

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



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Listing: Tokyo Stock Exchange

Okamura Corporation

Code Number: 7994

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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 First Quarter (April 1, 2019 to June 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 quarter of FY ending March 2020	59,858	0.9	2,545	4.4	3,178	2.5	2,144	1.9
First quarter of FY ended March 2019	59,324	8.1	2,438	18.5	3,102	19.0	2,104	17.4

Note: Comprehensive income ¥722 million (-73.4%) for the first quarter of FY ending March 2020
 ¥2,718 million (-22.0%) for the first quarter of FY ended March 2019

	Profit per share	Diluted profit per share
	yen	yen
First quarter of FY ending March 2020	19.47	–
First quarter of FY ended March 2019	19.11	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First quarter of FY ending March 2020	223,055	129,406	57.8
FY ended March 2019	229,276	130,403	56.7

Reference: Total equity ¥128,925 million for the first quarter 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	–				
FY ending March 2020 (forecast)		16.00	–	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
2Q (cumulative)	120,000	1.0	5,600	6.9	6,400	5.5	4,500	(6.8)	40.85
Full year	255,000	2.9	14,000	12.7	15,200	11.1	10,600	3.6	96.23

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)

1Q of FY ending March 2020	112,391,530	FY ended March 2019	112,391,530
1Q of FY ending March 2020	2,244,459	FY ended March 2019	2,243,652
1Q of FY ending March 2020	110,147,468	1Q of FY ended March 2019	110,152,258

* 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 quarter of the consolidated fiscal year under review, corporate profits and the employment 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 about 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 quarter of the consolidated fiscal year under review, the Company posted net sales of ¥59,858 million (a year-over-year increase of 0.9%), operating income of ¥2,545 million (a year-over-year increase of 4.4%), ordinary income of ¥3,178 million (a year-over-year increase of 2.5%), and profit attributable to owners of parent of ¥2,144 million (a year-over-year increase of 1.9%).

Performance results by segment are discussed below.

Segment name	Net sales (Millions of yen)			Segment income (Millions of yen)		
	First quarter of FY ended March 2019	First quarter of FY ending March 2020	Increase/decrease	First quarter of FY ended March 2019	First quarter of FY ending March 2020	Increase/decrease
Office Furniture	30,428	30,679	251	1,694	1,494	(199)
Store Displays	23,774	23,703	(71)	336	547	211
Others	5,120	5,475	354	407	503	95
Total	59,324	59,858	534	2,438	2,545	106

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 active 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 expense and distribution costs, net sales resulted in a marginal increase, 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 ¥30,679 million (a year-over-year increase of 0.8%), and the segment income amounted to ¥1,494 million (a year-over-year decrease of 11.8%).

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-checkout counters. 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 ¥23,703 million (a year-over-year decrease of 0.3%), and the segment income amounted to ¥547 million (a year-over-year increase of 62.8%).

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 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. As a result, increase was observed in both net sales and income.

As a result, net sales in this segment amounted to ¥5,475 million (a year-over-year increase of 6.9%), and the segment income amounted to ¥503 million (a year-over-year increase of 23.3%).

(2) Explanation of the changes in (consolidated) financial position

The Company's consolidated financial position at the end of the first quarter of the fiscal year under review is as follows:

Total assets amounted to ¥223,055 million, down ¥6,220 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥4,566 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 ¥1,654 million, largely because of a decrease in investment securities.

Liabilities amounted to ¥93,649 million, down ¥5,222 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 ¥129,406 million, down ¥997 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 57.8%, up 1.1 percentage points.

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

Operating activities generated a net cash increase of ¥8,087 million (an increase of ¥6,373 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥3,159 million, depreciation and amortization of ¥1,437 million, and a decrease in notes and accounts receivable-trade of ¥11,379 million. Outflows included a decrease in provision for bonuses of ¥3,147 million and decreases in notes and accounts payable-trade of ¥1,800 million and income taxes paid of ¥2,863 million.

Investment activities resulted in a net cash outflow of ¥1,534 million (a net cash outflow of ¥1,298 million in the same period of the previous fiscal year), reflecting inflows including proceeds from sales and redemption of investment securities of ¥501 million, and outflows including disbursements of ¥1.635 million for the purchase of property, plant and equipment and ¥392 million for the purchase of intangible assets.

Financing activities resulted in a net cash increase of ¥225 million (an increase of ¥1,760 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 ¥2,993 million and cash dividends paid of ¥1,362 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first quarter increased by ¥6,859 million from the end of the previous fiscal year (an increase of ¥6,755 million in the same period of the previous fiscal year) to ¥32,992 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 May 8, 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 quarter of the current fiscal year (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	27,279	34,148
Notes and accounts receivable-trade	64,938	53,559
Short-term investment securities	500	-
Merchandise and finished goods	12,169	12,916
Work in process	1,916	1,922
Raw materials and supplies	5,028	4,995
Other	2,664	2,362
Allowance for doubtful accounts	(76)	(50)
Total current assets	114,419	109,853
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,062	13,828
Land	27,883	27,883
Other, net	15,226	15,896
Total property, plant and equipment	57,171	57,609
Intangible assets	3,978	4,024
Investments and other assets		
Investment securities	45,926	43,816
Other	7,827	7,799
Allowance for doubtful accounts	(47)	(47)
Total investments and other assets	53,706	51,568
Total non-current assets	114,857	113,202
Total assets	229,276	223,055

(Millions of yen)

	Previous fiscal year (As of March 31, 2019)	First quarter of the current fiscal year (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,115	22,216
Electronically recorded obligations-operating	15,921	16,767
Short-term loans payable	11,175	8,185
Current portion of long-term loans payable	660	660
Income taxes payable	3,422	19
Provision for bonuses	3,994	846
Other	6,663	7,645
Total current liabilities	66,951	56,342
Non-current liabilities		
Bonds payable	5,000	10,000
Long-term loans payable	5,695	5,526
Net defined benefit liability	15,665	15,898
Other	5,559	5,883
Total non-current liabilities	31,920	37,307
Total liabilities	98,872	93,649
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,766	16,766
Retained earnings	86,137	86,565
Treasury stock	(2,436)	(2,437)
Total shareholders' equity	119,138	119,565
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,785	10,226
Foreign currency translation adjustment	71	147
Remeasurements of defined benefit plans	(1,061)	(1,014)
Total accumulated other comprehensive income	10,795	9,360
Non-controlling interests	470	480
Total net assets	130,403	129,406
Total liabilities and net assets	229,276	223,055

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

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

(Millions of yen)

	First quarter of FY ended March 2019 (From April 1, 2018 to June 30, 2018)	First quarter of FY ending March 2020 (From April 1, 2019 to June 30, 2019)
Net sales	59,324	59,858
Cost of sales	40,788	40,738
Gross profit	18,535	19,120
Selling, general and administrative expenses		
Packing and transportation expenses	2,495	2,750
Salaries and allowances	5,478	5,544
Provision for bonuses	476	520
Rent expenses	2,186	2,255
Other	5,459	5,503
Total selling, general and administrative expenses	16,096	16,574
Operating income	2,438	2,545
Non-operating income		
Interest income	6	7
Dividends income	457	446
Equity in earnings of affiliates	92	135
Other	245	228
Total non-operating income	801	817
Non-operating expenses		
Interest expenses	43	39
Bond issue costs	–	37
Foreign exchange losses	39	52
Other	56	54
Total non-operating expenses	138	184
Ordinary income	3,102	3,178
Extraordinary income		
Gain on sales of investment securities	16	0
Total extraordinary income	16	0
Extraordinary loss		
Impairment loss	5	7
Loss on valuation of investment securities	–	13
Loss on valuation of golf club membership	1	–
Total extraordinary loss	6	20
Profit before income taxes	3,112	3,159
Income taxes-current	90	47
Income taxes-deferred	912	963
Total income taxes	1,003	1,011
Profit	2,109	2,148
Profit attributable to non-controlling interests	4	3
Profit attributable to owners of parent	2,104	2,144

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

(Millions of yen)

	First quarter of FY ended March 2019 (From April 1, 2018 to June 30, 2018)	First quarter of FY ending March 2020 (From April 1, 2019 to June 30, 2019)
Profit	2,109	2,148
Other comprehensive income		
Valuation difference on available-for-sale securities	628	(1,550)
Foreign currency translation adjustment	(82)	61
Remeasurements of defined benefit plans, net of tax	80	47
Share of other comprehensive income of entities accounted for using equity method	(16)	15
Total other comprehensive income	609	(1,425)
Comprehensive income	2,718	722
Details:		
Comprehensive income attributable to owners of parent	2,719	709
Comprehensive income attributable to non- controlling interests	(0)	13

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First quarter of FY ended March 2019 (From April 1, 2018 to June 30, 2018)	First quarter of FY ending March 2020 (From April 1, 2019 to June 30, 2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	3,112	3,159
Depreciation and amortization	1,361	1,437
Impairment loss	5	7
Equity in (earnings) losses of affiliates	(92)	(135)
Increase (decrease) in allowance for doubtful accounts	(10)	(25)
Increase (decrease) in provision for bonuses	(3,046)	(3,147)
Increase (decrease) in net defined benefit liability	366	294
Interest and dividends income	(464)	(453)
Interest expenses	43	39
Loss (gain) on sales of investment securities	(16)	(0)
Loss (gain) on valuation of investment securities	–	13
Decrease (increase) in notes and accounts receivable-trade	10,759	11,379
Decrease (increase) in inventories	(853)	(720)
Increase (decrease) in notes and accounts payable-trade	(4,554)	(1,800)
Increase (decrease) in accrued consumption taxes	98	369
Other, net	1,560	109
Subtotal	8,268	10,524
Interest and dividends income received	471	466
Interest expenses paid	(42)	(39)
Income taxes paid	(2,323)	(2,863)
Net cash provided by (used in) operating activities	6,373	8,087
Net cash provided by (used in) investing activities		
Payments into time deposits	(589)	(365)
Proceeds from withdrawal of time deposits	491	357
Purchase of property, plant and equipment	(945)	(1,635)
Purchase of intangible assets	(258)	(392)
Purchase of investment securities	(32)	(2)
Proceeds from sales and redemption of investment securities	0	501
Other, net	34	3
Net cash provided by (used in) investing activities	(1,298)	(1,534)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,394	(2,993)
Repayment of long-term loans payable	(177)	(171)
Proceeds from issuance of bonds	–	5,000
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,357)	(1,362)
Other, net	(98)	(218)
Net cash provided by (used in) financing activities	1,760	255
Effect of exchange rate change on cash and cash equivalents	(79)	51
Net increase (decrease) in cash and cash equivalents	6,755	6,859
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	32,877	32,992

(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 quarter of FY ended March 2019 (from April 1, 2018 to June 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	30,428	23,774	54,203	5,120	59,324	—	59,324
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	30,428	23,774	54,203	5,120	59,324	—	59,324
Segment income	1,694	336	2,031	407	2,438	—	2,438

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 ¥5 million.

First quarter of FY ending March 2020 (from April 1, 2019 to June 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	30,679	23,703	54,383	5,475	59,858	—	59,858
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	30,679	23,703	54,383	5,475	59,858	—	59,858
Segment income	1,494	547	2,042	503	2,545	—	2,545

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 ¥1 million, ¥1 million, and ¥4 million, respectively.