

Financial Results for First Half of Fiscal Year Ending March 31, 2020 [Japanese GAAP] (Consolidated)



November 1, 2019

Listing: Tokyo Stock Exchange

Okamura Corporation

Code Number: 7994

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Scheduled date for filing of quarterly report: November 13, 2019

Scheduled date for commencement of dividend payments: December 10, 2019

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, 2019 to September 30, 2019) of FY Ending March 2020 (April 1, 2019 to March 31, 2020)

(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 2020	118,429	(0.3)	4,542	(13.3)	5,220	(14.0)	3,420	(29.2)
First half of FY ended March 2019	118,837	4.9	5,236	11.4	6,068	13.8	4,829	32.5

Note: Comprehensive income ¥2,974 million (-56.8%) for the first half of FY ending March 2020

¥6,878 million (18.2%) for the first half of FY ended March 2019

	Profit per share	Diluted profit per share
	yen	yen
First half of FY ending March 2020	31.06	—
First half of FY ended March 2019	43.85	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First half of FY ending March 2020	222,188	131,670	59.1
FY ended March 2019	229,276	130,403	56.7

Reference: Total equity ¥131,202 million for the first half of FY ending March 2020

¥129,933 million for FY ended March 2019

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 2019	—	14.00	—	14.00	28.00
FY ending March 2020	—	16.00			
FY ending March 2020 (forecast)			—	16.00	32.00

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

3. Forecast of Consolidated Performance for FY Ending March 2020 (April 1, 2019 to March 31, 2020)

(% 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	0.8	13,000	4.7	13,800	0.9	9,600	(6.2)	87.16

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
- 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 2020	112,391,530	FY ended March 2019	112,391,530
First half of FY ending March 2020	2,246,584	FY ended March 2019	2,243,652
First half of FY ending March 2020	110,146,524	First half of FY ended March 2019	110,151,532

* 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 first half of the consolidated fiscal year under review, the employment and income situation in the country continued to improve, keeping the Japanese economy on a moderate recovery trend. However, business sentiment deteriorated due to sluggish overseas demand and other factors, causing uncertainty regarding the economic outlook.

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.

As a result of the above, during the first half of the consolidated fiscal year under review, the Company posted net sales of ¥118,429 million (a year-over-year decrease of 0.3%), operating income of ¥4,542 million (a year-over-year decrease of 13.3%), ordinary income of ¥5,220 million (a year-over-year decrease of 14.0%), and profit attributable to owners of parent of ¥3,420 million (a year-over-year decrease of 29.2%).

Performance results by segment are discussed below.

Segment name	Net sales (Millions of yen)			Segment income (Millions of yen)		
	First half of FY ended March 2019	First half of FY ending March 2020	Increase/decrease	First half of FY ended March 2019	First half of FY ending March 2020	Increase/decrease
Office Furniture	61,751	61,428	(322)	3,763	2,878	(885)
Store Displays	47,408	47,225	(183)	656	928	271
Others	9,677	9,775	98	816	735	(80)
Total	118,837	118,429	(407)	5,236	4,542	(694)

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

Office Furniture

In the Office Furniture segment, against the backdrop of a steady supply of large-scale office buildings, demand for office relocations and office renovation remained robust. The trend to create new office environments, such as the work style reform, is expanding nationwide, reaching a broad base of companies, regardless of industry or scale. Under these circumstances, the Company made proactive efforts to popularize proposals on how to create new office environments, leveraging results obtained from our proof-of-concept office, "LABO Office," for the practice and verification of new ways of working, and the experience and knowledge gained from various measures executed within the Company as part of our own work style reform. However, due to increases in personnel expenses and distribution costs, net sales were flat while income declined compared to the results for the same quarter in the previous fiscal year.

As a result, net sales in this segment amounted to ¥61,428 million (a year-over-year decrease of 0.5%), and the segment income amounted to ¥2,878 million (a year-over-year decrease of 23.5%).

Store Displays

In the Store Displays segment, although demand from new store openings are on a declining trend, especially in the smaller retail segment, combined with the growing demand related to labor-saving needs driven by labor shortages, investments in reforms with the purpose to enhance existing stores' competitiveness remained robust. 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, while meeting growing demand for labor-saving solutions, such as through the deployment of countertop products compatible with sliding shelves and self-service checkouts. Due to these efforts, net sales remained flat, while income increased compared to the results for the same quarter in the previous fiscal year.

As a result, net sales in this segment amounted to ¥47,225 million (a year-over-year decrease of 0.4%), and the segment income amounted to ¥928 million (a year-over-year increase of 41.4%).

Others (including Material Handling Systems)

In the Material Handling Systems segment, demand for automated warehouse equipment remained at high levels on the back of growing labor-saving needs arising from labor shortages and expanding Internet shopping in the wholesale and retail sectors. Under these circumstances, the Company engaged in aggressive promotion activities by maximizing the utilization of its products, which stand out from others due to their superiority. The organization also worked to strengthen its engineering platform, thereby aiming to grow sales and secure steady income. Although orders performed strongly, net sales rose slightly, and income declined year over year due to a low delivery period.

As a result, net sales in this segment amounted to ¥9,775 million (a year-over-year increase of 1.0%), and the segment income amounted to ¥735 million (a year-over-year decrease of 9.9%).

(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 ¥222,188 million, down ¥7,088 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥6,536 million, mainly because of an increase in cash and deposits coupled with a decrease in notes and accounts receivable-trade. Non-current assets decreased by ¥552 million, largely because of a decrease in investment securities.

Liabilities amounted to ¥90,518 million, down ¥8,354 million compared with the end of the previous consolidated fiscal year, mainly as a result of an increase in bonds payable and decrease in notes and accounts payable-trade, short-term loans payable, income taxes payable and provision for bonuses.

Net assets amounted to ¥131,670 million, up ¥1,266 million from the end of the previous fiscal year, mainly because of an increase in retained earnings and decrease of the valuation difference on available-for-sale securities. The equity ratio amounted to 59.1%, up 2.4 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 ¥11,948 million (an increase of ¥9,090 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥5,019 million, depreciation and amortization of ¥2,908 million, and a decrease in notes and accounts receivable-trade of ¥13,497 million. Outflows included a decrease in provision for bonuses of ¥1,300 million and decreases in notes and accounts payable-trade of ¥3,909 million and income taxes paid of ¥2,795 million.

Investment activities resulted in a net cash outflow of ¥2,793 million (a net cash outflow of 1,790 million in the same period of the previous fiscal year), reflecting inflows including proceeds from sales and redemption of investment securities of ¥676 million and outflows including disbursements of ¥2,512 million for the purchase of property, plant and equipment and ¥805 million for the purchase of intangible assets.

Financing activities resulted in a net cash outflow of ¥2,100 million (a net cash outflow of ¥2,023 million in the same period of the previous fiscal year), reflecting inflows including an increase of proceeds from issuance of bonds of ¥5,000 million and outflows including decreases in short-term loans payable of ¥4,924 million and cash dividends paid of ¥1,544 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first half increased by ¥6,993 million from the end of the previous fiscal year (an increase of ¥5,174 million in the same period of the previous fiscal year) to ¥33,126 million.

(3) Explanation of the performance forecast

The consolidated performance forecasts for the fiscal year ending March 2020 remain the same as those that were announced on October 25, 2019.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2019)	First half of the current fiscal year (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	27,279	34,480
Notes and accounts receivable-trade	64,938	51,440
Short-term investment securities	500	-
Merchandise and finished goods	12,169	13,040
Work in process	1,916	1,991
Raw materials and supplies	5,028	5,011
Other	2,664	1,936
Allowance for doubtful accounts	(76)	(16)
Total current assets	114,419	107,883
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,062	13,739
Land	27,883	27,883
Other, net	15,226	15,843
Total property, plant and equipment	57,171	57,465
Intangible assets	3,978	4,068
Investments and other assets		
Investment securities	45,926	45,233
Other	7,827	7,577
Allowance for doubtful accounts	(47)	(40)
Total investments and other assets	53,706	52,770
Total non-current assets	114,857	114,304
Total assets	229,276	222,188

(Millions of yen)

	Previous fiscal year (As of March 31, 2019)	First half of the current fiscal year (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,115	21,442
Electronically recorded obligations-operating	15,921	15,378
Short-term loans payable	11,175	6,241
Current portion of long-term loans payable	660	1,303
Income taxes payable	3,422	1,381
Provision for bonuses	3,994	2,694
Other	6,663	5,284
Total current liabilities	66,951	53,726
Non-current liabilities		
Bonds payable	5,000	10,000
Long-term loans payable	5,695	4,809
Net defined benefit liability	15,665	16,119
Other	5,559	5,862
Total non-current liabilities	31,920	36,791
Total liabilities	98,872	90,518
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,766	16,766
Retained earnings	86,137	87,856
Treasury stock	(2,436)	(2,439)
Total shareholders' equity	119,138	120,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,785	11,287
Foreign currency translation adjustment	71	32
Remeasurements of defined benefit plans	(1,061)	(971)
Total accumulated other comprehensive income	10,795	10,348
Non-controlling interests	470	467
Total net assets	130,403	131,670
Total liabilities and net assets	229,276	222,188

(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 2019 (From April 1, 2018 to September 30, 2018)	First half of FY ending March 2020 (From April 1, 2019 to September 30, 2019)
Net sales	118,837	118,429
Cost of sales	81,409	80,749
Gross profit	37,427	37,680
Selling, general and administrative expenses		
Packing and transportation expenses	5,040	5,302
Salaries and allowances	10,147	10,345
Provision for bonuses	1,658	1,818
Rent expenses	4,257	4,387
Other	11,085	11,284
Total selling, general and administrative expenses	32,190	33,137
Operating income	5,236	4,542
Non-operating income		
Interest income	13	14
Dividends income	502	494
Equity in earnings of affiliates	174	107
Other	422	415
Total non-operating income	1,113	1,031
Non-operating expenses		
Interest expenses	87	81
Foreign exchange losses	-	114
Loss on sales and retirement of non-current assets	95	39
Other	99	118
Total non-operating expenses	281	353
Ordinary income	6,068	5,220
Extraordinary income		
Gain on sales of investment securities	1,196	2
Total extraordinary income	1,196	2
Extraordinary loss		
Impairment loss	18	7
Loss on disaster	294	-
Loss on valuation of investment securities	-	11
Loss on liquidation of subsidiaries	-	184
Loss on valuation of golf club membership	1	-
Total extraordinary loss	313	203
Profit before income taxes	6,951	5,019
Income taxes-current	1,833	1,224
Income taxes-deferred	291	369
Total income taxes	2,125	1,594
Profit	4,826	3,425
Profit (loss) attributable to non-controlling interests	(2)	4
Profit attributable to owners of parent	4,829	3,420

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

(Millions of yen)

	First half of FY ended March 2019 (From April 1, 2018 to September 30, 2018)	First half of FY ending March 2020 (From April 1, 2019 to September 30, 2019)
Profit	4,826	3,425
Other comprehensive income		
Valuation difference on available-for-sale securities	2,095	(487)
Foreign currency translation adjustment	(120)	(70)
Remeasurements of defined benefit plans, net of tax	124	90
Share of other comprehensive income of entities accounted for using equity method	(47)	16
Total other comprehensive income	2,051	(451)
Comprehensive income	6,878	2,974
Details:		
Comprehensive income attributable to owners of parent	6,889	2,973
Comprehensive income attributable to non- controlling interests	(11)	0

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First half of FY ended March 2019 (From April 1, 2018 to September 30, 2018)	First half of FY ending March 2020 (From April 1, 2019 to September 30, 2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	6,951	5,019
Depreciation and amortization	2,725	2,908
Impairment loss	18	7
Loss (gain) on liquidation of subsidiaries	-	184
Equity in (earnings) losses of affiliates	(174)	(107)
Increase (decrease) in allowance for doubtful accounts	16	(67)
Increase (decrease) in provision for bonuses	(1,388)	(1,300)
Increase (decrease) in net defined benefit liability	680	570
Interest and dividends income	(516)	(508)
Interest expenses	87	81
Loss (gain) on sales of investment securities	(1,196)	(2)
Loss (gain) on valuation of investment securities	-	11
Decrease (increase) in notes and accounts receivable-trade	11,626	13,497
Decrease (increase) in inventories	(996)	(928)
Increase (decrease) in notes and accounts payable-trade	(7,196)	(3,909)
Increase (decrease) in accrued consumption taxes	78	35
Other, net	383	(1,206)
Subtotal	11,097	14,285
Interest and dividends income received	530	533
Interest expenses paid	(82)	(74)
Income taxes paid	(2,455)	(2,795)
Net cash provided by (used in) operating activities	9,090	11,948
Net cash provided by (used in) investing activities		
Payments into time deposits	(934)	(696)
Proceeds from withdrawal of time deposits	640	487
Purchase of property, plant and equipment	(2,181)	(2,512)
Purchase of intangible assets	(490)	(805)
Purchase of investment securities	(582)	(104)
Proceeds from sales and redemption of investment securities	1,741	676
Other, net	17	160
Net cash provided by (used in) investing activities	(1,790)	(2,793)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(42)	(4,924)
Repayment of long-term loans payable	(235)	(243)
Proceeds from issuance of bonds	-	5,000
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,541)	(1,544)
Other, net	(201)	(388)
Net cash provided by (used in) financing activities	(2,023)	(2,100)
Effect of exchange rate change on cash and cash equivalents	(103)	(61)
Net increase (decrease) in cash and cash equivalents	5,174	6,993
Cash and cash equivalents at the beginning of the fiscal year	26,122	26,133
Cash and cash equivalents at the end of the quarter term	31,296	33,126

(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.

Changes in accounting policy

With respect to certain consolidated overseas subsidiaries, IFRS 16 (Leases) has been reflected in the accounts, starting from the beginning of the subject quarter's accounting period. As a result, in principle as the lessee's accounting method, all lease expenses have been included in the assets and liabilities sections in the Consolidated Quarterly Balance Sheet.

In reflecting the subject accounting standard, the Company adopted the method to recognize the cumulative impact from application of the accounting standard on the first day of the adoption of the standard, a recognized transitional measure.

The impact from the adoption of the subject account standard on the Consolidated Quarterly Financial Statement is negligible.

Segment information

First half of FY ended March 2019 (from April 1, 2018 to September 30, 2018)

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	Total				
Net sales							
Net sales to external customers	61,751	47,408	109,159	9,677	118,837	—	118,837
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	61,751	47,408	109,159	9,677	118,837	—	118,837
Segment income	3,763	656	4,420	816	5,236	—	5,236

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

2. The total of segment income 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" segment. The impairment loss during the previous quarter totaled ¥18 million.

First half of FY ending March 2020 (from April 1, 2019 to September 30, 2019)

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	Total				
Net sales							
Net sales to external customers	61,428	47,225	108,653	9,775	118,429	—	118,429
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	61,428	47,225	108,653	9,775	118,429	—	118,429
Segment income	2,878	928	3,807	735	4,542	—	4,542

- Notes: 1. The category "Others" aggregates those business segments that do not meet the definition of reportable segments, and includes Material Handling Systems, Powertrain and Others.
2. The total of segment income 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 "Others (including Material Handling Systems)" segments and the impairment loss during this quarter totals ¥2 million, ¥0 million, and ¥4 million, respectively.