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

November 6, 2024

Company name: OCHI Holdings Co., Ltd.
Listing: Tokyo Stock Exchange and Fukuoka Stock Exchange
Securities code: 3166
URL: https://www.ochiholdings.co.jp
Representative: Michihiro Ochi, Representative Director, President and Chief Executive Officer
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Scheduled date to file semi-annual securities report: November 7, 2024
Scheduled date to commence dividend payments: December 3, 2024
Preparation of supplementary materials on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(1) Consolidated Operating Results (Percentages indicate changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	56,972	0.6	692	(44.2)	950	(38.0)	511	(47.9)
September 30, 2023	56,645	0.6	1,240	(16.9)	1,532	(14.5)	981	(19.1)

(Note) Comprehensive income: For the six months ended September 30, 2024: ¥458 million [(59.6)%]
For the six months ended September 30, 2023: ¥1,133 million [0.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	39.43	—
September 30, 2023	75.96	—

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of the average number of shares outstanding during the period for the purpose of calculating basic earnings per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2024	65,524	23,474	35.8	1,806.48
As of March 31, 2024	66,337	23,345	35.1	1,799.32

(Reference) Equity: As of September 30, 2024: ¥23,444 million
As of March 31, 2024: ¥23,315 million

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of the total number of shares issued at the end of the period for the purpose of calculating net assets per share.

2. Cash Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	27.00	–	27.00	54.00
Fiscal year ending March 31, 2025	–	27.00			
Fiscal year ending March 31, 2025 (Forecast)			–	27.00	54.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	115,000	1.4	1,500	(30.4)	2,100	(23.1)	1,150	(45.1)	88.65

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None
Newly included: – ( ), Excluded: – ( )

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements
1) Changes in accounting policies due to revisions of accounting standards and other regulations: Yes
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None
4) Restatements: None
(Note) For details, please refer to "(4) Notes to the Semi-annual Consolidated Financial Statements (Notes on changes in accounting policies)" under "2. Semi-annual Consolidated Financial Statements and Primary Notes" on page 10 of the attachment.

(4) Number of issued shares (common shares):
1) Total number of shares issued at the end of the period (including treasury shares):
As of September 30, 2024: 13,610,970 shares
As of March 31, 2024: 13,610,970 shares

2) Total number of treasury shares at the end of the period:
As of September 30, 2024: 633,086 shares
As of March 31, 2024: 653,086 shares

3) Average number of shares outstanding during the period:
Six months ended September 30, 2024: 12,967,705 shares
Six months ended September 30, 2023: 12,924,343 shares

- The total number of treasury shares at the end of the period includes the number of shares of the Company held by the Board Benefit Trust (BBT) as trust assets (93,700 shares as of September 30, 2024, and 93,700 shares as of March 31, 2024). The number of treasury shares deducted in the calculation of the average number of shares outstanding during the period includes the number of the Company's shares held by the trust (93,700 shares for the six months ended September 30, 2024, and 98,473 shares for the six months ended September 30, 2023).
- The total number of treasury shares at the end of the period includes the number of shares of the Company held by a trust established exclusively for the OCHI Holdings Employee Shareholding Association (E-Ship Trust) as trust assets (65,200 shares as of September 30, 2024, and 85,200 shares as of March 31, 2024). The number of treasury shares deducted in the calculation of the average number of shares outstanding during the period includes the number of the Company's shares held by the trust (75,379 shares for the six months ended September 30, 2024, and 114,048 shares for the six months ended September 30, 2023).

* These semi-annual consolidated financial results are outside the scope of review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. The Company makes no warranty as to the feasibility of its projections. Actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the financial results forecast and precautions regarding their use, please refer to "(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" under "1. Overview of Results of Operations" on page 3 of the attachment.

(How to obtain supplementary materials on financial results)

The Company will hold a briefing session for institutional investors and analysts on Thursday, December 5, 2024. The supplementary explanatory materials on financial results for the briefing session will be posted on the Company's website soon after the session.

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1. Overview of Results of Operations

(1) Overview of Results of Operations for the Six Months Ended September 30, 2024

During the six months ended September 30, 2024, the Japanese economy indicated a modest recovery trend, underpinned by demand from inbound tourists and the improvement of income environment due to corporate wage hikes. However, the economic outlook remains uncertain for such reasons as weak personal consumption growth due to lingering inflation, prolonged depreciation of the yen, and geopolitical risks in Ukraine and the Middle East.

In the housing industry, we faced challenges, such as price hikes in housing construction and concerns over a possible rise in mortgage rates. As a result, new housing starts for the six-month period decreased by 0.8% year on year. In addition, the number of housing starts for owner-occupied houses and built-for-sale detached houses, which represent the main targets for the Group, registered a 7.9% year-on-year decline.

Against this backdrop, the Group focused on winning orders for non-housing projects, capturing remodeling/renovation demand, and transforming business portfolio through corporate acquisitions.

During the six-month period, results were below expectations, due to the decline in new housing starts, sluggish demand and lower sales prices for plywood, one of our main products, delays in construction and logistics caused by continuous rain and typhoons mainly in Western Japan during the summer, and an increase in selling, general and administrative expenses influenced by surging prices.

Net sales increased by 0.6% year on year to 56,972 million yen due to the effect of corporate acquisitions that took place in the previous fiscal year. However, operating profit decreased by 44.2% year on year to 692 million yen, ordinary profit decreased by 38.0% year on year to 950 million yen, and profit attributable to owners of parent decreased by 47.9% year on year to 511 million yen due in part to acquisition-related expenses.

Results by segment were as follows:

<Construction Materials Business>

Amid the decline in the number of housing starts for owner-occupied houses and built-for-sale detached houses, the Group focused on such efforts as increasing sales in non-housing fields, capturing remodeling/renovation demand, promoting sales of products aimed at achieving carbon neutrality, and strengthening the construction function.

As a result, net sales of this business increased by 2.9% year on year to 35,415 million yen because TRESSA Co., Ltd. and Ai-build Corporation, which both became our subsidiaries in the previous fiscal year, contributed to the performance of this business. However, operating profit decreased by 37.8% year on year to 320 million yen due in part to higher logistics cost per unit.

<Air-conditioning, Heating and Cooling, and Household Products Business>

Net sales of this business decreased by 0.2% year on year to 8,676 million yen due to a decline in the sales of textiles to mass retailers, despite a strong performance in sales and installation work of freezing and refrigeration equipment and air-conditioning equipment. However, operating profit increased by 70.2% year on year to 154 million yen.

<Pre-cut Lumber Business>

We made greater efforts to win orders for non-housing projects, including nursing homes, offices, and other facilities, in addition to detached houses, our mainstay. However, due to the decline in new construction starts for owner-occupied houses and built-for-sale detached houses, net sales of this business decreased by 9.7% year on year to 6,834 million yen and operating profit decreased by 39.5% year on year to 291 million yen.

<Engineering Business>

Net sales of this business decreased by 0.1% year on year to 4,586 million yen. Operating profit decreased by 21.2% year on year to 370 million yen due to a slight decline in the profit margin.

<Other>

The businesses of Taihei Shoko Co., Ltd., which sells industrial materials, and Hit-il Co., Ltd., which engages in the worker dispatching business, are classified into the Other Business that is not included in any reportable segment.

Net sales of this business increased by 2.9% year on year to 1,662 million yen, aided by the results of Hit-il

Co., Ltd. (Fukuoka City), which became our subsidiary in May 2024. Operating profit decreased by 31.8% year on year to 40 million yen because of the expenses related to the acquisition of Hit-il Co., Ltd..

(2) Overview of Financial Position for the Six Months Ended September 30, 2024

1) Assets, liabilities, and net assets

Total assets decreased by 812 million yen, or 1.2%, from the previous fiscal year-end to 65,524 million yen. This was mainly attributable to decreases of 982 million yen in notes and accounts receivable - trade, and contract assets, 594 million yen in other, net under investments and other assets, 540 million yen in costs on construction contracts in progress, and 427 million yen in other under current assets, with increases of 1,619 million yen in cash and deposits and 225 million yen in other, net under property, plant and equipment.

Total liabilities decreased by 942 million yen, or 2.2%, from the previous fiscal year-end to 42,049 million yen. This was mainly attributable to decreases of 1,513 million yen in electronically recorded obligations - operating, 231 million yen in short-term borrowings, 132 million yen in other under current liabilities, and 99 million yen in other under non-current liabilities, with increases of 961 million yen in long-term borrowings and 137 million yen in income taxes payable.

Total net assets rose by 129 million yen, or 0.6%, from the previous fiscal year-end to 23,474 million yen. This was mainly attributable to an increase of 156 million yen in retained earnings, with a decrease of 53 million yen in valuation difference on available-for-sale securities.

2) Cash flows

Cash and cash equivalents at the end of the six months ended September 30, 2024 increased by 1,648 million yen, or 11.3%, from the previous fiscal year-end to 16,208 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities for the six months ended September 30, 2024 was 1,223 million yen (compared with 1,797 million yen provided in the corresponding period of the previous fiscal year).

This was mainly attributable to a decrease in trade receivables of 1,117 million yen, profit before income taxes of 936 million yen, depreciation of 407 million yen, a decrease in inventories of 344 million yen, and amortization of goodwill of 155 million yen, with a decrease in trade payables of 1,576 million yen, income taxes paid of 168 million yen, and a decrease in other current liabilities of 147 million yen.

(Cash flows from investing activities)

Net cash provided in investing activities for the six months ended September 30, 2024 was 121 million yen (compared with 348 million yen used in the corresponding period of the previous fiscal year).

This was mainly attributable to proceeds from cancellation of insurance funds of 496 million yen and proceeds from sale of investment property of 192 million yen, with purchase of property, plant and equipment of 468 million yen and purchase of shares of subsidiaries resulting in change in scope of consolidation of 81 million yen.

(Cash flows from financing activities)

Net cash provided in financial activities for the six months ended September 30, 2024 was 301 million yen (compared with 1,582 million yen used in the corresponding period of the previous fiscal year).

This was mainly attributable to proceeds from long-term borrowings of 2,000 million yen, with repayments of long-term borrowings of 658 million yen, net decrease in short-term borrowings of 619 million yen, and dividends paid of 354 million yen.

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

There are no changes to the full-year consolidated financial results forecast for the fiscal year ending March 31, 2025 from the earlier forecast announced on October 28, 2024.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	14,598	16,218
Notes and accounts receivable - trade, and contract assets	19,083	18,100
Electronically recorded monetary claims - operating	3,162	3,110
Merchandise	4,526	4,722
Costs on construction contracts in progress	1,645	1,105
Other	973	546
Allowance for doubtful accounts	(43)	(40)
Total current assets	43,947	43,762
Non-current assets		
Property, plant and equipment		
Land	9,894	9,869
Other, net	4,779	5,004
Total property, plant and equipment	14,673	14,873
Intangible assets		
Goodwill	1,035	880
Other	389	305
Total intangible assets	1,424	1,185
Investments and other assets		
Retirement benefit asset	331	335
Other, net	6,006	5,411
Allowance for doubtful accounts	(47)	(45)
Total investments and other assets	6,291	5,702
Total non-current assets	22,389	21,761
Total assets	66,337	65,524

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,577	13,514
Electronically recorded obligations - operating	16,798	15,285
Short-term borrowings	4,051	3,820
Current portion of bonds payable	33	26
Income taxes payable	418	556
Provision for bonuses	665	670
Other	2,375	2,242
Total current liabilities	37,921	36,115
Non-current liabilities		
Bonds payable	144	130
Long-term borrowings	1,906	2,868
Provision for retirement benefits for directors (and other officers)	650	657
Provision for share awards for directors (and other officers)	54	59
Retirement benefit liability	627	629
Other	1,687	1,587
Total non-current liabilities	5,071	5,933
Total liabilities	42,992	42,049
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	21,867	22,024
Treasury shares	(669)	(642)
Total shareholders' equity	22,596	22,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	684	630
Remeasurements of defined benefit plans	34	34
Total accumulated other comprehensive income	719	664
Non-controlling interests	29	30
Total net assets	23,345	23,474
Total liabilities and net assets	66,337	65,524

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	56,645	56,972
Cost of sales	48,763	49,080
Gross profit	7,882	7,892
Selling, general and administrative expenses	6,641	7,200
Operating profit	1,240	692
Non-operating income		
Interest income	1	1
Dividend income	35	34
Purchase discounts	90	89
Rental income from real estate	79	64
Other	130	129
Total non-operating income	338	319
Non-operating expenses		
Interest expenses	10	15
Rental expenses on real estate	17	14
Depreciation	12	12
Other	7	18
Total non-operating expenses	47	61
Ordinary profit	1,532	950
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investment securities	61	–
Total extraordinary income	62	0
Extraordinary losses		
Loss on sale of non-current assets	–	1
Loss on retirement of non-current assets	2	1
Loss on sale of investment securities	0	–
Loss on valuation of investment securities	–	2
Impairment losses	–	9
Restructuring expenses	5	–
Total extraordinary losses	8	15
Profit before income taxes	1,586	936
Income taxes - current	544	624
Income taxes - deferred	59	(200)
Total income taxes	604	423
Profit	982	512
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	981	511

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	982	512
Other comprehensive income		
Valuation difference on available-for-sale securities	149	(53)
Remeasurements of defined benefit plans, net of tax	1	(0)
Total other comprehensive income	151	(54)
Comprehensive income	1,133	458
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,132	457
Comprehensive income attributable to non-controlling interests	0	0

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,586	936
Depreciation	416	407
Impairment losses	–	9
Amortization of goodwill	131	155
Increase (decrease) in allowance for doubtful accounts	(3)	(4)
Increase (decrease) in provision for bonuses	(18)	4
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(21)	6
Increase (decrease) in provision for share awards for directors (and other officers)	(9)	5
Increase (decrease) in retirement benefit liability	(10)	1
Interest and dividend income	(37)	(36)
Interest expenses	10	15
Loss (gain) on sale of non-current assets	(1)	0
Loss on retirement of non-current assets	2	1
Loss (gain) on sale of investment securities	(60)	–
Loss (gain) on valuation of investment securities	–	2
Restructuring expenses	5	–
Decrease (increase) in trade receivables	1,288	1,117
Decrease (increase) in inventories	157	344
Decrease (increase) in other current assets	(148)	100
Decrease (increase) in other non-current assets	10	17
Increase (decrease) in trade payables	(569)	(1,576)
Increase (decrease) in other current liabilities	(435)	(147)
Increase (decrease) in other non-current liabilities	23	8
Other, net	(0)	0
Subtotal	2,316	1,371
Interest and dividends received	37	36
Interest paid	(10)	(16)
Income taxes paid	(545)	(168)
Net cash provided by (used in) operating activities	1,797	1,223

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from investing activities		
Payments into time deposits	(19)	(10)
Proceeds from withdrawal of time deposits	14	39
Decrease (increase) in short-term loans receivable	2	–
Purchase of property, plant and equipment	(443)	(468)
Payments for retirement of property, plant and equipment	(2)	(1)
Proceeds from sale of property, plant and equipment	11	3
Purchase of intangible assets	(26)	(20)
Purchase of investment securities	(23)	(22)
Proceeds from sale and redemption of investment securities	125	–
Long-term loan advances	(0)	(0)
Proceeds from collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(41)	(81)
Proceeds from cancellation of insurance funds	35	496
Purchase of investment property	–	(8)
Proceeds from sale of investment property	16	192
Other, net	3	4
Net cash provided by (used in) investing activities	(348)	121
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(365)	(619)
Proceeds from long-term borrowings	–	2,000
Repayments of long-term borrowings	(822)	(658)
Redemption of bonds	–	(21)
Repayments of lease liabilities	(67)	(71)
Proceeds from sale of treasury shares	26	26
Dividends paid	(354)	(354)
Net cash provided by (used in) financing activities	(1,582)	301
Effect of exchange rate change on cash and cash equivalents	0	2
Net increase (decrease) in cash and cash equivalents	(133)	1,648
Cash and cash equivalents at beginning of period	14,004	14,560
Cash and cash equivalents at end of period	13,871	16,208

(4) Notes to the Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(Notes on changes in accounting policies)

(Application of the Accounting Standard for Current Income Taxes, etc.)

We have applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard of 2022") and other standards from the beginning of the semi-annual period under review.

As for the revision of accounting classification of income taxes (imposed on other comprehensive income), we follow the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022, as well as the transitional treatment stipulated in the proviso of Paragraph 65-2, Item 2 of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). These changes in accounting policies do not have any impact on the semi-annual consolidated financial statements.

(Notes on segment information, etc.)

[Segment information]

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustments (Note 2)	Amount recorded in the semi-annual consolidated statements of income (Note 3)
	Construction Materials Business	Air-conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	30,741	8,369	6,945	194	46,251	1,615	–	47,866
Revenue from construction work	3,517	323	522	4,143	8,507	–	–	8,507
Other revenue	16	–	–	255	272	–	–	272
Revenue from contracts with customers	34,275	8,692	7,468	4,593	55,030	1,615	–	56,645
Sales to external customers	34,275	8,692	7,468	4,593	55,030	1,615	–	56,645
Intersegment sales or transfers	127	2	104	–	233	0	(233)	–
Total	34,403	8,695	7,572	4,593	55,264	1,615	(233)	56,645
Segment profit	516	90	482	469	1,559	59	(377)	1,240

(Notes) 1. "Other" comprises business segments not included in reportable segments and contains sales of industrial materials.

2. Adjustments for segment profit of (377) million yen include corporate expenses of (378) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.

3. Segment profit is reconciled with operating profit in the semi-annual consolidated statements of income.

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustments (Note 2)	Amount recorded in the semi-annual consolidated statements of income (Note 3)
	Construction Materials Business	Air-conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	29,452	7,922	6,369	188	43,933	1,519	–	45,453
Revenue from construction work	5,848	751	371	4,141	11,112	–	–	11,112
Other revenue	11	–	–	256	268	138	–	407
Revenue from contracts with customers	35,312	8,673	6,740	4,586	55,314	1,658	–	56,972
Sales to external customers	35,312	8,673	6,740	4,586	55,314	1,658	–	56,972
Intersegment sales or transfers	103	2	93	–	199	3	(202)	–
Total	35,415	8,676	6,834	4,586	55,513	1,662	(202)	56,972
Segment profit	320	154	291	370	1,136	40	(484)	692

(Notes) 1. "Other" comprises business segments not included in reportable segments and contains sale of industrial materials, etc.
2. Adjustments for segment profit of (484) million yen include corporate expenses of (484) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit is reconciled with operating profit in the semi-annual consolidated statements of income.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in "Notes on segment information, etc."

(Significant subsequent events)

(Business combination via share acquisition)

At the Board of Directors' meeting held on September 25, 2024, the Company passed a resolution to acquire all of the issued shares, excluding treasury shares, of Yumita Construction Co., Ltd. (hereinafter "Yumita Construction") and make it the Company's consolidated subsidiary. The Company acquired the shares of Yumita Construction on October 25, 2024.

1. Outline of the business combination

(1) Name of acquired company and its business outline

Name of acquired company: Yumita Construction Co., Ltd.

Business outline: Building construction, civil engineering works, housing construction, real estate leasing, etc.

(2) Main reason for business combination

Yumita Construction, whose shares the Company recently acquired, was founded in Aizuwakamatsu City, Fukushima Prefecture in April 1979 and incorporated in 1982. With a history of more than 40 years, Yumita Construction is mainly engaged in construction work, and is involved in a broad range of businesses, including civil engineering, paving, real estate development and housing construction, backed by high technical capabilities. It is capable of handling everything from public works to remodeling.

We aim to further improve corporate value and realize sustainable growth by adding Yumita Construction and its two subsidiaries into the Group, expanding the domestic network of the Engineering Business to the Tohoku region, and strengthening our efforts in non-housing fields.

(3) Date of business combination

October 25, 2024

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of company after the combination

No change

(6) Percentage of voting rights acquired

100%

(7) Major basis for determining the acquirer

It is based on the fact that the Company acquired shares in consideration for cash.

2. Acquisition cost of the acquired company and related details of each class of consideration

Consideration for acquisition	Cash and deposits	2,200 million yen
Acquisition cost		2,200 million yen

3. Main acquisition-related expenses and their amount

Advisory fees, etc. 206 million yen (approx.)

4. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

To be determined.

5. The amount of assets accepted and liabilities assumed on the date of the business combination, and their major breakdown

To be determined.