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MEMBERSHIP

November 6, 2023

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

Company name: Hokuetsu Industries Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6364
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 Scheduled date to commence dividend payments: December 4, 2023
 Scheduled date to file quarterly securities report: November 13, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(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

(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	25,803	15.0	3,595	46.0	4,207	34.2	2,927	36.2
September 30, 2022	22,437	32.9	2,461	46.2	3,134	74.8	2,149	74.0

Note: Comprehensive income For the six months ended September 30, 2023: ¥3,477 million [42.4%]
 For the six months ended September 30, 2022: ¥2,442 million [101.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	104.07	-
September 30, 2022	75.71	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	56,622	36,505	64.2	1,296.67
March 31, 2023	53,237	34,194	63.9	1,206.75

Reference: Equity

As of September 30, 2023: ¥36,347 million

As of March 31, 2023: ¥34,039 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	–	15.00	–	30.00	45.00
Fiscal year ending March 31, 2024	–	20.00			
Fiscal year ending March 31, 2024 (Forecast)			–	20.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts 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
Fiscal year ending March 31, 2024	49,600	1.2	6,550	35.3	6,700	24.5	4,535	20.9	160.77

Note: Revisions to the earnings forecasts 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) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(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	30,165,418 shares
As of March 31, 2023	30,165,418 shares

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

As of September 30, 2023	2,134,369 shares
As of March 31, 2023	1,957,534 shares

(iii) Average number of shares outstanding during the period

Six months ended September 30, 2023	28,126,046 shares
Six months ended September 30, 2022	28,388,814 shares

Note: The number of treasury shares at the end of the period includes the Company's shares (506,200 shares as of September 30, 2023 and 368,500 shares as of March 31, 2023) held by "Custody Bank of Japan, Ltd. (Trust Account E)." The Company's shares held by "Custody Bank of Japan, Ltd. (Trust Account E)" are included in treasury shares, which are deducted from the average number of shares outstanding during the period (444,700 shares for the six months ended September 30, 2023 and 338,243 shares for the six months ended September 30, 2022).

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in this material are based on information currently available to Hokuetsu Industries Co., Ltd. (the "Company") and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Moreover, actual business and other results may differ from the forecast due to various factors going forward. Please refer to "1. Qualitative information on financial results for the period under review, (3) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 4 for the assumptions used in the forecast of financial results and precautionary remarks regarding the use of the forecast of financial results.

(How to obtain supplementary material on quarterly financial results)

The Company is scheduled to hold a financial results briefing for institutional investors and analysts on Monday, November 27, 2023.

Supplementary material on quarterly financial results to be used in this financial results briefing will be posted on the Company's website shortly after the briefing.

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1. Qualitative information on financial results for the period under review

(1) Explanation of operating results

During the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023), despite concerns about the downward pressure on the economy stemming from rising raw material and energy prices, as well as other prices, the Japanese economy has continued to show a gradual recovery due to the rebound in demand for inbound travel against the backdrop of the weak yen, eased supply constraints for semiconductors, among others, and additional factors. In the global economy, there were concerns of an economic slowdown due to high resource prices associated with the Ukraine crisis and persistent high policy interest rates in Europe and the Americas, while China saw weakening economic growth due to an increase in government debt and a slowdown in the real estate market.

Amid such circumstances, the Group has been working on its growth strategy to become a company that “pursues new value every time and contributes to society and industry” as stated in its medium-term management plan “Medium-Term Vision 2024.” The Group also vigorously participated in product exhibitions in various regions in Japan that have begun to resume, and strove to win orders in overseas regions where the economies are rapidly recovering. The Group also has been promoting efforts to improve profits through the enhancement of operation rate by improving production efficiency and company-wide efficiency drives and cost-cutting initiatives.

All of which has elicited the following results for the six months ended September 30, 2023:

	Six months ended September 30, 2022 (Millions of yen)	Six months ended September 30, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	22,437	25,803	15.0
[Domestic sales]	[11,809]	[13,672]	[15.8]
[International sales]	[10,628]	[12,130]	[14.1]
Operating profit	2,461	3,595	46.0
Ordinary profit	3,134	4,207	34.2
Profit attributable to owners of parent	2,149	2,927	36.2

Group operations are divided into two business segments, the status of each of which is as follows:

(Construction Machinery Business)

The key areas of this segment are engine compressors, engine generators and scissors lifters.

From a sales perspective, shipments of scissors lifters remained robust against the backdrop of a strong demand for construction works in Japan. Additionally, shipments of engine compressors and engine generators also increased due to recovery in private-sector investment. For overseas, shipments remained robust due to a strong demand for infrastructure investment in North America, as well as increased demand for resource development in Oceania and the Near and Middle East, resulting in an increase in overall sales year on year. From a profit perspective, despite the continuing rise in material costs, our further efforts to pass through these costs to product prices, the effect of the record weak yen, as well as the enhancement of plant operation rate led an increase in profits year on year.

	Six months ended September 30, 2022 (Millions of yen)	Six months ended September 30, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	18,536	21,349	15.2
Segment profit	2,469	3,595	45.6

(Industrial Machinery Business)

The key areas of this segment are motor compressors, emergency generators, components and services.

From a sales perspective, we are actively working to capture Japanese market share for our mainstay motor compressors in order to achieve the targets set forth in the “Medium-Term Vision 2024,” and the positive effects of these efforts are gradually becoming evident. In addition, the resumption of shipments of emergency generators due to heightened disaster awareness, combined with the effect of large engine compressors handled through direct sales, resulted in an increase in overall sales year on year. From a profit perspective, improving profits by passing through costs to product prices in response to a rise in raw material costs and achieving good performances for highly profitable products and service resulted in an increase in profits year on year.

	Six months ended September 30, 2022 (Millions of yen)	Six months ended September 30, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	3,900	4,454	14.2
Segment profit	536	723	34.8

(2) Explanation of financial position

(Assets, liabilities and net assets)

At the close of the second quarter under review, total assets of ¥56,622 million meant an increase of ¥3,385 million compared to the end of the previous fiscal year.

As described in “2. Quarterly consolidated financial statements and significant notes thereto, (3) Quarterly consolidated statement of cash flows,” current assets increased by ¥2,480 million to ¥41,597 million, mainly due to an increase in cash and deposits, as well as increases in notes and accounts receivable - trade, and contract assets, and merchandise and finished goods thanks to the growth of production and sales.

Non-current assets rose by ¥904 million to ¥15,025 million, mainly due to an increase in property, plant and equipment resulting from the construction of the Development and Administration building, an increase in intangible assets due to cost of establishing a new core system, etc., and an increase in investment securities resulting from rise in fair value.

The increase in current liabilities, rising by ¥825 million to ¥16,080 million, was mainly due to increases in income taxes payable and provision for bonuses.

The increase in non-current liabilities, rising by ¥247 million to ¥4,036 million, was mainly due to an increase in bonds payable resulting from SDGs private placement bond issues, an increase in long-term borrowings resulting from the application of the gross method for trust assets related to the Stock Benefit Trust (Employee Shareholding Association Purchase-type), and an increase in asset retirement obligations.

Net assets increased by ¥2,311 million to ¥36,505 million, mainly due to an increase in retained earnings and an increase in valuation difference on available-for-sale securities resulting from rise in fair value.

Consequently, the equity ratio at the end of the second quarter under review increased by 0.3 points to 64.2% compared with the end of the previous fiscal year.

(Cash flows)

The level of cash and cash equivalents at the end of the second quarter under review increased by ¥1,368 million to ¥13,877 million compared with the end of the previous fiscal year.

Cash flows provided by operating activities was ¥2,973 million (compared with cash provided of ¥2,301 million in the corresponding period of the previous fiscal year), mainly due to profit before income taxes, despite income taxes paid.

Cash flows used in investing activities was ¥745 million (compared with cash used of ¥645 million in the corresponding period of the previous fiscal year), mainly due to purchase of property, plant and equipment.

Cash flows used in financing activities was ¥1,045 million (compared with cash used of ¥319 million in the corresponding period of the previous fiscal year), mainly due to purchase of treasury shares and dividends paid, despite proceeds from long-term borrowings.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The full-year consolidated earnings forecasts have not been revised from the earnings forecasts announced on July 28, 2023.

The Company will disclose information on any changes in the future in an appropriate manner.

(4) Basic policy on profit distribution, and dividends for the current fiscal year

From the Company's perspective, returning profit to shareholders is one of its top management priorities. As a general rule, dividends commensurate with earnings will continue to be paid, while efficiently using retained earnings for investments aiming to strengthen the business structure and boost profitability going forward.

Concerning the annual dividends for the current fiscal year, the Company plans to pay a year-end dividend of ¥40 per share as announced in the "Notice of Revisions to Earnings Forecasts and Cash Dividends Forecasts" announced on July 28, 2023, in addition to payment of an interim dividend of ¥20 per share with the record date of September 30, 2023, as resolved at the Board of Directors meeting held on November 6, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	12,839,267	14,207,726
Notes and accounts receivable - trade, and contract assets	19,315,990	19,964,024
Merchandise and finished goods	4,039,207	4,695,938
Work in process	205,234	234,457
Raw materials and supplies	1,507,602	1,546,127
Other	1,209,543	949,507
Allowance for doubtful accounts	(657)	(683)
Total current assets	39,116,189	41,597,097
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,250,898	9,342,425
Accumulated depreciation	(4,718,008)	(4,931,818)
Buildings and structures, net	4,532,889	4,410,607
Machinery, equipment and vehicles	8,756,354	8,892,670
Accumulated depreciation	(6,771,184)	(6,917,578)
Machinery, equipment and vehicles, net	1,985,170	1,975,092
Land	2,210,159	2,210,159
Construction in progress	483,791	1,016,252
Other	1,897,161	1,998,846
Accumulated depreciation	(1,555,171)	(1,639,069)
Other, net	341,989	359,776
Total property, plant and equipment	9,554,000	9,971,888
Intangible assets	171,765	243,085
Investments and other assets		
Investment securities	2,933,974	3,329,405
Investments in capital of subsidiaries and associates	636,000	614,401
Deferred tax assets	547,440	604,378
Other	306,628	267,060
Allowance for doubtful accounts	(28,763)	(4,707)
Total investments and other assets	4,395,280	4,810,538
Total non-current assets	14,121,046	15,025,512
Total assets	53,237,235	56,622,610

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Six Months Ended September 30, 2023

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,977,497	5,760,386
Electronically recorded obligations - operating	4,847,108	5,096,472
Short-term borrowings	222,000	222,000
Current portion of bonds payable	60,000	93,400
Income taxes payable	968,185	1,390,538
Provision for bonuses	723,634	1,025,537
Provision for bonuses for directors (and other officers)	35,700	28,106
Provision for product warranties	25,410	27,430
Other	2,394,966	2,436,577
Total current liabilities	15,254,501	16,080,448
Non-current liabilities		
Bonds payable	210,000	246,600
Long-term borrowings	778,000	922,000
Deferred tax liabilities	2,757	3,434
Provision for share awards	191,466	209,688
Provision for share awards for directors (and other officers)	123,127	102,004
Retirement benefit liability	2,105,462	2,135,258
Asset retirement obligations	146,047	197,013
Other	231,681	220,334
Total non-current liabilities	3,788,542	4,036,334
Total liabilities	19,043,044	20,116,783
Net assets		
Shareholders' equity		
Share capital	3,416,544	3,416,544
Capital surplus	3,887,594	3,887,594
Retained earnings	27,025,374	29,095,162
Treasury shares	(1,555,922)	(1,859,529)
Total shareholders' equity	32,773,591	34,539,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,132,622	1,450,643
Foreign currency translation adjustment	209,141	423,634
Remeasurements of defined benefit plans	(75,607)	(66,983)
Total accumulated other comprehensive income	1,266,155	1,807,294
Non-controlling interests	154,444	158,760
Total net assets	34,194,191	36,505,827
Total liabilities and net assets	53,237,235	56,622,610

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	22,437,381	25,803,620
Cost of sales	16,587,413	18,771,334
Gross profit	5,849,967	7,032,285
Selling, general and administrative expenses		
Packing and transportation costs	675,299	446,217
Provision of allowance for doubtful accounts	(1,997)	(512)
Provision for product warranties	2,350	2,020
Remuneration, salaries and allowances for directors (and other officers)	991,415	1,010,822
Provision for bonuses	386,922	425,734
Provision for bonuses for directors (and other officers)	20,244	14,056
Retirement benefit expenses	57,754	60,449
Provision for share awards	6,050	11,626
Provision for share awards for directors (and other officers)	13,053	15,478
Other	1,237,003	1,450,980
Total selling, general and administrative expenses	3,388,095	3,436,872
Operating profit	2,461,872	3,595,412
Non-operating income		
Interest income	4,078	15,532
Dividend income	43,287	47,231
Share of profit of entities accounted for using equity method	41,375	54,941
Foreign exchange gains	574,918	493,255
Other	20,765	11,701
Total non-operating income	684,425	622,661
Non-operating expenses		
Interest expenses	3,980	5,974
Other	7,431	5,024
Total non-operating expenses	11,412	10,998
Ordinary profit	3,134,886	4,207,076
Extraordinary income		
Gain on disposal of non-current assets	309	4,192
Gain on sale of investment securities	9,371	4,315
Total extraordinary income	9,681	8,507
Extraordinary losses		
Loss on disposal of non-current assets	6,364	3,424
Other	-	245
Total extraordinary losses	6,364	3,670
Profit before income taxes	3,138,202	4,211,913
Income taxes - current	1,148,720	1,473,253
Income taxes - deferred	(170,347)	(197,978)
Total income taxes	978,372	1,275,274
Profit	2,159,830	2,936,639
Profit attributable to non-controlling interests	10,404	9,560
Profit attributable to owners of parent	2,149,425	2,927,078

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,159,830	2,936,639
Other comprehensive income		
Valuation difference on available-for-sale securities	14,056	318,021
Foreign currency translation adjustment	192,596	185,894
Remeasurements of defined benefit plans, net of tax	8,416	8,624
Share of other comprehensive income of entities accounted for using equity method	67,774	28,598
Total other comprehensive income	282,845	541,139
Comprehensive income	2,442,675	3,477,778
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,432,270	3,468,217
Comprehensive income attributable to non-controlling interests	10,404	9,560

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,138,202	4,211,913
Depreciation	442,204	568,802
Increase (decrease) in retirement benefit liability	29,461	42,204
Increase (decrease) in provision for share awards	10,990	21,049
Increase (decrease) in provision for share awards for directors (and other officers)	13,054	15,445
Increase (decrease) in allowance for doubtful accounts	(2,070)	(24,029)
Increase (decrease) in provision for product warranties	2,350	2,020
Interest and dividend income	(47,366)	(62,763)
Interest expenses	3,980	5,974
Share of loss (profit) of entities accounted for using equity method	(41,375)	(54,941)
Loss (gain) on sale of investment securities	(9,371)	(4,069)
Loss (gain) on disposal of property, plant and equipment	6,054	(767)
Decrease (increase) in trade receivables	(822,036)	(124,963)
Decrease (increase) in inventories	(572,619)	(507,575)
Increase (decrease) in trade payables	1,248,115	(642,544)
Decrease (increase) in consumption taxes refund receivable	303,272	308,427
Increase (decrease) in accrued consumption taxes	(10,076)	(13,722)
Other, net	(538,535)	152,825
Subtotal	3,154,235	3,893,286
Interest and dividends received	47,389	180,888
Interest paid	(4,202)	(7,070)
Income taxes paid	(896,161)	(1,093,945)
Net cash provided by (used in) operating activities	2,301,260	2,973,157
Cash flows from investing activities		
Payments into time deposits	(330,159)	(330,165)
Proceeds from withdrawal of time deposits	330,156	330,162
Purchase of property, plant and equipment	(759,799)	(717,012)
Proceeds from sale of property, plant and equipment	244	4,262
Purchase of intangible assets	(14,687)	(97,279)
Purchase of investment securities	(375)	(424)
Proceeds from sale of investment securities	19,958	9,981
Proceeds from redemption of investment securities	108,970	54,600
Proceeds from collection of loans receivable	250	250
Proceeds from divestments	170	-
Net cash provided by (used in) investing activities	(645,273)	(745,624)

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Consolidated Financial Results for the Six Months Ended September 30, 2023

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	–	255,000
Repayments of long-term borrowings	–	(111,000)
Proceeds from issuance of bonds	300,000	100,000
Redemption of bonds	–	(30,000)
Repayments of lease liabilities	(9,004)	(45,285)
Purchase of treasury shares	(29,864)	(368,343)
Proceeds from sale of treasury shares	–	19,808
Dividends paid	(575,517)	(860,751)
Dividends paid to non-controlling interests	(4,940)	(5,244)
Net cash provided by (used in) financing activities	(319,325)	(1,045,816)
Effect of exchange rate change on cash and cash equivalents	241,710	186,739
Net increase (decrease) in cash and cash equivalents	1,578,371	1,368,455
Cash and cash equivalents at beginning of period	10,613,775	12,509,105
Cash and cash equivalents at end of period	12,192,146	13,877,561

(4) Notes to quarterly consolidated financial statements

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

(Purchase of treasury shares)

During the six months ended September 30, 2023, Custody Bank of Japan, Ltd. (Trust Account E) acquired 180,100 of the Company's shares based on the trust agreement for the Stock Benefit Trust (Employee Shareholding Association Purchase-type) and the Company purchased 39,000 treasury shares based on a resolution of the Board of Directors meeting held on September 4, 2023, along with other means, leading to an increase of ¥303,606 thousand in the Company's treasury shares.

As a result, treasury shares amounted to ¥1,859,529 thousand as of September 30, 2023.

(Additional information)

(Transactions of delivering the Company's own shares to employees, etc. through trusts)

(Stock Benefit Trust (Japanese-style Employee Stock Ownership Plan, or "J-ESOP"))

The Company has introduced the Stock Benefit Trust (Japanese-style Employee Stock Ownership Plan, or "J-ESOP") for the purpose of increasing employees' willingness and motivation to increase the share price and enhance performance.

i) Transaction overview

The Company issues points to its employees based on their individual contributions and other factors, and when they acquire entitlements under certain conditions, they will receive shares in the Company equivalent to the points thus granted. The shares to be provided to employees are acquired ahead of time using money set up in advance in a trust, then segregated and managed as trust assets.

ii) Company shares remaining in trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding the incidental expenses incurred). The book value and number of such treasury shares were ¥227,077 thousand and 225,000 shares for the previous fiscal year and ¥254,231 thousand and 238,100 shares in the second quarter under review.

(Stock Benefit Trust (Employee Shareholding Association Purchase-type))

The Company has introduced the Stock Benefit Trust (Employee Shareholding Association Purchase-type) (hereinafter referred to as the "Plan") for the purpose of enhancing employee benefits and providing incentives to enhance the Company's corporate value.

i) Transaction overview

The Plan is an incentive plan for returning the benefits of increases to the Company's share price to all employees who are enrolled in the Hokuetsu Industries' Shareholding Association (hereinafter referred to as the "Shareholding Association").

The trust bank that is the trustee for the Plan will collectively obtain in advance shares of the Company equivalent to the number of shares expected to be purchased by the Shareholding Association over the five years after the establishment of the trust, and following this, periodically sell the Company's shares when the Shareholding Association purchases shares. If gains equivalent to capital gains on sales of shares are accumulated within the trust assets of the trust until the termination of the trust through the sale of the Company's shares to the Shareholding Association by the trust bank, the amount is distributed as residual assets to

persons enrolled in the Shareholding Association (employees), etc. who satisfy the qualifying conditions for beneficiaries.

Moreover, as the Company guarantees borrowings for the trust bank to acquire the Company's shares, if there are any remaining borrowings equivalent to losses on sales of shares upon termination of the trust due to a downturn in the price of the Company's shares, the Company is to repay any such remaining borrowings in accordance with the guarantee agreement.

ii) Company shares remaining in trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding the incidental expenses incurred). The book value and number of such treasury shares were ¥- thousand and - shares for the previous fiscal year and ¥237,068 thousand and 167,800 shares in the second quarter under review.

iii) Book value of borrowings recorded using the gross method

Previous fiscal year: ¥- thousand

Second quarter under review: ¥255,000 thousand

(Stock Benefit Trust (Board Benefit Trust, or "BBT"))

The Company has introduced the Stock Benefit Trust (Board Benefit Trust, or "BBT") for the purpose of providing incentives to directors (excluding those appointed as audit committee members and outside directors), executive officers and directors appointed as audit committee members (excluding outside directors) (hereinafter referred to as "Officers").

i) Transaction overview

Pursuant to its officer stock benefit regulations, the Company will grant points to the Officers in accordance with their responsibilities, the level of achievement of performance (consolidated net sales, consolidated operating profit, ratio of consolidated operating profit to net sales, consolidated ROE), etc. (internal directors appointed as audit committee members will be granted points in accordance with their responsibilities, etc.), and will provide the Company's shares, etc. equivalent to the accumulated points at the time the Officer retires. The shares to be provided to the Officers are acquired ahead of time using money set up in advance in a trust, then segregated and managed as trust assets.

ii) Company shares remaining in trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding the incidental expenses incurred). The book value and number of such treasury shares were ¥148,166 thousand and 143,500 shares for the previous fiscal year and ¥103,561 thousand and 100,300 shares in the second quarter under review.

(Segment information)

Six months ended September 30, 2022

i) Information on net sales and profit or loss by reportable segment, and disaggregation of revenue

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	17,457,771	2,754,948	20,212,719
Components	615,388	557,873	1,173,262
Services	463,655	587,743	1,051,398
Revenue from contracts with customers	18,536,815	3,900,565	22,437,381
Other revenue	—	—	—
Sales to external customers	18,536,815	3,900,565	22,437,381
Transactions with other segments	—	—	—
Total	18,536,815	3,900,565	22,437,381
Segment profit	2,469,508	536,795	3,006,304

ii) Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income, and details thereof (Reconciliation)

(Thousands of yen)

Profit	Amount
Total for reportable segments	3,006,304
Corporate expenses (Note)	(544,431)
Operating profit on the quarterly consolidated statement of income	2,461,872

Note: Corporate expenses mainly comprise general and administrative expenses and R&D expenses outside the scope of the reportable segments.

iii) Information on impairment loss of non-current assets and goodwill by reportable segments

Not applicable.

Six months ended September 30, 2023

i) Information on net sales and profit or loss by reportable segment, and disaggregation of revenue

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	20,274,557	3,199,273	23,473,830
Components	663,587	600,500	1,264,087
Services	410,993	654,707	1,065,701
Revenue from contracts with customers	21,349,138	4,454,481	25,803,620
Other revenue	-	-	-
Sales to external customers	21,349,138	4,454,481	25,803,620
Transactions with other segments	-	-	-
Total	21,349,138	4,454,481	25,803,620
Segment profit	3,595,950	723,380	4,319,330

ii) Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income, and details thereof (Reconciliation)

(Thousands of yen)

Profit	Amount
Total for reportable segments	4,319,330
Corporate expenses (Note)	(723,917)
Operating profit on the quarterly consolidated statement of income	3,595,412

Note: Corporate expenses mainly comprise general and administrative expenses and R&D expenses outside the scope of the reportable segments.

iii) Information on impairment loss of non-current assets and goodwill by reportable segments

Not applicable.