

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 Nine Months Ended December 31, 2023 (Under Japanese GAAP)

February 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 file quarterly securities report: February 13, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023, to December 31, 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	%
Nine months ended December 31, 2023	212,924	10.7	6,088	(17.1)	6,178	(17.3)	4,190	(14.7)
Nine months ended December 31, 2022	192,392	18.3	7,348	(26.7)	7,470	(26.5)	4,911	(28.3)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥4,721 million [(3.5%)]

For the nine months ended December 31, 2022: ¥4,894 million [(29.2%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	167.51	162.67
Nine months ended December 31, 2022	210.17	190.79

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	205,700	93,073	44.9
As of March 31, 2023	188,689	90,321	47.5

Reference: Equity

As of December 31, 2023: ¥92,287 million

As of March 31, 2023: ¥89,621 million

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, 2023	Yen -	Yen 46.00	Yen -	Yen 44.00	Yen 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: None

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 December 31, 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 December 31, 2023	227,346 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)

Nine months ended December 31, 2023	25,017,322 shares
Nine months ended December 31, 2022	23,367,485 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 Nine Months Ended December 31, 2023” on page 3 of the Attachment.

○ Table of Contents of Attachment

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2023.....	2
(1) Explanation of Operating Results	2
(i) Kyushu and Chugoku region	2
(2) Explanation of Financial Position	3
(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 nine months)	6
(Quarterly Consolidated Statement of Comprehensive Income).....	7
(First nine 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 Nine Months Ended December 31, 2023

(1) Explanation of Operating Results

In Japan's economy during the nine months ended December 31, 2023, although the impact of the spread of the novel coronavirus has calmed down, the economic environment remains uncertain due to rising inflation caused by rapid changes in overseas situations, such as the invasion of Ukraine and the further slowdown of the economic situation in China, and the continuing substantial depreciation of the yen. 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 as a whole remained almost at the same level as the previous fiscal year, although there were variances depending on the type and category of business and the region. The market for steel products remained at the same level since the beginning of the fiscal year, as the prices of raw materials and electricity charges have been consistently high. In the future business environment, there remains uncertainty about changes in overseas conditions, and domestic economic trends are unpredictable.

In our group, for the Iron and Steel Sales business, although the market for steel products has remained at a high level, demand has not been on a recovery trend, and overall business has remained at the same level as the previous fiscal year, with some variances among the products. Therefore, we will further work to increase inventory at each site and add new processing equipment, which we have been actively engaging in from a medium-term perspective, to strengthen the structure to meet our clients' needs even more than before.

Further, for the Sales of Construction Materials business and Contract Construction business, in the construction-related industry which is our main sales destination, demand for small- and medium-sized projects in local cities is still sluggish. However, the large-scale projects, particularly in urban areas, have been progressing smoothly. In addition, we have been actively promoting sales activities for the next fiscal year, with increasing inquiries including small- and medium-sized projects of hotels and commercial facilities in expectation of a recovery in inbound demand, and new logistics facilities to prepare for the 2024 problem.

For the business results, net sales were 212,924 million yen (up 10.7% year-on-year), because overall sales volume slightly increased in the Iron and Steel Sales business due to higher sales of steel plates for construction work while the steel market 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. In terms of profit, although total income grew thanks to stronger sales in the Iron and Steel Sales business and Contract Construction business, 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 6,088 million yen (down 17.1% year-on-year), ordinary profit of 6,178 million yen (down 17.3% year-on-year) and net profit attributable to owners of the parent of 4,190 million yen (down 14.7% year-on-year).

Results by segment are as follows:

(i) Kyushu and Chugoku region

Net sales increased year-on-year due to significant growth in the Contract Construction business, despite declined sales brought by a slight decrease in sales volume in the Iron and Steel Sales business. Profit decreased from the same period of the previous fiscal year 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 113,015 million yen (up 5.1% year-on-year), and segment profit was 3,026 million yen (down 20.6% 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 compared with 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 55,392 million yen (up 19.1% year-on-year), and segment profit was 1,228 million yen (down 14.4% year-on-year).

(iii) Kanto and Tohoku region

Net sales increased year-on-year due to a significant increase in the sales volume, particularly of steel plates, in the Iron and Steel Sales business, and also growth in the Contract Construction business. Profit decreased from the same period of the previous fiscal year due to an increase in selling, general and administrative expenses, despite growth in the Iron and Steel Sales business and Contract Construction business. As a result, net sales to external customers amounted to 44,516 million yen (up 16.0% year-on-year), and segment profit was 1,805 million yen (down 10.5% year-on-year).

(2) Explanation of Financial Position

(Assets)

Assets increased 17,011 million yen from the end of the previous fiscal year to 205,700 million yen. The main factors were increases of 6,914 million yen in electronically recorded monetary claims - operating, 3,443 million yen in land and 12,492 million yen in other property, plant and equipment, despite decreases of 2,028 million yen in notes and accounts receivable - trade, and contract assets and 4,066 million yen in merchandise and finished goods.

(Liabilities)

Liabilities increased 14,259 million yen from the end of the previous fiscal year to 112,627 million yen. The main factors were an increase of 13,565 million yen in long-term borrowings, despite decreases of 871 million yen in notes and accounts payable - trade and 1,612 million yen in short-term borrowings.

(Net assets)

Net assets increased 2,751 million yen from the end of the previous fiscal year to 93,073 million yen. The main factor was an increase of 2,190 million yen in retained earnings.

(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 10, 2023.

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)	Third quarter of the fiscal year ending March 31, 2024 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	2,975	4,681
Notes and accounts receivable - trade, and contract assets	62,335	60,307
Electronically recorded monetary claims - operating	20,064	26,978
Merchandise and finished goods	31,563	27,496
Raw materials and supplies	3,491	2,769
Other	6,396	5,351
Allowance for doubtful accounts	(120)	(134)
Total current assets	126,706	127,449
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,924	21,796
Land	30,723	34,167
Other, net	5,487	17,980
Total property, plant and equipment	58,135	73,943
Intangible assets		
Goodwill	218	342
Other	318	329
Total intangible assets	537	671
Investments and other assets		
Other	4,031	3,804
Allowance for doubtful accounts	(721)	(168)
Total investments and other assets	3,309	3,636
Total non-current assets	61,982	78,250
Total assets	188,689	205,700
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,177	30,306
Electronically recorded obligations - operating	21,781	22,978
Short-term borrowings	35,200	33,587
Current portion of long-term borrowings	52	52
Income taxes payable	398	693
Contract liabilities	199	1,189
Provision for bonuses	1,453	1,228
Provision for loss on construction contracts	8	8
Other	4,823	5,561
Total current liabilities	95,094	95,607
Non-current liabilities		
Bonds payable	981	981
Long-term borrowings	118	13,683
Provision for retirement benefits for directors (and other officers)	6	8
Retirement benefit liability	1,101	1,287
Asset retirement obligations	171	172
Other	893	886
Total non-current liabilities	3,273	17,019
Total liabilities	98,367	112,627

(Millions of yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Third quarter of the fiscal year ending March 31, 2024 (As of December 31, 2023)
Net assets		
Shareholders' equity		
Share capital	6,537	6,537
Capital surplus	6,498	6,504
Retained earnings	76,797	78,987
Treasury shares	(341)	(309)
Total shareholders' equity	89,492	91,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	257	633
Deferred gains or losses on hedges	(2)	(35)
Remeasurements of defined benefit plans	(125)	(31)
Total accumulated other comprehensive income	129	567
Non-controlling interests	700	786
Total net assets	90,321	93,073
Total liabilities and net assets	188,689	205,700

(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, 2022 (From April 1, 2022, to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)
Net sales	192,392	212,924
Cost of sales	172,786	192,995
Gross profit	19,606	19,928
Selling, general and administrative expenses	12,257	13,839
Operating profit	7,348	6,088
Non-operating income		
Interest income	4	3
Dividend income	27	45
Rental income from buildings	58	61
Other	76	109
Total non-operating income	167	219
Non-operating expenses		
Interest expenses	21	26
Commissions paid	-	81
Discounts	9	6
Other	14	14
Total non-operating expenses	45	130
Ordinary profit	7,470	6,178
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	7,467	6,204
Income taxes	2,468	1,920
Profit	4,998	4,283
Profit attributable to non-controlling interests	86	93
Profit attributable to owners of parent	4,911	4,190

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

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022, to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)
Profit	4,998	4,283
Other comprehensive income		
Valuation difference on available-for-sale securities	28	376
Deferred gains or losses on hedges	(130)	(32)
Remeasurements of defined benefit plans, net of tax	(0)	93
Total other comprehensive income	(103)	438
Comprehensive income	4,894	4,721
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,808	4,624
Comprehensive income attributable to non-controlling interests	86	96

(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 Onoken Steel Co., Ltd. (the corporate name changed from Okinaga Kozai Co., Ltd.) during the six months ended September 30, 2023, so the company is included in the scope of consolidation.

(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 nine months ended December 31, 2023, and multiplying the quarterly profit before income taxes by that estimated effective tax rate.