Consolidated Financial Results for the quarter ended December 31, 2024

(Consolidated financial information has been prepared in accordance with J-GAAP)
English translation from the original Japanese-language document

February 7, 2025

Company name	: Sanoh Industrial Co., Ltd.
Stock exchange listings	: Tokyo Stock Exchange, Japan
Code number	: 6584
URL	: https://www.sanoh.com/
Representative	: Genya Takeda, Representative Director & President
Contact person	: Munetoshi Sasaki, Corporate Vice President and
	: CFO, General Manager of Financial Headquarters
	: Tel. 0280-48-1111
Payment date of Dividend	: ―
Explanatory Material for Financial Statements	: Available
Schedule for Financial Results Briefing Session	: Not Available

(Amounts are rounded to the nearest million yen)

1. Consolidated Results for FY2024 Third Quarter (April 1, 2024 to December 31, 2024)

(1) Consolidated Financial Results

(% are change from previous year)

	Net sales		Operating Income		Ordinary Income		Net income attributable to shareholders of the holding company		Earnings per share	Diluted EPS
Quarter ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
December 2024	119,977	4.6	3,620	(34.2)	3,070	(40.1)	1,106	(60.6)	30.91	―
December 2023	114,709	13.8	5,499	―	5,122	―	2,810	―	78.17	―

Ref. Comprehensive Income: FY2024 Q3: 90 million yen (△98.9%) | FY2023 Q3: 8,174 million yen (―%)

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As on December 31, 2024	111,734	46,564	38.5	1,203.32
As on March 31, 2024	111,245	48,288	40.2	1,248.37

Ref. Shareholders' Equity: FY2024 Q3: 43,071 million yen | FY2023 Q4: 44,684 million yen

2. Dividends

	Annual cash dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 2024	―	12.50	―	14.00	26.50
Year ending March 2025	―	14.00	―		
Year ending March 2025 (Forecast)				14.00	28.00

※ Modifications from most recent dividend forecast: No

3. Forecast of Consolidated Results for year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% are change from previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full Year	160,000	2.0	5,000	(37.9)	4,500	(38.3)	0	―	0.00

※ Any modifications from the most recently published business forecast: Yes

Notes

(1) Significant changes in the scope of consolidation during the period: No
Newly included: 0 companies | Excluded: 0 companies

(2) Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements: No

(3) Changes in accounting policies, accounting estimates, and restatement
① Changes in accounting policies due to revisions of Accounting Standards: Yes
② Changes in accounting policies other than ① above: No
③ Changes in accounting estimates: No
④ Restatement: No

For more details, please refer to Note 'Changes in Accounting Policies', in '4. Notes to the Consolidated Financial Statements' on page 12 of this document.

(4) Number of shares issued & outstanding (common shares)

① Number of issued shares at the end of the period (including treasury stock):	FY24Q3	37,112,000	FY23Q4	37,112,000
② Number of treasury shares at the end of the period:	FY24Q3	1,318,405	FY23Q4	1,318,303
③ Average number of shares outstanding during the period:	FY24Q3	35,793,635	FY23Q3	35,946,744

※ Review of the Quarterly Consolidated Financial Summary by a Certified Public Accountant or Auditing Firm: No

※ Explanation on the Appropriate Use of Earnings Forecasts and Other Special Notes

Cautionary Note on Forward-Looking Statements

The earnings forecasts are based on information currently available to the Company and on certain assumptions deemed reasonable. These forecasts are not a guarantee of performance. Actual results may differ significantly due to various factors. For the assumptions underlying the forecasts and cautionary notes, please refer to '1 (3) Explanation Regarding Future Forecasts Information such as Consolidated Earnings Forecasts' in 'Overview of Business Performance' on page 6 of this document.

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1. Overview of Business Performance for the Quarter Ended December 31, 2024

(1) Overview of Operating Results

For the third quarter of consolidated results, Japan's macro-economic environment showed a moderate recovery trend, supported by improvements in employment and income conditions, as well as increased inbound demand, despite the impact of rising prices. However, the economic outlook remains uncertain due to exchange rate volatility, as the yen's historic depreciation was followed by a rapid appreciation.

Overseas, while inflation in the United States has begun to slow, it remains elevated, and monetary policy developments continue to attract attention. Consumer spending has shown signs of weakening, though the labour market remains strong, contributing to economic resilience. In China, prolonged weakness in the real estate sector, limited effectiveness of government stimulus measures, and sluggish consumer spending and investment led to continued economic stagnation. In Europe, despite emerging signs of stabilization, uncertainties persist due to prolonged geopolitical tensions, including the Russia-Ukraine conflict, which has driven up energy and material costs. Additionally, ongoing instability in the Middle East has further contributed to an uncertain economic outlook. In Asia, although the slowdown of China's economy has had an impact, economic conditions remained resilient, supported by a recovery in the tourism sector and a strong growth in the electronics industry.

In Japan, the automotive industry was affected by shipment suspensions of certain vehicle models due to certification irregularities. However, the impact of production cuts caused by semiconductor shortages has eased, leading to an increase in vehicle production compared to the previous fiscal period. Overseas, automotive sales showed overall upward trend. At the same time, several risk factors persist, including high raw material costs, rising energy prices due to the prolonged Russia-Ukraine conflict, and supply chain disruptions stemming from increased instability in the Middle East. Furthermore, in the United States, the transition to the Trump administration has introduced additional uncertainty in the North American market, with discussions regarding potential introduction of additional tariffs. If implemented, such measures could increase cost burdens on automakers and suppliers, necessitating strategic adjustments in the sales and supply chain management. In response to these conditions, the Company remains focused on securing supply chain stability, reinforcing cost management, and adapting to technological advancements while closely monitoring developments in electric vehicle policies and regulatory changes across key markets.

Against this backdrop, consolidated sales for the third quarter increased to JPY 119.977 billion (up 4.6% YoY). Although revenue declined in China due to continued sluggish demand from Japanese OEMs, overall revenue increased, supported by strong sales performance of Japanese OEMs in North America and favorable currency translation effects from yen depreciation.

In terms of profit, while price adjustments implemented in the previous fiscal period and stable operations—particularly in the Americas—contributed positively, operating profit declined. This was primarily due to lower revenue in China, continued increases in raw material and labour costs, as well as the impact of one-time expenses recorded in the Americas segment. As a result, operating profit decreased to JPY 3.620 billion (down 34.2% YoY), and ordinary profit decreased to JPY 3.070 billion (down 40.1% YoY). Net income attributable to owners of the parent company dropped to JPY 1.106 billion (down 60.6% YoY). While the company recorded gains from the sale of investment securities, the decline in the ordinary profit, along with provision for loss on litigation claims contributed to the decrease in net income.

Overview of operating results by segment is as follows:

① Japan
Revenue in Japan declined to JPY 21.963 billion (down 4.0% YoY), due to production cuts impacting both domestic OEMs and export sales. Operating income decreased significantly to JPY 782 million (down 59.6% YoY) as a result of low revenue. Additionally, higher labor costs resulting from wage increases and workforce expansion, along with increased spending on new business investments, including commission fees and R&D costs, contributed to the decline.

② Americas
Revenue surged to JPY 51.557 billion (up 20.6% YoY), driven by strong sales performance of Japanese OEMs in North America and favorable currency translation effects from yen depreciation. Operating income increased significantly to JPY 1.661 billion (up 128.6% YoY), despite one-time expenses, due to the effective implementation of price adjustments, a reduction in inflationary pressures, and improved operational efficiency leading to more stable production.

③ Europe
Revenue in Europe declined to JPY 15.941 billion (down 2.3% YoY) due to weak demand from European manufacturers, despite favorable currency translation effects. The segment recorded an operating loss of JPY 142 million, compared to an operating income of JPY 670 million in the same period last year. The loss was due to delay in passing on the inflationary high costs of material, labour as well as high fixed costs, including system implementation expenses.

④ China

Revenue in China dropped significantly to JPY 9.222 billion (down 25.3% YoY) due to continued sluggish sales of Japanese OEMs. The segment recorded an operating loss of JPY 741 million, a sharp decline from operating income of JPY 254 million in the same period last year. The loss was driven by significant decline in revenue as well as fixed costs associated with workforce reductions such as severance pay.

⑤ Asia

Revenue in Asia increased to JPY 21.294 billion (up 4.4% YoY), supported by higher production at the Indian subsidiary and favorable currency effects from yen depreciation. This growth offset the declines in Thailand and Indonesia, where market conditions were sluggish. Operating income rose to JPY 2.056 billion (up 16.2% YoY), due to strong revenue growth and effective cost control measures that helped mitigate fluctuations in production volumes.

(2) Overview of Financial Position

① Assets, Liabilities, and Net Assets

As of the end of the third quarter, total assets stood at JPY 111.734 billion, marking an increase of JPY 489 million from the previous financial year-end. Key factors include:

- a decrease in cash and deposits by JPY 1.197 billion,
- a decrease in notes receivable, accounts receivable, and contract assets by JPY 1.203 billion, due to decline in sales in China.
- an increase in electronic recorded claims of JPY 144 million.
- a decrease in finished products of JPY 255 million.
- an increase in work-in-progress of JPY 737 million.
- an increase in raw materials and supplies of JPY 481 million.
- an increase in other current assets, such as advances, of JPY 1.677 billion.
- an increase in tangible fixed assets, such as machinery and equipment, of JPY 892 million.
- an increase in other intangible fixed assets, such as software, of JPY 156 million.
- a decrease in investment securities of JPY 863 million due to stock sales and valuation differences.
- a decrease in deferred tax assets of JPY 207 million.

Total liabilities amounted to JPY 65.170 billion, an increase of JPY 2.213 billion from the end of the previous financial year-end. Key factors include:

- an increase in notes payable and accounts payable of JPY 314 million.
- an increase in short-term borrowings of JPY 3.528 billion.
- an increase in accrued expenses of JPY 341 million.
- a decrease in unpaid consumption tax of JPY 258 million.
- an increase in other current liabilities, such as unpaid expenses, of JPY 1.312 billion.
- a decrease in long-term borrowings of JPY 2.754 billion.

Net assets were JPY 46.564 billion, a decrease of JPY 1.724 billion from the previous financial year-end. Key factors include:

- a decrease in foreign currency translation adjustments of JPY 1.120 billion.
- an increase in retained earnings of JPY 87 million.
- a decrease in other securities valuation differences of JPY 550 million.

② Cash Flow

As of the end of the third quarter, cash and cash equivalents stood at JPY 16.456 billion, reflecting a decrease of JPY 1.197 billion from the end of the previous financial year. This decrease was driven by an increase of JPY 6.062 billion in cash flow from operating activities, offset by a JPY 5.677 billion outflow from investing activities, and a JPY 1.571 billion outflow from financing activities.

i. Cash flow from Operating Activities:
Net cash provided by operating activities increased to JPY 6.062 billion, (compared to JPY 7.502 billion in the same period last year).
This increase was primarily driven by:
- Income Before Income Taxes of JPY 2.8 billion (JPY 4.844 million YoY)
- Depreciation of JPY 4.953 billion (JPY 4.520 billion YoY)
- A decrease in Accounts Receivable by JPY 1.066 billion (increase of JPY 2.893 billion YoY)
- An increase in Inventory of JPY 1.606 billion (decrease of JPY 2.831 billion YoY)
- An increase in Accounts Payable by JPY 213 million (increase of JPY 1.045 billion YoY)
- Corporate tax payments amounting to JPY 1.115 billion (JPY 2.019 billion YoY)

ii. Cash flow from Investing Activities:
Net cash used in investing activities totaled JPY 5.677 billion (JPY 5.054 billion YoY).
- The primary outflow was related to the acquisition of tangible fixed assets amounting to JPY 5.9 billion (JPY 5.384 billion YoY).
- Proceeds from the sale of investment securities of JPY 644 million (JPY 296 million YoY).

iii. Cash flow from Financing Activities:
Net cash used in financing activities amounted to JPY 1.571 billion (JPY 2.704 billion YoY).
The primary factors include:
- A JPY 4.741 million increase in short-term borrowings (compared to an inflow of JPY 2.885 billion YoY)
- A JPY 4.125 billion outflow due to repayment of long-term borrowings (JPY 3.247 million YoY)
- A JPY 1.014 million outflow for dividend payments (JPY 910 million YoY)
- A JPY 796 million outflow for dividend payments to non-controlling interests (JPY 640 million YoY)

(3) Explanation of Future Forecasts and Forward-Looking Statements

Based on recent business trends, the consolidated full-year earnings forecast for the fiscal year ending March 31, 2025, has been revised from the forecast previously published on May 10, 2024, in the 'Financial Results for the Fiscal Year Ended March 2024 [Japanese GAAP] (Consolidated)'. For further details, please refer to the 'Notice Regarding the Revision of the Consolidated Full-Year Earnings Forecast for the Fiscal Year Ending March 31, 2025', scheduled for release on February 7, 2025.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Amounts are rounded to the nearest million)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	17,653	16,456
Notes and accounts receivable - trade, and contract assets	19,490	18,287
Electronically recorded monetary claims - operating	863	1,007
Finished goods	5,119	4,864
Work in process	5,421	6,158
Raw materials and supplies	12,254	12,736
Other	3,581	5,258
Allowance for doubtful accounts	△52	△46
Total current assets	64,329	64,719
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,946	20,103
Machinery, equipment and vehicles	87,588	88,645
Tools, furniture and fixtures	13,897	14,341
Land	2,859	2,883
Leased assets	3,269	3,262
Construction in progress	4,189	4,883
Accumulated depreciation	△86,420	△88,019
Accumulated impairment	△10,183	△10,061
Total property, plant and equipment	35,145	36,037
Intangible assets		
Leased assets	57	45
Other	471	627
Total intangible assets	528	672
Investments and other assets		
Investment securities	8,741	7,878
Retirement benefit asset	159	167
Deferred tax assets	1,873	1,666
Other	471	595
Total investments and other assets	11,244	10,306
Total non-current assets	46,916	47,015
Total assets	111,245	111,734

(Amounts are rounded to the nearest million)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,074	9,388
Electronically recorded obligations - operating	5,355	5,162
Short-term borrowings	17,648	21,176
Accounts payable - other	2,686	3,027
Lease liabilities	457	321
Income taxes payable	531	454
Accrued consumption taxes	588	330
Provision for bonuses	1,226	1,042
Provision for bonuses for directors (and other officers)	24	10
Provision for product warranties	96	114
Other	3,535	4,847
Total current liabilities	41,219	45,872
Non-current liabilities		
Long-term borrowings	14,392	11,637
Lease liabilities	515	367
Deferred tax liabilities	2,472	2,460
Provision for retirement benefits for directors (and other officers)	163	154
Retirement benefit liability	3,223	3,192
Provision for loss on litigation	494	940
Other	479	549
Total non-current liabilities	21,738	19,298
Total liabilities	62,957	65,170
Net assets		
Shareholders' equity		
Share capital	3,481	3,481
Capital surplus	2,362	2,362
Retained earnings	31,872	31,959
Treasury shares	△980	△980
Total shareholders' equity	36,735	36,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,671	4,122
Foreign currency translation adjustment	2,586	1,466
Remeasurements of defined benefit plans	692	662
Total accumulated other comprehensive income	7,949	6,249
Non-controlling interests	3,604	3,492
Total net assets	48,288	46,564
Total liabilities and net assets	111,245	111,734

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

Consolidated Income Statement

(Amounts are rounded to the nearest million yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	114,709	119,977
Cost of sales	98,031	102,347
Gross profit	16,678	17,630
Selling, general and administrative expenses	11,179	14,010
Operating profit	5,499	3,620
Non-operating income		
Interest income	115	178
Dividend income	197	236
Subsidy income	5	—
Other	355	162
Total non-operating income	671	576
Non-operating expenses		
Interest expenses	570	615
Commission expenses	341	358
Foreign exchange losses	59	9
Other	79	145
Total non-operating expenses	1,049	1,126
Ordinary profit	5,122	3,070
Extraordinary income		
Gain on sale of non-current assets	22	10
Gain on sale of investment securities	200	467
Total extraordinary income	222	476
Extraordinary losses		
Loss on sale of non-current assets	4	1
Loss on retirement of non-current assets	174	299
Provision for loss on litigation	322	446
Total extraordinary losses	499	746
Profit before income taxes	4,844	2,800
Income taxes - current	1,185	957
Income taxes - deferred	348	223
Total income taxes	1,533	1,180
Profit	3,311	1,619
Profit attributable to non-controlling interests	502	513
Profit attributable to owners of parent	2,810	1,106

Consolidated Comprehensive Income Statement

(Amounts are rounded to the nearest million yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	3,311	1,619
Other comprehensive income		
Valuation difference on available-for-sale securities	709	△550
Foreign currency translation adjustment	4,125	△949
Remeasurements of defined benefit plans, net of tax	28	△30
Total other comprehensive income	4,863	△1,529
Comprehensive income	8,174	90
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,404	△593
Comprehensive income attributable to non-controlling interests	770	684

(3) Consolidated Cash Flow Statement

(Amounts are rounded to the nearest million)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	4,844	2,800
Depreciation	4,520	4,953
Loss on retirement of property, plant and equipment	174	299
Loss (gain) on sale of property, plant and equipment	△18	△8
Interest and dividend income	△311	△414
Interest expenses	570	615
Commission expenses	341	358
Loss (gain) on sale of investment securities	△200	△467
Increase (decrease) in provision for loss on litigation	322	446
Decrease (increase) in trade receivables	△2,893	1,066
Decrease (increase) in inventories	2,831	△1,606
Increase (decrease) in trade payables	1,045	213
Increase (decrease) in provision for bonuses	△172	△187
Increase (decrease) in accounts payable - other	△384	492
Increase (decrease) in accrued expenses	942	756
Increase (decrease) in retirement benefit liability	95	△59
Other, net	△1,371	△1,469
Subtotal	10,333	7,787
Interest and dividends received	338	414
Interest paid	△623	△647
Commission fee paid	△336	△376
Settlement paid	△190	—
Income taxes paid	△2,019	△1,115
Net cash provided by (used in) operating activities	7,502	6,062
Cash flows from investing activities		
Purchase of property, plant and equipment	△5,384	△5,900
Proceeds from sale of property, plant and equipment	89	40
Purchase of investment securities	△67	△97
Proceeds from sale of investment securities	296	644
Other, net	11	△364
Net cash provided by (used in) investing activities	△5,054	△5,677
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,885	4,741
Repayments of long-term borrowings	△3,247	△4,125
Dividends paid	△910	△1,014
Dividends paid to non-controlling interests	△640	△796
Repayments of lease liabilities	△281	△377
Purchase of treasury shares	△303	△0
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△207	—
Net cash provided by (used in) financing activities	△2,704	△1,571
Effect of exchange rate change on cash and cash equivalents	1,167	△12
Net increase (decrease) in cash and cash equivalents	911	△1,197
Cash and cash equivalents at beginning of period	12,837	17,653
Cash and cash equivalents at end of period	13,747	16,456

(4) Notes to the Consolidated Financial Statements

(Changes in Accounting Policies)

Application of "Accounting Standard for Corporate, Residence, and Business Taxes"

We have applied the "Accounting Standards for Corporate Taxes, Local Resident Taxes, Enterprise Taxes, etc." (ASBJ Statement No. 27, October 28, 2022; "2022 Revised Accounting Standards") and other standards from the beginning of the year in this third quarter consolidated accounting period. Regarding the amendment to the classification of corporate taxes, etc. (taxation on other comprehensive income), we are following the transitional treatment set forth in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standards and the transitional treatment set forth in the proviso of Paragraph 65-2 (2) of the "Guidelines for the Implementation of Accounting Standards for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; "2022 Revised Implementation Guidelines"). Additionally, the amendment concerning the treatment of deferred tax gains and losses from intra-group sales of subsidiary shares has been applied to the consolidated financial statements from the beginning of the year in this third quarter consolidated accounting period, in line with the "2022 Revised Implementation Guidelines". There are no impacts of this change in accounting policy on the consolidated financial statements.

(Segment Information)

I. Third Quarter of the previous period (April 1, 2023 to December 31, 2023)

1. Information on Sales and Operating Income by reportable segment.

	Reportable Segments						Adjs. (Note 1)	Reported Amount (Note 2)
	Japan	Americas	Europe	China	Asia	Total		
Sales								
External Customers	22,883	42,762	16,312	12,354	20,398	114,709	—	114,709
Internal Sales & Transfers between segments	14,799	8	221	733	661	16,421	(16,421)	—
Total	37,682	42,770	16,533	13,087	21,059	131,130	(16,421)	114,709
Segment income	1,935	726	670	254	1,769	5,355	144	5,499

(Note 1) The adjustment amounts are as follows:
(1) The adjustment amount of (16,421) million yen for net sales is the amount for eliminating inter-segment transactions.
(2) The adjustment amount of 144 million yen in segment operating income includes inventory adjustments of JPY 79 million and fixed asset adjustments of JPY 65 million.
(Note 2) Segment income is adjusted to reconcile with operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on fixed assets or goodwill by reportable segment:
Not applicable

II. Third Quarter ended December 31, 2024 (April 1, 2024 to December 31, 2024)

1. Information on net sales and income (loss) by reportable segment.

	Reporting Segments						Adjs. (Note 1)	Reported Amount (Note 2)
	Japan	Americas	Europe	China	Asia	Total		
Sales								
External Customers	21,963	51,557	15,941	9,222	21,294	119,977	—	119,977
Internal Sales & Transfers between segments	14,486	14	533	922	788	16,744	(16,744)	—
Total	36,449	51,571	16,474	10,145	22,082	136,721	(16,744)	119,977
Segment Income (loss)	782	1,661	(142)	(741)	2,056	3,615	5	3,620

(Note 1) The adjustment amounts are as follows:
(1) The adjustment amount of (16,744) million yen for net sales is the amount for eliminating inter-segment transactions.
(2) The adjustment amount of 5 million yen for segment profit or loss includes an adjustment amount of (101) million yen for inventories and an adjustment amount of 105 million yen for fixed assets.
(Note 2) Segment income (loss) is adjusted to reconcile with operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on fixed assets or goodwill by reportable segment:
Not applicable

(Significant Changes Shareholders' Equity)

Not applicable

(Assumption of a Going Concern)

Not applicable

(Significant Subsequent Events)

Not applicable

(Additional Information)

1. Director Stock Grant Trust
   Pursuant to the resolution of the 112th Annual General Meeting of Shareholders held on June 22, 2020, the Company has implemented a stock-based remuneration system (hereinafter referred to as "the System") for directors who meet the eligibility criteria. The objective of this system is to enhance the medium to long-term performance and to foster a commitment increasing corporate value. The accounting treatment for this System follows the "Practical Treatment of Transactions Involving Granting of Own Shares to Employees, etc. through Trusts" (Practical Solution Report No. 30, March 26, 2015).

   - Overview of the Transaction
     This system involves the establishment of a trust (hereinafter referred to as "the Trust") funded by monetary contributions from the Company. The Trust acquires the Company's shares and allocates a number of shares equivalent to the points granted to each director under the Company's Director Stock Grant Regulations. In principle, shares are delivered to the directors upon on their retirement.

   - Remaining Shares in the Trust
     The Company's shares remaining in the Trust are recorded as treasury shares at the book value in the trust (excluding incidental expenses). As of the end of the previous financial year and the end of the third quarter of the current financial year, the book value and number of treasury shares were JPY 344 million and 411,000 shares, respectively.

2. Employee Stock Issuance Trust:
   Following the resolution of the Board of Directors on August 27, 2020, the Company has established a stock-based remuneration system (hereinafter referred to as "the System") for employees (excluding directors who also hold executive positions and other specified roles) who meet the eligibility criteria. The accounting treatment for this System follows the "Practical Treatment of Transactions Involving Granting of Own Shares to Employees, etc. through Trusts" (Practical Solution Report No. 30, March 26, 2015).

   - Overview of the Transaction
     This System involves the establishment of a trust (hereinafter referred to as "the Trust") funded by monetary contributions from the Company. This Trust acquires the Company's shares and allocates a number of shares equivalent to the points granted to each employee under the Company's Employee Stock Grant Regulations. In principle, shares are delivered to the employees upon on their retirement.

   - Remaining Shares in the Trust
     The Company's shares remaining in the Trust are recorded as treasury shares at the book value in the trust (excluding incidental expenses). As of the end of the previous financial year and the end of the third quarter of the current financial year, the book value and number of treasury shares were JPY 158 million and 189,700 shares, respectively.

(Earnings per Share)

The basis of calculating earnings per share for the quarter is as follows:

	FY23Q3 (April 1, 2023, to December 31, 2023)	FY24Q3 (April 1, 2024, to December 31, 2024)
Earnings per Share	78.17	30.91
(Basis of Calculation)		
Net Income Attributable to the Shareholders of the Parent Company (in Million Yen)	2,810	1,106
Not Attributable to Common Shareholders (in Million Yen)	—	—
Attributable to the Shareholders of the Parent Company Relating to Common Shares (in Million Yen)	2,810	1,106
Average Number of Common Shares Outstanding During the Period (in thousands)	35,947	35,794

Notes

1. Diluted earnings per share is not reported as there are no dilutive potential shares.
2. The Company has implemented a stock-based remuneration system using a share grant trust (the "Trust"). In calculating the average number of shares outstanding during the period, treasury shares held by the Trust for directors, executive officers, and senior management employees are included. The average number of treasury shares deducted in the calculation amounted to 447,828 shares in the third quarter of financial year ending March 2023 and 600,700 shares in the third quarter of financial year ending March 2024.