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

November 5, 2021

Okamura Corporation — Listing: Tokyo Stock Exchange

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

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Scheduled date for filing of quarterly report: November 12, 2021

Scheduled date for commencement of dividend payments: December 10, 2021

Preparation of supplementary materials to explain quarterly financial results: Prepared.

Scheduling of meeting to explain quarterly financial results: Scheduled (for institutional investors and analysts).

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

1. Consolidated Operating Results for First Half (April 1, 2021 to September 30, 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	%
First half of FY ending March 2022	118,927	12.9	6,552	129.1	7,351	106.4	5,057	134.7
First half of FY ended March 2021	105,294	(11.1)	2,859	(37.0)	3,561	(31.8)	2,155	(37.0)

Note: Comprehensive income ¥5,834 million (-14.0%) for the first half of FY ending March 2022
¥6,784 million (128.1%) for the first half of FY ended March 2021

	Profit per share	Diluted profit per share
	yen	yen
First half of FY ending March 2022	50.88	–
First half of FY ended March 2021	19.57	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First half of FY ending March 2022	231,915	140,683	60.2
FY ended March 2021	245,473	139,776	56.5

Reference: Total equity ¥139,661 million for the first half 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	12,300	2.7	123.53

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: 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	First half 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	First half of FY ending March 2022	1,621,002	FY ended March 2021	189,377
③ Average number of shares during the term (cumulative quarters)	First half of FY ending March 2022	99,406,818	First half of FY ended March 2021	110,139,739

* 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 4 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 half of the consolidated fiscal year under review, the Japanese economy continued to experience severe difficulties, particularly in the non-manufacturing sector despite some signs of recovery. These economic conditions have resulted in a widening performance disparity from sector to sector as the government issued state of emergency declarations and focused infection prevention measures on select prefectures on the back of the global novel coronavirus pandemic. The outlook for the Japanese economy remains uncertain, 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 strove to develop new market potential by creating distinctive products and offering total solutions.

As a result of the above, during the first half of the consolidated fiscal year under review, the Company posted net sales of ¥118,927 million (¥105,294 million in the same period of the previous fiscal year), operating income of ¥6,552 million (¥2,859 million in the same period of the previous fiscal year), ordinary income of ¥7,351 million (¥3,561 million in the same period of the previous fiscal year), and profit attributable to owners of parent of ¥5,057 million (¥2,155 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 first half of the consolidated fiscal year ending March 31, 2022.

In July 2021, we 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 first half 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)		
	First half of FY ended March 2021	First half of FY ending March 2022	Increase/ decrease	First half of FY ended March 2021	First half of FY ending March 2022	Increase/ decrease
Office Furniture	54,667	62,643	7,976	1,797	4,986	3,188
Store Displays	41,272	48,577	7,304	355	1,899	1,544
Material Handling Systems	7,427	5,071	(2,356)	844	(340)	(1,184)
Others	1,927	2,636	708	(137)	6	144
Total	105,294	118,927	13,633	2,859	6,552	3,692

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 made active efforts to popularize proposals on how to create new office environments that meet customer needs, such as demand for the rightsizing of office floor areas, 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 various measures executed within the Company as part of our own work style reform. Owing to these efforts, both net sales and income increased significantly in comparison to the first half of the previous consolidated fiscal year.

As a result, net sales in this segment amounted to ¥62,643 million (¥54,667 million in the same period of the previous fiscal year), and the segment income amounted to ¥4,986 million (a segment income of ¥1,797 million in the same period of the previous fiscal year), a record high first half 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 first half of the previous consolidated fiscal year.

As a result, net sales in this segment amounted to ¥48,577 million (¥41,272 million in the same period of the previous fiscal year), and the segment income amounted to ¥1,899 million (a segment income of ¥355 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 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 first half 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 ¥5,071 million (¥7,427 million in the same period of the previous fiscal year), and the segment loss amounted to ¥340 million (a segment income of ¥844 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 half of the fiscal year under review is as follows:

Total assets amounted to ¥231,915 million, down ¥13,557 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥14,090 million, mainly because of a decrease in notes and accounts receivable-trade and contract assets, and non-current assets increased by ¥532 million, mainly because of an increase in investment securities and a decrease in property, plant and equipment.

Liabilities amounted to ¥91,232 million, down ¥14,465 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 accrued consumption taxes.

Net assets amounted to ¥140,683 million, up ¥907 million from the end of the previous fiscal year, mainly because of increases in retained earnings, the valuation difference on available-for-sale securities, and treasury stock.

As a result, the equity ratio amounted to 60.2%, up 3.7 percentage points compared with the end of the previous fiscal year.

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

Operating activities generated a net cash increase of ¥951 million (an increase of ¥11,990 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥7,320 million, depreciation and amortization of ¥2,772 million, and a decrease in notes and accounts receivable-trade and contract assets of ¥10,616 million. Outflows included an increase in inventories of ¥3,034 million, a decrease in notes and accounts payable-trade of ¥10,351 million, and income taxes paid of ¥4,319 million.

Investment activities resulted in a net cash outflow of ¥2,544 million (a net cash outflow of ¥2,324 million in the same period of the previous fiscal year), reflecting outflows including disbursements of ¥1,948 million for the purchase of property, plant and equipment, ¥397 million for the purchase of intangible assets, and ¥302 million for the purchase of investment securities.

Financing activities resulted in a net cash outflow of ¥4,551 million (a net cash outflow of ¥2,739 million in the same period of the previous fiscal year), reflecting outflows including purchase of treasury shares of ¥2,038 million and cash dividends paid of ¥2,010 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first half decreased by ¥5,958 million from the end of the previous fiscal year (an increase of ¥6,785 million in the same period of the previous fiscal year) to ¥38,460 million.

(3) Explanation of the performance forecast

In consideration of recent business performance, the Company has revised the forecasts of net sales and operating income by segment announced on August 4, 2021 as follows:

[Net sales by segment (consolidated)]

	FY ending March 2022	(Previous forecasts)
Office Furniture	¥133,000 million	(¥132,000 million)
Store Displays	¥97,000 million	(¥97,000 million)
Material Handling Systems	¥12,000 million	(¥13,000 million)
Others	¥5,000 million	(¥5,000 million)
Total	¥247,000 million	(¥247,000 million)

[Operating income by segment (consolidated)]

	FY ending March 2022	(Previous forecasts)
Office Furniture	¥12,500 million	(¥11,800 million)
Store Displays	¥3,600 million	(¥3,600 million)
Material Handling Systems	¥200 million	(¥900 million)
Others	¥200 million	(¥200 million)
Total	¥16,500 million	(¥16,500 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)	First half of the current fiscal year (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	45,156	39,320
Notes and accounts receivable-trade	66,834	–
Notes and accounts receivable-trade and contract assets	–	52,349
Short-term investment securities	10	10
Merchandise and finished goods	8,819	11,415
Work in process	1,512	4,416
Raw materials and supplies	4,466	4,613
Other	2,542	3,109
Allowance for doubtful accounts	(27)	(12)
Total current assets	129,313	115,223
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,356	14,960
Land	27,935	27,935
Other, net	14,953	15,011
Total property, plant and equipment	58,245	57,907
Intangible assets	3,376	3,254
Investments and other assets		
Investment securities	47,293	48,497
Other	7,271	7,051
Allowance for doubtful accounts	(27)	(18)
Total investments and other assets	54,537	55,529
Total non-current assets	116,160	116,692
Total assets	245,473	231,915

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	First half of the current fiscal year (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,850	21,393
Electronically recorded obligations-operating	17,013	13,066
Short-term loans payable	6,108	6,117
Current portion of long-term loans payable	1,674	1,146
Current portion of bonds payable	–	5,000
Income taxes payable	4,930	1,730
Provision for bonuses	3,926	3,102
Other	7,466	6,411
Total current liabilities	68,971	57,968
Non-current liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	3,938	4,267
Net defined benefit liability	15,909	16,484
Other	6,877	7,511
Total non-current liabilities	36,726	33,263
Total liabilities	105,697	91,232
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,766	16,770
Retained earnings	90,242	92,416
Treasury stock	(110)	(2,142)
Total shareholders' equity	125,568	125,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,198	14,679
Deferred gains or losses on hedges	–	16
Foreign currency translation adjustment	(132)	55
Remeasurements of defined benefit plans	(876)	(804)
Total accumulated other comprehensive income	13,188	13,946
Non-controlling interests	1,019	1,022
Total net assets	139,776	140,683
Total liabilities and net assets	245,473	231,915

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

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

(Millions of yen)

	First half of FY ended March 2021 (From April 1, 2020 to September 30, 2020)	First half of FY ending March 2022 (From April 1, 2021 to September 30, 2021)
Net sales	105,294	118,927
Cost of sales	71,606	80,249
Gross profit	33,687	38,678
Selling, general and administrative expenses		
Packing and transportation expenses	4,273	4,682
Salaries and allowances	10,362	10,769
Provision for bonuses	1,747	2,063
Rent expenses	4,313	4,225
Other	10,131	10,385
Total selling, general and administrative expenses	30,828	32,125
Operating income	2,859	6,552
Non-operating income		
Interest income	14	12
Dividends income	488	465
Equity in earnings of affiliates	62	243
Subsidy income	205	2
Other	283	280
Total non-operating income	1,053	1,004
Non-operating expenses		
Interest expenses	84	73
Loss on sales and retirement of non-current assets	55	52
Compensation expenses	67	–
Other	144	79
Total non-operating expenses	351	205
Ordinary income	3,561	7,351
Extraordinary income		
Gain on sales of investment securities	9	–
Subsidies for employment adjustment	96	–
Total extraordinary income	105	–
Extraordinary loss		
Impairment loss	6	12
Loss on valuation of investment securities	663	18
Utilization suspension expenses	197	–
Total extraordinary loss	867	31
Profit before income taxes	2,799	7,320
Income taxes-current	262	1,559
Income taxes-deferred	395	713
Total income taxes	658	2,272
Profit	2,141	5,047
Loss attributable to non-controlling interests	(13)	(9)
Profit attributable to owners of parent	2,155	5,057

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

(Millions of yen)

	First half of FY ended March 2021 (From April 1, 2020 to September 30, 2020)	First half of FY ending March 2022 (From April 1, 2021 to September 30, 2021)
Profit	2,141	5,047
Other comprehensive income		
Valuation difference on available-for-sale securities	4,797	463
Deferred gains or losses on hedges	–	16
Foreign currency translation adjustment	(165)	215
Remeasurements of defined benefit plans, net of tax	73	71
Share of other comprehensive income of entities accounted for using equity method	(63)	18
Total other comprehensive income	4,643	786
Comprehensive income	6,784	5,834
Details:		
Comprehensive income attributable to owners of parent	6,838	5,816
Comprehensive income attributable to non-controlling interests	(53)	18

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First half of FY ended March 2021 (From April 1, 2020 to September 30, 2020)	First half of FY ending March 2022 (From April 1, 2021 to September 30, 2021)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,799	7,320
Depreciation and amortization	3,001	2,772
Impairment loss	6	12
Utilization suspension expenses	197	–
Equity in (earnings) losses of affiliates	(62)	(243)
Increase (decrease) in allowance for doubtful accounts	(5)	(24)
Increase (decrease) in provision for bonuses	(1,832)	(823)
Increase (decrease) in net defined benefit liability	665	663
Interest and dividends income	(502)	(478)
Interest expenses	84	73
Compensation expenses	67	–
Loss (gain) on sales of investment securities	(9)	–
Loss (gain) on valuation of investment securities	663	18
Subsidies for employment adjustment	(96)	–
Decrease (increase) in notes and accounts receivable-trade	21,875	–
Decrease (increase) in notes and accounts receivable-trade and contract assets	–	10,616
Decrease (increase) in inventories	733	(3,034)
Increase (decrease) in notes and accounts payable-trade	(10,732)	(10,351)
Increase (decrease) in accrued consumption taxes	(931)	(1,114)
Other, net	(513)	(552)
Subtotal	15,409	4,854
Interest and dividends income received	521	490
Interest expenses paid	(82)	(73)
Compensation expenses paid	(67)	–
Subsidies for employment adjustment received	96	–
Utilization suspension expenses paid	(116)	–
Income taxes paid	(3,771)	(4,319)
Net cash provided by (used in) operating activities	11,990	951
Net cash provided by (used in) investing activities		
Payments into time deposits	(451)	(536)
Proceeds from withdrawal of time deposits	657	417
Purchase of property, plant and equipment	(2,046)	(1,948)
Purchase of intangible assets	(436)	(397)
Purchase of investment securities	(103)	(302)
Proceeds from sales and redemption of investment securities	29	0
Other, net	26	222
Net cash provided by (used in) investing activities	(2,324)	(2,544)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(123)	(21)
Proceeds from long-term loans payable	440	500
Repayment of long-term loans payable	(873)	(699)
Purchase of treasury stock	(0)	(2,038)
Cash dividends paid	(1,763)	(2,010)
Other, net	(418)	(281)
Net cash provided by (used in) financing activities	(2,739)	(4,551)
Effect of exchange rate change on cash and cash equivalents	(140)	185
Net increase (decrease) in cash and cash equivalents	6,785	(5,958)
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	38,283	38,460

(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 first half 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 1,621,002 shares of treasury stock at the end of the first half of the fiscal year ending March 31, 2022 at a carrying amount of ¥2,142 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 first half of the consolidated fiscal year under review decreased by ¥130 million; the cost of sales decreased by ¥102 million; selling, general and administrative expenses decreased by ¥102 million; and operating income, ordinary income, and profit each increased by ¥74 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 no impact on consolidated quarterly financial statements.

Segment information

First half of FY ended March 2021 (from April 1, 2020 to September 30, 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	54,667	41,272	7,427	103,366	1,927	105,294	–	105,294
Internal sales or transfers between segments	–	–	–	–	–	–	–	–
Total	54,667	41,272	7,427	103,366	1,927	105,294	–	105,294
Segment income or loss	1,797	355	844	2,997	(137)	2,859	–	2,859

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 first half of the current fiscal year, the recorded impairment loss on non-current assets amounted to ¥4 million for the "Office Furniture" segment, ¥0 million for the "Store Displays" segment, and ¥1 million for "Material Handling Systems" segment.

First half of FY ending March 2022 (from April 1, 2021 to September 30, 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	62,643	48,577	5,071	116,291	2,636	118,927	–	118,927
Internal sales or transfers between segments	–	–	–	–	–	–	–	–
Total	62,643	48,577	5,071	116,291	2,636	118,927	–	118,927
Segment income or loss	4,986	1,899	(340)	6,545	6	6,552	–	6,552

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 ¥201 million and segment income increased by ¥168 million in the Office Furniture segment, net sales decreased by ¥354 million and segment income decreased by ¥103 million in the Store Displays segment, and net sales increased by ¥22 million and segment income increased by ¥9 million in the Material Handling Systems segment for the first half 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 first half of the current consolidated fiscal year.

Significant subsequent events

(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.

(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) 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

(3) Major acquisition-related costs and their amounts

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

(4) Amount, cause, and amortization method and period of the resulting goodwill

To be determined.

(5) Amounts of and breakdown into major categories of assets acquired and liabilities assumed on the date of business combination

To be determined.

(With regards to a fire at the Company's Nakai Plant)

On October 25, 2021, a fire broke out at the Company's Nakai Plant, and part of the Company's assets, including production facilities and inventories, were damaged by the fire. We are currently conducting a close investigation to determine the net amount of damage including the claim assessment of the fire insurance in place. At this point, we expect that the impact of this fire on the consolidated operating results of the Company will be insignificant. If we come to expect a significant impact on our operating results, the Company will promptly disclose it.