

Financial Results for First Half of Fiscal Year Ending March 31, 2019 [Japanese GAAP] (Consolidated)



November 2, 2018

Okamura Corporation

Listing: Tokyo Stock Exchange

Code Number: 7994

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Scheduled date for filing of quarterly report: November 13, 2018

Scheduled date for commencement of dividend payments: December 10, 2018

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, 2018 to September 30, 2018) of FY Ending March 2019 (April 1, 2018 to March 31, 2019)

(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 2019	118,837	4.9	5,236	11.4	6,068	13.8	4,829	32.5
First half of FY ended March 2018	113,327	1.4	4,702	(7.9)	5,334	(3.0)	3,645	(4.5)

Note: Comprehensive income ¥6,878 million (18.2%) for the first half of FY ending March 2019
 ¥5,817 million (252.3%) for the first half of FY ended March 2018

	Profit per share	Diluted profit per share
	yen	yen
First half of FY ending March 2019	43.85	—
First half of FY ended March 2018	33.09	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First half of FY ending March 2019	230,241	130,915	56.7
FY ended March 2018	233,110	125,585	53.7

Reference: Total equity ¥130,564 million for the first half of FY ending March 2019
 ¥125,223 million for FY ended March 2018

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 2018	—	12.00	—	14.00	26.00
FY ending March 2019	—	14.00			
FY ending March 2019 (forecast)			—	14.00	28.00

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

3. Forecast of Consolidated Performance for FY Ending March 2019 (April 1, 2018 to March 31, 2019)

(% 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	252,000	4.2	14,000	6.5	15,200	8.6	11,000	1.7	99.86

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

* Notes

(1) Changes in the number of material subsidiaries during the quarter under review (This indicates whether there have been changes in the number of specified subsidiaries involving changes in the scope of consolidation): None

New — company(ies) (—)
 Excluded — company(ies) (—)

(2) Adoption of a special accounting method applicable to the preparation of consolidated quarterly financial statements: None

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

- ① Changes in accounting policy in accordance with revisions to accounting standards: 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 2019	112,391,530	FY ended March 2018	112,391,530
First half of FY ending March 2019	2,241,182	FY ended March 2018	2,238,845
First half of FY ending March 2019	110,151,532	First half of FY ended March 2018	110,156,422

* 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, corporate profits and the employment situation in the country continued to improve, placing the Japanese economy on a moderate expansion track.

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 ¥118,837 million (a year-over-year increase of 4.9%), operating income of ¥5,236 million (a year-over-year increase of 11.4%), ordinary income of ¥6,068 million (a year-over-year increase of 13.8%), and profit attributable to owners of parent of ¥4,829 million (a year-over-year increase of 32.5%).

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 2018	First half of FY ending March 2019	Increase/decrease	First half of FY ended March 2018	First half of FY ending March 2019	Increase/decrease
Office Furniture	57,422	61,751	4,328	2,884	3,763	878
Store Displays	48,383	47,408	(974)	1,708	656	(1,051)
Others	7,521	9,677	2,155	109	816	706
Total	113,327	118,837	5,509	4,702	5,236	534

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

Office Furniture

In the Office Furniture segment, the number of large office relocation projects increased alongside the steady supply of large-scale office buildings, and demand for office relocations and office renovations, mainly by companies with strong business performance, remained robust. Under these circumstances, as the Company made active efforts to popularize proposals on how to create a new office environment in response to work style innovation in offices and growing interest in health, the number of high-value added major projects rose. In addition, aggressive sales promotions targeting office-related furniture market, such as hospitals and public facilities, mainly in western Japan, led to considerable increases in both net sales and income compared to the results for the same quarter in the previous fiscal year.

As a result, net sales in this segment amounted to ¥61,751 million (a year-over-year increase of 7.5%), and the segment income amounted to ¥3,763 million (a year-over-year increase of 30.5%).

Store Displays

In the Store Displays segment, the Company stepped up efforts to deliver total solutions, mainly to strongly performing retailers (such as grocery stores and drugstores) for display fixtures, store carts, store security systems, and the like by leveraging the organization's comprehensive capabilities. The Company also focused on increasing its market share in refrigerated showcases and on reducing costs. Despite these efforts, both net sales and income decreased compared to the same quarter in the previous fiscal year, due in part to increased costs with regard to materials and contract installation work and a decline in retailers' investments in the wake of typhoons and other natural disasters.

As a result, net sales in this segment amounted to ¥47,408 million (a year-over-year decrease of 2.0%), and the segment income amounted to ¥656 million (a year-over-year decrease of 61.6%).

Others (including Material Handling Systems)

In the Material Handling Systems segment, the Company focused its efforts on distribution warehouses, which are housing an increasing volume of goods to be sold over the Internet. The Company also engaged in aggressive sales activities by making the most of its solution-proposal capabilities and its products, which stand out from the others due to their superiority, in response to labor-saving needs arising from labor shortages. Additionally, the Company strengthened its internal engineering structure and improved profitability. As a result, both net sales and income increased significantly compared to the same quarter in the previous fiscal year.

As a result, net sales in this segment amounted to ¥9,677 million (a year-over-year increase of 28.7%), and the segment income amounted to ¥816 million (7.5 times as much as 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 ¥230,241 million, down ¥2,868 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥5,015 million, mainly because of an increase in cash and deposits and a decrease in notes and accounts receivable-trade; and non-current assets increased by ¥2,146 million, mainly because of an increase in investment securities.

Liabilities amounted to ¥99,326 million, down ¥8,199 million over the end of the previous fiscal year, mainly because of decreases in notes and accounts payable-trade and provision for bonuses.

Net assets amounted to ¥130,915 million, up ¥5,330 million over the end of the previous fiscal year, mainly because of an increase in retained earnings and valuation difference on available-for-sale securities. The equity ratio amounted to 56.7%, up 3.0 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 ¥9,090 million (an increase of ¥7,655 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥6,951 million, depreciation and amortization of ¥2,725 million, and a decrease in notes and accounts receivable-trade of ¥11,626 million. Outflows included a decrease in provision for bonuses of ¥1,388 million and decreases in notes and accounts payable-trade of ¥7,196 million and income taxes paid of ¥2,455 million.

Investment activities resulted in a net cash outflow of ¥1,790 million (versus a net cash outflow of 4,519 million in the same period of the previous fiscal year), reflecting inflows including proceeds from sales and redemption of investment securities of ¥1,741 million and outflows including disbursements of ¥2,181 million for the purchase of property, plant and equipment and ¥490 million for the purchase of intangible assets.

Financing activities resulted in a net cash outflow of ¥2,023 million (a net cash outflow of ¥1,984 million in the same period of the previous fiscal year), reflecting outflows including 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 ¥5,174 million from the end of the previous fiscal year (an increase of ¥1,167 million in the same period of the previous fiscal year) to ¥31,296 million.

(3) Explanation of the performance forecast

In consideration of recent business performance, the consolidated performance forecasts for this fiscal year ending March 2019, published on May 9, 2018, were revised. Please refer to "Announcement of Revision of Performance Forecasts" dated today November 2, 2018.

The above performance forecasts have been made based on the information available on the date of its announcement, and actual results may differ from the predicted figures for various reasons in the future.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	First half of the current fiscal year (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	27,452	32,916
Notes and accounts receivable-trade	68,015	56,389
Short-term investment securities	–	500
Merchandise and finished goods	11,579	12,188
Work in process	1,658	1,843
Raw materials and supplies	4,464	4,666
Other	2,579	2,225
Allowance for doubtful accounts	(78)	(74)
Total current assets	115,671	110,656
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,666	14,286
Land	27,892	27,892
Other, net	13,784	13,828
Total property, plant and equipment	56,343	56,007
Intangible assets		
Goodwill	5	–
Other	4,039	3,874
Total intangible assets	4,045	3,874
Investments and other assets		
Investment securities	49,414	52,074
Other	7,670	7,684
Allowance for doubtful accounts	(35)	(55)
Total investments and other assets	57,049	59,703
Total non-current assets	117,438	119,585
Total assets	233,110	230,241

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	First half of the current fiscal year (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,764	22,401
Electronically recorded obligations-operating	20,283	19,085
Short-term loans payable	6,190	6,136
Current portion of long-term loans payable	1,503	1,487
Current portion of bonds	5,000	5,000
Income taxes payable	3,010	1,974
Provision for bonuses	3,850	2,461
Other	6,256	6,532
Total current liabilities	74,858	65,080
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term loans payable	5,307	5,087
Net defined benefit liability	15,502	16,013
Other	6,856	8,145
Total non-current liabilities	32,666	34,245
Total liabilities	107,525	99,326
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,766	16,766
Retained earnings	78,991	82,276
Treasury stock	(2,429)	(2,432)
Total shareholders' equity	111,999	115,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,103	16,188
Foreign currency translation adjustment	236	87
Remeasurements of defined benefit plans	(1,116)	(992)
Total accumulated other comprehensive income	13,223	15,283
Non-controlling interests	362	351
Total net assets	125,585	130,915
Total liabilities and net assets	233,110	230,241

(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 2018 (From April 1, 2017 to September 30, 2017)	First half of FY ending March 2019 (From April 1, 2018 to September 30, 2018)
Net sales	113,327	118,837
Cost of sales	78,260	81,409
Gross profit	35,067	37,427
Selling, general and administrative expenses		
Packing and transportation expenses	4,836	5,040
Salaries and allowances	9,720	10,147
Provision for bonuses	1,602	1,658
Rent expenses	3,918	4,257
Other	10,287	11,085
Total selling, general and administrative expenses	30,365	32,190
Operating income	4,702	5,236
Non-operating income		
Interest income	8	13
Dividends income	346	502
Equity in earnings of affiliates	186	174
Other	364	422
Total non-operating income	906	1,113
Non-operating expenses		
Interest expenses	100	87
Loss on sales and retirement of non-current assets	56	95
Other	117	99
Total non-operating expenses	274	281
Ordinary income	5,334	6,068
Extraordinary income		
Gain on sales of investment securities	–	1,196
Total extraordinary income	–	1,196
Extraordinary loss		
Impairment loss	–	18
Loss on disaster	–	294
Loss on valuation of golf club membership	1	1
Total extraordinary loss	1	313
Profit before income taxes	5,333	6,951
Income taxes-current	1,014	1,833
Income taxes-deferred	666	291
Total income taxes	1,680	2,125
Profit	3,652	4,826
Profit (loss) attributable to non-controlling interests	7	(2)
Profit attributable to owners of parent	3,645	4,829

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

(Millions of yen)

	First half of FY ended March 2018 (From April 1, 2017 to September 30, 2017)	First half of FY ending March 2019 (From April 1, 2018 to September 30, 2018)
Profit	3,652	4,826
Other comprehensive income		
Valuation difference on available-for-sale securities	2,198	2,095
Foreign currency translation adjustment	(4)	(120)
Remeasurements of defined benefit plans, net of tax	(35)	124
Share of other comprehensive income of entities accounted for using equity method	5	(47)
Total other comprehensive income	2,164	2,051
Comprehensive income	5,817	6,878
Details:		
Comprehensive income attributable to owners of parent	5,819	6,889
Comprehensive income attributable to non- controlling interests	(1)	(11)

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First half of FY ended March 2018 (From April 1, 2017 to September 30, 2017)	First half of FY ending March 2019 (From April 1, 2018 to September 30, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	5,333	6,951
Depreciation and amortization	2,696	2,725
Impairment loss	–	18
Equity in (earnings) losses of affiliates	(186)	(174)
Increase (decrease) in allowance for doubtful accounts	(25)	16
Increase (decrease) in provision for bonuses	(1,297)	(1,388)
Increase (decrease) in net defined benefit liability	330	680
Interest and dividends income	(355)	(516)
Interest expenses	100	87
Loss (gain) on sales of investment securities	–	(1,196)
Decrease (increase) in notes and accounts receivable-trade	9,845	11,626
Decrease (increase) in inventories	(599)	(996)
Increase (decrease) in notes and accounts payable-trade	(4,929)	(7,196)
Increase (decrease) in accrued consumption taxes	275	78
Other, net	(883)	383
Subtotal	10,305	11,097
Interest and dividends income received	364	530
Interest expenses paid	(103)	(82)
Income taxes paid	(2,910)	(2,455)
Net cash provided by (used in) operating activities	7,655	9,090
Net cash provided by (used in) investing activities		
Payments into time deposits	(912)	(934)
Proceeds from withdrawal of time deposits	533	640
Purchase of property, plant and equipment	(2,101)	(2,181)
Purchase of intangible assets	(474)	(490)
Purchase of investment securities	(1,524)	(582)
Proceeds from sales and redemption of investment securities	0	1,741
Other, net	(38)	17
Net cash provided by (used in) investing activities	(4,519)	(1,790)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	50	(42)
Repayment of long-term loans payable	(231)	(235)
Proceeds from issuance of bonds	5,000	–
Redemption of bonds	(5,000)	–
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,323)	(1,541)
Payments due to such acquisition of shares in subsidiary as does not involve a change in the scope of consolidation	(236)	–
Other, net	(242)	(201)
Net cash provided by (used in) financing activities	(1,984)	(2,023)
Effect of exchange rate change on cash and cash equivalents	15	(103)
Net increase (decrease) in cash and cash equivalents	1,167	5,174
Cash and cash equivalents at the beginning of the fiscal year	25,461	26,122
Cash and cash equivalents at the end of the quarter term	26,629	31,296

(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.

Supplemental information

"Partial Revision of the 'Accounting Standards Related to Tax Effect Accounting'" (ASBJ No. 28, issued February 16, 2018) has been reflected starting from the beginning of the subject quarter's accounting period. As a result, deferred tax assets have been categorized under investments and other assets, while deferred tax liabilities have been categorized under non-current liabilities.

Segment information

First half of FY ended March 2018 (from April 1, 2017 to September 30, 2017)

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	57,422	48,383	105,805	7,521	113,327	–	113,327
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	57,422	48,383	105,805	7,521	113,327	–	113,327
Segment income	2,884	1,708	4,592	109	4,702	–	4,702

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.

First half of FY ending 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, Industrial Machinery 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 this quarter totals ¥18 million.