

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



November 14, 2024

Company name: Shinwa Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange

Code number: 3447

URL: <https://www.shinwa-jp.com/en/relation/index.html>

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Scheduled date of filing the semi-annual securities report: November 14, 2024

Scheduled date of commencing dividend payments: December 3, 2024

Availability of supplementary briefing material on financial results: Yes

Schedule of financial results briefing session: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024

(April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2024	8,542	29.0	871	67.4	815	64.2	529	54.7
September 30, 2023	6,621	(25.7)	520	(53.2)	496	(53.9)	342	(54.5)

	Profit attributable to owners of parent		Comprehensive income		Basic earnings per share	Diluted earnings per share
	Million yen	%	Million yen	%	Yen	Yen
Six months ended						
September 30, 2024	530	56.0	518	50.2	38.19	—
September 30, 2023	339	(54.3)	345	(54.4)	24.43	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of				
September 30, 2024	27,566	15,616	15,609	56.6
March 31, 2024	20,675	15,318	15,310	74.0

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	16.00	—	16.00	32.00
Fiscal year ending March 31, 2025	—	16.00			
Fiscal year ending March 31, 2025 (Forecast)			—	16.00	32.00

Note: Revision to the dividends forecast announced most recently: None

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

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%
	16,000	26.2	1,600	128.5	1,494	129.0	1,000	143.3

	Profit attributable to owners of parent		Basic earnings per share	
Full year	Million yen	%	Yen	
	1,000	144.1	71.91	

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

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes
 Newly included : 5 companies, CTR Corporation (currently Yagumi Corporation) and 4 others
 Excluded : –

(2) Changes in accounting policies and changes in accounting estimates
 1) Changes in accounting policies required by IFRS: None
 2) Changes in accounting policies other than 1) above: None
 3) Changes in accounting estimates: Yes

(3) Total number of issued shares (common shares)
 1) Total number of issued shares at the end of the period (including treasury shares):
 September 30, 2024: 14,103,000 shares
 March 31, 2024: 14,103,000 shares
 2) Total number of treasury shares at the end of the period:
 September 30, 2024: 193,484 shares
 March 31, 2024: 193,484 shares
 3) Average number of shares outstanding during the period:
 Six months ended September 30, 2024: 13,877,866 shares
 Six months ended September 30, 2023: 13,906,438 shares

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

* Proper use of financial results forecast and other notes

Financial results forecasts were prepared based on information available at the time of the announcement of this document, and actual results may differ from the forecasts owing to a wide range of factors. For the conditions that form the assumptions for the financial results forecasts, please refer to (4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information in 1. Qualitative Information on Semi-annual Financial Results on page 4 of the attachments.

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1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

During the first six months of the current fiscal year, the Japanese economy continued to recover gradually, although there were stalls in some activities, such as consumer spending. However, the outlook remains uncertain as there is still a downside risk of the economy due to soaring prices of materials and resources, prolonged international conflicts, and fluctuations of the financial and capital markets.

In the construction industry, which is the main source of demand for our products, construction investments remained solid, amounting to ¥22.6 trillion between April and August 2024 (up 0.7% year on year), according to “Comprehensive Construction Statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism. According to “Building Starts Statistics” by the said ministry, the number of residential and non-residential construction starts during the same period decreased 1.1% from one year earlier to 367,628, and the total floor area of construction starts was down 6.4% to 41,232 thousand square meters. Although construction investments increased, the scale of construction starts was smaller. This is mainly the result of the shortage of construction workers and the surging prices of building materials.

In this business climate, scaffolding installation companies, which are the primary customers for wedge binding type scaffolding, continued to refrain from purchasing scaffolding equipment and rent it amid increases in overall costs, including materials. Against this backdrop, we took the following countermeasures: we focused on generating sales by fully leveraging our flexible sales proposals; we made the Yagumi Group, one of the largest scaffolding equipment installation companies in Japan, into our subsidiary in April 2024, which contributed to revenue from scaffolding installation works; and we promoted business integration to expand services and distribution channels, leading to increased revenue growth opportunities. On the cost front, we worked on reducing expenses on an ongoing basis. In addition, depreciation was reduced by changing the depreciation period for rental assets from three to eight years in order to accelerate investment in the rental business.

Although we initially expected the business environment to remain difficult in the first half of the current fiscal year and our business performance to be weighted toward the second half, we achieved revenue and profits far exceeding the consolidated financial results forecast for the first half of the current fiscal year announced on May 10. This was due to the fact that the Scaffolding Equipment Division successfully stimulated purchasing for large-scale construction projects in the autumn and also that the Logistics Equipment Division steadily won orders for projects though in the absence of large-scale projects.

As a result of the above, revenue for the first six months amounted to ¥8,542 million (up 29.0% year on year). Operating profit was ¥871 million (up 67.4% year on year). Profit before tax amounted to ¥815 million (up 64.2% year on year), and profit attributable to owners of parent amounted to ¥530 million (up 56.0% year on year).

The following section explains the performance of business divisions because the Shinwa Group has one business segment.

1) Scaffolding Equipment Division

Despite a solid demand for scaffolding equipment, customers continued to rent rather than purchase scaffolding equipment because of the high prices of materials and products. Under these circumstances, we focused on agile and flexible sales activities by developing a sales operation that combined the strengths of both sales and rentals, making intensive sales efforts in priority areas, and focusing on rental services for next generation scaffolding. In addition, the Yagumi Group, which became our subsidiary in April 2024, responded to firm construction demand with abundant human resources and steadily secured projects.

As a result, revenue for the first six months in the Scaffolding Equipment Division amounted to ¥6,818 million (up 41.0% year on year).

2) Logistics Equipment Division

The Logistics Equipment Division received a large number of orders from a wide range of industries, including automated warehouses and government agencies, despite the absence of projects for large-scale logistics warehouse equipment as in the same period of the previous fiscal year. In addition, the volume of orders for bulk containers for shipping liquids is in a recovery trend, supporting revenue.

As a result, revenue for the first six months in the Scaffolding Equipment Division amounted to ¥1,724 million (down 3.5% year on year).

(Thousand yen)

Name of product and service		For the six months ended September 30, 2023	For the six months ended September 30, 2024
Scaffolding equipment	Wedge binding type scaffolding	2,465,675	2,776,189
	Next generation scaffolding	979,480	852,464
	Installation and rental	564,909	2,178,852
	Other sales	751,804	708,610
	Other	72,383	302,396
	Subtotal	4,834,252	6,818,514
Logistics equipment	Pallets	1,787,628	1,724,262
	Subtotal	1,787,628	1,724,262
Total		6,621,880	8,542,776

Note: Revenue stated in “Installation and rental,” “Pallets,” and “Other” includes revenue arising from leases under IFRS 16 of ¥206,134 thousand for the six months ended September 30, 2023, and ¥275,298 thousand for the six months ended September 30, 2024.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the second quarter of the current fiscal year increased by ¥983 million from the end of the previous fiscal year to ¥8,275 million. This was mainly due to an increase in trade and other receivables of ¥1,404 million, partially offset by a decrease in inventories of ¥462 million. Non-current assets increased by ¥5,906 million from the end of the previous fiscal year to ¥19,291 million. The increase was primarily attributable to an increase in property, plant and equipment of ¥1,691 million and an increase in goodwill of ¥3,299 million. As a result, total assets increased by ¥6,890 million from the end of the previous fiscal year to ¥27,566 million.

(Liabilities)

Current liabilities at the end of the second quarter of the current fiscal year increased by ¥1,810 million from the end of the previous fiscal year to ¥4,754 million. The increase was primarily attributable to an increase in borrowings of ¥1,614 million. Non-current liabilities increased by ¥4,781 million from the end of the previous fiscal year to ¥7,195 million. The increase was primarily attributable to an increase in borrowings of ¥3,857 million and an increase in other financial liabilities of ¥767 million. As a result, total liabilities increased by ¥6,592 million from the end of the previous fiscal year to ¥11,949 million.

(Equity)

Total equity at the end of the second quarter of the current fiscal year increased by ¥298 million from the end of the previous fiscal year to ¥15,616 million. This was mainly attributable to factors such as the posting of profit attributable to owners of parent of ¥530 million and dividends paid of ¥222 million.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of the first six months of the current fiscal year was ¥1,844 million, an increase of ¥1 million from the end of the previous fiscal year.

Cash flows from each activity for the first six months of the current fiscal year and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the first six months of the current fiscal year was ¥312 million, a decrease of ¥1,003 million year on year. The main factors affecting cash inflows were profit before tax of ¥815 million, a decrease in inventories of ¥478 million, as well as depreciation and amortization of ¥238 million.

(Cash flows from investing activities)

Net cash used in investing activities for the first six months of the current fiscal year was ¥3,605 million, an increase of ¥3,379 million year on year. The main factors affecting cash outflows were purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥2,631 million and purchase of property, plant and equipment of ¥961 million.

(Cash flows from financing activities)

Net cash provided by financing activities for the first six months of the current fiscal year was ¥3,295 million (¥745 million used for the same period of the previous fiscal year). The main factors affecting cash inflows include proceeds from long-term borrowings of ¥3,900 million.

(4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

The full-year consolidated earnings forecasts for the fiscal year ending March 31, 2025 is currently under examination. An announcement will be made promptly if any revisions are needed.

2. Condensed Semi-annual Consolidated Financial Statements and Primary Notes

(1) Condensed Semi-annual Consolidated Statement of Financial Position

(Thousand yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	1,843,324	1,844,851
Trade and other receivables	2,225,876	3,630,347
Inventories	3,182,833	2,720,234
Other financial assets	–	19,080
Other current assets	39,396	60,807
Total current assets	<u>7,291,430</u>	<u>8,275,321</u>
Non-current assets		
Property, plant and equipment	2,488,388	4,179,669
Right-of-use assets	204,761	1,024,348
Goodwill	9,221,769	12,521,306
Intangible assets	1,352,107	1,341,574
Other financial assets	105,080	189,659
Deferred tax assets	–	13,488
Other non-current assets	12,124	21,031
Total non-current assets	<u>13,384,232</u>	<u>19,291,077</u>
Total assets	<u><u>20,675,663</u></u>	<u><u>27,566,399</u></u>

(Thousand yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,045,596	1,077,844
Borrowings	1,490,914	3,105,849
Income taxes payable	59,503	129,618
Other financial liabilities	69,272	123,033
Other current liabilities	278,629	318,062
Total current liabilities	<u>2,943,917</u>	<u>4,754,408</u>
Non-current liabilities		
Borrowings	1,963,658	5,821,601
Provisions	44,236	97,025
Other financial liabilities	143,151	910,901
Deferred tax liabilities	258,339	304,022
Other non-current liabilities	3,900	61,650
Total non-current liabilities	<u>2,413,286</u>	<u>7,195,201</u>
Total liabilities	<u>5,357,204</u>	<u>11,949,609</u>
Equity		
Share capital	153,576	153,576
Capital surplus	6,918,207	6,921,841
Retained earnings	8,363,728	8,671,221
Treasury shares	(147,575)	(147,575)
Other components of equity	22,092	10,643
Total equity attributable to owners of parent	<u>15,310,028</u>	<u>15,609,708</u>
Non-controlling interests	8,430	7,081
Total equity	<u>15,318,459</u>	<u>15,616,789</u>
Total liabilities and equity	<u>20,675,663</u>	<u>27,566,399</u>

(2) Condensed Semi-annual Consolidated Statements of Profit or Loss and Comprehensive Income

Condensed Semi-annual Consolidated Statement of Profit or Loss
For the Six-Month Period

	(Thousand yen)	
	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Revenue	6,621,880	8,542,776
Cost of sales	(5,154,855)	(6,305,299)
Gross profit	1,467,025	2,237,477
Selling, general and administrative expenses	(944,691)	(1,351,739)
Other income	18,178	14,461
Other expenses	(19,813)	(28,385)
Operating profit	520,699	871,814
Finance income	473	4,688
Finance costs	(24,465)	(60,939)
Profit before tax	496,707	815,563
Income tax expense	(154,070)	(285,652)
Profit	342,637	529,910
Profit attributable to:		
Owners of parent	339,763	530,045
Non-controlling interests	2,873	(135)
Profit	342,637	529,910
Earnings per share:		
Basic earnings per share (yen)	24.43	38.19

Condensed Semi-annual Consolidated Statement of Comprehensive Income
For the Six-Month Period

(Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	342,637	529,910
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	3,201	(11,335)
Total of items that will not be reclassified to profit or loss	3,201	(11,335)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	925	(222)
Cash flow hedges	(1,636)	–
Total of items that may be reclassified to profit or loss	(710)	(222)
Other comprehensive income, net of tax	2,490	(11,558)
Comprehensive income	345,128	518,352
Comprehensive income attributable to:		
Owners of parent	341,801	518,596
Non-controlling interests	3,327	(244)
Comprehensive income	345,128	518,352

(3) Condensed Semi-annual Consolidated Statement of Changes in Equity
For the Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			Total	Total equity attributable to owners of parent	Non-controlling interests	Equity
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges				
Balance at beginning of period	153,576	6,918,346	8,621,667	(151,505)	2,025	9,825	(8,140)	3,710	15,545,795	6,543	15,552,339
Profit	–	–	339,763	–	–	–	–	–	339,763	2,873	342,637
Other comprehensive income	–	–	–	–	3,201	472	(1,636)	2,037	2,037	453	2,490
Comprehensive income	–	–	339,763	–	3,201	472	(1,636)	2,037	341,801	3,327	345,128
Dividends	–	–	(445,135)	–	–	–	–	–	(445,135)	–	(445,135)
Transfers to non-financial assets	–	–	–	–	–	–	9,777	9,777	9,777	–	9,777
Total transactions with owners	–	–	(445,135)	–	–	–	9,777	9,777	(435,357)	–	(435,357)
Balance at end of period	153,576	6,918,346	8,516,295	(151,505)	5,227	10,297	–	15,524	15,452,238	9,871	15,462,109

For the Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			Total	Total equity attributable to owners of parent	Non-controlling interests	Equity
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations					
Balance at beginning of period	153,576	6,918,207	8,363,728	(147,575)	11,718	10,373	22,092	15,310,028	8,430	15,318,459	
Profit	–	–	530,045	–	–	–	–	530,045	(135)	529,910	
Other comprehensive income	–	–	–	–	(11,335)	(113)	(11,448)	(11,448)	(109)	(11,558)	
Comprehensive income	–	–	530,045	–	(11,335)	(113)	(11,448)	518,596	(244)	518,352	
Disposal of treasury shares	–	(1,947)	–	104,252	–	–	–	102,305	–	102,305	
Dividends	–	–	(222,552)	–	–	–	–	(222,552)	–	(222,552)	
Increase (decrease) by business combination	–	–	–	(104,252)	–	–	–	(104,252)	5,226	(99,025)	
Changes in ownership interest in subsidiaries	–	5,581	–	–	–	–	–	5,581	(6,331)	(750)	
Total transactions with owners	–	3,634	(222,552)	–	–	–	–	(218,917)	(1,104)	(220,022)	
Balance at end of period	153,576	6,921,841	8,671,221	(147,575)	383	10,259	10,643	15,609,708	7,081	15,616,789	

(4) Condensed Semi-annual Consolidated Statement of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before tax	496,707	815,563
Depreciation and amortization	279,883	238,906
Finance income and finance costs	23,991	56,251
Loss (gain) on sale of fixed assets	(12,723)	(599)
Loss on disposal of property, plant and equipment	35	114
Share-based payment expenses	1,184	–
Decrease (increase) in inventories	1,037,990	478,310
Decrease (increase) in trade and other receivables	(776,844)	(890,085)
Increase (decrease) in trade and other payables	143,205	(365,636)
Other	259,098	55,727
Subtotal	1,452,530	388,551
Interest and dividends received	473	4,688
Interest paid	(14,241)	(48,715)
Income taxes paid	(122,669)	(105,900)
Income taxes refund	–	74,200
Net cash provided by (used in) operating activities	1,316,093	312,823
Cash flows from investing activities		
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(2,631,701)
Proceeds from sale of property, plant and equipment	13,393	600
Purchase of property, plant and equipment	(229,131)	(961,873)
Purchase of intangible assets	(3,850)	(10,100)
Payments for acquisition of financial assets	(6,291)	(8,875)
Other	(164)	6,107
Net cash provided by (used in) investing activities	(226,043)	(3,605,842)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	4,090,000
Repayments of short-term borrowings	–	(4,090,000)
Proceeds from long-term borrowings	–	3,900,000
Repayments of long-term borrowings	(250,000)	(351,983)
Payments of financial expenditures	(4,961)	(66,911)
Dividends paid	(444,669)	(222,700)
Proceeds from sale of treasury shares	–	102,305
Repayments of lease liabilities	(45,375)	(64,163)
Other	–	(750)
Net cash provided by (used in) financing activities	(745,006)	3,295,797
Effect of exchange rate changes on cash and cash equivalents	1,080	(1,251)
Net increase (decrease) in cash and cash equivalents	346,124	1,526
Cash and cash equivalents at beginning of period	2,063,796	1,843,324
Cash and cash equivalents at end of period	2,409,921	1,844,851

(5) Notes to Condensed Semi-annual Consolidated Financial Statements

(Going concern assumption)

There is no relevant information.

(Changes in accounting estimates)

Changes in useful lives of rental assets

From the period under review, the useful lives of the Group's rental assets have been revised to reflect the economic useful lives based on the actual situation, in anticipation of changes in the usage policy for rental assets. Changes in the business environment of the scaffolding equipment division as well as the expected development of the rental business following the Yagumi Group becoming our subsidiary are taken into consideration.

As a result of this change, gross profit, operating profit, and income before income taxes for the current six-month period increased by ¥148,652 thousand, respectively.

(Significant subsequent events)

There is no relevant information.

(Segment information)

The Group mainly engages in the business of manufacturing and sale of scaffolding equipment and logistics equipment. There is a single reportable segment of the manufacturing and sale of scaffolding equipment and logistics equipment.

Revenue from external customers for each product and service is as follows.

(Thousand yen)

Name of product and service		For the six months ended September 30, 2023	For the six months ended September 30, 2024
Scaffolding equipment	Wedge binding type scaffolding	2,465,675	2,776,189
	Next generation scaffolding	979,480	852,464
	Installation and rental	564,909	2,178,852
	Other sales	751,804	708,610
	Other	72,383	302,396
	Subtotal	4,834,252	6,818,514
Logistics equipment	Pallets	1,787,628	1,724,262
	Subtotal	1,787,628	1,724,262
Total		6,621,880	8,542,776

Note: Revenue stated in "Installation and rental," "Pallets," and "Other" includes revenue arising from leases under IFRS 16 of ¥206,134 thousand for the six months ended September 30, 2023, and ¥275,298 thousand for the six months ended September 30, 2024.

(Business combinations)

Business combination through acquisition

At the Board of Directors meeting held on March 14, 2024, the Company resolved to acquire all shares of CTR Corporation (formerly Kisaragi Co., Ltd.; hereinafter referred to as “CTR”) and entered into a share transfer agreement as of the same date.

Based on this agreement, the Company acquired all shares of CTR on April 1, 2024, making it a subsidiary of the Company.

In conjunction with this share acquisition, Yagumi Corporation and Ikeda Koumuten, which are wholly owned subsidiaries of CTR, have become second-tier subsidiaries of the Company, and Itabashi-gumi Y.K. and Itabashi Transport Y.K., which are second-tier subsidiaries of CTR, have become third-tier subsidiaries of the Company.

1. Overview of the business combination

(1) Name of the acquired company and its line of business

Name of the acquired company:	CTR Corporation
Line of business of the acquired company:	Consulting services for corporate rehabilitation and corporate management, etc.

(2) Main reasons for the business combination

CTR is one of the largest scaffolding equipment installation companies in the Tokai region and one of the largest in Japan, with Yagumi Corporation as its core subsidiary (hereinafter collectively referred to as the “Yagumi Group” including CTR and its subsidiaries). By incorporating and developing various peripheral businesses, CTR engages in business operations with an eye toward achieving further business growth in the future.

While the Shinwa Group, as a manufacturer, upholds the purpose of “Protecting Lives and Supporting the Future,” the Yagumi Group, as users, prides themselves on being “safe workers who are instrumental in ensuring the safety of construction projects.” The participation of the Yagumi Group in the Shinwa Group is expected to lead to further business expansion and entry into new fields based on the high affinity of the two Groups. We expect that our mutual collaboration will further contribute to solving social issues surrounding construction, and therefore, we have decided to acquire the shares.

Taking the opportunity of making the Yagumi Group a subsidiary, we aim to create new value and further enhance corporate value by mutually generating synergies through the sharing of management resources and strengthening business collaboration within the Shinwa Group.

(3) Date of the business combination

April 1, 2024

(4) Ratio of voting rights acquired

100%

2. Consideration for the acquisition and the details thereof

Cash	¥3,000,000 thousand
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3. Amount of acquisition-related expenses and the line item thereof

Acquisition-related expenses for this business combination amounted to ¥76,822 thousand and are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss for the previous fiscal year.

4. Amount of goodwill arising from the acquisition

¥3,299,536 thousand

As the allocation of acquisition cost has not been completed as of September 30, 2024, the amount of goodwill is a provisionally calculated amount.

(Transactions under common control, etc.)

At the Board of Directors meeting held on April 17, 2024, the Company resolved that Yagumi Corporation, our consolidated second-tier subsidiary, would absorb CTR Corporation, our consolidated subsidiary, and Yagumi Corporation completed the absorption on June 1, 2024.

1. Overview of the business combination

(1) Names of the constituent companies and their line of business

Combining company (Surviving company)

Name: Yagumi Corporation (Consolidated second-tier subsidiary of the Company)

Line of business: Contracting and brokering, etc. of scaffolding work

Combined company (Absorbed company)

Name: CTR Corporation (Consolidated subsidiary of the Company)

Line of business: Consulting services for corporate rehabilitation and corporate management, etc.

(2) Date of the business combination

June 1, 2024

(3) Legal form of the business combination

Absorption-type merger with Yagumi Corporation as the surviving company and CTR Corporation as the absorbed company

(4) Company name after the business combination

Yagumi Corporation

(5) Other items related to the transaction overview

This merger aims to streamline the Group's organizational structure and business operations, thereby improving overall management efficiency.

2. Overview of accounting process conducted

A business combination under common control is a business combination in which all of the combining companies or businesses are ultimately controlled by the same company or companies both before and after the business combination, and that control is not transitory. The Group continues to apply accounting treatment for all business combination transactions under common control based on book value.