

Financial Results for First Quarter of Fiscal Year Ending March 31, 2019 [Japanese GAAP] (Consolidated)



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Listing: Tokyo Stock Exchange

Okamura Corporation

Code Number: 7994

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Scheduled date for filing of quarterly report: August 10, 2018

Scheduled date for commencement of dividend payments: –

Preparation of supplementary materials to explain quarterly financial results: None

Scheduling of meeting to explain quarterly financial results: None

(Amounts less than 1 million yen have been rounded down.)

1. Consolidated Operating Results for First Quarter (April 1, 2018 to June 30, 2018) of FY Ending March 2019 (April 1, 2018 to March 31, 2019)

(1) Operating Results (cumulative)

(% Figures indicate year-over-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of FY ending March 2019	59,324	8.1	2,438	18.5	3,102	19.0	2,104	17.4
First quarter of FY ended March 2018	54,885	(1.6)	2,058	(27.6)	2,606	(19.9)	1,793	(23.2)

Note: Comprehensive income ¥2,718 million (-22.0%) for the first quarter of FY ending March 2019
¥3,485 million (661.0%) for the first quarter of FY ended March 2018

	Profit per share		Diluted profit per share	
	yen		yen	
First quarter of FY ending March 2019	19.11		–	
First quarter of FY ended March 2018	16.28		–	

(2) Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen	%	Millions of yen	%	%	
First quarter of FY ending March 2019	230,203		126,757		54.9	
FY ended March 2018	233,110		125,585		53.7	

Reference: Total equity ¥126,396 million for the first quarter of FY ending March 2019
¥125,223 million for FY ended March 2018

2. Dividend

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen				
FY ended March 2018	–	12.00	–	14.00	26.00
FY ending March 2019	–				
FY ending March 2019 (forecast)		14.00	–	14.00	28.00

Note: Revision of the most recently released dividend forecasts: None

3. Forecast of Consolidated Performance for FY Ending March 2019 (April 1, 2018 to March 31, 2019)

(% Figures indicate year-over-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
2Q (cumulative)	119,000	5.0	5,100	8.5	5,400	1.2	3,700	1.5	33.59
Full year	252,000	4.2	13,800	5.0	14,500	3.6	10,000	(7.6)	90.78

Note: Revision of the most recently released performance forecasts: None

* Notes

(1) Changes in the number of material subsidiaries during the quarter under review (This indicates whether there have been changes in the number of specified subsidiaries involving changes in the scope of consolidation): None

New — company(ies) (—)
 Excluded — company(ies) (—)

(2) Adoption of a special accounting method applicable to the preparation of consolidated quarterly financial statements: None

(3) Changes in accounting policy or accounting estimates, or restatement

- ① Changes in accounting policy in accordance with revisions to accounting standards: None
- ② Changes other than those in ① above in accounting policy: None
- ③ Changes in accounting estimates: None
- ④ Restatement: None

(4) Number of shares of stock (common stock)

- ① Number of shares issued (including treasury stock) at the end of the term
- ② Number of shares of treasury stock at the end of the term
- ③ Average number of shares during the term (cumulative quarters)

1Q of FY ending March 2019	112,391,530	FY ended March 2018	112,391,530
1Q of FY ending March 2019	2,239,717	FY ended March 2018	2,238,845
1Q of FY ending March 2019	110,152,258	1Q of FY ended March 2018	110,157,344

* The Summary of Quarterly Financial Results is not subject to quarterly audit by a Certified Public Accountant or an audit firm.

* Explanation of Appropriate Use of Performance Forecasts and Other Issues Requiring Particular Mention

- The performance forecasts and other forward-looking statements contained herein are based on the information available to the Company at the time, and contain certain assumptions that the Company considers to be reasonable. They are subject to diverse factors that may cause actual results of operations and other items to differ significantly from the statements and forecasts. For a description of the assumptions underlying the performance forecasts and the points to note when using the performance forecasts in this document, etc., please refer to (3) Explanation of the performance forecast in 1. Qualitative Information Concerning Consolidated Quarterly Financial Results on page 3 of the Appendix.

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1. Qualitative Information Concerning Consolidated Quarterly Financial Results

(1) Explanation of the progress in (consolidated) operating results

During the first quarter of the consolidated fiscal year under review, corporate profits and the employment situation in the country continued to improve, placing the Japanese economy on a moderate expansion track.

Under these circumstances, the Okamura Group strove to develop new market potential, increase our market share in each of our business segments, and cultivate new customer bases by creating distinctive products and offering total solutions. The Group also endeavored to improve productivity and accelerate the cost reduction.

As a result of the above, during the first quarter of the consolidated fiscal year under review, the Company posted net sales of ¥59,324 million (a year-over-year increase of 8.1%), operating income of ¥2,438 million (a year-over-year increase of 18.5%), ordinary income of ¥3,102 million (a year-over-year increase of 19.0%), and profit attributable to owners of parent of ¥2,104 million (a year-over-year increase of 17.4%).

Performance results by segment are discussed below.

Segment name	Net sales (Millions of yen)			Segment income (loss) (Millions of yen)		
	First quarter of FY ended March 2018	First quarter of FY ending March 2019	Increase/decrease	First quarter of FY ended March 2018	First quarter of FY ending March 2019	Increase/decrease
Office Furniture	27,756	30,428	2,671	1,158	1,694	535
Store Displays	23,747	23,774	27	920	336	(583)
Others	3,381	5,120	1,739	(20)	407	428
Total	54,885	59,324	4,438	2,058	2,438	380

Note: The total of segment income (loss) corresponds to the operating income on Consolidated Quarterly Statements of Income.

Office Furniture

In the Office Furniture segment, the number of large office relocation projects increased alongside the steady supply of large-scale office buildings, and demand for office relocations and office renovations, mainly by companies with strong business performance, remained robust. Under these circumstances, the Company proactively made proposals on how to create a new office environment in response to work style innovation in offices and the growing interest in health. In addition, aggressive sales promotions targeting office-related furniture market, such as hospitals and public facilities, led to increases in both net sales and income compared to the results for the same quarter in the previous fiscal year.

As a result, net sales in this segment amounted to ¥30,428 million (a year-over-year increase of 9.6%), and the segment income amounted to ¥1,694 million (a year-over-year increase of 46.2%).

Store Displays

In the Store Displays segment, the Company stepped up efforts to deliver total solutions, mainly to strongly performing retailers (such as drugstores) for display fixtures, store carts, store security systems, and the like by leveraging the organization's comprehensive capabilities. The Company also focused on increasing its market share in refrigerated showcases and reducing costs. Despite these efforts, net sales were flat, and income decreased compared to the results of the same quarter in the previous fiscal year, due in part to increased material and contract installation work costs.

As a result, net sales in this segment amounted to ¥23,774 million (a year-over-year increase of 0.1%), and the segment income amounted to ¥336 million (a year-over-year decrease of 63.4%).

Others (including Material Handling Systems)

In the Material Handling Systems segment, the Company focused its efforts on distribution warehouses, which are housing an increasing volume of goods to be sold over the Internet. The Company also engaged in aggressive sales activities by maximum utilization of its solution-proposal capabilities and its products, which stand out from among others due to their superiority, in response to labor-saving needs arising from labor shortages. As a result, both net sales and income increased significantly compared to the same quarter of the previous fiscal year.

As a result, net sales in this segment amounted to ¥5,120 million (a year-over-year increase of 51.5%), and the segment income amounted to ¥407 million (versus a segment loss of ¥20 million in the same period of the previous fiscal year).

(2) Explanation of the changes in (consolidated) financial position

The Company's consolidated financial position at the end of the first quarter of the fiscal year under review is as follows:

Total assets amounted to ¥230,203 million, down ¥2,907 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥2,895 million, mainly because of an increase in cash and deposits coupled with a decrease in notes and accounts receivable-trade. Non-current assets decreased by ¥12 million, largely because of an increase in investment securities offset by a decrease in property, plant and equipment.

Liabilities amounted to ¥103,446 million, down ¥4,079 million over the end of the previous fiscal year, mainly because of an increase in short-term loans payable and decreases in notes and accounts payable-trade as well as income taxes payable and provision for bonuses.

Net assets amounted to ¥126,757 million, up ¥1,171 million over the end of the previous fiscal year, mainly because of an increase in retained earnings and valuation difference on available-for-sale securities. The equity ratio amounted to 54.9%, up 1.2 percentage point.

A review of cash flows for the first quarter of the current fiscal year is as follows:

Operating activities generated a net cash increase of ¥6,373 million (an increase of ¥6,842 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥3,112 million, depreciation and amortization of ¥1,361 million, and a decrease in notes and accounts receivable-trade of ¥10,759 million. Outflows included a decrease in provision for bonuses of ¥3,046 million and decreases in notes and accounts payable-trade of ¥4,554 million and income taxes paid of ¥2,323 million.

Investment activities resulted in a net cash outflow of ¥1,298 million (versus a net cash outflow of ¥2,499 million in the same period of the previous fiscal year), reflecting outflows including disbursements of ¥945 million for the purchase of property, plant and equipment and ¥258 million for the purchase of intangible assets.

Financing activities resulted in a net cash inflow of ¥1,760 million (an increase of ¥2,549 million in the same period of the previous fiscal year), reflecting inflows including an increase in short-term loans payable of ¥3,394 million and a decrease of ¥1,357 million due to cash dividends paid.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first quarter increased by ¥6,755 million from the end of the previous fiscal year (an increase of ¥6,901 million in the same period of the previous fiscal year) to ¥32,877 million.

(3) Explanation of the performance forecast

The consolidated performance forecasts for the fiscal year ending March 2019 remain the same as those that were announced on May 9, 2018.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	First quarter of the current fiscal year (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	27,452	34,300
Notes and accounts receivable-trade	68,015	57,255
Short-term investment securities	–	500
Merchandise and finished goods	11,579	12,141
Work in process	1,658	1,783
Raw materials and supplies	4,464	4,631
Other	2,579	2,230
Allowance for doubtful accounts	(78)	(67)
Total current assets	115,671	112,776
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,666	14,492
Land	27,892	27,892
Other, net	13,784	13,590
Total property, plant and equipment	56,343	55,975
Intangible assets		
Goodwill	5	2
Other	4,039	3,960
Total intangible assets	4,045	3,963
Investments and other assets		
Investment securities	49,414	49,905
Other	7,670	7,617
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	57,049	57,488
Total non-current assets	117,438	117,426
Total assets	233,110	230,203

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	First quarter of the current fiscal year (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,764	22,478
Electronically recorded obligations-operating	20,283	21,822
Short-term loans payable	6,190	9,567
Current portion of long-term loans payable	1,503	1,492
Current portion of bonds	5,000	5,000
Income taxes payable	3,010	165
Provision for bonuses	3,850	804
Other	6,256	8,244
Total current liabilities	74,858	69,575
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term loans payable	5,307	5,140
Net defined benefit liability	15,502	15,753
Other	6,856	7,976
Total non-current liabilities	32,666	33,870
Total liabilities	107,525	103,446
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,766	16,766
Retained earnings	78,991	79,551
Treasury stock	(2,429)	(2,430)
Total shareholders' equity	111,999	112,557
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,103	14,730
Foreign currency translation adjustment	236	144
Remeasurements of defined benefit plans	(1,116)	(1,036)
Total accumulated other comprehensive income	13,223	13,838
Non-controlling interests	362	361
Total net assets	125,585	126,757
Total liabilities and net assets	233,110	230,203

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income
[First Quarter of Current Fiscal Year]

(Millions of yen)

	First quarter of FY ended March 2018 (From April 1, 2017 to June 30, 2017)	First quarter of FY ending March 2019 (From April 1, 2018 to June 30, 2018)
Net sales	54,885	59,324
Cost of sales	37,676	40,788
Gross profit	17,209	18,535
Selling, general and administrative expenses		
Packing and transportation expenses	2,392	2,495
Salaries and allowances	5,186	5,478
Provision for bonuses	453	476
Rent expenses	2,058	2,186
Other	5,058	5,459
Total selling, general and administrative expenses	15,150	16,096
Operating income	2,058	2,438
Non-operating income		
Interest income	3	6
Dividends income	310	457
Equity in earnings of affiliates	214	92
Other	210	245
Total non-operating income	738	801
Non-operating expenses		
Interest expenses	50	43
Bond issue costs	39	–
Foreign exchange losses	57	39
Other	44	56
Total non-operating expenses	191	138
Ordinary income	2,606	3,102
Extraordinary income		
Gain on sales of investment securities	–	16
Total extraordinary income	–	16
Extraordinary loss		
Impairment loss	–	5
Loss on valuation of golf club membership	1	1
Total extraordinary loss	1	6
Profit before income taxes	2,604	3,112
Income taxes-current	59	90
Income taxes-deferred	748	912
Total income taxes	808	1,003
Profit	1,796	2,109
Profit attributable to non-controlling interests	2	4
Profit attributable to owners of parent	1,793	2,104

Consolidated Quarterly Statements of Comprehensive Income
[First Quarter of Current Fiscal Year]

(Millions of yen)

	First quarter of FY ended March 2018 (From April 1, 2017 to June 30, 2017)	First quarter of FY ending March 2019 (From April 1, 2018 to June 30, 2018)
Profit	1,796	2,109
Other comprehensive income		
Valuation difference on available-for-sale securities	1,726	628
Foreign currency translation adjustment	(14)	(82)
Remeasurements of defined benefit plans, net of tax	(17)	80
Share of other comprehensive income of entities accounted for using equity method	(5)	(16)
Total other comprehensive income	1,689	609
Comprehensive income	3,485	2,718
Details:		
Comprehensive income attributable to owners of parent	3,491	2,719
Comprehensive income attributable to non- controlling interests	(5)	(0)

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First quarter of FY ended March 2018 (From April 1, 2017 to June 30, 2017)	First quarter of FY ending March 2019 (From April 1, 2018 to June 30, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,604	3,112
Depreciation and amortization	1,344	1,361
Impairment loss	–	5
Equity in (earnings) losses of affiliates	(214)	(92)
Increase (decrease) in allowance for doubtful accounts	(21)	(10)
Increase (decrease) in provision for bonuses	(2,894)	(3,046)
Increase (decrease) in net defined benefit liability	165	366
Interest and dividends income	(314)	(464)
Interest expenses	50	43
Loss (gain) on sales of investment securities	–	(16)
Decrease (increase) in notes and accounts receivable-trade	13,997	10,759
Decrease (increase) in inventories	(600)	(853)
Increase (decrease) in notes and accounts payable-trade	(5,320)	(4,554)
Increase (decrease) in accrued consumption taxes	257	98
Other, net	472	1,560
Subtotal	9,528	8,268
Interest and dividends income received	318	471
Interest expenses paid	(60)	(42)
Income taxes paid	(2,944)	(2,323)
Net cash provided by (used in) operating activities	6,842	6,373
Net cash provided by (used in) investing activities		
Payments into time deposits	(510)	(589)
Proceeds from withdrawal of time deposits	303	491
Purchase of property, plant and equipment	(978)	(945)
Purchase of intangible assets	(227)	(258)
Purchase of investment securities	(1,023)	(32)
Proceeds from sales and redemption of investment securities	0	0
Other, net	(63)	34
Net cash provided by (used in) investing activities	(2,499)	(1,298)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,202	3,394
Repayment of long-term loans payable	(176)	(177)
Proceeds from issuance of bonds	5,000	–
Redemption of bonds	(5,000)	–
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,152)	(1,357)
Payments due to such acquisition of shares in subsidiary as does not involve a change in the scope of consolidation	(184)	–
Other, net	(139)	(98)
Net cash provided by (used in) financing activities	2,549	1,760
Effect of exchange rate change on cash and cash equivalents	10	(79)
Net increase (decrease) in cash and cash equivalents	6,901	6,755
Cash and cash equivalents at the beginning of the fiscal year	25,461	26,122
Cash and cash equivalents at the end of the quarter term	32,363	32,877

(4) Notes regarding Consolidated Quarterly Financial Statements

Note regarding the assumption of going concern

There is no information that needs to be disclosed herein.

Note regarding occurrence of significant change in amount of shareholders' equity

There is no information that needs to be disclosed herein.

Supplemental information

"Partial Revision of the 'Accounting Standards Related to Tax Effect Accounting'" (ASBJ No. 28, issued February 16, 2018) has been reflected starting from the beginning of the subject quarter's accounting period. As a result, deferred tax assets have been categorized under investments and other assets, while deferred tax liabilities have been categorized under non-current liabilities.

Segment information

First quarter of FY ended March 2018 (from April 1, 2017 to June 30, 2017)

1. Information concerning net sales and income or loss amounts by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment	Amount recorded on Consolidated Quarterly Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	27,756	23,747	51,504	3,381	54,885	—	54,885
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	27,756	23,747	51,504	3,381	54,885	—	54,885
Segment income (loss)	1,158	920	2,078	(20)	2,058	—	2,058

Notes: 1. The category "Others" aggregates those business segments that do not meet the definition of reportable segments, and includes Material Handling Systems, Industrial Machinery and Others.

2. The total of segment income (loss) corresponds to the operating income on Consolidated Quarterly Statements of Income.

First quarter of FY ending March 2019 (from April 1, 2018 to June 30, 2018)

1. Information concerning net sales and income or loss amounts by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment	Amount recorded on Consolidated Quarterly Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	30,428	23,774	54,203	5,120	59,324	—	59,324
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	30,428	23,774	54,203	5,120	59,324	—	59,324
Segment income	1,694	336	2,031	407	2,438	—	2,438

Notes: 1. The category "Others" aggregates those business segments that do not meet the definition of reportable segments, and includes Material Handling Systems, Industrial Machinery and Others.

2. The total of segment income corresponds to the operating income on Consolidated Quarterly Statements of Income.

2. Information about impairment loss on non-current assets by segment)

Significant impairment loss on non-current assets

An impairment loss on non-current assets has been included in the "Office Furniture" segment. The impairment loss during this quarter totals ¥5 million.