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

November 5, 2024

Company name: **Axial Retailing Inc.**
Stock exchange listings: Tokyo, Prime
Securities code: 8255
URL: https://www.axial-r.com/
Representative: Kazuhiko Hara, President and Representative Director, CEO
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Scheduled date to file semi-annual securities report: November 13, 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)

(Amounts less than one million yen are rounded down)

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)

(% change YoY)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
For the Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	137,812	3.9	5,815	-6.3	5,938	-6.2	3,998	-6.1
September 30, 2023	132,603	5.5	6,206	19.1	6,331	16.3	4,256	18.8

(Note) Comprehensive income
For the six months ended September 30, 2024: 3,987 million yen [-8.1%]
For the six months ended September 30, 2023: 4,338 million yen [15.7%]

	Basic earnings per share	Diluted earnings per share
For the Six months ended	Yen	Yen
September 30, 2024	44.16	—
September 30, 2023	46.53	—

(Note) On April 1, 2024, Axial Retailing Inc. (hereinafter referred to as the "Company") conducted a four-for-one stock split of its common stock. Therefore, "Basic earnings per share" and "Diluted earnings per share" are calculated as if the stock split had taken effect at the beginning of the previous fiscal year in accordance with the "Accounting Standard for Earnings Per Share" and other relevant standards.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	131,419	86,041	65.5	950.39
March 31, 2024	131,390	83,298	63.4	920.10

(Reference) Net assets attributable to owners of parent
As of September 30, 2024: 86,041 million yen
As of March 31, 2024: 83,298 million yen

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended March 31, 2024	—	30.00	—	55.00	85.00
Ending March 31, 2025	—	11.00			
Ending March 31, 2025 (Forecast)			—	14.00	25.00

(Note1) Revision of cash dividend forecast for this period: None
(Note2) On April 1, 2024, the Company conducted a four-for-one stock split of its common stock. Therefore, the quarterly dividends for the fiscal years ended March 31, 2024 show the actual dividend amount before the said stock split, and the dividend amount for the fiscal year ending March 31, 2025 shows the actual dividend and the projected dividend amount based on the number of shares after the said stock split.

3. Consolidated financial forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(% change YoY)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Fiscal year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Ending March 31, 2025	280,000	3.6	12,100	2.7	12,500	1.4	7,500	0.8	82.84

(Note 1) Change from the latest released earnings forecasts: None
(Note 2) On April 1, 2024, the Company conducted a four-for-one stock split of its common stock. Therefore, "Basic earnings per share" is calculated as if the stock split had taken effect at the beginning of the previous fiscal year in accordance with the "Accounting Standard for Earnings Per Share" and other relevant standards.

※ 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: None

(3) Changes in accounting policies, accounting estimates and retrospective 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) From the beginning of the fiscal year ending March 2025, Revised "Accounting Standard for Current Income Taxes", etc. have been applied.

(4) Number of issued shares (common stock)
- i Total number of issued shares at the end of the period (including treasury shares)
  As of September 30, 2024: 93,552,156 shares, As of March 31, 2024: 93,552,156 shares
- ii Number of treasury shares at the end of the period
  As of September 30, 2024: 3,019,776 shares, As of March 31, 2024: 3,019,616 shares
- iii Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
  Six months ended September 30, 2024: 90,532,395 shares, Six months ended September 30, 2023: 91,467,989 shares

(Note) On April 1, 2024, the Company conducted a four-for-on stock split of common shares. Therefore, "Number of issued shares at the end of fiscal year (including treasury stock)", "Number of shares of treasury stock at the end of fiscal year" and "Average number of shares" are calculated as if the stock split had taken effect at the beginning of the previous fiscal year in accordance with the "Accounting Standard for Earnings Per Share" and other relevant standards.

* This quarterly earnings release is not subject to audit procedures to be performed by certified public accountants or an audit firm.
* Explanation relating to the appropriate use of earnings forecasts, and other noteworthy items
Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available and certain assumptions that we regard as reasonable and therefore actual results may differ materially from those contained in or suggested by any forward-looking statements.
* This document has been translated from a part of 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.

Consolidated Financial Statements
1　Consolidated Balance Sheet

(Yen million)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	21,021	19,161
Notes and accounts receivable - trade	6,042	6,188
Lease investment assets	445	400
Merchandise and finished goods	5,352	5,629
Work in process	7	32
Raw materials and supplies	353	400
Income tax refund receivable	80	0
Other	3,962	3,371
Allowance for doubtful accounts	-9	-4
Total current assets	37,256	35,180
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,156	44,293
Machinery, equipment and vehicles, net	768	1,095
Land	20,870	20,870
Leased assets, net	1,516	1,448
Construction in progress	3,781	6,770
Other, net	3,132	3,152
Total property, plant and equipment	75,226	77,630
Intangible assets		
Goodwill	2	1
Other	3,006	3,162
Total intangible assets	3,009	3,164
Investments and other assets		
Investment securities	3,614	3,672
Long-term loans receivable	1	3
Retirement benefit asset	600	594
Deferred tax assets	4,039	3,739
Lease and guarantee deposits	6,809	6,602
Other	852	851
Allowance for doubtful accounts	-20	-20
Total investments and other assets	15,897	15,444
Total non-current assets	94,133	96,239
Total assets	131,390	131,419

(Yen million)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	18,895	18,249
Contract liabilities	667	699
Lease obligations	266	266
Income taxes payable	2,368	1,861
Provision for bonuses for directors (and other officers)	324	166
Provision for bonuses	2,586	2,009
Other	8,236	7,753
Total current liabilities	33,344	31,007
Non-current liabilities		
Lease obligations	2,287	2,169
Asset retirement obligations	6,213	6,165
Long-term guarantee deposits	6,088	5,911
Retirement benefit liability	1	1
Other	156	123
Total non-current liabilities	14,746	14,371
Total liabilities	48,091	45,378
Net assets		
Shareholders' equity		
Share capital	3,159	3,159
Capital surplus	15,749	15,749
Retained earnings	64,973	67,726
Treasury shares	-2,727	-2,727
Total shareholders' equity	81,155	83,908
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,650	1,691
Adjustments related to retirement benefits	492	441
Total accumulated other comprehensive income	2,143	2,133
Total net assets	83,298	86,041
Total liabilities and net assets	131,390	131,419

2 Consolidated Statements of Income and Comprehensive Income

Consolidated Income Statement

(Yen million)

	Six Months ended September 30, 2023	Six Months ended September 30, 2024
Net sales	132,603	137,812
Cost of sales	93,793	97,674
Gross profit	38,810	40,138
Selling, general and administrative expenses		
Employees' salaries	4,980	5,110
Miscellaneous salaries and wages	9,241	10,079
Provision for bonuses for directors (and other officers)	168	166
Provision for bonuses	1,815	1,876
Retirement benefit expenses	342	306
Rent expenses on land and buildings	2,744	2,777
Depreciation	2,319	2,538
Amortization of goodwill	0	0
Provision of allowance for doubtful accounts	5	0
Other	10,986	11,467
Total selling, general and administrative expenses	32,603	34,323
Operating profit	6,206	5,815
Non-operating income		
Interest income	16	15
Dividend income	43	45
Insurance income	37	68
Other	61	29
Total non-operating income	159	158
Non-operating expenses		
Interest expenses	24	24
Commission for purchase of treasury shares	10	—
Other	0	10
Total non-operating expenses	35	35
Ordinary profit	6,331	5,938
Extraordinary income		
Gain on sale of non-current assets	4	—
Total extraordinary income	4	—
Extraordinary losses		
Loss on retirement of non-current assets	16	7
Impairment losses	15	5
Loss on sale of investment securities	0	—
Total extraordinary losses	32	13
Profit before income taxes	6,302	5,925
Income taxes - current	1,951	1,622
Income taxes - deferred	94	304
Total income taxes	2,046	1,927
Net profit	4,256	3,998
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	4,256	3,998

Consolidated Comprehensive Income Statement

(Yen million)

	Six Months ended September 30, 2023	Six Months ended September 30, 2024
Net profit	4,256	3,998
Other comprehensive income		
Valuation difference on available-for-sale securities	111	40
Adjustments related to retirement benefits	-28	-50
Total other comprehensive income	82	-10
Comprehensive income	4,338	3,987
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,338	3,987
Comprehensive income attributable to non-controlling interests	—	—

3 Consolidated Cash Flow Statement

(Yen million)

	Six Months ended September 30, 2023	Six Months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	6,302	5,925
Depreciation	2,487	2,762
Impairment losses	15	5
Amortization of goodwill	0	0
Increase (decrease) in allowance for doubtful accounts	5	-4
Increase (decrease) in provision for bonuses for directors (and other officers)	-106	-157
Increase (decrease) in provision for bonuses	-238	-576
Incease (decrease) in net defined benefit asset and liability	-10	-67
Interest and dividend income	-60	-60
Interest expenses	24	24
Loss (gain) on sale of non-current assets	-4	—
Loss on retirement of non-current assets	16	7
Loss (gain) on sale of investment securities	0	—
Decrease (increase) in trade receivables	-245	-146
Decrease (increase) in inventories	-369	-349
Increase (decrease) in trade payables	3,325	-645
Decrease (increase) in consumption taxes receivable / payable	225	495
Decrease (increase) in lease investment assets	45	27
Other	354	-629
Subtotal	11,768	6,612
Interest and dividends received	43	46
Interest paid	-19	-20
Income taxes paid	-1,801	-2,041
Net cash provided by (used in) operating activities	9,991	4,597
Cash flows from investing activities		
Net decrease (increase) in time deposits	-0	-0
Proceeds from sale of investment securities	0	—
Purchase of property, plant and equipment	-6,208	-4,885
Proceeds from sale of property, plant and equipment	2	—
Purchase of intangible assets	-218	-288
Expenditure on loans	-0	-3
Proceeds from collection of loans receivable	3	2
Purchase of shares of subsidiaries	-0	—
Proceeds from maturity of insurance funds	29	—
Net increase (decrease) in payment for lease and guarantee deposits	-127	220
Other	-98	-125
Net cash provided by (used in) investing activities	-6,619	-5,078
Cash flows from financing activities		
Repayment of lease obligations	-153	-136
Purchase of treasury shares	-1,510	-0
Dividends paid	-1,264	-1,241
Net cash provided by (used in) financing activities	-2,928	-1,378
Net increase (decrease) in cash and cash equivalents	442	-1,860
Cash and cash equivalents at beginning of period	19,539	21,019
Cash and cash equivalents at end of period	19,982	19,159