Financial Results for Third Quarter of Fiscal Year Ending March 31, 2022 [Japanese GAAP] (Consolidated)

February 3, 2022

Okamura Corporation — Listing: Tokyo Stock Exchange

Code Number: 7994 URL: https://www.okamura.co.jp/

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Scheduled date for filing of quarterly report: February 14, 2022

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, 2021 to December 31, 2021) of FY Ending March 2022 (April 1, 2021 to March 31, 2022)

(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 2022	182,767	9.4	9,386	53.8	10,640	48.0	7,782	40.6
Third quarter of FY ended March 2021	167,036	(5.8)	6,102	4.3	7,191	1.1	5,536	10.7

Note: Comprehensive income ¥6,734 million (-33.6%) for the third quarter of FY ending March 2022
¥10,141 million (57.5%) for the third quarter of FY ended March 2021

	Profit per share	Diluted profit per share
	yen	yen
Third quarter of FY ending March 2022	78.39	–
Third quarter of FY ended March 2021	51.17	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Third quarter of FY ending March 2022	237,379	139,948	58.4
FY ended March 2021	245,473	139,776	56.5

Reference: Total equity ¥138,618 million for the third quarter of FY ending March 2022
¥138,757 million for FY ended March 2021

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 2021	–	12.00	–	20.00	32.00
FY ending March 2022	–	20.00	–		
FY ending March 2022 (forecast)				20.00	40.00

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

3. Forecast of Consolidated Performance for FY Ending March 2022 (April 1, 2021 to March 31, 2022)

(% 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	247,000	1.0	16,500	16.4	17,500	13.8	14,300	19.4	144.03

Note: Revision of the most recently released performance forecasts: Yes

* 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: Yes

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	3Q of FY ending March 2022	100,621,021	FY ended March 2021	100,621,021
② Number of shares of treasury stock at the end of the term	3Q of FY ending March 2022	1,621,860	FY ended March 2021	189,377
③ Average number of shares during the term (cumulative quarters)	3Q of FY ending March 2022	99,284,618	3Q of FY ended March 2021	108,198,313

* 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 third quarter of the consolidated fiscal year under review, the Japanese economy continued to experience severe difficulties amid the lingering effect of the novel coronavirus pandemic despite some signs of recovery. In particular, the price of materials soared due to the tight supply-demand conditions caused mainly by lockdown measures taken by some of the Asian countries to control the resurgence of infection cases and delays in delivery due to the global shortage of transport ships. The outlook for the Japanese economy remains uncertain given the sharp rise in the number of infection cases due to the spread of Omicron and other variants, although economic activities are expected to recover supported by, among other things, the spread of vaccination.

Under these circumstances, the Okamura Group disseminated information by leveraging our internal expertise in the form of, for example, releasing the report "Workplace Strategy toward a Post-COVID-19 Society," while challenging itself to try new pandemic-era workstyles. Through these activities, we focused on developing a new market by creating distinctive products and offering total solutions, while taking measures to absorb the effect of rising material prices, such as cost reduction and price revisions.

As a result of the above, during the third quarter of the consolidated fiscal year under review, the Company posted net sales of ¥182,767 million (¥167,036 million in the same period of the previous fiscal year), operating income of ¥9,386 million (¥6,102 million in the same period of the previous fiscal year), ordinary income of ¥10,640 million (¥7,191 million in the same period of the previous fiscal year), and profit attributable to owners of parent of ¥7,782 million (¥5,536 million in the same period of the previous fiscal year). The Company posted record-high quarterly net sales, operating income, ordinary income, and profit for the third quarter of the consolidated fiscal year ending March 31, 2022.

In July 2021, the Okamura Group revised part of our existing management philosophy and systematically reorganized it into the "Okamura Way" to align with changing values that reflect the increasing importance of realizing a sustainable society. We aim to further enhance our corporate value and contribute to resolving social issues.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied since the beginning of the first quarter of the consolidated fiscal year. As such, percentage changes from the same period of the previous consolidated fiscal year have been omitted in our explanation of the progress in (consolidated) operating results for the third quarter of the consolidated fiscal year under review.

Performance results by segment are discussed below.

Segment name	Net sales (Millions of yen)			Segment income or loss (Millions of yen)		
	Third quarter of FY ended March 2021	Third quarter of FY ending March 2022	Increase/ decrease	Third quarter of FY ended March 2021	Third quarter of FY ending March 2022	Increase/ decrease
Office Furniture	86,438	94,541	8,102	3,707	7,037	3,330
Store Displays	66,470	75,606	9,136	1,514	2,744	1,230
Material Handling Systems	10,972	8,443	(2,529)	1,053	(449)	(1,502)
Others	3,154	4,176	1,021	(172)	53	226
Total	167,036	182,767	15,730	6,102	9,386	3,283

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

Office Furniture

In the Office Furniture segment, the trend to create new office environments, such as work style reform, is expanding nationwide, reaching a broad base of companies, regardless of industry or scale. This trend is further intensifying due to rapid changes in the ways that people work amid the novel coronavirus pandemic. Under these circumstances, the Company engaged in proposal-based sales to meet customer needs, such as demand for the rightsizing of office floor areas, and the expansion of new products to serve the change in work styles, leveraging the results obtained from our proof-of-concept office "LABO Office" to put into practice and verify new ways of working, in addition to the experience and knowledge gained from the Company's own work style reform. Owing to these efforts, both net sales and income increased significantly in comparison to the third quarter of the previous consolidated fiscal year.

As a result, net sales in this segment amounted to ¥94,541 million (¥86,438 million in the same period of the previous fiscal year), and the segment income amounted to ¥7,037 million (a segment income of ¥3,707 million in the same period of the previous fiscal year), a record high income.

Store Displays

In the Store Displays segment, renovation demand remained firm particularly among retailers such as supermarkets and drug stores, which represent the Company's main customer base. Under these circumstances, the Company stepped up efforts to deliver total solutions for display fixtures, store carts, store security products, and the like by leveraging the organization's comprehensive capabilities. The Company also made efforts to cater to new demand, for example, for infection prevention measures such as self-checkout registers and for checkout counter fixtures and fittings that can accommodate increasingly diverse payment methods. Owing to these efforts, both net sales and income increased significantly in comparison to the third quarter of the previous consolidated fiscal year.

As a result, net sales in this segment amounted to ¥75,606 million (¥66,470 million in the same period of the previous fiscal year), and the segment income amounted to ¥2,744 million (a segment income of ¥1,514 million in the same period of the previous fiscal year).

Material Handling Systems

In the Material Handling Systems segment, demand for automated storage systems remained at high levels. This was mainly among major logistics facilities on the back of expanding stay-at-home demand and growing labor-saving needs arising from labor shortages. Under these circumstances, the Company has actively engaged in promotion activities for proposals that maximize the strengths of its products, which stand out due to their superiority. Despite these efforts, both net sales and income declined in comparison to the third quarter of the previous consolidated fiscal year, mainly due to stagnation in sales negotiations since the beginning of the previous fiscal year and customers' postponement of investment resulting from the spread of novel coronavirus infections. However, new orders are currently increasing steadily.

As a result, net sales in this segment amounted to ¥8,443 million (¥10,972 million in the same period of the previous fiscal year), and the segment loss amounted to ¥449 million (a segment income of ¥1,053 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 third quarter of the fiscal year under review is as follows:

Total assets amounted to ¥237,379 million, down ¥8,094 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥9,329 million, mainly because of a decrease in cash and deposits, notes and accounts receivable-trade, and contract assets and an increase in inventories, and non-current assets increased by ¥1,235 million, mainly because of an increase in goodwill and a decrease in investment securities.

Liabilities amounted to ¥97,431 million, down ¥8,266 million compared with the end of the previous consolidated fiscal year, mainly as a result of a decrease in notes and accounts payable-trade, income taxes payable, and provision for bonuses.

Net assets amounted to ¥139,948 million, increased by ¥171 million from the end of the previous fiscal year, mainly because of an increase in retained earnings, a decrease in the valuation difference on available-for-sale securities, and an increase in treasury stock.

As a result, the equity ratio amounted to 58.4%, up 1.9 percentage points compared with the end of the previous fiscal year.

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 ¥4,404 million (an increase of ¥21,584 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥11,301 million, depreciation and amortization of ¥4,182 million, and a decrease in notes and accounts receivable-trade and contract assets of ¥8,961 million. Outflows included an increase in inventories of ¥4,146 million, a decrease in notes and accounts payable-trade of ¥8,676 million, and income taxes paid of ¥6,142 million.

Investment activities resulted in a net cash outflow of ¥5,468 million (a net cash outflow of ¥2,416 million in the same period of the previous fiscal year), reflecting inflows including proceeds from sales and redemption of investment securities of ¥1,088 million and outflows including disbursements of ¥3,231 million for the purchase of property, plant and equipment, ¥567 million for the purchase of intangible assets, and ¥2,457 million for the purchase of shares of subsidiaries resulting in change in scope of consolidation.

Financing activities resulted in a net cash outflow of ¥4,503 million (a net cash outflow of ¥11,127 million in the same period of the previous fiscal year), reflecting inflows including an increase of short-term loans payable of ¥2,046 million and outflows including the purchase of treasury stock of ¥2,038 million and cash dividends paid of ¥3,773 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's third quarter decreased by ¥5,394 million from the end of the previous fiscal year (an increase of ¥7,865 million in the same period of the previous fiscal year) to ¥39,025 million.

(3) Explanation of the performance forecast

Mainly in consideration of the expectation that it will recognize a gain on sales of investment securities, the Company has revised the forecasts of profit attributable to owners of parent announced on August 4, 2021 from ¥12,300 million to ¥14,300 million.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Third quarter of the current fiscal year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	45,156	40,123
Notes and accounts receivable-trade	66,834	–
Notes and accounts receivable-trade and contract assets	–	55,171
Short-term investment securities	10	–
Merchandise and finished goods	8,819	12,420
Work in process	1,512	4,123
Raw materials and supplies	4,466	4,992
Other	2,542	3,296
Allowance for doubtful accounts	(27)	(142)
Total current assets	129,313	119,984
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,356	15,386
Land	27,935	27,823
Other, net	14,953	15,721
Total property, plant and equipment	58,245	58,931
Intangible assets		
Goodwill	–	2,454
Other	3,376	3,162
Total intangible assets	3,376	5,616
Investments and other assets		
Investment securities	47,293	45,712
Other	7,271	7,161
Allowance for doubtful accounts	(27)	(26)
Total investments and other assets	54,537	52,846
Total non-current assets	116,160	117,395
Total assets	245,473	237,379

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Third quarter of the current fiscal year (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,850	22,762
Electronically recorded obligations-operating	17,013	14,970
Short-term loans payable	6,108	8,189
Current portion of long-term loans payable	1,674	1,417
Current portion of bonds payable	–	5,000
Income taxes payable	4,930	1,198
Provision for bonuses	3,926	1,999
Other	7,466	8,706
Total current liabilities	68,971	64,244
Non-current liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	3,938	4,173
Net defined benefit liability	15,909	16,796
Other	6,877	7,217
Total non-current liabilities	36,726	33,186
Total liabilities	105,697	97,431
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,766	16,770
Retained earnings	90,242	93,157
Treasury stock	(110)	(2,143)
Total shareholders' equity	125,568	126,454
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,198	12,890
Foreign currency translation adjustment	(132)	41
Remeasurements of defined benefit plans	(876)	(768)
Total accumulated other comprehensive income	13,188	12,163
Non-controlling interests	1,019	1,329
Total net assets	139,776	139,948
Total liabilities and net assets	245,473	237,379

(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 2021 (From April 1, 2020 to December 31, 2020)	Third quarter of FY ending March 2022 (From April 1, 2021 to December 31, 2021)
Net sales	167,036	182,767
Cost of sales	112,884	124,808
Gross profit	54,152	57,958
Selling, general and administrative expenses		
Packing and transportation expenses	6,676	7,256
Salaries and allowances	17,304	17,864
Provision for bonuses	1,178	1,448
Rent expenses	6,550	5,552
Other	16,339	16,450
Total selling, general and administrative expenses	48,049	48,572
Operating income	6,102	9,386
Non-operating income		
Interest income	21	17
Dividends income	843	842
Equity in earnings of affiliates	188	324
Subsidy income	259	2
Other	395	449
Total non-operating income	1,708	1,636
Non-operating expenses		
Interest expenses	124	111
Loss on sales and retirement of non-current assets	216	152
Other	278	118
Total non-operating expenses	619	382
Ordinary income	7,191	10,640
Extraordinary income		
Gain on sales of investment securities	1,253	778
Subsidies for employment adjustment	96	–
Total extraordinary income	1,349	778
Extraordinary loss		
Impairment loss	34	12
Loss on sales of investment securities	6	–
Loss on valuation of investment securities	751	13
Loss on disaster	–	91
Utilization suspension expenses	197	–
Total extraordinary loss	989	116
Profit before income taxes	7,551	11,301
Income taxes-current	1,195	2,571
Income taxes-deferred	840	981
Total income taxes	2,036	3,553
Profit	5,514	7,748
Loss attributable to non-controlling interests	(21)	(34)
Profit attributable to owners of parent	5,536	7,782

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

(Millions of yen)

	Third quarter of FY ended March 2021 (From April 1, 2020 to December 31, 2020)	Third quarter of FY ending March 2022 (From April 1, 2021 to December 31, 2021)
Profit	5,514	7,748
Other comprehensive income		
Valuation difference on available-for-sale securities	4,796	(1,343)
Foreign currency translation adjustment	(196)	203
Remeasurements of defined benefit plans, net of tax	110	107
Share of other comprehensive income of entities accounted for using equity method	(83)	17
Total other comprehensive income	4,626	(1,014)
Comprehensive income	10,141	6,734
Details:		
Comprehensive income attributable to owners of parent	10,224	6,758
Comprehensive income attributable to non-controlling interests	(83)	(24)

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Third quarter of FY ended March 2021 (From April 1, 2020 to December 31, 2020)	Third quarter of FY ending March 2022 (From April 1, 2021 to December 31, 2021)
Net cash provided by (used in) operating activities		
Profit before income taxes	7,551	11,301
Depreciation and amortization	4,626	4,182
Impairment loss	34	12
Loss on disaster	–	91
Utilization suspension expenses	197	–
Loss (gain) on sales and retirement of non-current assets	168	150
Equity in (earnings) losses of affiliates	(188)	(324)
Increase (decrease) in allowance for doubtful accounts	(4)	113
Increase (decrease) in provision for bonuses	(2,842)	(1,926)
Increase (decrease) in net defined benefit liability	1,017	1,019
Interest and dividends income	(864)	(860)
Interest expenses	124	111
Compensation expenses	68	–
Loss (gain) on sales of investment securities	(1,246)	(778)
Loss (gain) on valuation of investment securities	751	13
Subsidies for employment adjustment	(96)	–
Decrease (increase) in notes and accounts receivable-trade	20,509	–
Decrease (increase) in notes and accounts receivable-trade and contract assets	–	8,961
Decrease (increase) in inventories	(50)	(4,146)
Increase (decrease) in notes and accounts payable-trade	(4,884)	(8,676)
Increase (decrease) in accrued consumption taxes	(523)	(1,075)
Other, net	923	1,596
Subtotal	25,270	9,766
Interest and dividends income received	885	894
Interest expenses paid	(122)	(113)
Compensation expenses paid	(68)	–
Subsidies for employment adjustment received	96	–
Utilization suspension expenses paid	(116)	–
Income taxes paid	(4,360)	(6,142)
Net cash provided by (used in) operating activities	21,584	4,404
Net cash provided by (used in) investing activities		
Payments into time deposits	(551)	(1,066)
Proceeds from withdrawal of time deposits	856	710
Purchase of property, plant and equipment	(3,550)	(3,231)
Proceeds from sales of property, plant and equipment	18	265
Purchase of intangible assets	(679)	(567)
Purchase of investment securities	(216)	(334)
Proceeds from sales and redemption of investment securities	1,758	1,088
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(2,457)
Other, net	(52)	124
Net cash provided by (used in) investing activities	(2,416)	(5,468)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,802	2,046
Proceeds from long-term loans payable	440	500
Repayment of long-term loans payable	(1,022)	(824)
Purchase of treasury stock	(8,829)	(2,038)
Cash dividends paid	(2,928)	(3,773)
Proceeds from share issuance to non-controlling shareholders	–	3
Other, net	(588)	(416)
Net cash provided by (used in) financing activities	(11,127)	(4,503)
Effect of exchange rate change on cash and cash equivalents	(175)	173
Net increase (decrease) in cash and cash equivalents	7,865	(5,394)
Cash and cash equivalents at the beginning of the fiscal year	31,497	44,419
Cash and cash equivalents at the end of the quarter term	39,363	39,025

(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

(Purchase of treasury stock)

During the third quarter of the fiscal year ending March 31, 2022, the Company purchased 1,439,000 shares of treasury stock at a price of ¥2,037 million pursuant to the resolution passed at the meeting of the Board of Directors held on May 26, 2021. As a result, the Company holds 1,621,860 shares of treasury stock at the end of the third quarter of the fiscal year ending March 31, 2022 at a carrying amount of ¥2,143 million.

Changes in accounting policies

(Application of the Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the first quarter of the consolidated fiscal year. Under this accounting standard, the Company recognizes revenue at the time of the transfer of control of promised goods or services to the customer at the price expected to be received in exchange for those goods or services.

In the past, the Company recognized revenue for product installation services upon completion of each work category included in the installation services. Under the Accounting Standard for Revenue Recognition, however, the entire work of product installation services is regarded as a single performance obligation and progress toward the fulfillment of the performance obligation is estimated. Revenue is recognized based on the progress, except for contracts to be completed within a very short period. In the past, the Company also recognized revenue for a performance obligation with a fixed contract period within which the obligation is fulfilled on a straight-line basis over the contract period. However, under the new revenue recognition method, the Company estimates progress toward the fulfillment of performance obligations and recognizes revenue based on the progress.

Progress toward the fulfillment of performance obligations is measured based on the proportion of the actual cost incurred through the last day of each reporting period against the total estimated cost. When progress toward the fulfillment of performance obligations cannot be reasonably estimated, but the incurred cost is expected to be recovered, revenue is recognized by the cost recovery method.

In the past, the Company accounted for consideration paid to customers as selling, general and administrative expenses. Under the new method, it is deducted from the transaction price.

Pursuant to the transitional provisions of the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, for the first-time application of the Accounting Standard for Revenue Recognition, etc., the cumulative effect of the retrospective application of the new accounting policy to periods prior to the beginning of the first quarter of the consolidated fiscal year was added to or deducted from the balance of retained earnings at the beginning of the first quarter of the consolidated fiscal year, and the new accounting policy has been applied to that beginning balance. However, by applying the method prescribed in paragraph 86 of the Accounting Standard for Revenue Recognition, the Company has not applied the new accounting policy retrospectively to those contracts for which most of revenue had been recognized in accordance with the old accounting method before the beginning of the first quarter of the consolidated fiscal year. In addition, by applying the method prescribed in (1) of the second sentence of paragraph 86 of the Accounting Standard for Revenue Recognition, the Company has accounted for all contracts that had been modified before the beginning of the first quarter of the consolidated fiscal year based on the contractual terms that reflect all contract modifications. Their cumulative effect was added to or deducted from the balance of retained earnings at the beginning of the first quarter of the consolidated fiscal year.

As a result, net sales for the third quarter of the consolidated fiscal year under review increased by ¥396 million; the cost of sales increased by ¥366 million; selling, general and administrative expenses decreased by ¥173 million; and operating income, ordinary income, and profit each increased by ¥204 million. The balance of retained earnings at the beginning of the current fiscal year decreased by ¥870 million.

In conjunction with the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable-trade," which was presented under "current assets" in the consolidated balance sheet for the previous consolidated fiscal year, is included in "notes and accounts receivable-trade and contract assets" from the first quarter of the fiscal year onwards. Pursuant to the transitional provisions of paragraph 89-2 of the Accounting Standard for Revenue Recognition, financial statements for the previous consolidated fiscal year are not restated in accordance with the new presentation method.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Accounting Standard for Fair Value Measurement"), etc. has been applied since the beginning of the first quarter of the consolidated fiscal year. The Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional provisions of paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has only a minor impact on consolidated quarterly financial statements.

Note regarding Consolidated Quarterly Statements of Income

(Loss on disaster)

This represents the loss caused by a fire accident that occurred in the Company's Nakai Plant (Nakaimachi, Ashigarakami-gun, Kanagawa Prefecture) on October 25, 2021, comprising the restoration cost and other related costs.

The recorded amount includes only the costs that can reasonably be estimated at this point.

Segment information

Third quarter of FY ended March 2021 (from April 1, 2020 to December 31, 2020)

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	Material Handling Systems	Total				
Net sales								
Net sales to external customers	86,438	66,470	10,972	163,881	3,154	167,036	–	167,036
Internal sales or transfers between segments	–	–	–	–	–	–	–	–
Total	86,438	66,470	10,972	163,881	3,154	167,036	–	167,036
Segment income or loss	3,707	1,514	1,053	6,274	(172)	6,102	–	6,102

Notes: 1. The category "Others" aggregates those business segments that do not meet the definition of reportable segments, and includes Powertrain and Others.

2. The total of segment income or loss 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," "Store Displays," and "Material Handling Systems" segments. For the third quarter of the current fiscal year, the recorded impairment loss on non-current assets amounted to ¥22 million for the "Office Furniture" segment, ¥4 million for the "Store Displays" segment, and ¥8 million for "Material Handling Systems" segment.

Third quarter of FY ending March 2022 (from April 1, 2021 to December 31, 2021)

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	Material Handling Systems	Total				
Net sales								
Net sales to external customers	94,541	75,606	8,443	178,591	4,176	182,767	–	182,767
Internal sales or transfers between segments	–	–	–	–	–	–	–	–
Total	94,541	75,606	8,443	178,591	4,176	182,767	–	182,767
Segment income or loss	7,037	2,744	(449)	9,332	53	9,386	–	9,386

Notes: 1. The category "Others" aggregates those business segments that do not meet the definition of reportable segments, and includes Powertrain and Others.

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

2. Matters concerning changes in reportable segments

As noted in the "Changes in accounting policies" section, the Company changed the accounting method for revenue recognition by applying the Accounting Standard for Revenue Recognition, etc. since the beginning of the first quarter of the consolidated fiscal year. As a result, the Company also changed the calculation method of operating segment income or loss.

As a result of this change, in comparison to the figures calculated in accordance with the old method, net sales increased by ¥343 million and segment income increased by ¥249 million in the Office Furniture segment, net sales increased by ¥58 million and segment income decreased by ¥41 million in the Store Displays segment, and net sales decreased by ¥5 million and segment income decreased by ¥4 million in the Material Handling Systems segment for the third quarter of the current consolidated fiscal year.

3. 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 recognized in the Office Furniture segment. The amount of the impairment loss was ¥12 million for the third quarter of the current consolidated fiscal year.

Significant change in the amount of goodwill

In the Office Furniture segment, the Company has recognized goodwill as a result of the acquisition of issued shares of DB&B Holdings Pte. Ltd. The amount of goodwill recognized as a result of this event was ¥2,454 million for the third quarter of the current consolidated fiscal year. The amount of goodwill above is calculated on a tentative basis as the purchase price allocation has not been finalized as of the end of the third quarter of the current consolidated fiscal year.

Matters related to business combinations

(Business combination by acquisition)

The Board of Directors of the Company passed a resolution at its meeting held on September 2, 2021 to acquire 70% of issued shares of DB&B Holdings Pte. Ltd. (headquartered in Singapore; hereinafter "DB&B"), following which DB&B will become a subsidiary of the Company, as outlined below. Based on this resolution, the Company completed the acquisition of shares on October 1, 2021.

The Company plans to acquire the remaining 30% of issued shares of DB&B upon the finalization of its consolidated financial statements for FY2023 subject to the satisfaction of certain conditions prescribed in the share transfer agreement.

(1) Outline of the business combination

(i) Name of the acquired company and its business

Name of the acquired company: DB&B Holdings Pte. Ltd.

Business description: Office design and interior construction work

(ii) Main reason for the business combination

In its Midterm Management Plan, the Okamura Group identified strengthening of overseas business as one of key issues on which it will make group-wide efforts and the China and ASEAN markets as priority markets for those efforts. DB&B is a middle-ranking office design and interior construction company headquartered in Singapore and operating also in China and the Philippines. Its high competence has been demonstrated by many international awards it has received for its projects. It also has a quality customer base consisting mainly of many global companies and large local companies.

Through the acquisition of shares of DB&B, following which it will become a subsidiary of the Company, the Okamura Group will be able to acquire an excellent business platform in the area of design and interior construction in the China and ASEAN markets. In addition, the Okamura Group will be able to understand the office furniture needs in these markets through the subsidiary to apply the local knowledge to the development, production, and sales of strategic products targeting these markets. The Okamura Group will thereby aim to achieve the goal of strengthening its overseas business.

(iii) Date of business combination

October 1, 2021

(iv) Legal form of business combination

Acquisition of shares

(v) Name of the combined company

No change in the name.

(vi) Percentage of voting rights acquired

70%

(vii) Main basis for determining the acquiring company

Because the Company has acquired shares of the acquired company in exchange for cash.

(2) The period of the financial results of the acquired company included in the consolidated quarterly financial statements for the third quarter of the current consolidated fiscal year.

For the preparation of the consolidated quarterly financial statements for the third quarter of the current consolidated fiscal year, only the balance sheet of DB&B has been consolidated.

(3) Acquisition cost of the acquired company and its breakdown by type of consideration

Consideration for acquisition	¥3,263 million in cash
Acquisition cost	¥3,263 million

(4) Major acquisition-related costs and their amounts

Remuneration, fees, etc., to advisors ¥94 million

(5) Amount, cause, and amortization method and period of the goodwill that has arisen

(i) Amount of the goodwill that has arisen

¥2,454 million

The amount of goodwill above is calculated on a tentative basis as the purchase price allocation has not been finalized as of the end of the third quarter of the current consolidated fiscal year.

(ii) Cause of goodwill

It has arisen from the excess earnings power expected from the future business expansion of the acquired company.

(iii) Amortization method and period

Amortized over 10 years on a straight-line basis.

(6) Terms of contingent consideration prescribed by business combination agreement and accounting policy to be applied from the third quarter of the current consolidated fiscal year onwards

(i) Terms of the contingent consideration

Contingent consideration will be payable in addition subject to the satisfaction of certain conditions including the achievement levels in the actual financial performance of the acquired company for a certain period (through the fiscal year ending December 2023).

(ii) Accounting policy to be applied from the third quarter of the current consolidated fiscal year onwards

If the amount of purchase consideration changes, the acquisition cost will be adjusted as if the change had occurred at the time of acquisition, and the amount of goodwill and the amortization amount of goodwill will also be adjusted accordingly.

Significant subsequent events

There is no information that needs to be disclosed herein.