309)	(309)
Total shareholders' equity	93,900	94,761
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	856	892
Deferred gains or losses on hedges	5	10
Remeasurements of defined benefit plans	(29)	(22)
Total accumulated other comprehensive income	832	881
Non-controlling interests	817	839
Total net assets	95,550	96,483
Total liabilities and net assets	208,502	223,325

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

(Millions of yen)

	Three months ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three months ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Net sales	69,723	71,497
Cost of sales	62,998	64,273
Gross profit	6,724	7,223
Selling, general and administrative expenses	4,512	5,047
Operating profit	2,212	2,176
Non-operating income		
Interest income	0	1
Dividend income	24	27
Rental income from buildings	20	22
Settlement income	-	33
Other	74	46
Total non-operating income	120	131
Non-operating expenses		
Interest expenses	7	25
Other	10	7
Total non-operating expenses	18	33
Ordinary profit	2,314	2,274
Extraordinary income		
Gain on sale of non-current assets	26	0
Total extraordinary income	26	0
Profit before income taxes	2,340	2,274
Income taxes	774	745
Profit	1,566	1,529
Profit attributable to non-controlling interests	35	22
Profit attributable to owners of parent	1,530	1,507

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

(Millions of yen)

	Three months ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three months ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Profit	1,566	1,529
Other comprehensive income		
Valuation difference on available-for-sale securities	107	34
Deferred gains or losses on hedges	75	5
Remeasurements of defined benefit plans, net of tax	(31)	7
Total other comprehensive income	151	47
Comprehensive income	1,717	1,576
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,680	1,555
Comprehensive income attributable to non-controlling interests	37	20

(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 three months ended June 30, 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 three months ended June 30, 2024. We applied this accounting policy change retroactively, so the consolidated financial statements for the three months ended June 30, 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 of for the three months ended June 30, 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 three months ended June 30, 2024, and multiplying the quarterly profit before income taxes by that estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

I Three months ended June 30, 2023 (from April 1, 2023, to June 30, 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	36,263	18,921	14,538	69,723
Internal net sales or transfers between segments	242	1,012	300	1,555
Total	36,505	19,933	14,839	71,278
Segment profit	1,030	449	687	2,167

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	2,167
Erasure of intersegment business transactions	6
Amount of adjustment of inventories	49
Amount of amortization of goodwill	(9)
Amount of amortization of customer-related assets	(1)
Operating Profit on Quarterly Consolidated Statement of Income	2,212

Note: In the fiscal year ended March 31, 2024, a provisional accounting process regarding business combinations was finalized

and each figure related to the the first quarter of the fiscal year ended June 30, 2023, where provisional figures were used, has been adjusted to reflect the contents of the change.

II Three months ended June 30, 2024 (from April 1, 2024, to June 30, 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	38,800	18,667	14,028	71,497
Internal net sales or transfers between segments	210	558	10	779
Total	39,011	19,226	14,038	72,276
Segment profit	1,077	359	736	2,173

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	2,173
Erasure of intersegment business transactions	14
Amount of adjustment of inventories	7
Amount of amortization of goodwill	(12)
Amount of amortization of customer-related assets	(6)
Operating Profit on Quarterly Consolidated Statement of Income	2,176

(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 three months ended June 30, 2024, was prepared. Shown below are depreciation (including amortization of intangible assets other than goodwill and customer-related assets) for the three months ended June 30, 2024, and amortization of goodwill and depreciation of customer-related assets.

	Three months ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three months ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Depreciation	696 million yen	851 million yen
Amount of amortization of goodwill	9	12
Amount of amortization of customer-related assets	1	6

(Significant Subsequent Events)

(Purchase of treasury shares)

At a meeting of the Board of Directors held on August 9, 2024, the Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the Companies Act of Japan.

1 Reason for purchase of treasury shares

The planned purchase of treasury shares is aimed to enhance shareholder returns, further step up corporate value through improving capital efficiency, and pursue flexible capital policy.

2 Details of acquisition

- | | | |
|-----|--|--|
| (1) | Class of stock to be purchased | Common stock of the Company |
| (2) | Total number of shares to be purchased | 700,000 shares (maximum)
(2.73% of the total number of issued stocks (excluding treasury shares)) |
| (3) | Total value of shares to be purchased | 1,000 million yen (maximum) |
| (4) | Period of purchase | From August 13, 2024, to January 31, 2025 |
| (5) | Method of purchase | Market purchase on the Tokyo Stock Exchange |

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

August 9, 2024

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

Ernst & Young ShinNihon LLC Fukuoka Office

Designated Liability Partner	Limited Designated Engagement Partner	Certified Public Accountant	Sento Fukumoto
Designated Liability Partner	Limited Designated Engagement Partner	Certified 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 first three months of the consolidated accounting period from April 1, 2024, to March 31, 2025 (from April 1, 2024, to June 30, 2024) and the first three months of the consolidated fiscal year (from April 1, 2024, to June 30, 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 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 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 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.
- * If 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 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 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.