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November 7, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: Kurabo Industries Ltd.
Listing: Tokyo Stock Exchange
Securities code: 3106
URL: https://www.kurabo.co.jp/
Representative: Shinji Nishigaki, President
Inquiries: Kiyoshi Hamaguchi, Manager of Finance & Accounting Department
Telephone: +81-6-6266-5188

Scheduled date to file semi-annual securities report: November 14, 2024
Scheduled date to commence dividend payments: December 5, 2024
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, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	71,845	(1.1)	4,241	9.4	5,100	12.7	3,425	35.8
September 30, 2023	72,653	0.8	3,877	13.8	4,525	(2.6)	2,522	(22.7)

Note: Comprehensive income For the six months ended September 30, 2024: ¥4,930 million [(51.8)%]
For the six months ended September 30, 2023: ¥10,235 million [156.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	193.12	–
September 30, 2023	134.06	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	191,032	120,235	62.3
March 31, 2024	192,789	118,074	60.6

Reference: Equity
As of September 30, 2024: ¥118,922 million
As of March 31, 2024: ¥116,849 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	–	40.00	–	60.00	100.00
Fiscal year ending March 31, 2025	–	60.00			
Fiscal year ending March 31, 2025 (Forecast)			–	90.00	150.00

Note 1: Revisions to the forecast of cash dividends most recently announced: Yes

Note 2: Regarding the revisions to the forecast of cash dividends, please refer to the news release "Notification on Revisions to the Forecast of Cash Dividends (Increase of Dividend)" (in Japanese only) disclosed on this date (November 7, 2024).

3. Forecast of consolidated financial results 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
Full year	154,000	1.8	9,600	4.5	10,800	6.0	7,500	11.3	424.87

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

Note: For the details, please refer to "2. Semi-annual consolidated financial statements and significant notes thereto (4) Notes to semi-annual consolidated financial statements (Notes to accounting treatment specific to the preparation of semi-annual consolidated financial statements)" on page 11 of the attached materials.

(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: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For the details, please refer to "2. Semi-annual consolidated financial statements and significant notes thereto (4) Notes to semi-annual consolidated financial statements (Notes on changes in accounting policies)" on page 11 of the attached materials.

(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, 2024	19,000,000 shares
As of March 31, 2024	19,000,000 shares

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

As of September 30, 2024	1,445,716 shares
As of March 31, 2024	1,059,028 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	17,736,360 shares
Six months ended September 30, 2023	18,814,755 shares

Note: The Company has introduced the Board Benefit Trust, a share-based compensation plan for directors, etc. using a trust, and the Company's shares held by the trust account are included in the number of treasury shares.

* Semi-annual financial results reports are exempt from review 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 these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. For matters regarding the above earnings forecasts, please refer to "1. Overview of operating results and others (3) Explanation of consolidated financial forecasts and other forward-looking statements" on page 4 of the attached materials.

(Regarding the financial results briefing)

The Company plans to hold a financial results briefing for institutional investors and analysts on Tuesday, November 19, 2024. The explanatory materials on financial results to be distributed at the briefing will be posted on the Company's website following the briefing.

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1. Overview of operating results and others

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

During the first six months of the fiscal year ending March 31, 2025 (from April 1, 2024 to September 30, 2024), the Japanese economy remained on a moderate recovery trend due to factors including improvement in consumer spending owing to wage increases and capital investment increases.

On the other hand, amid growing concerns regarding geopolitical risks, such as the prolongation of the Russia-Ukraine War and the escalation of conflict in the Middle East, some uncertainty continues to remain mainly due to concerns over the future of the Chinese economy and instability in financial markets.

In this type of environment, the Group has strived to expand business operations of growth and priority businesses such as semiconductor production-related business and functional films, and to enhance the earning capability of core businesses such as textiles and flexible polyurethane foam based on the basic policy of “expand high-profit businesses and strengthen core businesses to achieve sustainable growth” in the medium-term corporate business plan “Progress ’24” that is in its final fiscal year.

As a result, net sales were ¥71.8 billion (down 1.1% YoY), operating profit was ¥4.24 billion (up 9.4% YoY), ordinary profit was ¥5.1 billion (up 12.7% YoY), and profit attributable to owners of parent was ¥3.42 billion (up 35.8% YoY).

Results by segment are as follows.

(Textiles)

Yarns experienced increased revenue as sales at the Brazilian and Thai subsidiaries were solid, although sales of yarns for items including underwear in Japan were at around the same level year on year.

Fabrics experienced decreased revenue as orders of casual clothing materials decreased in Japan and at the Chinese subsidiary.

Textile products (sewn products, etc.) experienced decreased revenue given decreased orders of products for casual clothing, although sales increased for the “Smartfit” management system that helps to mitigate risks in hot environments.

As a result, net sales were ¥23.6 billion (down 4.2% YoY) with operating profit of ¥0.03 billion (operating loss of ¥0.37 billion in the same period of the previous fiscal year).

(Chemical Products)

Flexible polyurethane foam experienced increased revenue due to steady orders for automotive interior in Japan, along with a recovery in automobile production and other factors, despite the weak orders at Chinese subsidiaries, as well as due to carrying out the price pass-through of raw material and labor costs.

Functional resin products experienced increased revenue due to a recovery in orders for high-performance plastic products for semiconductor production in line and strong orders for functional films for solar cells.

Housing construction products experienced increased revenue due to an increase in orders for precast concrete products for apartment complexes, despite weak sales of heat-insulating materials.

Nonwoven fabrics experienced revenue at around the same level year on year.

As a result, net sales were ¥32.5 billion (up 11.4% YoY) with operating profit of ¥2.31 billion (up 41.8% YoY).

(Advanced Technology)

Electronics businesses experienced decreased revenue due to a decrease in unit sales of silicon wafer cleaning equipment at a subsidiary, despite strong sales for chemical concentration meters and other products for the semiconductor industry.

Engineering businesses experienced increased revenue due to steady performance in areas such as exhaust gas treatment facilities and at a subsidiary, where large-scale industrial facility projects were carried out, despite weak sales for chemical supply systems for the semiconductor industry.

Biomedical businesses experienced revenue at around the same level year on year due to solid sales of mixer/deaerator models and other products.

As a result, net sales were ¥8.8 billion (down 27.9% YoY) mainly due to the impact of the transfer in the previous fiscal year of all the shares of a subsidiary that was engaged in manufacturing and sales of machine tools, etc., while operating profit was ¥1.05 billion (down 34.9% YoY).

(Food and Services)

Freeze-dried foods experienced increased revenue as sales were steady for instant noodle ingredients and other products while sales were weak for molding soup.

Hotels and their related services experienced increased revenue due to steady performance related to accommodations and restaurants resulting from the impact of strong domestic travel and demand from inbound tourism.

As a result, net sales were ¥4.8 billion (up 7.8% YoY) while operating profit was ¥0.21 billion (down 20.1% YoY) mainly due to the impact of rising purchasing costs.

(Real Estate)

Real estate leasing recorded net sales of ¥1.8 billion (down 1.3% YoY) mainly due to an increase in taxes and dues and operating profit of ¥1.18 billion (down 4.4% YoY).

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

(i) Assets, liabilities and net assets

Total assets at the end of the period under review decreased by ¥1.7 billion from the end of the previous fiscal year to ¥191.0 billion mainly due to a decrease in notes and accounts receivable - trade, and contract assets, although there were increases in investment securities and inventories.

Liabilities decreased by ¥3.9 billion from the end of the previous fiscal year to ¥70.7 billion mainly due to decreases in short-term borrowings and notes and accounts payable - trade.

Net assets increased by ¥2.1 billion from the end of the previous fiscal year to ¥120.2 billion mainly due to increases in retained earnings and valuation difference on available-for-sale securities, despite a decrease due to purchase of treasury shares.

As a result of the above, the equity-to-asset ratio was 62.3%, up 1.7 percentage points.

(ii) Cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the period under review decreased by ¥1.9 billion from the end of the previous fiscal year to ¥14.21 billion (¥10.46 billion at the end of the same period of the previous fiscal year). The respective cash flow positions and the factors thereof are as follows.

Cash flows from operating activities

Net cash provided by operating activities in the period under review was ¥4.6 billion (compared to ¥5.83 billion in net cash provided by operating activities in the same period of the previous fiscal year). This was mainly due to profit before income taxes of ¥5.1 billion and an increase in cash of ¥3.94 billion from a decrease in trade receivables and contract assets, despite income taxes paid of ¥2.46 billion.

Cash flows from investing activities

Net cash used in investing activities in the period under review was ¥1.7 billion (compared to ¥1.97 billion in net cash used in investing activities in the same period of the previous fiscal year). This was mainly due to purchase of property, plant and equipment and intangible assets of ¥1.72 billion.

Cash flows from financing activities

Net cash used in financing activities in the period under review was ¥4.9 billion (compared to ¥3.98 billion in net cash used in financing activities in the same period of the previous fiscal year). This was mainly due to a net decrease in short-term borrowings of ¥2.29 billion and purchase of treasury shares of ¥1.68 billion.

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

At this point in time, there are no changes in consolidated earnings forecasts announced on August 7, 2024 for the full year (April 1, 2024 to March 31, 2025).

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	16,156	14,245
Notes and accounts receivable - trade, and contract assets	32,432	29,777
Electronically recorded monetary claims - operating	7,664	6,723
Merchandise and finished goods	15,474	14,638
Work in process	6,505	8,232
Raw materials and supplies	7,732	8,704
Other	3,400	3,754
Allowance for doubtful accounts	(47)	(41)
Total current assets	89,320	86,035
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,438	20,958
Other, net	23,208	23,333
Total property, plant and equipment	44,646	44,292
Intangible assets	1,717	1,671
Investments and other assets		
Investment securities	53,409	55,359
Other	3,932	3,909
Allowance for doubtful accounts	(238)	(235)
Total investments and other assets	57,104	59,033
Total non-current assets	103,469	104,997
Total assets	192,789	191,032
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,598	17,308
Electronically recorded obligations - operating	3,939	3,634
Short-term borrowings	9,331	7,338
Income taxes payable	2,548	1,729
Provision for bonuses	1,444	1,472
Other	8,194	8,030
Total current liabilities	44,055	39,514
Non-current liabilities		
Long-term borrowings	2,313	2,553
Provision for retirement benefits for directors (and other officers)	213	159
Provision for share-based payments	178	192
Retirement benefit liability	12,188	12,083
Other	15,764	16,294
Total non-current liabilities	30,659	31,283
Total liabilities	74,714	70,797

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	22,040	22,040
Capital surplus	15,237	15,237
Retained earnings	64,164	66,503
Treasury shares	(2,654)	(4,321)
Total shareholders' equity	98,788	99,460
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,054	26,366
Deferred gains or losses on hedges	49	(90)
Foreign currency translation adjustment	(6,982)	(6,749)
Remeasurements of defined benefit plans	(60)	(65)
Total accumulated other comprehensive income	18,061	19,461
Non-controlling interests	1,225	1,313
Total net assets	118,074	120,235
Total liabilities and net assets	192,789	191,032

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income

Semi-annual consolidated statement of income

(Millions of yen)

		Six months ended September 30, 2023		Six months ended September 30, 2024
Net sales		72,653		71,845
Cost of sales		58,353		57,189
Gross profit		14,300		14,656
Selling, general and administrative expenses	*	10,422	*	10,415
Operating profit		3,877		4,241
Non-operating income				
Interest income		48		61
Dividend income		683		803
Share of profit of entities accounted for using equity method		18		30
Other		300		278
Total non-operating income		1,049		1,173
Non-operating expenses				
Interest expenses		171		169
Other		230		143
Total non-operating expenses		401		313
Ordinary profit		4,525		5,100
Extraordinary income				
Gain on sale of investment securities		126		–
Total extraordinary income		126		–
Extraordinary losses				
Loss on disposal of non-current assets		121		–
Loss on sale of investment securities		9		–
Total extraordinary losses		131		–
Profit before income taxes		4,520		5,100
Income taxes		2,016		1,638
Profit		2,504		3,461
Profit (loss) attributable to non-controlling interests		(18)		36
Profit attributable to owners of parent		2,522		3,425

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	2,504	3,461
Other comprehensive income		
Valuation difference on available-for-sale securities	6,543	1,310
Deferred gains or losses on hedges	167	(139)
Foreign currency translation adjustment	986	278
Remeasurements of defined benefit plans, net of tax	4	(5)
Share of other comprehensive income of entities accounted for using equity method	29	26
Total other comprehensive income	7,731	1,469
Comprehensive income	10,235	4,930
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,147	4,825
Comprehensive income attributable to non-controlling interests	88	105

(3) Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	4,520	5,100
Depreciation	2,446	2,561
Increase (decrease) in retirement benefit liability	56	(151)
Increase (decrease) in provision for share-based payments	23	13
Increase (decrease) in allowance for doubtful accounts	(28)	(6)
Interest and dividend income	(731)	(864)
Interest expenses	171	169
Foreign exchange losses (gains)	(33)	(2)
Share of loss (profit) of entities accounted for using equity method	(18)	(30)
Loss (gain) on sale of property, plant and equipment and intangible assets	(17)	(1)
Loss on retirement of property, plant and equipment and intangible assets	9	1
Loss (gain) on sale of short-term and long-term investment securities	(117)	–
Decrease (increase) in accounts receivable - trade, and contract assets	(1,393)	3,941
Decrease (increase) in inventories	(598)	(1,522)
Increase (decrease) in trade payables	1,177	(1,948)
Other, net	1,380	(868)
Subtotal	6,849	6,391
Interest and dividends received	730	869
Interest paid	(170)	(209)
Subsidies received	5	13
Income taxes paid	(1,581)	(2,463)
Net cash provided by (used in) operating activities	5,833	4,600
Cash flows from investing activities		
Decrease (increase) in time deposits	6	6
Purchase of property, plant and equipment and intangible assets	(1,800)	(1,729)
Proceeds from sale of property, plant and equipment and intangible assets	23	16
Purchase of investment securities	(4)	(2)
Proceeds from sale of investment securities	183	–
Loan advances	(2)	(1)
Proceeds from collection of loans receivable	2	68
Other, net	(382)	(59)
Net cash provided by (used in) investing activities	(1,974)	(1,701)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,098)	(2,297)
Proceeds from long-term borrowings	1,037	464
Repayments of long-term borrowings	(1,305)	(395)
Purchase of treasury shares	(1)	(1,687)
Proceeds from sale of treasury shares	–	0
Repayments of lease liabilities	(59)	(72)
Dividends paid	(662)	(1,083)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(394)	–
Other, net	(497)	167
Net cash provided by (used in) financing activities	(3,982)	(4,904)
Effect of exchange rate change on cash and cash equivalents	233	99
Net increase (decrease) in cash and cash equivalents	109	(1,905)
Cash and cash equivalents at beginning of period	10,360	16,123
Cash and cash equivalents at end of period	* 10,469	* 14,218

(4) Notes to semi-annual consolidated financial statements

(Notes on changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes" and other relevant ASBJ regulations)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the six months ended September 30, 2024.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Application Guidance of 2022"). There is no impact on the semi-annual consolidated financial statements as a result of this change in the accounting policy.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Application Guidance of 2022 from the beginning of the six months ended September 30, 2024. This change in the accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. There is no impact on the consolidated financial statements for the same period of the previous fiscal year or for the previous fiscal year as a result of this change in the accounting policy.

(Notes to accounting treatment specific to the preparation of semi-annual consolidated financial statements)

(Calculation of cost of tax)

The effective tax rate after applying the accounting effect of taxes on profit before taxes for the fiscal year including the period under review is reasonably estimated, and profit before taxes is multiplied by the estimated effective tax rate to calculate cost of tax. However, if the calculation of the cost of tax using the estimated effective tax rate results in significantly unreasonable results, the effective statutory tax rate is used.

(Notes on segment information, etc.)

[Segment information]

I Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the semi-annual consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	24,682	29,267	12,292	4,522	1,887	72,653	–	72,653
Intersegment sales or transfers	27	16	136	22	220	424	(424)	–
Total	24,710	29,284	12,429	4,545	2,108	73,078	(424)	72,653
Segment profit (loss)	(373)	1,630	1,616	272	1,240	4,386	(509)	3,877

(Notes) 1. The segment profit or loss adjustment of negative ¥509 million includes company-wide expenses of negative ¥506 million and other adjustments of negative ¥2 million. Company-wide expenses are mainly R&D expenses not attributable to the reportable segment.

2. Segment profit or loss is adjusted with operating profit in the semi-annual consolidated statement of income.

II Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the semi-annual consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	23,650	32,592	8,866	4,873	1,862	71,845	–	71,845
Intersegment sales or transfers	27	21	93	21	218	383	(383)	–
Total	23,677	32,613	8,960	4,895	2,080	72,228	(383)	71,845
Segment profit	35	2,312	1,052	217	1,186	4,804	(563)	4,241

(Notes) 1. The segment profit adjustment of negative ¥563 million includes company-wide expenses of negative ¥569 million and other adjustments of ¥6 million. Company-wide expenses are mainly R&D expenses not attributable to the reportable segment.

2. Segment profit is adjusted with operating profit in the semi-annual consolidated statement of income.

(Notes on revenue recognition)

Information on disaggregation of revenue from contracts with customers

[Breakdown by type of goods or services]

Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	7,797	–	–	–	–	7,797
Fabrics	13,067	–	–	–	–	13,067
Textile products (Sewn products, etc.)	6,739	–	–	–	–	6,739
Flexible polyurethane foam	–	10,967	–	–	–	10,967
Functional resin products	–	11,197	–	–	–	11,197
Housing construction products	–	4,921	–	–	–	4,921
Electronics businesses	–	–	5,624	–	–	5,624
Engineering businesses	–	–	3,022	–	–	3,022
Freeze-dried foods	–	–	–	3,161	–	3,161
Services	–	–	–	1,384	–	1,384
Others	–	4,326	4,308	–	–	8,635
Intersegment sales	(2,921)	(2,145)	(663)	(22)	–	(5,754)
Revenue from contracts with customers	24,682	29,267	12,292	4,522	–	70,766
Other revenue	–	–	–	–	1,887	1,887
Sales to outside customers	24,682	29,267	12,292	4,522	1,887	72,653

Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	8,209	–	–	–	–	8,209
Fabrics	11,154	–	–	–	–	11,154
Textile products (Sewn products, etc.)	6,551	–	–	–	–	6,551
Flexible polyurethane foam	–	11,764	–	–	–	11,764
Functional resin products	–	14,106	–	–	–	14,106
Housing construction products	–	5,017	–	–	–	5,017
Electronics businesses	–	–	5,064	–	–	5,064
Engineering businesses	–	–	3,161	–	–	3,161
Freeze-dried foods	–	–	–	3,415	–	3,415
Services	–	–	–	1,479	–	1,479
Others	–	4,360	1,253	–	–	5,613
Intersegment sales	(2,264)	(2,657)	(612)	(21)	–	(5,555)
Revenue from contracts with customers	23,650	32,592	8,866	4,873	–	69,982
Other revenue	–	–	–	–	1,862	1,862
Sales to outside customers	23,650	32,592	8,866	4,873	1,862	71,845

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

(Purchase of treasury shares)

At the board of directors meeting held on December 19, 2023, the Company resolved to acquire treasury shares based on the provisions in Article 156 of the Companies Act, applied by replacing the provisions of Article 165, Paragraph 3 of the same Act, and is proceeding with the acquisition of treasury shares through market purchases including the Tokyo Stock Exchange Trading Network System - Off-Auction Own Share Repurchase Trading (ToSTNeT-3) from December 20, 2023 to December 19, 2024, with up to a total of 1,700 thousand shares to be acquired and up to a total acquisition value of ¥4.0 billion. Consequently, treasury shares increased by ¥1,682 million (394 thousand shares) during the six months ended September 30, 2024.

As a result, treasury shares were ¥4,321 million as of September 30, 2024.

(Notes on premise of going concern)

Not applicable.

(Notes on semi-annual consolidated balance sheet)

1. Guarantee obligations

The Company guarantees the borrowing by the following corporations from financial institutions, etc.

(Millions of yen)

As of March 31, 2024		As of September 30, 2024	
Ishii Memorial Aizen-en Social Welfare Corporation (Joint and several suretyship)	98	Ishii Memorial Aizen-en Social Welfare Corporation (Joint and several suretyship)	32

2. Contingent liabilities

On June 30, 2022, a fire broke out at the logistics facility Ami No. 2 Logistics Center of SBS Flec Co., Ltd. (location: 6-1 Hoshinosato, Ami-machi, Inashiki-gun, Ibaraki) at which the Company's Chemical Products Division had conducted heat-insulating work. The fire was extinguished on July 5, 2022. Regarding this fire accident, SBS Flec Co., Ltd. filed a lawsuit on September 6, 2023 for around ¥4.4 billion in damages against three companies related to the fire including the Company (hereinafter the "Lawsuit"), and on October 24, 2024, there was an application for amending the damages claim to around ¥4.0 billion.

The Company has evaluated the details of the claims in the Lawsuit and is responding as appropriate through our attorneys.

On December 19, 2022, SBS Flec Co., Ltd.'s parent company SBS Holdings, Inc. announced regarding the fire accident that it had received an insurance payment of ¥5,236 million for the fixed assets burnt and damaged by the fire, and it is possible that the insurance company could file a claim for recovery. Furthermore, related to the fire accident, for around ¥1.1 billion initially estimated for the demolition costs for the Ami No. 2 Logistics Center, we received a notification from the relevant companies that around ¥0.68 billion in costs had been incurred at the end of April 2023. Depending on the future proceedings of the Lawsuit and the results of discussion, the Company could incur damages.

(Additional information)

We believe that the incurrence of damages to the Company related to the Lawsuit, etc. as well as the impact on earnings will become clear as a result of the future proceedings of the Lawsuit and the results of discussion, and the details and amounts of any damages to the Company from the fire accident have not been determined at this point in time. The Company will announce any specific impact on earnings in the future as soon as it becomes clear.

3. The Company has entered into commitment line agreements with five transacting banks to efficiently procure working capital. The unused balances, etc. under the commitment line agreements are as follows:

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Total amount of commitment lines	7,400	7,400
Balance of borrowings outstanding	–	–
Unused balance	7,400	7,400

(Notes on semi-annual consolidated statement of income)

* Major items under selling, general and administrative expenses and their amounts are as follows:

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Provision of allowance for doubtful accounts	(26)	(6)
Salaries and allowances	2,476	2,379
Provision for bonuses	614	616
Retirement benefit expenses	196	222
Provision for retirement benefits for directors (and other officers)	15	14
Provision for share-based payments	30	30

(Notes on semi-annual consolidated statement of cash flows)

* Reconciliation of closing balance of cash and cash equivalents and the related account on the semi-annual consolidated balance sheet is as follows:

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash and deposits	10,496	14,245
Time deposits with maturity over 3 months	(26)	(27)
Cash and cash equivalents	10,469	14,218

(Notes on significant subsequent events)

(Purchase and cancellation of treasury shares)

At the board of directors meeting held on November 7, 2024, the Company resolved matters relating to the purchase of treasury shares based on the provisions in Article 156 of the Companies Act, applied by replacing the provisions of Article 165, Paragraph 3 of the same Act, and also resolved to cancel treasury shares based on the provisions of Article 178 of the Companies Act, as described below.

1. Reasons for purchase and cancellation of treasury shares

   To enhance shareholder returns and improve capital efficiency

2. Details of matters relating to the purchase

(1) Class of shares to be purchased:	Common shares of the Company
(2) Total number of shares to be purchased:	1,300,000 shares (maximum) (7.34% of the total number of issued shares (excluding treasury shares))
(3) Total amount of shares to be purchased:	¥6.0 billion (maximum)
(4) Purchase period:	From November 8, 2024 to October 31, 2025
(5) Purchase method:	Market purchases including the Tokyo Stock Exchange Trading Network System - Off-Auction Own Share Repurchase Trading (ToSTNeT-3)

3. Details of matters relating to the cancellation

(1) Class of shares to be cancelled:	Common shares of the Company
(2) Total number of shares to be cancelled:	1,000,000 shares (5.26% of the total number of issued shares before cancellation)
(3) Total number of issued shares after cancellation:	18,000,000 shares
(4) Scheduled date of cancellation:	November 25, 2024

3. Others

(Reference information)

(1) Changes in the number of employees (consolidated)

(Persons)

As of Sept. 30, 2022	4,180
As of Sept. 30, 2023	4,184
As of Sept. 30, 2024	3,949
As of Mar. 31, 2023	4,189
As of Mar. 31, 2024	3,899

Note: In addition to the above, there are also temporary employees and part-timers (991 as of Sept. 30, 2024).

(2) Changes in the balance of interest-bearing debt (consolidated)

(Millions of yen)

As of Sept. 30, 2022	17,590
As of Sept. 30, 2023	12,667
As of Sept. 30, 2024	9,892
As of Mar. 31, 2023	14,557
As of Mar. 31, 2024	11,645

Note: Total amount of long-term and short-term borrowings.

(3) Trends in amount of capital investment and depreciation (consolidated)

(Millions of yen)

	Amount of capital investment	Depreciation
Six months ended Sept. 30, 2022	2,096	2,520
Six months ended Sept. 30, 2023	2,045	2,447
Six months ended Sept. 30, 2024	1,814	2,561
Fiscal year ended Mar. 31, 2023	4,647	5,181
Fiscal year ended Mar. 31, 2024	4,959	5,086
Fiscal year ending Mar. 31, 2025 (Forecast)	9,100	5,200

(4) Forecast of full-year financial results for the fiscal year ending March 31, 2025 (consolidated)

(Millions of yen)

		Fiscal year ended Mar. 31, 2024	Fiscal year ending Mar. 31, 2025 (Forecast)
Net sales	Textiles	51,103	52,000
	Chemical Products	61,318	67,000
	Advanced Technology	25,530	21,300
	Food and Services	9,572	10,000
	Real Estate	3,790	3,700
	Total	151,314	154,000
Operating profit	Textiles	(257)	300
	Chemical Products	3,963	4,800
	Advanced Technology	3,574	2,800
	Food and Services	641	600
	Real Estate	2,332	2,200
	Eliminations and corporate	(1,068)	(1,100)
	Total	9,186	9,600
Ordinary profit		10,191	10,800
Profit attributable to owners of parent		6,738	7,500