

# Financial Results for First Half of Fiscal Year Ending March 31, 2017 [Japanese GAAP] (Consolidated)



November 4, 2016

Listing: Tokyo Stock Exchange

Okamura Corporation

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Scheduled date for commencement of dividend payments: December 9, 2016

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, 2016 to September 30, 2016) of FY Ending March 2017 (April 1, 2016 to March 31, 2017)

### (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 2017	111,708	(0.4)	5,106	11.6	5,498	8.5	3,817	18.2
First half of FY ended March 2016	112,114	11.4	4,574	36.4	5,069	27.6	3,229	23.3

Note: Comprehensive income ¥1,651 million (-24.0%) for the first half of FY ending March 2017  
¥2,172 million (-45.1%) for the first half of FY ended March 2016

	Profit per share	Diluted profit per share
	yen	yen
First half of FY ending March 2017	34.65	—
First half of FY ended March 2016	29.32	—

### (2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First half of FY ending March 2017	204,135	108,594	53.0
FY ended March 2016	217,485	108,491	49.7

Reference: Total equity ¥108,092 million for the first half of FY ending March 2017  
¥107,996 million for FY ended March 2016

## 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 2016	—	10.00	—	14.00	24.00
FY ending March 2017	—	12.00			
FY ending March 2017 (forecast)			—	12.00	24.00

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

## 3. Forecast of Consolidated Performance for FY Ending March 2017 (April 1, 2016 to March 31, 2017)

(% 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	250,000	3.8	14,000	8.0	14,700	8.2	9,800	8.1	88.96

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)

First half of FY ending March 2017	112,391,530	FY ended March 2016	112,391,530
First half of FY ending March 2017	2,230,393	FY ended March 2016	2,227,159
First half of FY ending March 2017	110,162,896	First half of FY ended March 2016	110,161,529

\* Indication of Implementation Status of Quarterly Review Procedures

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

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

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

○ Table of Contents for Appendix

1. Qualitative Information Concerning Consolidated Quarterly Financial Results .....	2
(1) Explanation of the progress in (consolidated) operating results.....	2
(2) Explanation of the changes in (consolidated) financial position .....	3
(3) Explanation of the performance forecast .....	3
2. Summary Information (Notes) .....	4
(1) Changes in the number of material subsidiaries during the quarter under review.....	4
(2) Adoption of a special accounting method applicable to the preparation of consolidated quarterly financial statements .....	4
(3) Changes in accounting policy or accounting estimates, or restatement .....	4
(4) Additional information .....	4
3. Consolidated Quarterly Financial Statements .....	5
(1) Consolidated Quarterly Balance Sheet.....	5
(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income .....	7
(3) Consolidated Quarterly Statements of Cash Flows.....	9
(4) Notes regarding Consolidated Quarterly Financial Statements.....	10
Note regarding the assumption of going concern.....	10
Note regarding occurrence of significant change in amount of shareholders' equity .....	10
Segment information .....	10
Material subsequent events.....	10

## 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, corporate earnings proved to be solid, and the employment situation showed improvement. The Japanese economy, however, remained unable to shake off a mood of uncertainty such as the possible negative influence upon corporate earnings due to a strong yen and weak stock prices caused by the U.K.'s decision to leave the European Union, and concerns about the slowdown in the economy of China and other countries.

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

Performance results by segment are discussed below.

Segment name	Net sales (Millions of yen)			Segment income (loss) (Millions of yen)		
	First half of FY ended March 2016	First half of FY ending March 2017	Increase/decrease	First half of FY ended March 2016	First half of FY ending March 2017	Increase/decrease
Office Furniture	54,999	57,410	2,411	2,891	3,548	656
Store Displays	49,894	47,347	(2,546)	1,962	1,682	(279)
Others	7,221	6,951	(270)	(278)	(124)	154
Total	112,114	111,708	(406)	4,574	5,106	531

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

## Office Furniture

In the Office Furniture segment, demand for office furniture remained strong as a result of a stable supply of large-scale office buildings, mainly in the center of Tokyo. Under these circumstances, the Company proactively made proposals on how to create a new office environment in response to work style innovation in offices and the growing interest in health. The Company also endeavored to engage in aggressive sales activities for companies with a strong performance and the furniture market for office-related facilities, including healthcare, R&D, school and library facilities, as well as municipal offices. The results of the above efforts increased both net sales and income year-over-year.

As a result, net sales in this segment amounted to ¥57,410 million (a year-over-year increase of 4.4%), and the segment income amounted to ¥3,548 million (a year-over-year increase of 22.7%).

## Store Displays

In the Store Displays segment, by taking advantage of the Group's total strength in display fixtures, store carts, security products, and the like, the Company enhanced its capabilities to make proposals for one-stop total solutions for the retail industry, mainly among strongly performing retailers, such as a food supermarket and drugstore. In addition, the Company focused on increasing its market share in refrigerated showcases and on cost reductions. However, both net sales and income decreased year-over-year due to: 1) a decrease in demand for new store openings resulting from competition among the business sectors within the retail industry as well as a decrease in demand for and postponement of new store openings resulting from the retail industry reorganization and 2) the impact of decreased demand for and postponement of renovating existing stores in the retail industry.

As a result, net sales in this segment amounted to ¥47,347 million (a year-over-year decrease of 5.1%), and the segment income amounted to ¥1,682 million (a year-over-year decrease of 14.3%).

## Others (including Material Handling Systems)

Materials Handling Systems focused its efforts on increasing sales of automated warehousing equipment to customers engaging in promising areas such as food, healthcare, and Internet shopping. It also strengthened collaboration with other segments and endeavored to engage in aggressive sales activities with maximum utilization of its solution-proposal capabilities and its products, which are distinguished by their superiority. Despite these efforts, however, net sales slightly decreased year-over-year.

As a result, net sales in this segment amounted to ¥6,951 million (a year-over-year decrease of 3.7%), and the segment loss amounted to ¥124 million (versus a segment loss of ¥278 million in the same period of the previous fiscal year).

As a result of the above, during the first half of the current fiscal year, the Company posted net sales of ¥111,708 million (a year-over-year decrease of 0.4%), operating income of ¥5,106 million (a year-over-year increase of 11.6%), ordinary income of ¥5,498 million (a year-over-year increase of 8.5%), and profit attributable to owners of parent of ¥3,817 million (a year-over-year increase of 18.2%). While net sales leveled off, gross profit margin improved due to the provision and solution-based selling of high-value-added products, resulting in an increase in profit.

(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 ¥204,135 million, down ¥13,349 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥11,102 million, mainly because of increases in cash and deposits as well as inventories and a decrease in notes and accounts receivable-trade, and noncurrent assets decreased by ¥2,247 million, mainly because of a decrease in investment securities.

Liabilities amounted to ¥95,541 million, down ¥13,453 million over the end of the previous fiscal year, mainly because of decreases in notes and accounts payable-trade as well as income taxes payable and provision for bonuses.

Net assets amounted to ¥108,594 million, up ¥103 million over the end of the previous fiscal year, mainly because of an increase in retained earnings and a decrease in valuation difference on available-for-sale securities. The equity ratio amounted to 53.0%, up 3.3 percentage points.

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 ¥6,877 million (an increase of ¥9,767 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥5,524 million, depreciation and amortization of ¥2,516 million, and a decrease in notes and accounts receivable-trade of ¥14,123 million. Outflows included a decrease in provision for bonuses of ¥1,359 million, an increase in inventories of ¥1,370 million and decreases in notes and accounts payable-trade of ¥8,110 million and income taxes paid of ¥3,616 million.

Investment activities resulted in a net cash outflow of ¥1,995 million (versus a net cash outflow of ¥2,815 million in the same period of the previous fiscal year), reflecting inflows including an increase of ¥797 million in proceeds from sales and redemption of investment securities, as well as outflows including disbursements of ¥1,857 million for the purchase of property, plant and equipment and ¥638 million for the purchase of investment securities.

Financing activities resulted in a net cash outflow of ¥1,321 million (versus a net cash outflow of ¥909 million in the same period of the previous fiscal year), reflecting inflows including an increase in short-term loans payable of ¥902 million and outflows including a decrease in long-term loans payable of ¥499 million and cash dividends paid of ¥1,541 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first half increased by ¥3,152 million from the end of the previous fiscal year (an increase of ¥6,067 million in the same period of the previous fiscal year) to ¥30,700 million.

(3) Explanation of the performance forecast

The consolidated performance forecasts for the fiscal year ending March 2017 remain the same as those that were announced on May 11, 2016.

2. Summary Information (Notes)

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

Nothing in particular.

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

Nothing in particular.

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

Nothing in particular.

(4) Additional information

Effective from the first quarter of the consolidated fiscal year under review, the Company adopted the "Implementation Guidelines on the Recoverability of Deferred Tax Assets" (Implementation Guidance on Corporate Accounting Standard No. 26, March 28, 2016).

## 3. Consolidated Quarterly Financial Statements

## (1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2016)	First half of the current fiscal year (As of September 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	28,933	31,922
Notes and accounts receivable-trade	66,318	52,195
Short-term investment securities	530	10
Merchandise and finished goods	9,191	10,428
Work in process	1,483	1,774
Raw materials and supplies	4,435	4,278
Other	4,327	3,497
Allowance for doubtful accounts	(189)	(176)
<b>Total current assets</b>	<b>115,032</b>	<b>103,929</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,897	14,676
Land	24,151	24,151
Other, net	12,301	12,371
<b>Total property, plant and equipment</b>	<b>51,350</b>	<b>51,199</b>
Intangible assets		
Goodwill	176	73
Other	5,107	4,670
<b>Total intangible assets</b>	<b>5,283</b>	<b>4,743</b>
Investments and other assets		
Investment securities	32,095	30,263
Other	13,756	14,032
Allowance for doubtful accounts	(33)	(32)
<b>Total investments and other assets</b>	<b>45,819</b>	<b>44,263</b>
<b>Total noncurrent assets</b>	<b>102,453</b>	<b>100,206</b>
<b>Total assets</b>	<b>217,485</b>	<b>204,135</b>

(Millions of yen)

	Previous fiscal year (As of March 31, 2016)	First half of the current fiscal year (As of September 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	32,105	25,662
Electronically recorded obligations-operating	15,892	14,299
Short-term loans payable	6,066	6,919
Current portion of long-term loans payable	2,341	1,606
Current portion of bonds	–	5,000
Income taxes payable	3,720	1,314
Provision for bonuses	3,738	2,379
Other	5,560	3,962
<b>Total current liabilities</b>	<b>69,425</b>	<b>61,146</b>
Noncurrent liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	6,041	6,253
Net defined benefit liability	15,861	16,399
Other	7,666	6,742
<b>Total noncurrent liabilities</b>	<b>39,569</b>	<b>34,394</b>
<b>Total liabilities</b>	<b>108,994</b>	<b>95,541</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,762	16,762
Retained earnings	65,392	67,665
Treasury stock	(2,415)	(2,419)
<b>Total shareholders' equity</b>	<b>98,409</b>	<b>100,679</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,111	8,497
Foreign currency translation adjustment	302	(266)
Remeasurement of defined benefit plans	(826)	(817)
<b>Total accumulated other comprehensive income</b>	<b>9,587</b>	<b>7,413</b>
<b>Non-controlling interests</b>	<b>494</b>	<b>502</b>
<b>Total net assets</b>	<b>108,491</b>	<b>108,594</b>
<b>Total liabilities and net assets</b>	<b>217,485</b>	<b>204,135</b>



## (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 2016 (From April 1, 2015 to September 30, 2015)	First half of FY ending March 2017 (From April 1, 2016 to September 30, 2016)
Net sales	112,114	111,708
Cost of sales	79,041	76,660
Gross profit	33,072	35,048
Selling, general and administrative expenses		
Packing and transportation expenses	4,718	4,845
Salaries and allowances	9,145	9,401
Provision for bonuses	1,517	1,600
Rent expenses	3,475	3,561
Other	9,641	10,533
Total selling, general and administrative expenses	28,498	29,941
Operating income	4,574	5,106
Non-operating income		
Interest income	11	12
Dividends income	279	296
Equity in earnings of affiliates	71	293
Other	382	380
Total non-operating income	745	981
Non-operating expenses		
Interest expenses	149	127
Foreign exchange losses	–	337
Other	100	125
Total non-operating expenses	250	589
Ordinary income	5,069	5,498
Extraordinary income		
Gain on sales of investment securities	1	–
Gain on liquidation of subsidiaries	–	25
Total extraordinary income	1	25
Extraordinary loss		
Loss on valuation of golf club membership	0	–
Total extraordinary loss	0	–
Profit before income taxes	5,071	5,524
Income taxes-current	1,404	1,200
Income taxes-deferred	443	468
Total income taxes	1,848	1,668
Profit	3,222	3,855
Profit (loss) attributable to non-controlling interests	(6)	37
Profit attributable to owners of parent	3,229	3,817

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

(Millions of yen)

	First half of FY ended March 2016 (From April 1, 2015 to September 30, 2015)	First half of FY ending March 2017 (From April 1, 2016 to September 30, 2016)
Profit	3,222	3,855
Other comprehensive income		
Valuation difference on available-for-sale securities	(974)	(1,608)
Foreign currency translation adjustment	31	(475)
Remeasurement of defined benefit plans, net of tax	(122)	8
Share of other comprehensive income of entities accounted for using equity method	15	(129)
Total other comprehensive income	(1,050)	(2,204)
Comprehensive income	2,172	1,651
Details:		
Comprehensive income attributable to owners of parent	2,176	1,643
Comprehensive income attributable to non- controlling interests	(3)	7

## (3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First half of FY ended March 2016 (From April 1, 2015 to September 30, 2015)	First half of FY ending March 2017 (From April 1, 2016 to September 30, 2016)
Net cash provided by (used in) operating activities		
Profit before income taxes	5,071	5,524
Depreciation and amortization	1,942	2,516
Loss (gain) on liquidation of subsidiaries	-	(25)
Equity in (earnings) losses of affiliates	(71)	(293)
Increase (decrease) in allowance for doubtful accounts	84	(13)
Increase (decrease) in provision for bonuses	(968)	(1,359)
Increase (decrease) in net defined benefit liability	168	391
Interest and dividends income	(290)	(308)
Interest expenses	149	127
Loss (gain) on sales of investment securities	(1)	-
Decrease (increase) in notes and accounts receivable-trade	11,255	14,123
Decrease (increase) in inventories	(247)	(1,370)
Increase (decrease) in notes and accounts payable-trade	(4,059)	(8,110)
Increase (decrease) in accrued consumption taxes	(591)	(519)
Other, net	(620)	(373)
Subtotal	11,821	10,309
Interest and dividends income received	285	318
Interest expenses paid	(136)	(135)
Income taxes paid	(2,202)	(3,616)
Net cash provided by (used in) operating activities	9,767	6,877
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,072)	(944)
Proceeds from withdrawal of time deposits	800	1,118
Purchase of property, plant and equipment	(1,691)	(1,857)
Purchase of intangible assets	(662)	(252)
Purchase of investment securities	(3)	(638)
Proceeds from sales and redemption of investment securities	5	797
Other, net	(191)	(217)
Net cash provided by (used in) investing activities	(2,815)	(1,995)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	453	902
Proceeds from long-term loans payable	950	528
Repayment of long-term loans payable	(1,193)	(1,027)
Purchase of treasury stock	(1)	(0)
Cash dividends paid	(937)	(1,541)
Other, net	(180)	(182)
Net cash provided by (used in) financing activities	(909)	(1,321)
Effect of exchange rate change on cash and cash equivalents	24	(407)
Net increase (decrease) in cash and cash equivalents	6,067	3,152
Cash and cash equivalents at the beginning of the fiscal year	22,808	27,547
Cash and cash equivalents at the end of the quarter term	28,875	30,700

## (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

First half of FY ended March 2016 (from April 1, 2015 to September 30, 2015)

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	54,999	49,894	104,893	7,221	112,114	—	112,114
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	54,999	49,894	104,893	7,221	112,114	—	112,114
Segment income (loss)	2,891	1,962	4,853	(278)	4,574	—	4,574

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

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

First half of FY ending March 2017 (from April 1, 2016 to September 30, 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	57,410	47,347	104,757	6,951	111,708	—	111,708
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	57,410	47,347	104,757	6,951	111,708	—	111,708
Segment income (loss)	3,548	1,682	5,230	(124)	5,106	—	5,106

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

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

Material subsequent events

There is no information that needs to be disclosed herein.