

Financial Results for First Quarter of Fiscal Year Ending March 31, 2016 [Japanese GAAP] (Consolidated)



August 5, 2015

Okamura Corporation

Listing: Tokyo Stock Exchange

Code Number: 7994

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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, 2015 to June 30, 2015) of FY Ending March 2016 (Apr. 1, 2015 to Mar. 31, 2016)

(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 2016	55,413	15.9	2,403	105.1	2,909	78.1	1,839	87.4
First quarter of FY ended March 2015	47,817	(0.3)	1,172	(20.3)	1,633	(12.3)	981	(10.7)

Note: Comprehensive income ¥3,160 million (69.9%) for the first quarter of FY ending March 2016
 ¥1,860 million (6.1%) for the first quarter of FY ended March 2015

	Profit per share	Diluted profit per share
	yen	yen
First quarter of FY ending March 2016	16.69	–
First quarter of FY ended March 2015	8.91	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First quarter of FY ending March 2016	205,994	105,764	51.2
FY ended March 2015	207,387	103,544	49.8

Reference: Total equity ¥105,411 million for the first quarter of FY ending March 2016
 ¥103,178 million for FY ended March 2015

2. Dividend

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
FY ended March 2015	–	8.50	–	8.50	17.00
FY ending March 2016	–				
FY ending March 2016 (forecast)		10.00	–	10.00	20.00

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

3. Forecast of Consolidated Performance for FY Ending March 2016 (April 1, 2015 to March 31, 2016)

(% 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)	104,000	3.4	4,400	31.2	4,800	20.8	3,100	18.4	28.14
Full year	226,000	2.7	11,000	25.5	12,000	16.0	7,800	21.5	70.80

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 quarterly consolidated 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: Yes
- ② Changes other than those in ① above in accounting policy: Yes
- ③ Changes in accounting estimates: Yes
- ④ Restatement: None

Note: The Company has changed its depreciation method since the first quarter of the fiscal year under review, which falls under “Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates.” For details, please refer to Appendix (3) Changes in accounting policy or accounting estimates, or restatement in 2. Summary Information (Notes) on page 4.

(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 2016	112,391,530	FY ended March 2015	112,391,530
1Q of FY ending March 2016	2,229,872	FY ended March 2015	2,228,194
1Q of FY ending March 2016	110,162,513	1Q of FY ended March 2015	110,171,615

* Indication of Implementation Status of Quarterly Review Procedures

- This quarterly Financial Results summary is not subject to the quarterly review procedures as provided for in the Financial Instruments and Exchange Act. The procedures for reviewing the Company’s quarterly financial statements in accordance with the Financial Instruments and Exchange Act are yet to be completed at the time of publication of this quarterly Financial Results summary.

* 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 Quarterly Consolidated Financial Results on page 3 of the Appendix.

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1. Qualitative Information Concerning Quarterly Consolidated Financial Results

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

During the first quarter of the consolidated fiscal year under review, the Japanese economy showed some positive signs, such as continuing improvements in personal income and in the employment situation, as well as brisk capital investment. This took place as stock prices rose in Japan on the back of fiscal policy and monetary easing by the government and Bank of Japan, and as expectations grew for further growth in corporate performance. On the other hand, however, the economy remained unable to shake off a mood of uncertainty; this was due to rising costs for imported raw materials, caused by a drop in the yen, and a slowdown in the growth of China's economy.

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.

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 2015	First quarter of FY ending March 2016	Increase/decrease	First quarter of FY ended March 2015	First quarter of FY ending March 2016	Increase/decrease
Office Furniture	23,845	28,656	4,811	581	1,887	1,305
Store Displays	21,054	23,685	2,631	707	983	275
Others	2,918	3,071	152	(117)	(467)	(350)
Total	47,817	55,413	7,595	1,172	2,403	1,231

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

Office Furniture

In the Office Furniture segment, demand for both office relocation and renewal mainly by companies with strong performance began to increase. This was due to a rise in the supply of large-scale office buildings, mainly in the center of Tokyo. Under these circumstances, the Company strived to promote a work style that makes innovation happen and to enhance total solutions, which is a core strength of the Group. It also launched new products and endeavored to engage in aggressive sales activities for healthcare, R&D, school and library facilities, as well as municipality offices, in the office-related furniture market. The results of the above efforts increase both net sales and income year-over-year.

As a result, net sales in this segment amounted to ¥28,656 million (a year-over-year increase of 20.2%), and the segment income amounted to ¥1,887 million (a year-over-year increase of 224.6%).

Store Displays

In the Store Displays segment, by taking advantage of the Group's total strength, the Company enhanced its capabilities to make proposals for one-stop total solutions for the retail industry—an industry that is aggressively opening new stores and performing store renovations. In addition, the Company focused on increasing its market share in refrigerated showcases and on cost reductions. In order to respond to rising demand for the renovation of existing stores by firms seeking to enhance their competitiveness, the Company primarily took advantage of its strong presence in the existing store market and its capabilities for quick delivery thanks to its domestic production. The Company thereby achieved steady sales growth. The results of the above efforts increased both net sales and income year-over-year.

As a result, net sales in this segment amounted to ¥23,685 million (a year-over-year increase of 12.5%), and the segment income amounted to ¥983 million (a year-over-year increase of 38.9%).

Others (including Material Handling Systems business)

In the Materials Handling Systems segment, the Company focused on growth areas such as logistics centers for food, healthcare, and Internet shopping, and the transportation of small articles. In addition, the Company attracted more orders for total solutions by making the most of its solution-proposal capabilities and its products, which are distinguished by their superiority, as well as making use of synergies with other segments. Despite these efforts, however, losses increased year-over-year.

As a result, net sales in this segment amounted to ¥3,071 million (a year-over-year increase of 5.2%), and the segment loss amounted to ¥467 million (versus a segment loss of ¥117 million in the same period of the previous fiscal year).

As a result of the above, during the first quarter of the current fiscal year, the Company posted net sales of ¥55,413 million (a year-over-year increase of 15.9%), operating income of ¥2,403 million (a year-over-year increase of 105.1%), ordinary income of ¥2,909 million (a year-over-year increase of 78.1%), and profit attributable to owners of parent of ¥1,839 million (a year-over-year increase of 87.4%).

(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 ¥205,994 million, down ¥1,392 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥3,863 million, mainly because of an increase in cash and deposits and a decrease in notes and accounts receivable-trade, and noncurrent assets increased by ¥2,471 million, mainly because of an increase in investment securities.

Liabilities amounted to ¥100,230 million, down ¥3,612 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 ¥105,764 million, up ¥2,220 million over the end of the previous fiscal year, mainly because of increases in retained earnings and valuation difference on available-for-sale securities. The equity ratio amounted to 51.2%, up 1.4 percentage points.

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 ¥6,962 million (an increase of ¥2,196 million in the same period of the previous fiscal year), reflecting inflows including income before income taxes and minority interests for the quarter of ¥2,909 million, depreciation and amortization of ¥951 million, and a decrease in notes and accounts receivable-trade of ¥11,028 million. Outflows included a decrease in provision for bonuses of ¥2,519 million and decreases in notes and accounts payable-trade of ¥3,390 million and income taxes paid of ¥2,134 million.

Investment activities resulted in a net cash outflow of ¥1,490 million (versus a net cash outflow of ¥1,134 million in the same period of the previous fiscal year), reflecting outflows including disbursements of ¥832 million for the purchase of property, plant and equipment and ¥313 million for the purchase of intangible assets.

Financing activities resulted in a net cash increase of ¥2,911 million (an increase of ¥3,599 over the same period of the previous fiscal year), reflecting inflows including an increase in short-term loans payable of ¥3,716 million and outflows including cash dividends paid of ¥793 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first quarter increased by ¥8,361 million from the end of the previous fiscal year (an increase of ¥4,593 million in the same period of the previous fiscal year) to ¥31,169 million.

(3) Explanation of the performance forecast

The consolidated performance forecasts for the fiscal year ending March 2016 remain the same as those that were announced on May 8, 2015.

2. Summary Information (Notes)

- (1) Changes in the number of material subsidiaries during the quarter under review

Nothing in particular.

- (2) Adoption of a special accounting method applicable to the preparation of quarterly consolidated financial statements

Nothing in particular.

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

Changes in accounting policies

Starting from the first quarter of the fiscal year under review, the Company has applied the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). In line with the application of these standards, the presentation of profit, etc. has been changed, and the presentation of minority interests has been changed to non-controlling interests. The quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been reclassified in order to reflect these changes in presentation.

Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates

The Company and its consolidated subsidiaries in Japan, which had primarily used the declining balance method to depreciate property, plant and equipment (except for leased assets), have adopted the straight-line method, starting from the first quarter of the fiscal year under review.

By the end of the previous fiscal year, the Group had for the most part completed its major investments in domestic facilities and equipment, with the aim of establishing its profit base in the medium- to long-term. These facilities and the equipment are expected to start operating at full scale in the fiscal year under review, and to operate stably over the long term. Against this background, we have changed the depreciation method, based on our conclusion that adopting the straight-line method for property, plant and equipment will contribute to more appropriate cost control, and will display the real state of our business conditions.

As a result of this change, each of operating income, ordinary income and income before income taxes and minority interests for the first quarter of the fiscal year under review increased by ¥238 million compared with the corresponding amounts that would have been recorded under the previous method.

The effect of this change on Segment Information is explained in the applicable notes.

3. Quarterly Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	First quarter of the current fiscal year (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	24,021	32,540
Notes and accounts receivable-trade	60,898	49,870
Short-term investment securities	21	21
Merchandise and finished goods	10,163	9,849
Work in process	1,625	1,924
Raw materials and supplies	3,954	4,146
Other	4,592	3,149
Allowance for doubtful accounts	(30)	(119)
Total current assets	105,247	101,383
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	15,380	15,167
Land	23,522	23,522
Other, net	11,333	11,541
Total property, plant and equipment	50,237	50,231
Intangible assets		
Goodwill	401	341
Other	4,645	4,764
Total intangible assets	5,046	5,105
Investments and other assets		
Investment securities	32,773	35,017
Other	14,182	14,356
Allowance for doubtful accounts	(98)	(98)
Total investments and other assets	46,856	49,275
Total noncurrent assets	102,140	104,611
Total assets	207,387	205,994

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	First quarter of the current fiscal year (As of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	34,209	26,105
Electronically recorded obligations-operating	11,123	15,657
Short-term loans payable	6,102	9,818
Current portion of long-term loans payable	3,126	3,053
Income taxes payable	2,311	150
Provision for bonuses	3,250	731
Other	5,793	5,868
Total current liabilities	65,919	61,385
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	5,059	5,209
Net defined benefit liability	13,701	13,972
Other	9,162	9,662
Total noncurrent liabilities	37,923	38,844
Total liabilities	103,843	100,230
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,759	16,759
Retained earnings	58,365	59,266
Treasury stock	(2,413)	(2,415)
Total shareholders' equity	91,382	92,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,308	11,728
Foreign currency translation adjustment	522	504
Remeasurement of defined benefit plans	965	897
Total accumulated other comprehensive income	11,796	13,130
Non-controlling interests	366	352
Total net assets	103,544	105,764
Total liabilities and net assets	207,387	205,994

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

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

(Millions of yen)

	First quarter of FY ended March 2015 (From April 1, 2014 to June 30, 2014)	First quarter of FY ending March 2016 (From April 1, 2015 to June 30, 2015)
Net sales	47,817	55,413
Cost of sales	33,558	38,912
Gross profit	14,259	16,501
Selling, general and administrative expenses		
Packing and transportation expenses	1,992	2,399
Salaries and allowances	4,614	4,855
Provision for bonuses	388	422
Rent expenses	1,673	1,733
Other	4,419	4,686
Total selling, general and administrative expenses	13,087	14,097
Operating income	1,172	2,403
Non-operating income		
Interest income	4	5
Dividends income	249	247
Equity in earnings of affiliates	69	154
Other	279	217
Total non-operating income	603	625
Non-operating expenses		
Interest expenses	74	73
Foreign exchange losses	32	-
Other	34	45
Total non-operating expenses	141	118
Ordinary income	1,633	2,909
Extraordinary loss		
Loss on valuation of golf club memberships	0	-
Total extraordinary loss	0	-
Income before income taxes and minority interests	1,632	2,909
Income taxes-current	62	142
Income taxes-deferred	611	942
Total income taxes	673	1,084
Profit	959	1,825
Profit (loss) attributable to non-controlling interests	(22)	(13)
Profit attributable to owners of parent	981	1,839

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

(Millions of yen)

	First quarter of FY ended March 2015 (From April 1, 2014 to June 30, 2014)	First quarter of FY ending March 2016 (From April 1, 2015 to June 30, 2015)
Profit	959	1,825
Other comprehensive income		
Valuation difference on available-for-sale securities	1,024	1,388
Foreign currency translation adjustment	(73)	(26)
Remeasurement of defined benefit plans, net of tax	(25)	(67)
Share of other comprehensive income of equity method affiliates	(23)	40
Total other comprehensive income	901	1,334
Comprehensive income	1,860	3,160
Details:		
Comprehensive income attributable to owners of the parent	1,891	3,173
Comprehensive income attributable to non- controlling interests	(31)	(13)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First quarter of FY ended March 2015 (From April 1, 2014 to June 30, 2014)	First quarter of FY ending March 2016 (From April 1, 2015 to June 30, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,632	2,909
Depreciation and amortization	1,051	951
Equity in (earnings) losses of affiliates	(69)	(154)
Increase (decrease) in allowance for doubtful accounts	(3)	88
Increase (decrease) in provision for bonuses	(2,543)	(2,519)
Increase (decrease) in net defined benefit liability	152	90
Interest and dividends income	(254)	(253)
Interest expenses	74	73
Decrease (increase) in notes and accounts receivable-trade	9,524	11,028
Decrease (increase) in inventories	(596)	(177)
Increase (decrease) in notes and accounts payable-trade	(3,758)	(3,390)
Increase (decrease) in accrued consumption taxes	362	(454)
Other, net	441	737
Subtotal	6,013	8,930
Interest and dividends income received	249	244
Interest expenses paid	(71)	(77)
Income taxes paid	(3,995)	(2,134)
Net cash provided by (used in) operating activities	2,196	6,962
Net cash provided by (used in) investing activities		
Payments into time deposits	(787)	(561)
Proceeds from withdrawal of time deposits	300	400
Purchase of property, plant and equipment	(490)	(832)
Purchase of intangible assets	(167)	(313)
Purchase of investment securities	(21)	(2)
Proceeds from sales and redemption of investment securities	303	1
Other, net	(271)	(181)
Net cash provided by (used in) investing activities	(1,134)	(1,490)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,678	3,716
Proceeds from long-term loans payable	-	300
Repayment of long-term loans payable	(115)	(223)
Purchase of treasury stock	(2)	(0)
Cash dividends paid	(932)	(793)
Other, net	(28)	(86)
Net cash provided by (used in) financing activities	3,599	2,911
Effect of exchange rate change on cash and cash equivalents	(67)	(22)
Net increase (decrease) in cash and cash equivalents	4,593	8,361
Cash and cash equivalents at the beginning of the fiscal year	24,909	22,808
Cash and cash equivalents at the end of the quarter term	29,503	31,169

(4) Note 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.

Segment information

First quarter of FY ended March 2015 (from April 1, 2014 to June 30, 2014)

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 Quarterly Consolidated Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	23,845	21,054	44,899	2,918	47,817	–	47,817
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	23,845	21,054	44,899	2,918	47,817	–	47,817
Segment income (loss)	581	707	1,289	(117)	1,172	–	1,172

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 Quarterly Consolidated Statements of Income.

First quarter of FY ending March 2016 (from April 1, 2015 to June 30, 2015)

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 Quarterly Consolidated Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	28,656	23,685	52,342	3,071	55,413	–	55,413
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	28,656	23,685	52,342	3,071	55,413	–	55,413
Segment income (loss)	1,887	983	2,870	(467)	2,403	–	2,403

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 Quarterly Consolidated Statements of Income.

2. Changes in reportable segment

Changes in depreciation method for property, plant and equipment

As noted in “Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates,” the Company and its consolidated subsidiaries in Japan, which had primarily used the declining balance method to depreciate property, plant and equipment (except for leased assets), have adopted the straight-line method, starting from the first quarter of the fiscal year under review.

By the end of the previous fiscal year, the Group had for the most part completed its major investments in domestic facilities and equipment, with the aim of establishing its profit base in the medium- to long-term. These facilities and equipment are expected to start operating at full scale in the fiscal year under review and to operate stably over the long term. Against this background, we have changed the depreciation method, based on our conclusion that adopting the straight-line method for depreciating property, plant and equipment will contribute to more appropriate cost control and will display the real state of our business conditions.

As a result of this change, segment incomes of “Office Furniture” and “Store Displays” for the first quarter of the fiscal year under review increased by ¥149 million and ¥67 million respectively, compared with the corresponding amounts that would have been recorded under the previous method. Segment loss of “Others” dropped by ¥21 million.

Material subsequent events

There is no information that needs to be disclosed herein.