

Translation

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Consolidated Financial Results for the Nine Months Ended March 31, 2024 (Based on Japanese GAAP)

May 15, 2024

Company name: MAEDAKOSEN CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 7821 URL <https://www.maedakosen.jp/>
 Representative: President Takahiro Maeda
 Inquiries: Director, Managing Executive Officer Yasuo Saito TEL 0776-51-3535
 Scheduled date to file Quarterly Securities Report: May 15, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended March 31, 2024 (from July 1, 2023 to March 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended March 31, 2024	41,900	12.0	8,058	29.9	8,175	32.5	5,591	57.7
Nine months ended March 31, 2023	37,414	—	6,203	—	6,171	—	3,545	—

Note: Comprehensive income For the nine months ended March 31, 2024: ¥ 5,325 million [57.9%]
 For the nine months ended March 31, 2023: ¥ 3,373 million [—%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended March 31, 2024	183.46	164.01
Nine months ended March 31, 2023	113.45	101.36

Note: The Company has changed the fiscal year-end from September 20 to June 30 from the fiscal year ended June 30, 2022. In line with this change, the Company did not prepare consolidated financial statements for the nine months ended March 31, 2022. Thus, the year-on-year changes for the nine months ended March 31, 2023 are not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	78,141	56,241	71.9
As of June 30, 2023	74,821	43,430	58.0

Reference: Equity
 As of March 31, 2024: ¥56,173 million
 As of June 30, 2023: ¥43,361 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	—	14.00	—	14.00	28.00
Fiscal year ending June 30, 2024	—	20.00	—	—	—
Fiscal year ending June 30, 2024 (Forecast)	—	—	—	20.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Forecast of consolidated financial results for the fiscal year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	54,500	8.6	10,100	18.9	10,000	15.1	6,800	29.3	223.89

Note: Revisions to the consolidated financial results forecasts most recently announced: No

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended March 31, 2024
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
 Changes in accounting policies due to revisions to accounting standards and other regulations: No
 Changes in accounting policies due to other reasons: No
 Changes in accounting estimates: No
 Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	32,972,242 shares	As of June 30, 2023	32,260,200 shares
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Number of treasury shares at the end of the period

As of March 31, 2024	41,343 shares	As of June 30, 2023	1,901,149 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended March 31, 2024	30,481,200 shares	Nine months ended March 31, 2023	31,252,098 shares
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* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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. Actual business and other results may differ substantially due to various factors. Please refer to “(3) Information regarding consolidated earnings forecasts and other forward-looking statements” of “1. Qualitative information on quarterly financial results for the period under review” on page 4 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

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1. Qualitative information on quarterly financial results for the period under review

(1) Explanation of operating results

During the nine months ended March 31, 2024, corporate earnings improved due to a recovery in consumer spending and inbound demand, as a result of the impact of COVID-19 becoming limited, and Japan's economy continued to show gradual recovery. Meanwhile, amid increases in prices of raw materials and energy brought on by the prolonged situation of Ukraine, geopolitical risks in the Middle East, a weakening yen, and rising prices, the risk of a weakening of economic activity in the global economy is growing, and the economic activity in Japan continued to be unstable.

Operating under these conditions, the Group has been operating under the corporate message of "MAEDAKOSEN is a company that can be creating 'Mixing'" since our 100th anniversary in 2018. Embedded in this corporate message is the Group's strong commitment to achieving sustainable growth. We believe that our efforts to "mix" all of the Group's management resources will serve as the driving force for taking active steps to achieve our growth strategies of "M&A," "Overseas Business," and "Human Resource Development." In our M&A strategy, we will create new products and technologies not confined to the textile and resin processing technologies that the Group has cultivated to date by "mixing" the various technologies and know-how possessed by different fields.

In our overseas business, we aim to expand the market for the Group's products. To achieve this, we will enhance and expand our production capacity at overseas bases and leverage our domestic and overseas technologies and sales networks through business alliances with foreign companies.

In human resource development, we will build an innovative organizational culture by making all of the Group's employees a powerful workforce, while recruiting and fostering diverse personnel, and "mixing" the human resources born from those abilities and experiences. In addition, based on the idea that "the health of our employees determines the future of the company," the Group resolved to be deeply involved in the health of all employees and made a "Health Declaration." Going forward, we will continue to take various measures to create a healthy and rewarding workplace.

Aiming to translate the above growth strategies into concrete measures, the Group has developed the next medium-term business plan as "PART II" (for fiscal years 2024 to 2027) of the GLOBAL VISION ∞.

(Millions of yen)

	Fiscal year ended June 30, 2023 (Actual)	Fiscal year ending June 30, 2024 (Planned)	Fiscal year ending June 30, 2027 (Planned)
Net sales	50,204	54,500	70,000
Operating profit	8,493	10,100	12,000
EBITDA	11,682	13,400	15,000
Profit attributable to owners of parent	5,258	6,800	8,000

In the PART II, facility investments amounting to approximately ¥15 billion over the four years are planned as the investments to growing areas in the Group's businesses. We will work to boost our production capability to meet robust demand while promoting automation and labor-saving measures for the production lines. Additionally, we have set an M&A investment budget amounting to approximately ¥20 billion over the four years and plan to accelerate the growth of the Group, targeting projects aimed at synergy with existing businesses and expansion of business domains. Further, as part of the global development of the Group's businesses, we have made it a goal to increase the overseas sales ratio of the Group up to 30% in the fiscal year ending June 30, 2027.

Net sales for the nine months ended March 31, 2024 were ¥41,900 million (up 12.0% year on year). In terms of profits, operating profit was ¥8,058 million (up 29.9% year on year), ordinary profit was ¥8,175 million (up 32.5% year on year), and profit attributable to owners of parent was ¥5,591 million (up 57.7% year on year).

Operating results by segment are as follows.

(Social Infrastructure Business)

In our public works business, while there were delays in deliveries for some projects in embankment reinforcement materials, sales of concrete structure repair/reinforcement materials, riverbank protection materials and ocean civil engineering products remained strong. Regarding profits, we have reduced manufacturing costs and also steadily passed on the increased prices of raw materials to our selling prices, which resulted in profits to perform strong. Sales and profits of non-woven fabric products returned poor results compared to our plan due to stagnant sales of spunbond (continuous, long fiber non-woven fabric) for automotive and other industrial materials as well as decreased orders for medical and health materials (e.g., masks).

Sales and profits fell short of our plan for MIRAI no Agri CO., LTD., which is our subsidiary dealing with harmful animal control products, horticultural greenhouses, and agricultural supplies. This was the result of stagnant orders of horticultural greenhouses and agricultural supplies such as dairy farming products, despite strong orders for harmful animal control products. MIRAI TECHNO CO., LTD., which is our subsidiary dealing with awnings and canvas products, resulted to perform strongly due to the smooth recovery in sales of products for the Japan Ministry of Defense, as well as the winning of orders for some large scale projects and the expanding of its sales of ocean civil engineering products. Sales and profits for MAEDAKOSEN VIETNAM CO., LTD., which is our overseas subsidiary, progressed smoothly to plan due to the expansion of its product range, despite the negative effect from the escalated prices of raw materials.

Net sales of this business were ¥24,715 million (up 7.8% year on year), and operating profit was ¥5,385 million (up 9.7% year on year).

(Industrial Infrastructure Business)

In the automotive wheel business, BBS Japan Co., Ltd., our subsidiary that manufacturers and sells forged wheels, enjoyed strong sales from the supply of OEM products to automobile manufacturers and sales of aftermarket products performing favorably, in combination with significant growth in performance of BBS Japan's German subsidiary BBS Motorsport GmbH., and as a result, sales increased and profits were significantly higher than in the same period of the previous fiscal year.

Sales and profits progressed smoothly at MIRAI KOSEN CO., LTD., which is our subsidiary that manufacturers, processes, and sells wiping cloth products used in precision equipment manufacturing and circular-knit products for apparel and various industrial materials, due to the recovery trend of the sales of wiping cloth for precision equipment, despite the negative effect of an increase in costs related to the higher electricity rates and purchasing costs.

Net sales of this business were ¥17,184 million (up 18.6% year on year), and operating profit was ¥3,479 million (up 67.6% year on year).

(2) Explanation of financial position

① Assets, Liabilities and Net assets

(Assets)

As of March 31, 2024, total assets amounted to ¥78,141 million, an increase of ¥3,319 million from the end of the previous fiscal year.

Current assets increased by ¥5,867 million from the end of the previous fiscal year. This was mainly due to increases of ¥4,497 million in cash and deposits, ¥1,555 million in electronically recorded monetary claims - operating, and ¥1,066 million in merchandise and finished goods, despite decreases of ¥575 million in raw materials and supplies, and ¥402 million in work in process.

Non-current assets decreased by ¥2,547 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥2,917 million in investments and other assets, despite an increase of ¥358 million in property, plant and equipment.

(Liabilities)

As of March 31, 2024, total liabilities amounted to ¥21,899 million, a decrease of ¥9,491 million from the end of the previous fiscal year.

Current liabilities decreased by ¥9,093 million from the end of the previous fiscal year. This was mainly due to decreases of ¥8,469 million in current portion of bonds with share acquisition rights, ¥2,134 million in short-term borrowings, and ¥963 million in income taxes payable, despite increases of ¥914 million in “others” under current liabilities, ¥830 million in electronically recorded obligations - operating, and ¥760 million in accounts payable – other.

Non-current liabilities decreased by ¥398 million from the end of the previous fiscal year. This was mainly due to decreases of ¥246 million in long-term borrowings and ¥155 million in lease liabilities.

(Net assets)

As of March 31, 2024, total net assets amounted to ¥56,241 million, an increase of ¥12,811 million from the end of the previous fiscal year. This was mainly due to increases of ¥1,180 million in share capital, ¥2,480 million in capital surplus, and ¥4,559 million in retained earnings, a decrease of ¥4,858 million in treasury shares.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

Consolidated earnings forecasts are unchanged from the consolidated earnings forecasts for full year that were announced on February 14, 2024, at the time of the announcement of the Financial Results for the six months ended December 31, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of June 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	14,576	19,074
Notes and accounts receivable - trade, and contract assets	9,389	9,242
Electronically recorded monetary claims - operating	4,000	5,556
Merchandise and finished goods	5,880	6,946
Work in process	2,295	1,893
Raw materials and supplies	5,486	4,910
Current portion of long-term loans receivable from subsidiaries and associates	120	—
Other	640	640
Allowance for doubtful accounts	(31)	(37)
Total current assets	42,358	48,226
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,071	15,128
Accumulated depreciation	(6,054)	(6,315)
Buildings and structures, net	9,016	8,813
Machinery, equipment and vehicles	20,975	23,018
Accumulated depreciation	(13,964)	(15,223)
Machinery, equipment and vehicles, net	7,011	7,794
Land	4,405	4,320
Leased assets	4,692	5,014
Accumulated depreciation	(1,277)	(1,682)
Leased assets, net	3,414	3,332
Construction in progress	719	632
Other	3,997	4,178
Accumulated depreciation	(3,285)	(3,434)
Other, net	711	743
Total property, plant and equipment	25,278	25,637
Intangible assets		
Software	89	209
Software in progress	37	0
Trademark right	509	472
Asset of technology	15	—
Other	771	752
Total intangible assets	1,423	1,435
Investments and other assets		
Investment securities	4,205	919
Long-term loans receivable from subsidiaries and associates	—	120
Deferred tax assets	997	732
Other	558	1,071
Total investments and other assets	5,760	2,842
Total non-current assets	32,463	29,915
Total assets	74,821	78,141

(Millions of yen)

	As of June 30, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,835	2,054
Electronically recorded obligations - operating	1,762	2,593
Short-term borrowings	2,379	244
Current portion of long-term borrowings	1,152	1,194
Current portion of bonds with share acquisition rights	12,010	3,541
Accounts payable - other	1,365	2,126
Lease liabilities	578	635
Income taxes payable	2,178	1,215
Provision for bonuses	975	625
Other	748	1,663
Total current liabilities	24,988	15,894
Non-current liabilities		
Long-term borrowings	944	697
Long-term accounts payable - other	613	612
Lease liabilities	3,532	3,377
Deferred tax liabilities	27	34
Provision for retirement benefits for directors (and other officers)	34	36
Retirement benefit liability	1,205	1,200
Other	46	46
Total non-current liabilities	6,403	6,005
Total liabilities	31,391	21,899
Net assets		
Shareholders' equity		
Share capital	3,472	4,652
Capital surplus	3,461	5,941
Retained earnings	39,763	44,323
Treasury shares	(4,966)	(107)
Total shareholders' equity	41,731	54,809
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	759	360
Foreign currency translation adjustment	872	1,006
Remeasurements of defined benefit plans	(1)	(2)
Total accumulated other comprehensive income	1,630	1,364
Share acquisition rights	68	68
Total net assets	43,430	56,241
Total liabilities and net assets	74,821	78,141

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**Consolidated statements of income (cumulative)**

(Millions of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Net sales	37,414	41,900
Cost of sales	24,105	26,484
Gross profit	13,308	15,416
Selling, general and administrative expenses	7,104	7,357
Operating profit	6,203	8,058
Non-operating income		
Interest income	14	28
Interest on securities	9	9
Dividend income	4	8
Foreign exchange gains	11	164
Subsidy income	55	1
Gain on sale of non-current assets	5	36
Other	40	117
Total non-operating income	139	364
Non-operating expenses		
Interest expenses	101	158
Loss on retirement of non-current assets	18	44
Commission for purchase of treasury shares	30	—
Other	22	44
Total non-operating expenses	172	247
Ordinary profit	6,171	8,175
Extraordinary loss		
Loss on sales of investment securities	—	29
Loss on valuation of investment securities	1,041	—
Total extraordinary loss	1,041	29
Profit before income taxes	5,130	8,146
Income taxes - current	1,767	2,074
Income taxes - deferred	(182)	479
Total income taxes	1,584	2,554
Profit	3,545	5,591
Profit attributable to owners of parent	3,545	5,591

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Profit	3,545	5,591
Other comprehensive income		
Valuation difference on available-for-sale securities	(184)	(399)
Foreign currency translation adjustment	13	133
Remeasurements of defined benefit plans, net of tax	(0)	(0)
Total other comprehensive income	(172)	(266)
Comprehensive income	3,373	5,325
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,373	5,325

(3) Notes to quarterly consolidated financial statements**(Notes on going concern assumptions)**

Not applicable.

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

During the nine months ended March 31, 2024, the Company issued new shares and disposed of treasury shares upon exercise of the share acquisition rights of the "Euro Yen Convertible Bonds with Share Acquisition Rights due 2024" issued on April 18, 2019, resulting in an increase in share capital and capital surplus by ¥1,180 million and ¥2,472 million, respectively, while treasury shares decreased by ¥4,807 million.

Mainly as a result of these factors, share capital, capital surplus, and treasury shares amounted to ¥4,652 million, ¥5,941 million, and ¥107 million, respectively, as of March 31, 2024.

(Segment information)**I. For the nine months ended March 31, 2023 (from July 1, 2022 to March 31, 2023)**

Information on net sales and profit or loss by reportable segment and information on disaggregation of revenue

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount reported on the quarterly consolidated statements of income (Note 2)
	Social Infrastructure Business	Industrial Infrastructure Business	Total		
Net sales					
Income from contracts with customers	22,929	14,484	37,414	–	37,414
Sales from external customers	22,929	14,484	37,414	–	37,414
Inter-segment sales and transfers	7	7	15	(15)	–
Total	22,936	14,492	37,429	(15)	37,414
Segment income	4,907	2,076	6,984	(780)	6,203

Notes: 1. Adjustments for segment income of ¥(780) million are corporate expenses not allocated to an individual reportable segment. Corporate expenses primarily consist of expenses related to the administrative departments of the Company.

2. Segment income is adjusted to the operating profit recorded on the quarterly consolidated statements of income.

II. For the nine months ended March 31, 2024 (from July 1, 2023 to March 31, 2024)

Information on net sales and profit or loss by reportable segment and information on disaggregation of revenue

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount reported on the quarterly consolidated statements of income (Note 2)
	Social Infrastructure Business	Industrial Infrastructure Business	Total		
Net sales					
Income from contracts with customers	24,715	17,184	41,900	–	41,900
Sales from external customers	24,715	17,184	41,900	–	41,900
Inter-segment sales and transfers	4	3	8	(8)	–
Total	24,720	17,187	41,908	(8)	41,900
Segment income	5,385	3,479	8,865	(807)	8,058

- Notes: 1. Adjustments for segment income of ¥(807) million are corporate expenses not allocated to an individual reportable segment. Corporate expenses primarily consist of expenses related to the administrative departments of the Company.
2. Segment income is adjusted to the operating profit recorded on the quarterly consolidated statements of income.

(Revenue recognition)

Information on disaggregation of revenue from contracts with customers is presented in “(3) Notes to quarterly consolidated financial statements (Segment information).”

(Significant subsequent events)

(Exercise of Convertible Bonds with Share Acquisition Rights)

After the end of March, 31, 2024, the remaining value of the “Euro Yen Convertible Bonds with Share Acquisition Rights due 2024” issued by the Company on April 18, 2019 was fully exercised by the exercise deadline of April 4, 2024. A summary of the details is as follows.

1. Number of units of share acquisition rights exercised	354 units
2. Par value of bonds exercised	¥3,540 million
3. Class and number of shares issued	1,068,064 common shares
4. Amount of share capital increased	¥1,770 million
5. Amount of capital surplus increased	¥1,770 million

(Stock Split and Partial Amendments to the Articles of Incorporation due to Stock Split)

At a meeting of the Board of Directors held on May 15, 2024, the Company resolved to conduct a stock split and to partially amend the Articles of Incorporation in connection with the stock split.

1. Purpose of the stock split

The purpose of the stock split is to improve the liquidity of the Company’s shares and to broaden the investor base.

2. Outline of the stock split

(1) Method of the stock split

With Sunday, June 30, 2024 (effectively Friday, June 28, 2024 due to Sunday being a day off for the shareholder registry agent) as the record date, the Company will conduct a 2-for-1 stock split for shares of its common stock held by shareholders of listed or record as of the end of that day.

(2) Number of shares to be increased by the split

(i) Total number of shares issued and outstanding before the stock split	34,040,306 shares
(ii) Number of shares to be increased by this stock split	34,040,306 shares
(iii) Total number of shares issued and outstanding after the stock split	68,080,612 shares
(iv) Total number of shares authorized to be issued after the stock split	155,000,000 shares

Note: The number of shares described in (i) through (iii) above is a provisional calculation based on the total number of shares issued and outstanding as of May 15, 2024, and may increase during the period up to the record date of the stock split, June 30, 2024, due to the exercise of share acquisition rights, etc.

(3) Schedule of the stock split

(i) Date of public notice of record date (planned)	Thursday, June 13, 2024
(ii) Record date	Sunday, June 30, 2024
(iii) Effective date	Monday, July 1, 2024

3. Amendment to the Articles of Incorporation

(1) Reasons for amendments

In connection with this stock split, by resolution of the Board of Directors pursuant to the provisions of Article 184, paragraph (2) of the Companies Act, the total number of shares authorized to be issued as stipulated in Article 6 of the Company's Articles of Incorporation will be changed as follows, effective July 1, 2024.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed amendments
(Total number of shares authorized to be issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>77,500,000</u> shares.	(Total number of shares authorized to be issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>155,000,000</u> shares.

(2) Schedule of amendment to the Articles of Incorporation

Effective date: July 1, 2024

4. Effect on per share information

Per share information assuming that the stock split had been conducted at the beginning of the previous fiscal year is as follows.

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Earnings per share	¥56.72	¥91.73
Diluted earnings per share	¥50.68	¥82.01

5. Other

There will be no change in the amount of share capital as a result of this share split.