

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.



January 31, 2025

**Consolidated Financial Results
for the Nine Months Ended December 31, 2024
(Under Japanese GAAP)**

Company name:	Hokuetsu Industries Co., Ltd.
Listing:	Tokyo Stock Exchange
Securities code:	6364
URL:	https://www.airman.co.jp/en/
Representative:	Goichi Sato, President, CEO
Inquiries:	Nobuhiko Kasawa, Executive Officer, General Manager of Administration Dept.
Telephone:	+81-256-93-5571
Scheduled date to commence dividend payments:	—
Preparation of supplementary material on financial results:	Yes
Holding of 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, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	40,735	3.6	4,610	(15.3)	5,590	1.8	3,859	1.5
December 31, 2023	39,335	8.9	5,444	21.2	5,493	30.8	3,802	32.1

Note:	Comprehensive income	For the nine months ended December 31, 2024:	¥4,250 million	[(7.1)%]
		For the nine months ended December 31, 2023:	¥4,577 million	[35.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	139.10	—
December 31, 2023	135.53	—

(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
December 31, 2024	61,134	39,809	64.8	1,437.98
March 31, 2024	56,347	37,575	66.4	1,347.30

Reference: Equity

As of December 31, 2024: ¥39,639 million

As of March 31, 2024: ¥37,410 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, 2024	—	20.00	—	37.00	57.00
Fiscal year ending March 31, 2025	—	20.00	—		
Fiscal year ending March 31, 2025 (Forecast)				37.00	57.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from 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		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	56,000	7.9	7,130	15.2	7,400	1.0	5,100	0.0	183.67

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Significant changes in scope of consolidation during the period: 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 December 31, 2024	30,165,418 shares
As of March 31, 2024	30,165,418 shares

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

As of December 31, 2024	2,599,151 shares
As of March 31, 2024	2,398,448 shares

- (iii) Average number of shares outstanding during the period

Nine months ended December 31, 2024	27,743,999 shares
Nine months ended December 31, 2023	28,056,728 shares

Note: The number of treasury shares at the end of the period includes the Company's shares (688,507 shares as of December 31, 2024 and 495,107 shares as of March 31, 2024) 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 (519,787 shares for the nine months ended December 31, 2024 and 465,730 shares for the nine months ended December 31, 2023).

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

- * 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. Overview of operating results and others, (3) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 4 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(How to obtain supplementary material on financial results)

Supplementary material on financial results will be posted on the Company's website on Friday, February 7, 2025.

Attachment: Table of contents

Index

1. Overview of operating results and others	2
(1) Overview of operating results for the period under review	2
(2) Overview of financial position for the period under review	3
(3) Explanation of consolidated earnings forecasts and other forward-looking statements	4
2. Quarterly consolidated financial statements and significant notes thereto	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statements of income and comprehensive income	7
(3) Notes to quarterly consolidated financial statements	9
(Notes on segment information, etc.)	9
(Notes on significant changes in the amount of shareholders' equity)	11
(Notes on the going-concern assumption)	11
(Additional information)	11
(Notes on quarterly consolidated statement of cash flows)	12

1. Overview of operating results and others

(1) Overview of operating results for the period under review

During the nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024), despite downward factors such as increasing labor shortages and persistently high raw material costs, the Japanese economy recovered gradually with the improving employment and income environment as a result of the effects of various government policies. In the global economy, although the U.S. economy remained strong, the outlook was uncertain, mainly due to lack of dynamism in the Chinese economy stemming from a slowdown in the real estate market and continued low growth in the European economy, as well as the situation in the Middle East region and fluctuations in financial and capital markets.

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 has been promoting efforts to improve profits through reviewing selling prices and promoting cost cutting in response to raw material costs that continued to rise even further.

All of which has elicited the following results for the nine months ended December 31, 2024:

Financial figures of consolidated subsidiaries and affiliates accounted for using the equity method in the Company’s consolidated group are incorporated after a delay of three months, since their fiscal year ends in December.

Furthermore, in the consolidated accounting, profits and losses of overseas subsidiaries are translated into yen using the exchange rate prevailing at the end of the fiscal period of each subsidiary. The rate prevailing at the fiscal period end for the nine months ended December 31, 2024 (end of September) is ¥142.73 per US\$ and ¥159.43 per Euro (¥149.58 per US\$ and ¥158.00 per Euro in the same period a year ago).

	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year changes (%)
Net sales	39,335	40,735	3.6
[Domestic sales]	[21,104]	[23,334]	[10.6]
[International sales]	[18,231]	[17,400]	[(4.6)]
Operating profit	5,444	4,610	(15.3)
Ordinary profit	5,493	5,590	1.8
Profit attributable to owners of parent	3,802	3,859	1.5

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 significantly increased, and sales of engine compressors and engine generators also grew year on year, against the backdrop of strong performance related to projects for new construction and renovation for hotels, etc. in Japan as a result of the recovery in demand for inbound travel, as well as robust demand for construction works, such as redevelopment in major metropolitan areas and semiconductor-related investment. For overseas sales, although there was sluggish growth in shipments of engine generators for North America due to the impact of inventory adjustments by local rental companies, this was offset by increased sales of engine compressors for North America and products for Southeast Asia and the Near and Middle East, resulting in an increase in sales year on year in this segment overall. From a profit perspective, although the Group promoted efforts to revise selling prices in response to continuously rising material costs and, in addition, the effect of the weak yen also made a contribution, soaring transportation costs,

and an increase in selling, general and administrative expenses, such as personnel expenses and research and development expenses associated with human capital investment and growth investment, were downward factors.

Moreover, higher adjustments in consolidation for foreign currency translation in relation to elimination of the volume of transactions between consolidated companies that have a different fiscal year end also led to a decrease in profits year on year.

As for the elimination of the volume of transactions between consolidated companies, the parent company's transactions are translated at the exchange rate on the transaction date, and overseas subsidiaries' transactions at the exchange rate at the end of the fiscal period for elimination. Operating profit decreased due to eliminated expenses significantly lower than revenue as a result of an appreciation of the yen in the exchange rate at the end of the fiscal period of overseas subsidiaries during the nine months ended December 31, 2024. However, the same amount was adjusted as foreign exchange gains under non-operating income, and there is no impact on ordinary profit.

	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year changes (%)
Net sales	32,333	33,693	4.2
Segment profit	5,464	4,516	(17.4)

(Industrial Machinery Business)

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

From a sales perspective, shipments of our mainstay motor compressors were sluggish as the market shrank due to a decline in Japanese capital investment sentiment. However, the product share increased year on year as a result of our push to capture Japanese market share in order to achieve the targets set forth in the medium-term management plan "Medium-Term Vision 2024." In addition, shipments of our emergency generators for disaster and large engine compressors handled through direct sales remained strong, and sales of parts and services also increased, resulting in an increase in sales year on year in this segment overall. From a profit perspective, although the further rise in raw material costs was a downward factor, improving profits due to a growth in sales of products sold directly which are highly profitable and progress made on passing through costs to selling prices of products and components resulted in an increase in profits year on year.

	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year changes (%)
Net sales	7,001	7,042	0.6
Segment profit	1,133	1,283	13.2

(2) Overview of financial position for the period under review

(Assets, liabilities and net assets)

At the close of the third quarter under review, total assets of ¥61,134 million meant an increase of ¥4,787 million compared to the end of the previous fiscal year.

Current assets increased by ¥4,529 million compared to the end of the previous fiscal year to ¥44,669 million, mainly due to an increase in cash and deposits, an increase in merchandise and finished goods, and an increase in raw materials and supplies.

Non-current assets increased by ¥257 million compared to the end of the previous fiscal year to ¥16,464 million, mainly due to an increase in investment securities resulting from rise in fair value, an increase in investments in capital of subsidiaries and associates accounted for using equity method, and a decrease in deferred tax assets.

Current liabilities decreased by ¥4,260 million compared to the end of the previous fiscal year to ¥10,652 million, mainly due to a decrease in notes and accounts payable - trade, a decrease in

electronically recorded obligations - operating by reviewing payment sites, and a decrease in income taxes payable as a result of tax payment.

Non-current liabilities increased by ¥6,814 million compared to the end of the previous fiscal year to ¥10,672 million, mainly due to an increase in long-term borrowings from new loans for the purpose of raising funds for working capital and the growth strategy.

Net assets increased by ¥2,233 million compared to the end of the previous fiscal year to ¥39,809 million, mainly due to an increase in retained earnings.

Consequently, the equity ratio at the end of the third quarter under review decreased by 1.6 points to 64.8% compared to the end of the previous fiscal year.

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

Consolidated earnings are largely in line with initial expectations, and therefore the consolidated earnings forecasts for the full year have not been revised from those announced on May 9, 2024 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024.”

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

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	11,654,603	15,085,124
Notes and accounts receivable - trade, and contract assets	19,452,115	19,790,193
Merchandise and finished goods	5,859,594	6,399,628
Work in process	234,857	295,153
Raw materials and supplies	1,316,593	1,684,184
Other	1,638,627	1,415,908
Allowance for doubtful accounts	(16,262)	(707)
Total current assets	40,140,130	44,669,485
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,661,776	10,753,447
Accumulated depreciation	(4,961,946)	(5,211,546)
Buildings and structures, net	5,699,830	5,541,900
Machinery, equipment and vehicles	8,848,017	9,235,914
Accumulated depreciation	(7,034,747)	(7,336,566)
Machinery, equipment and vehicles, net	1,813,270	1,899,347
Land	2,210,159	2,210,159
Construction in progress	190,872	198,623
Other	2,083,701	2,152,687
Accumulated depreciation	(1,709,683)	(1,829,965)
Other, net	374,018	322,721
Total property, plant and equipment	10,288,150	10,172,754
Intangible assets	318,859	415,996
Investments and other assets		
Investment securities	3,511,732	3,960,939
Investments in capital of subsidiaries and associates	650,485	806,678
Deferred tax assets	546,417	275,399
Other	896,229	837,421
Allowance for doubtful accounts	(4,762)	(4,312)
Total investments and other assets	5,600,102	5,876,127
Total non-current assets	16,207,112	16,464,877
Total assets	56,347,242	61,134,362

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Nine Months Ended December 31, 2024

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,354,190	4,459,894
Electronically recorded obligations - operating	4,986,554	2,743,640
Short-term borrowings	222,000	222,000
Current portion of bonds payable	93,400	93,400
Income taxes payable	1,287,358	460,466
Provision for bonuses	882,915	607,146
Provision for bonuses for directors (and other officers)	40,120	26,550
Provision for product warranties	27,180	27,300
Other	2,019,637	2,011,999
Total current liabilities	14,913,356	10,652,397
Non-current liabilities		
Bonds payable	199,900	123,200
Long-term borrowings	772,916	7,512,883
Deferred tax liabilities	2,188	2,871
Provision for share awards	221,320	277,252
Provision for share awards for directors (and other officers)	112,502	148,048
Retirement benefit liability	2,175,775	2,259,898
Asset retirement obligations	193,979	193,640
Other	179,421	155,047
Total non-current liabilities	3,858,004	10,672,842
Total liabilities	18,771,360	21,325,239
Net assets		
Shareholders' equity		
Share capital	3,416,544	3,416,544
Capital surplus	3,887,594	4,087,514
Retained earnings	30,696,170	32,944,517
Treasury shares	(2,477,395)	(3,078,946)
Total shareholders' equity	35,522,913	37,369,630
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,578,053	1,902,496
Foreign currency translation adjustment	388,398	431,961
Remeasurements of defined benefit plans	(78,857)	(64,480)
Total accumulated other comprehensive income	1,887,594	2,269,977
Non-controlling interests	165,373	169,515
Total net assets	37,575,881	39,809,123
Total liabilities and net assets	56,347,242	61,134,362

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	39,335,765	40,735,749
Cost of sales	28,509,296	30,359,505
Gross profit	10,826,469	10,376,243
Selling, general and administrative expenses		
Packing and transportation costs	663,876	746,022
Provision of allowance for doubtful accounts	(727)	(16,005)
Provision for product warranties	2,060	120
Remuneration, salaries and allowances for directors (and other officers)	1,923,536	1,952,567
Provision for bonuses	324,350	291,613
Provision for bonuses for directors (and other officers)	21,084	26,550
Retirement benefit expenses	90,070	98,357
Provision for share awards	16,504	34,244
Provision for share awards for directors (and other officers)	41,751	65,117
Other	2,299,252	2,567,313
Total selling, general and administrative expenses	5,381,759	5,765,900
Operating profit	5,444,709	4,610,343
Non-operating income		
Interest income	26,640	19,244
Dividend income	107,082	110,663
Share of profit of entities accounted for using equity method	92,640	142,649
Foreign exchange gains	–	784,676
Other	16,709	43,754
Total non-operating income	243,073	1,100,988
Non-operating expenses		
Interest expenses	9,382	35,254
Commission for syndicated loans	2,008	72,002
Foreign exchange losses	176,780	–
Other	6,079	13,337
Total non-operating expenses	194,250	120,594
Ordinary profit	5,493,532	5,590,737
Extraordinary income		
Gain on disposal of non-current assets	4,468	199
Other	4,315	2
Total extraordinary income	8,783	202
Extraordinary losses		
Loss on disposal of non-current assets	17,323	2,280
Other	4,563	–
Total extraordinary losses	21,886	2,280
Profit before income taxes	5,480,428	5,588,659
Income taxes - current	1,746,959	1,596,839
Income taxes - deferred	(80,795)	123,528
Total income taxes	1,666,163	1,720,368
Profit	3,814,265	3,868,291
Profit attributable to non-controlling interests	11,815	9,006
Profit attributable to owners of parent	3,802,450	3,859,285

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	3,814,265	3,868,291
Other comprehensive income		
Valuation difference on available-for-sale securities	471,895	324,443
Foreign currency translation adjustment	235,635	26,087
Remeasurements of defined benefit plans, net of tax	12,936	14,376
Share of other comprehensive income of entities accounted for using equity method	42,878	17,475
Total other comprehensive income	763,347	382,382
Comprehensive income	4,577,612	4,250,674
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,565,797	4,241,667
Comprehensive income attributable to non-controlling interests	11,815	9,006

(3) Notes to quarterly consolidated financial statements

(Notes on segment information, etc.)

Nine months ended December 31, 2023

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

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	30,788,889	5,055,509	35,844,399
Components	949,862	936,473	1,886,335
Services	595,161	1,009,868	1,605,029
Revenue from contracts with customers	32,333,913	7,001,851	39,335,765
Other revenue	—	—	—
Sales to external customers	32,333,913	7,001,851	39,335,765
Transactions with other segments	—	—	—
Total	32,333,913	7,001,851	39,335,765
Segment profit	5,464,921	1,133,378	6,598,300

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	6,598,300
Corporate expenses (Note)	(1,153,590)
Operating profit on the quarterly consolidated statement of income	5,444,709

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.

Nine months ended December 31, 2024

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

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	32,060,242	4,840,796	36,901,039
Components	1,028,405	1,047,060	2,075,465
Services	604,457	1,154,787	1,759,244
Revenue from contracts with customers	33,693,105	7,042,643	40,735,749
Other revenue	—	—	—
Sales to external customers	33,693,105	7,042,643	40,735,749
Transactions with other segments	—	—	—
Total	33,693,105	7,042,643	40,735,749
Segment profit	4,516,501	1,283,102	5,799,603

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	5,799,603
Corporate expenses (Note)	(1,189,260)
Operating profit on the quarterly consolidated statement of income	4,610,343

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.

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

During the nine months ended December 31, 2024, the Company purchased 247,200 treasury shares based on a resolution of the Board of Directors meeting held on November 6, 2024, and disposed of 240,000 treasury shares through third-party allotment associated with additional contribution to Stock Benefit Trust (Board Benefit Trust, or "BBT," and Japanese-style Employee Stock Ownership Plan, or "J-ESOP"), leading to an increase of ¥199,920 thousand in capital surplus and an increase of ¥601,550 thousand in the Company's treasury shares.

As a result, capital surplus amounted to ¥4,087,514 thousand, and treasury shares amounted to ¥3,078,946 thousand as of December 31, 2024.

(Notes on the going-concern assumption)

Not applicable.

(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 ¥250,387 thousand and 234,500 shares for the previous fiscal year and ¥421,396 thousand and 327,100 shares in the third 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 Employee 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 ¥220,680 thousand and 156,200 shares for the previous fiscal year and ¥185,501 thousand and 131,300 shares in the third quarter under review.

iii) Book value of borrowings recorded using the gross method

Previous fiscal year: ¥216,916 thousand

Third quarter under review: ¥178,883 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 ¥125,160 thousand and 104,407 shares for the previous fiscal year and ¥365,447 thousand and 230,107 shares in the third quarter under review.

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows for the nine months ended December 31, 2024 is not prepared. Depreciation (including amortization related to intangible assets) for the nine months ended December 31, 2023 and 2024 is as follows.

	(Thousands of yen)	
	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation	800,931	803,583