

Financial Results for Third Quarter of Fiscal Year Ending March 31, 2017 [Japanese GAAP] (Consolidated)



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Listing: Tokyo Stock Exchange

Okamura Corporation

Code Number: 7994

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Scheduled date for filing of quarterly report: February 13, 2017

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, 2016 to December 31, 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	%
Third quarter of FY ending March 2017	168,520	(0.9)	6,604	(2.7)	7,233	(3.8)	4,850	4.3
Third quarter of FY ended March 2016	170,002	10.3	6,787	60.0	7,517	37.3	4,652	30.2

Note: Comprehensive income ¥4,790 million (-18.4%) for the third quarter of FY ending March 2017
 ¥5,870 million (-1.0%) for the third quarter of FY ended March 2016

	Profit per share	Diluted profit per share
	yen	yen
Third quarter of FY ending March 2017	44.03	-
Third quarter of FY ended March 2016	42.23	-

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Third quarter of FY ending March 2017	213,741	110,408	51.4
FY ended March 2016	217,485	108,491	49.7

Reference: Total equity ¥109,885 million for the third quarter 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)

3Q of FY ending March 2017	112,391,530	FY ended March 2016	112,391,530
3Q of FY ending March 2017	2,231,529	FY ended March 2016	2,227,159
3Q of FY ending March 2017	110,162,164	3Q of FY ended March 2016	110,160,779

* 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.

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1. Qualitative Information Concerning Consolidated Quarterly Financial Results

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

During the third quarter of the consolidated fiscal year under review, corporate earnings proved to be solid, and employment situation showed improvement. The Japanese economy, however, remained unable to shake off a mood of uncertainty such as the instability of exchange and stock markets due to the U.K.'s decision to leave the European Union, the risk of an economic downturn in China and other emerging countries, and the inauguration of a new president in the U.S.

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

Performance results by segment are discussed below.

Segment name	Net sales (Millions of yen)			Segment income (Millions of yen)		
	Third quarter of FY ended March 2016	Third quarter of FY ending March 2017	Increase/decrease	Third quarter of FY ended March 2016	Third quarter of FY ending March 2017	Increase/decrease
Office Furniture	83,110	84,708	1,597	3,974	3,995	21
Store Displays	74,694	72,001	(2,692)	2,664	2,530	(134)
Others	12,197	11,810	(387)	147	78	(69)
Total	170,002	168,520	(1,482)	6,787	6,604	(182)

Note: The total of segment income 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 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 ¥84,708 million (a year-over-year increase of 1.9%), and the segment income amounted to ¥3,995 million (a year-over-year increase of 0.5%).

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 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 ¥72,001 million (a year-over-year decrease of 3.6%), and the segment income amounted to ¥2,530 million (a year-over-year decrease of 5.0%).

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, both net sales and income decreased year-over-year.

As a result, net sales in this segment amounted to ¥11,810 million (a year-over-year decrease of 3.2%), and the segment income amounted to ¥78 million (a year-over-year decrease of 47.1%).

As a result of the above, during the third quarter of the current fiscal year, the Company posted net sales of ¥168,520 million (a year-over-year decrease of 0.9%), operating income of ¥6,604 million (a year-over-year decrease of 2.7%), ordinary income of ¥7,233 million (a year-over-year decrease of 3.8%), and profit attributable to owners of parent of ¥4,850 million (a year-over-year increase of 4.3%).

(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 ¥213,741 million, down ¥3,743 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥4,902 million, mainly because of an increase in cash and deposits and a decrease in notes and accounts receivable-trade, and noncurrent assets increased by ¥1,158 million, mainly because of an increase in investment securities.

Liabilities amounted to ¥103,333 million, down ¥5,661 million over the end of the previous fiscal year, mainly because of an increase in short-term loans payable and decreases in notes and accounts payable-trade, income taxes payable, and provision for bonuses.

Net assets amounted to ¥110,408 million, up ¥1,917 million over the end of the previous fiscal year, mainly because of an increase in retained earnings. The equity ratio amounted to 51.4%, up 1.7 percentage points.

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

Operating activities generated a net cash increase of ¥11,020 million (an increase of ¥13,839 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥7,260 million, depreciation and amortization of ¥3,847 million, and a decrease in notes and accounts receivable-trade of ¥15,268 million. Outflows included a decrease in provision for bonuses of ¥1,759 million and an increase in inventories of ¥2,665 million, a decrease in notes and accounts payable-trade of ¥6,630 and a decrease in income taxes paid of ¥4,954 million.

Investment activities resulted in a net cash outflow of ¥3,546 million (versus a net cash outflow of ¥3,989 million in the same period of the previous fiscal year), reflecting outflows including disbursements of ¥3,429 million for the purchase of property, plant and equipment.

Financing activities resulted in a net cash increase of ¥2,312 million (an increase of ¥1,736 million in the same period of the previous fiscal year), reflecting inflows including an increase in short-term loans payable of ¥5,953 million and outflows including cash dividends paid of ¥2,695 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's third quarter increased by ¥9,454 million from the end of the previous fiscal year (an increase of ¥11,499 million in the same period of the previous fiscal year) to ¥37,002 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)	Third quarter of the current fiscal year (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	28,933	38,122
Notes and accounts receivable-trade	66,318	51,050
Short-term investment securities	530	10
Merchandise and finished goods	9,191	11,432
Work in process	1,483	1,819
Raw materials and supplies	4,435	4,524
Other	4,327	3,314
Allowance for doubtful accounts	(189)	(144)
Total current assets	115,032	110,129
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,897	14,701
Land	24,151	24,151
Other, net	12,301	13,421
Total property, plant and equipment	51,350	52,273
Intangible assets		
Goodwill	176	21
Other	5,107	4,566
Total intangible assets	5,283	4,587
Investments and other assets		
Investment securities	32,095	33,223
Other	13,756	13,564
Allowance for doubtful accounts	(33)	(36)
Total investments and other assets	45,819	46,751
Total noncurrent assets	102,453	103,612
Total assets	217,485	213,741

(Millions of yen)

	Previous fiscal year (As of March 31, 2016)	Third quarter of the current fiscal year (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	32,105	23,681
Electronically recorded obligations-operating	15,892	18,099
Short-term loans payable	6,066	11,966
Current portion of long-term loans payable	2,341	2,186
Current portion of bonds	–	5,000
Income taxes payable	3,720	743
Provision for bonuses	3,738	1,978
Other	5,560	5,336
Total current liabilities	69,425	68,993
Noncurrent liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	6,041	5,508
Net defined benefit liability	15,861	16,592
Other	7,666	7,238
Total noncurrent liabilities	39,569	34,339
Total liabilities	108,994	103,333
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,762	16,762
Retained earnings	65,392	67,373
Treasury stock	(2,415)	(2,420)
Total shareholders' equity	98,409	100,386
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,111	10,516
Foreign currency translation adjustment	302	(195)
Remeasurement of defined benefit plans	(826)	(820)
Total accumulated other comprehensive income	9,587	9,499
Non-controlling interests	494	523
Total net assets	108,491	110,408
Total liabilities and net assets	217,485	213,741

(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 2016 (From April 1, 2015 to December 31, 2015)	Third quarter of FY ending March 2017 (From April 1, 2016 to December 31, 2016)
Net sales	170,002	168,520
Cost of sales	119,584	116,402
Gross profit	50,417	52,117
Selling, general and administrative expenses		
Packing and transportation expenses	7,308	7,297
Salaries and allowances	14,745	15,091
Provision for bonuses	1,339	1,424
Rent expenses	5,206	5,442
Other	15,031	16,256
Total selling, general and administrative expenses	43,630	45,512
Operating income	6,787	6,604
Non-operating income		
Interest income	15	16
Dividends income	488	517
Equity in earnings of affiliates	129	306
Other	499	512
Total non-operating income	1,133	1,353
Non-operating expenses		
Interest expenses	224	188
Foreign exchange losses	35	334
Other	143	201
Total non-operating expenses	403	725
Ordinary income	7,517	7,233
Extraordinary income		
Gain on sales of investment securities	1	2
Gain on liquidation of subsidiaries	–	25
Total extraordinary income	1	28
Extraordinary loss		
Loss on valuation of golf club membership	0	0
Total extraordinary loss	0	0
Profit before income taxes	7,518	7,260
Income taxes-current	2,318	1,736
Income taxes-deferred	536	604
Total income taxes	2,854	2,341
Profit	4,663	4,919
Profit attributable to non-controlling interests	11	69
Profit attributable to owners of parent	4,652	4,850

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

(Millions of yen)

	Third quarter of FY ended March 2016 (From April 1, 2015 to December 31, 2015)	Third quarter of FY ending March 2017 (From April 1, 2016 to December 31, 2016)
Profit	4,663	4,919
Other comprehensive income		
Valuation difference on available-for-sale securities	1,589	387
Foreign currency translation adjustment	(101)	(408)
Remeasurement of defined benefit plans, net of tax	(183)	5
Share of other comprehensive income of entities accounted for using equity method	(97)	(112)
Total other comprehensive income	1,207	(128)
Comprehensive income	5,870	4,790
Details:		
Comprehensive income attributable to owners of parent	5,880	4,762
Comprehensive income attributable to non- controlling interests	(9)	28

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Third quarter of FY ended March 2016 (From April 1, 2015 to December 31, 2015)	Third quarter of FY ending March 2017 (From April 1, 2016 to December 31, 2016)
Net cash provided by (used in) operating activities		
Profit before income taxes	7,518	7,260
Depreciation and amortization	2,967	3,847
Loss (gain) on liquidation of subsidiaries	–	(25)
Equity in (earnings) losses of affiliates	(129)	(306)
Increase (decrease) in allowance for doubtful accounts	146	(42)
Increase (decrease) in provision for bonuses	(1,294)	(1,759)
Increase (decrease) in net defined benefit liability	297	586
Interest and dividends income	(504)	(534)
Interest expenses	224	188
Loss (gain) on sales of investment securities	(1)	(2)
Decrease (increase) in notes and accounts receivable-trade	9,614	15,268
Decrease (increase) in inventories	(1,542)	(2,665)
Increase (decrease) in notes and accounts payable-trade	(755)	(6,630)
Increase (decrease) in accrued consumption taxes	(374)	(472)
Other, net	1,013	912
Subtotal	17,180	15,625
Interest and dividends income received	502	549
Interest expenses paid	(212)	(200)
Income taxes paid	(3,630)	(4,954)
Net cash provided by (used in) operating activities	13,839	11,020
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,173)	(997)
Proceeds from withdrawal of time deposits	1,100	1,268
Purchase of property, plant and equipment	(2,341)	(3,429)
Purchase of intangible assets	(1,203)	(506)
Purchase of investment securities	(65)	(720)
Proceeds from sales and redemption of investment securities	7	828
Other, net	(312)	11
Net cash provided by (used in) investing activities	(3,989)	(3,546)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,072	5,953
Proceeds from long-term loans payable	1,050	533
Repayment of long-term loans payable	(1,341)	(1,196)
Purchase of treasury stock	(2)	(0)
Cash dividends paid	(1,878)	(2,695)
Other, net	(163)	(282)
Net cash provided by (used in) financing activities	1,736	2,312
Effect of exchange rate change on cash and cash equivalents	(88)	(331)
Net increase (decrease) in cash and cash equivalents	11,499	9,454
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	34,307	37,002

(4) Notes regarding Consolidated Quarterly Financial Statements

Note regarding the assumption of going concern

There is no information that needs to be disclosed herein.

Note regarding occurrence of significant change in amount of shareholders' equity

There is no information that needs to be disclosed herein.

Segment information

Third quarter of FY ended March 2016 (from April 1, 2015 to December 31, 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	83,110	74,694	157,804	12,197	170,002	–	170,002
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	83,110	74,694	157,804	12,197	170,002	–	170,002
Segment income	3,974	2,664	6,639	147	6,787	–	6,787

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

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

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

Information concerning net sales and income or loss amounts by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment	Amount recorded on Consolidated Quarterly Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	84,708	72,001	156,710	11,810	168,520	–	168,520
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	84,708	72,001	156,710	11,810	168,520	–	168,520
Segment income	3,995	2,530	6,526	78	6,604	–	6,604

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

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

Material subsequent events

There is no information that needs to be disclosed herein.