

Financial Results for Third Quarter of Fiscal Year Ending March 31, 2018 [Japanese GAAP] (Consolidated)



February 5, 2018

Listing: Tokyo Stock Exchange

Okamura Corporation

Code Number: 7994

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Scheduled date for filing of quarterly report: February 13, 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 Third Quarter (April 1, 2017 to December 31, 2017) of FY Ending March 2018 (April 1, 2017 to March 31, 2018)

(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	%
Third quarter of FY ending March 2018	170,744	1.3	6,174	(6.5)	7,068	(2.3)	4,777	(1.5)
Third quarter of FY ended March 2017	168,520	(0.9)	6,604	(2.7)	7,233	(3.8)	4,850	4.3

Note: Comprehensive income ¥9,172 million (91.5%) for the third quarter of FY ending March 2018
 ¥4,790 million (-18.4%) for the third quarter of FY ended March 2017

	Profit per share	Diluted profit per share
	yen	yen
Third quarter of FY ending March 2018	43.37	-
Third quarter of FY ended March 2017	44.03	-

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Third quarter of FY ending March 2018	224,430	120,524	53.5
FY ended March 2017	218,741	114,249	52.0

Reference: Total equity ¥120,176 million for the third quarter of FY ending March 2018
 ¥113,689 million for FY ended March 2017

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 2017	-	12.00	-	12.00	24.00
FY ending March 2018	-	12.00	-	-	-
FY ending March 2018 (forecast)	-	-	-	12.00	24.00

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

3. Forecast of Consolidated Performance for FY Ending March 2018 (April 1, 2017 to March 31, 2018)

(% 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
Full year	243,000	2.6	12,500	5.8	13,200	3.4	8,900	7.3	80.79

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)

3Q of FY ending March 2018	112,391,530	FY ended March 2017	112,391,530
3Q of FY ending March 2018	2,237,448	FY ended March 2017	2,233,725
3Q of FY ending March 2018	110,155,792	3Q of FY ended March 2017	110,162,164

* The quarterly Financial Results summary is not subject to quarterly review procedures.

* 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 third quarter of the consolidated fiscal year under review, corporate earnings and the employment situation continued to improve, keeping the Japanese economy on a moderate recovery trend.

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 (Millions of yen)		
	Third quarter of FY ended March 2017	Third quarter of FY ending March 2018	Increase/decrease	Third quarter of FY ended March 2017	Third quarter of FY ending March 2018	Increase/decrease
Office Furniture	84,708	87,056	2,348	3,995	3,698	(297)
Store Displays	72,001	71,875	(126)	2,530	2,128	(401)
Others	11,810	11,812	2	78	347	269
Total	168,520	170,744	2,224	6,604	6,174	(429)

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

Office Furniture

In the Office Furniture segment, although demand for office furniture remained strong, large office relocation projects declined in number since the supply of large-scale office buildings was in a brief off-demand period. Under these circumstances, the Company proactively made proposals on how to create a new office environment in response to work style innovations in offices and the growing interest in health. The Company also engaged in aggressive sales activities targeting companies with strong performance records and the furniture market for office-related facilities including school and library facilities as well as municipal offices. Despite these efforts, however, income decreased year-over-year due in part to increased prices for materials although net sales grew year-over-year.

As a result, net sales in this segment amounted to ¥87,056 million (a year-over-year increase of 2.8%), and the segment income amounted to ¥3,698 million (a year-over-year decrease of 7.4%).

Store Displays

In the Store Display segment, the Company stepped up efforts to deliver total solutions mainly to strongly performing retailers such as supermarkets and drugstores for display fixtures, store carts, store security systems, and the like by leveraging the organization's overall capabilities. The Company also focused on increasing its market share in refrigerated showcases and making cost reductions. Despite these efforts, however, net sales were flat year-over-year and income decreased year-over-year due in part to increased prices for materials.

As a result, net sales in this segment amounted to ¥71,875 million (a year-over-year decrease of 0.2%), and the segment income amounted to ¥2,128 million (a year-over-year decrease of 15.9%).

Others (including Material Handling Systems)

In the Materials Handling Systems segment, the Company focused its efforts on promising areas such as food, healthcare, and Internet shopping, and on increasing sales of automated warehousing equipment. The organization also strengthened collaboration with other segments and 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. As a result, income significantly increased year-over-year although net sales were flat year-over-year.

As a result, net sales in this segment amounted to ¥11,812 million (a year-over-year increase of 0.0%), and the segment income amounted to ¥347 million (a year-over-year increase of 343.9%).

As a result of the above, during the third quarter of the current fiscal year, the Company posted net sales of ¥170,744 million (a year-over-year increase of 1.3%), operating income of ¥6,174 million (a year-over-year decrease of 6.5%), ordinary income of ¥7,068 million (a year-over-year decrease of 2.3%), and profit attributable to owners of parent of ¥4,777 million (a year-over-year decrease of 1.5%).

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

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

Total assets amounted to ¥224,430 million, up ¥5,689 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥2,424 million, mainly because of an increase in cash and deposits and a decrease in notes and accounts receivable-trade, and non-current assets increased by ¥8,113 million, mainly because of an increase in investment securities.

Liabilities amounted to ¥103,905 million, down ¥586 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, income taxes payable, and provision for bonuses.

Net assets amounted to ¥120,524 million, up ¥6,275 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 53.5%, up 1.5 percentage points.

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

Operating activities generated a net cash increase of ¥13,001 million (an increase of ¥11,020 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥7,067 million, depreciation and amortization of ¥4,044 million, and a decrease in notes and accounts receivable-trade of ¥12,464 million. Outflows included a decrease in provision for bonuses of ¥1,749 million, an increase in inventories of ¥2,798 million, and decreases in notes and accounts payable-trade of ¥2,878 million and income taxes paid of ¥3,910 million.

Investment activities resulted in a net cash outflow of ¥5,652 million (versus a net cash outflow of ¥3,546 million in the same period of the previous fiscal year), reflecting outflows including disbursements of ¥3,198 million for the purchase of property, plants and equipment and ¥1,537 million for the purchase of investment securities.

Financing activities resulted in a net cash increase of ¥448 million (an increase of ¥2,312 million in the same period of the previous fiscal year), reflecting inflows including an increase in short-term loans payable of ¥3,999 million and outflows including cash dividends paid of ¥2,482 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's third quarter increased by ¥7,881 million from the end of the previous fiscal year (an increase of ¥9,454 million in the same period of the previous fiscal year) to ¥33,343 million.

(3) Explanation of the performance forecast

The consolidated performance forecasts for the fiscal year ending March 2018 remain the same as those that were announced on May 10, 2017.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2017)	Third quarter of the current fiscal year (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	26,536	34,701
Notes and accounts receivable-trade	64,565	52,100
Short-term investment securities	10	–
Merchandise and finished goods	10,113	12,033
Work in process	1,467	2,152
Raw materials and supplies	4,384	4,577
Other	4,383	3,404
Allowance for doubtful accounts	(137)	(72)
Total current assets	111,322	108,897
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,268	14,747
Land	28,072	27,892
Other, net	12,931	13,539
Total property, plant and equipment	56,273	56,178
Intangible assets		
Goodwill	18	8
Other	4,505	4,134
Total intangible assets	4,523	4,142
Investments and other assets		
Investment securities	32,632	40,633
Other	14,023	14,610
Allowance for doubtful accounts	(33)	(32)
Total investments and other assets	46,622	55,211
Total non-current assets	107,419	115,533
Total assets	218,741	224,430

(Millions of yen)

	Previous fiscal year (As of March 31, 2017)	Third quarter of the current fiscal year (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	30,007	22,910
Electronically recorded obligations-operating	16,398	20,649
Short-term loans payable	6,147	10,139
Current portion of long-term loans payable	1,115	1,507
Current portion of bonds	5,000	–
Income taxes payable	2,988	458
Provision for bonuses	3,685	1,935
Other	5,018	5,740
Total current liabilities	70,362	63,341
Non-current liabilities		
Bonds payable	5,000	10,000
Long-term loans payable	6,227	5,403
Net defined benefit liability	15,674	16,469
Other	7,227	8,691
Total non-current liabilities	34,129	40,564
Total liabilities	104,491	103,905
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,762	16,766
Retained earnings	70,819	72,948
Treasury stock	(2,422)	(2,427)
Total shareholders' equity	103,829	105,958
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,256	14,572
Foreign currency translation adjustment	56	159
Remeasurements of defined benefit plans	(452)	(513)
Total accumulated other comprehensive income	9,860	14,218
Non-controlling interests	559	348
Total net assets	114,249	120,524
Total liabilities and net assets	218,741	224,430

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

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

(Millions of yen)

	Third quarter of FY ended March 2017 (From April 1, 2016 to December 31, 2016)	Third quarter of FY ending March 2018 (From April 1, 2017 to December 31, 2017)
Net sales	168,520	170,744
Cost of sales	116,402	118,305
Gross profit	52,117	52,439
Selling, general and administrative expenses		
Packing and transportation expenses	7,297	7,381
Salaries and allowances	15,091	15,745
Provision for bonuses	1,424	1,318
Rent expenses	5,442	5,873
Other	16,256	15,945
Total selling, general and administrative expenses	45,512	46,264
Operating income	6,604	6,174
Non-operating income		
Interest income	16	13
Dividends income	517	604
Equity in earnings of affiliates	306	223
Other	512	524
Total non-operating income	1,353	1,367
Non-operating expenses		
Interest expenses	188	149
Loss on sales and retirement of non-current assets	78	161
Other	457	162
Total non-operating expenses	725	473
Ordinary income	7,233	7,068
Extraordinary income		
Gain on sales of investment securities	2	–
Gain on liquidation of subsidiaries	25	–
Total extraordinary income	28	–
Extraordinary loss		
Loss on valuation of golf club membership	0	1
Total extraordinary loss	0	1
Profit before income taxes	7,260	7,067
Income taxes-current	1,736	1,453
Income taxes-deferred	604	802
Total income taxes	2,341	2,256
Profit	4,919	4,810
Profit attributable to non-controlling interests	69	33
Profit attributable to owners of parent	4,850	4,777

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

(Millions of yen)

	Third quarter of FY ended March 2017 (From April 1, 2016 to December 31, 2016)	Third quarter of FY ending March 2018 (From April 1, 2017 to December 31, 2017)
Profit	4,919	4,810
Other comprehensive income		
Valuation difference on available-for-sale securities	387	4,322
Foreign currency translation adjustment	(408)	65
Remeasurements of defined benefit plans, net of tax	5	(61)
Share of other comprehensive income of entities accounted for using equity method	(112)	35
Total other comprehensive income	(128)	4,361
Comprehensive income	4,790	9,172
Details:		
Comprehensive income attributable to owners of parent	4,762	9,143
Comprehensive income attributable to non- controlling interests	28	28

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Third quarter of FY ended March 2017 (From April 1, 2016 to December 31, 2016)	Third quarter of FY ending March 2018 (From April 1, 2017 to December 31, 2017)
Net cash provided by (used in) operating activities		
Profit before income taxes	7,260	7,067
Depreciation and amortization	3,847	4,044
Loss (gain) on liquidation of subsidiaries	(25)	–
Equity in (earnings) losses of affiliates	(306)	(223)
Increase (decrease) in allowance for doubtful accounts	(42)	(65)
Increase (decrease) in provision for bonuses	(1,759)	(1,749)
Increase (decrease) in net defined benefit liability	586	475
Interest and dividends income	(534)	(618)
Interest expenses	188	149
Loss (gain) on sales of investment securities	(2)	–
Decrease (increase) in notes and accounts receivable-trade	15,268	12,464
Decrease (increase) in inventories	(2,665)	(2,798)
Increase (decrease) in notes and accounts payable-trade	(6,630)	(2,878)
Increase (decrease) in accrued consumption taxes	(472)	22
Other, net	912	540
Subtotal	15,625	16,429
Interest and dividends income received	549	635
Interest expenses paid	(200)	(152)
Income taxes paid	(4,954)	(3,910)
Net cash provided by (used in) operating activities	11,020	13,001
Net cash provided by (used in) investing activities		
Payments into time deposits	(997)	(1,164)
Proceeds from withdrawal of time deposits	1,268	883
Purchase of property, plant and equipment	(3,429)	(3,198)
Purchase of intangible assets	(506)	(674)
Purchase of investment securities	(720)	(1,537)
Proceeds from sales and redemption of investment securities	828	10
Other, net	11	27
Net cash provided by (used in) investing activities	(3,546)	(5,652)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,953	3,999
Proceeds from long-term loans payable	533	609
Repayment of long-term loans payable	(1,196)	(1,048)
Proceeds from issuance of bonds	–	5,000
Redemption of bonds	–	(5,000)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(2,695)	(2,482)
Payments due to such acquisition of shares in subsidiary as does not involve a change in the scope of consolidation	–	(236)
Other, net	(282)	(391)
Net cash provided by (used in) financing activities	2,312	448
Effect of exchange rate change on cash and cash equivalents	(331)	84
Net increase (decrease) in cash and cash equivalents	9,454	7,881
Cash and cash equivalents at the beginning of the fiscal year	27,547	25,461
Cash and cash equivalents at the end of the quarter term	37,002	33,343

(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.

Segment information

Third quarter of FY ended March 2017 (from April 1, 2016 to December 31, 2016)

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	84,708	72,001	156,710	11,810	168,520	–	168,520
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	84,708	72,001	156,710	11,810	168,520	–	168,520
Segment income	3,995	2,530	6,526	78	6,604	–	6,604

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.

Third quarter of FY ending March 2018 (from April 1, 2017 to December 31, 2017)

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	87,056	71,875	158,932	11,812	170,744	–	170,744
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	87,056	71,875	158,932	11,812	170,744	–	170,744
Segment income	3,698	2,128	5,827	347	6,174	–	6,174

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.