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Consolidated Financial Results for the Six Months Ended September 30, 2024 [JGAAP]

November 8, 2024

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 Listing: Tokyo Stock Exchange, Fukuoka Stock Exchange
 Securities code: 7414
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 Scheduled date to file semiannual securities report: November 13, 2024
 Scheduled date to commence dividend payments: December 10, 2024
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors)

(Amounts of less than ¥1 million are rounded)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024, to September 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	%
Six months ended September 30, 2024	137,587	(1.9)	3,692	(12.5)	3,797	(12.7)	2,532	(14.8)
Six months ended September 30, 2023	140,317	12.0	4,220	(20.3)	4,349	(19.1)	2,970	(16.8)

Note: Comprehensive income Six months ended September 30, 2024 ¥2,363 million [(31.1%)]
 Six months ended September 30, 2023 ¥3,428 million [(5.8%)]

	Net income per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	99.10	98.36
Six months ended September 30, 2023	118.76	115.33

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 half 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 September 30, 2024	213,183	97,049	45.1
As of March 31, 2024	208,502	95,550	45.4

Reference: Equity

As of September 30, 2024 96,197 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: Yes

* Notes

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

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

Note: For details, see “(3) Notes to Interim Consolidated Financial Statements (Notes on accounting treatment specific to the preparation of interim consolidated financial statements)” in “2. Interim 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)

Six months ended September 30, 2024	25,873,913
As of March 31, 2024	25,715,186

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

Six months ended September 30, 2024	383,046
As of March 31, 2024	227,346

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

Six months ended September 30, 2024	25,547,939
Six months ended September 30, 2023	25,013,268

* Semiannual financial results reports are exempt from the 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 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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1. Overview of Operating Results, etc.

(1) Overview of operating results for the current period

Japan's economy during the six months ended September 30, 2024, remained uncertain with a rise in inflation and depreciation of the yen due to changes in overseas conditions, such as the situation in Ukraine and China's unstable economy. However, signs indicating a gradual recovery in economic activities are beginning to be noticed, supported by the Government's financial and economic measures and an increase in inbound demand though there are disparities between regions and between industries.

In the steel and construction materials distribution industry to which the Group belongs, domestic demand trends vary depending on the region as well as 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 due to high construction costs. In addition, the market for steel products has been slightly weak due to a decline in demand and weak market conditions for iron scrap, the main raw material for steel products. Going forward, the overall demand environment is expected to remain weak for the time being.

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 promoted our business by actively expanding our bases focusing on the medium to long term. Our efforts include relocating the new Saga and Yamaguchi Sales Offices, opening the Shizuoka Center, and adding new processing equipment in existing sites. 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 137,587 million yen (down 1.9% year-on-year), because sales volume in the Iron and Steel Sales business remained at the same level as the previous fiscal year despite a slight decrease in unit sales price, and also because contracted large-sized projects progressed smoothly in the Contract Construction business despite the sluggish growth in small and medium-sized construction projects. In terms of profit, selling, general and administrative expenses rose due to an increase in personnel expenses caused by increased headcount and wage rise, as well as increases in capital expenditure and depreciation related to development of operating bases, resulting in operating profit of 3,692 million yen (down 12.5% year-on-year), ordinary profit of 3,797 million yen (down 12.7 year-on-year) and net profit attributable to owners of the parent of 2,532 million yen (down 14.8% year-on-year).

In the fiscal year ended March 31, 2024, a provisional accounting process regarding business combinations was finalized and the figures after the finalization of the provisional accounting are used in YoY comparisons and analysis for the first half 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, mainly due to the inclusion of Onoken Steel Co., Ltd. as a consolidated subsidiary and 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 75,292 million yen (up 3.3% year-on-year), and segment profit was 1,900 million yen (down 1.4% year-on-year).

(ii) Kansai and Chukyo region

Net sales decreased year-on-year due to a decline in sales unit price in the Iron and Steel Sales business. Profit decreased due to an increase in selling, general and administrative expenses. As a result, net sales to external customers amounted to 35,581 million yen (down 3.3% year-on-year), and segment profit was 649 million yen (down 25.3% year-on-year).

(iii) Kanto and Tohoku region

Net sales decreased year-on-year, mainly due to a delay in the progress of contracted large-sized 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 26,713 million yen (down 12.7% year-on-year), and segment profit was 1,166 million yen (down 16.6% year-on-year).

(2) Overview of Financial Position for the Current period

(Assets)

Assets grew 4,681 million yen from the end of previous fiscal year to 213,183 million yen. The main factors were increases of 3,760 million yen in merchandise and finished goods, and 13,256 million yen in buildings and structures in spite of decreases of 7,517 million yen in notes and accounts receivable - trade, and contract assets, 3,315 million yen in electronically recorded monetary claims - operating, and 6,580 million yen in other property, plant and equipment.

(Liabilities)

Liabilities increased 3,181 million yen from the end of previous fiscal year to 116,134 million yen. The main factors were increases of 5,270 million yen in short-term borrowings and 6,178 million yen in long-term borrowings despite decreases of 5,130 million yen in notes and accounts payable - trade, and 2,282 million yen in other current liabilities.

(Net assets)

Net assets were up 1,499 million yen from the end of previous fiscal year to 97,049 million yen. The main factor was an increase of 1,690 million yen in retained earnings.

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

We revised the financial forecasts for the fiscal year ending March 31, 2025, on November 8, 2024, taking into account market trends and sales conditions of steel products, which are the Group's main products.

For details, please refer to the "Notice Concerning Difference Between Forecast and Actual Results of Financial Results for First Half of the Fiscal Year Ending March 31, 2025, and Revisions to the Full-Year Financial Forecasts" released on November 8, 2024.

2. Interim Consolidated Financial Statements and Significant Notes Thereto

(1) Interim Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2024 (As of March 31, 2024)	First half of the fiscal year ending March 31, 2025 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	6,692	7,078
Notes and accounts receivable - trade, and contract assets	58,524	51,006
Electronically recorded monetary claims - operating	26,589	23,274
Merchandise and finished goods	28,215	31,975
Raw materials and supplies	3,561	4,861
Other	4,828	6,979
Allowance for doubtful accounts	(137)	(119)
Total current assets	128,274	125,056
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,455	34,711
Land	34,167	35,274
Other, net	18,574	11,993
Total property, plant and equipment	74,196	81,980
Intangible assets		
Goodwill	290	265
Other	377	372
Total intangible assets	667	637
Investments and other assets		
Other	5,480	5,599
Allowance for doubtful accounts	(117)	(90)
Total investments and other assets	5,363	5,508
Total non-current assets	80,227	88,126
Total assets	208,502	213,183
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,400	26,269
Electronically recorded obligations - operating	22,542	22,342
Current portion of convertible bonds	370	160
Short-term borrowings	28,850	34,120
Current portion of long-term borrowings	434	434
Income taxes payable	1,637	1,331
Contract liabilities	686	381
Provision for bonuses	1,423	1,607
Provision for loss on construction contracts	-	9
Other	6,091	3,809
Total current liabilities	93,437	90,465
Non-current liabilities		
Long-term borrowings	17,110	23,289
Provision for retirement benefits for directors (and other officers)	9	9
Retirement benefit liability	1,333	1,377
Asset retirement obligations	173	174
Other	886	818
Total non-current liabilities	19,514	25,668
Total liabilities	112,952	116,134

(Millions of yen)

	Fiscal year ended March 31, 2024 (As of March 31, 2024)	First half of the fiscal year ending March 31, 2025 (As of September 30, 2024)
Net assets		
Shareholders' equity		
Share capital	6,842	6,947
Capital surplus	6,809	6,916
Retained earnings	80,557	82,248
Treasury shares	(309)	(547)
Total shareholders' equity	93,900	95,565
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	856	723
Deferred gains or losses on hedges	5	(76)
Remeasurements of defined benefit plans	(29)	(14)
Total accumulated other comprehensive income	832	631
Non-controlling interests	817	852
Total net assets	95,550	97,049
Total liabilities and net assets	208,502	213,183

(2) Interim Consolidated Statement of Income and Interim Consolidated Statement of Comprehensive Income
(Interim Consolidated Statement of Income)

(Millions of yen)

	Six months ended September 30, 2023 (From April 1, 2023, to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024, to September 30, 2024)
Net sales	140,317	137,587
Cost of sales	127,058	123,763
Gross profit	13,259	13,824
Selling, general and administrative expenses	9,038	10,132
Operating profit	4,220	3,692
Non-operating income		
Interest income	2	4
Dividend income	26	29
Rental income from buildings	40	44
Other	91	129
Total non-operating income	161	207
Non-operating expenses		
Interest expenses	15	88
Other	16	14
Total non-operating expenses	32	102
Ordinary profit	4,349	3,797
Extraordinary income		
Gain on sale of non-current assets	26	1
Total extraordinary income	26	1
Profit before income taxes	4,376	3,798
Income taxes	1,342	1,229
Profit	3,033	2,569
Profit attributable to non-controlling interests	62	37
Profit attributable to owners of parent	2,970	2,532

(Interim Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2023 (From April 1, 2023, to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024, to September 30, 2024)
Profit	3,033	2,569
Other comprehensive income		
Valuation difference on available-for-sale securities	282	(138)
Deferred gains or losses on hedges	49	(82)
Remeasurements of defined benefit plans, net of tax	62	14
Total other comprehensive income	394	(205)
Comprehensive income	3,428	2,363
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,361	2,330
Comprehensive income attributable to non-controlling interests	66	33

(3) Notes to Interim 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 six months ended September 30, 2024, we began to apply “Accounting Standard for Corporate Tax, Inhabitants Tax, Enterprise Tax, 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 interim 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 six months ended September 30, 2024. We applied this accounting policy change retroactively, so the consolidated financial statements for the six months ended September 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 for the six months ended September 30, 2023, and the fiscal year ended March 31, 2024.

(Notes on accounting treatment specific to the preparation of interim 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, 2024, and multiplying the interim profit before income taxes by that estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

I Six months ended September 30, 2023 (from April 1, 2023, to September 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	72,911	36,808	30,597	140,317
Internal net sales or transfers between segments	670	1,998	346	3,015
Total	73,581	38,807	30,944	143,333
Segment profit	1,926	869	1,398	4,195

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

(Millions of yen)

Profit	Amount
Total Reporting Segments	4,195
Erasure of intersegment business transactions	(0)
Amount of adjustment of inventories	48
Amount of amortization of goodwill	(19)
Amount of amortization of customer-related assets	(3)
Operating Profit on Interim Consolidated Statement of Income	4,220

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 half of the fiscal year ended March 31, 2024, where provisional figures were used, has been adjusted to reflect the contents of the change.

II Six months ended September 30, 2024 (from April 1, 2024, to September 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	75,292	35,581	26,713	137,587
Internal net sales or transfers between segments	371	1,219	23	1,614
Total	75,663	36,800	26,737	139,201
Segment profit	1,900	649	1,166	3,716

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

(Millions of yen)

Profit	Amount
Total Reporting Segments	3,716
Erasure of intersegment business transactions	21
Amount of adjustment of inventories	(7)
Amount of amortization of goodwill	(24)
Amount of amortization of customer-related assets	(13)
Operating Profit on Interim Consolidated Statement of Income	3,692

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

Not applicable.

(Notes on assumptions of going concern)

Not applicable.