

Financial Results for Third 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 filing of quarterly report: February 13, 2020

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, 2019 to December 31, 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	%
Third quarter of FY ending March 2020	177,400	(0.7)	5,850	(11.4)	7,116	(9.5)	5,001	(17.0)
Third quarter of FY ended March 2019	178,613	4.6	6,604	7.0	7,859	11.2	6,024	26.1

Note: Comprehensive income ¥6,438 million (242.3%) for the third quarter of FY ending March 2020
 ¥1,880 million (-79.5%) for the third quarter of FY ended March 2019

	Profit per share	Diluted profit per share
	yen	yen
Third quarter of FY ending March 2020	45.41	-
Third quarter of FY ended March 2019	54.69	-

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Third quarter of FY ending March 2020	229,655	133,365	57.9
FY ended March 2019	229,276	130,403	56.7

Reference: Total equity ¥132,912 million for the third 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	-	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)

3Q of FY ending March 2020	112,391,530	FY ended March 2019	112,391,530
3Q of FY ending March 2020	2,247,454	FY ended March 2019	2,243,652
3Q of FY ending March 2020	110,145,876	3Q of FY ended March 2019	110,151,026

* 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 third quarter 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 third quarter of the consolidated fiscal year under review, the Company posted net sales of ¥177,400 million (a year-over-year decrease of 0.7%), operating income of ¥5,850 million (a year-over-year decrease of 11.4%), ordinary income of ¥7,116 million (a year-over-year decrease of 9.5%), and profit attributable to owners of parent of ¥5,001 million (a year-over-year decrease of 17.0%).

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 2019	Third quarter of FY ending March 2020	Increase/decrease	Third quarter of FY ended March 2019	Third quarter of FY ending March 2020	Increase/decrease
Office Furniture	92,015	91,008	(1,006)	4,442	3,265	(1,176)
Store Displays	72,419	72,028	(391)	942	1,516	574
Others	14,178	14,362	184	1,220	1,068	(151)
Total	178,613	177,400	(1,213)	6,604	5,850	(753)

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. On the other hand, small-scale replacement demand was sluggish due to the deterioration of business sentiment. 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, both net sales and 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 ¥91,008 million (a year-over-year decrease of 1.1%), and the segment income amounted to ¥3,265 million (a year-over-year decrease of 26.5%).

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 ¥72,028 million (a year-over-year decrease of 0.5%), and the segment income amounted to ¥1,516 million (a year-over-year increase of 61.0%).

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 ¥14,362 million (a year-over-year increase of 1.3%), and the segment income amounted to ¥1,068 million (a year-over-year decrease of 12.4%).

(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 ¥229,655 million, up ¥379 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥1,647 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 ¥2,026 million, mainly because of an increase in investment securities.

Liabilities amounted to ¥96,289 million, down ¥2,582 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 ¥133,365 million, up ¥2,962 million from 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 57.9%, up 1.2 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 ¥13,811 million (an increase of ¥8,241 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥7,364 million, depreciation and amortization of ¥4,414 million, and a decrease in notes and accounts receivable-trade of ¥12,827 million. Outflows included a decrease in provision for bonuses of ¥1,744 million, an increase in inventories of ¥3,087 million, and decreases in notes and accounts payable-trade of ¥2,328 million and income taxes paid of ¥4,311 million.

Investment activities resulted in a net cash outflow of ¥3,448 million (a net cash outflow of ¥3,011 million in the same period of the previous fiscal year), reflecting inflows including proceeds from sales and redemption of investment securities of ¥1,423 million and outflows including disbursements of ¥4,014 million for the purchase of property, plant and equipment and ¥999 million for the purchase of intangible assets.

Financing activities resulted in a net cash outflow of ¥1,487 million (a net cash outflow of ¥1,161 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 ¥2,459 million and cash dividends paid of ¥3,097 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's third quarter increased by ¥8,732 million from the end of the previous fiscal year (an increase of ¥3,969 million in the same period of the previous fiscal year) to ¥34,866 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)	Third quarter of the current fiscal year (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	27,279	36,258
Notes and accounts receivable-trade	64,938	52,110
Short-term investment securities	500	10
Merchandise and finished goods	12,169	15,282
Work in process	1,916	1,957
Raw materials and supplies	5,028	4,960
Other	2,664	2,211
Allowance for doubtful accounts	(76)	(19)
Total current assets	114,419	112,772
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,062	15,432
Land	27,883	27,829
Other, net	15,226	14,603
Total property, plant and equipment	57,171	57,865
Intangible assets	3,978	3,885
Investments and other assets		
Investment securities	45,926	47,621
Other	7,827	7,549
Allowance for doubtful accounts	(47)	(39)
Total investments and other assets	53,706	55,132
Total non-current assets	114,857	116,883
Total assets	229,276	229,655

(Millions of yen)

	Previous fiscal year (As of March 31, 2019)	Third quarter of the current fiscal year (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,115	21,502
Electronically recorded obligations-operating	15,921	17,030
Short-term loans payable	11,175	8,698
Current portion of long-term loans payable	660	1,254
Income taxes payable	3,422	759
Provision for bonuses	3,994	2,249
Other	6,663	6,882
Total current liabilities	66,951	58,378
Non-current liabilities		
Bonds payable	5,000	10,000
Long-term loans payable	5,695	4,713
Net defined benefit liability	15,665	16,394
Other	5,559	6,804
Total non-current liabilities	31,920	37,911
Total liabilities	98,872	96,289
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,766	16,766
Retained earnings	86,137	87,670
Treasury stock	(2,436)	(2,440)
Total shareholders' equity	119,138	120,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,785	13,211
Foreign currency translation adjustment	71	(39)
Remeasurements of defined benefit plans	(1,061)	(926)
Total accumulated other comprehensive income	10,795	12,245
Non-controlling interests	470	453
Total net assets	130,403	133,365
Total liabilities and net assets	229,276	229,655

(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 2019 (From April 1, 2018 to December 31, 2018)	Third quarter of FY ending March 2020 (From April 1, 2019 to December 31, 2019)
Net sales	178,613	177,400
Cost of sales	122,793	121,460
Gross profit	55,820	55,939
Selling, general and administrative expenses		
Packing and transportation expenses	7,665	7,854
Salaries and allowances	16,268	16,530
Provision for bonuses	1,489	1,598
Rent expenses	6,530	6,683
Other	17,262	17,421
Total selling, general and administrative expenses	49,216	50,089
Operating income	6,604	5,850
Non-operating income		
Interest income	22	20
Dividends income	854	869
Equity in earnings of affiliates	268	264
Other	529	496
Total non-operating income	1,675	1,650
Non-operating expenses		
Interest expenses	130	121
Foreign exchange losses	21	78
Loss on sales and retirement of non-current assets	122	47
Other	146	136
Total non-operating expenses	421	384
Ordinary income	7,859	7,116
Extraordinary income		
Gain on sales of non-current assets	–	276
Gain on sales of investment securities	1,242	178
Compensation received	15	–
Total extraordinary income	1,258	454
Extraordinary loss		
Impairment loss	18	28
Loss on disaster	298	–
Loss on liquidation of subsidiaries	–	177
Loss on valuation of golf club membership	3	–
Total extraordinary loss	319	206
Profit before income taxes	8,797	7,364
Income taxes-current	2,553	1,920
Income taxes-deferred	215	437
Total income taxes	2,769	2,358
Profit	6,028	5,006
Profit attributable to non-controlling interests	3	4
Profit attributable to owners of parent	6,024	5,001

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

(Millions of yen)

	Third quarter of FY ended March 2019 (From April 1, 2018 to December 31, 2018)	Third quarter of FY ending March 2020 (From April 1, 2019 to December 31, 2019)
Profit	6,028	5,006
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,190)	1,433
Foreign currency translation adjustment	(124)	(165)
Remeasurements of defined benefit plans, net of tax	186	135
Share of other comprehensive income of entities accounted for using equity method	(19)	29
Total other comprehensive income	(4,147)	1,432
Comprehensive income	1,880	6,438
Details:		
Comprehensive income attributable to owners of parent	1,886	6,452
Comprehensive income attributable to non- controlling interests	(5)	(13)

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Third quarter of FY ended March 2019 (From April 1, 2018 to December 31, 2018)	Third quarter of FY ending March 2020 (From April 1, 2019 to December 31, 2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	8,797	7,364
Depreciation and amortization	4,126	4,414
Impairment loss	18	28
Loss (gain) on liquidation of subsidiaries	–	177
Loss (gain) on sales and retirement of non-current assets	95	(236)
Equity in (earnings) losses of affiliates	(268)	(264)
Increase (decrease) in allowance for doubtful accounts	14	(65)
Increase (decrease) in provision for bonuses	(1,815)	(1,744)
Increase (decrease) in net defined benefit liability	1,046	904
Interest and dividends income	(877)	(890)
Interest expenses	130	121
Loss (gain) on sales of investment securities	(1,242)	(178)
Decrease (increase) in notes and accounts receivable-trade	13,854	12,827
Decrease (increase) in inventories	(3,663)	(3,087)
Increase (decrease) in notes and accounts payable-trade	(9,098)	(2,328)
Increase (decrease) in accrued consumption taxes	(290)	185
Other, net	1,098	95
Subtotal	11,925	17,324
Interest and dividends income received	892	915
Interest expenses paid	(125)	(116)
Income taxes paid	(4,451)	(4,311)
Net cash provided by (used in) operating activities	8,241	13,811
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,027)	(947)
Proceeds from withdrawal of time deposits	908	697
Purchase of property, plant and equipment	(3,557)	(4,014)
Proceeds from sales of property, plant and equipment	26	431
Purchase of intangible assets	(804)	(999)
Purchase of investment securities	(585)	(126)
Proceeds from sales and redemption of investment securities	1,892	1,423
Other, net	135	87
Net cash provided by (used in) investing activities	(3,011)	(3,448)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,466	(2,459)
Proceeds from long-term loans payable	1,000	–
Repayment of long-term loans payable	(1,408)	(388)
Proceeds from issuance of bonds	–	5,000
Purchase of treasury stock	(1)	(0)
Cash dividends paid	(2,902)	(3,097)
Other, net	(315)	(541)
Net cash provided by (used in) financing activities	(1,161)	(1,487)
Effect of exchange rate change on cash and cash equivalents	(99)	(142)
Net increase (decrease) in cash and cash equivalents	3,969	8,732
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	30,091	34,866

(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

Third quarter of FY ended March 2019 (from April 1, 2018 to December 31, 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	92,015	72,419	164,434	14,178	178,613	—	178,613
Internal sales or transfers between segments	—	—	—	—	—	—	—
Total	92,015	72,419	164,434	14,178	178,613	—	178,613
Segment income	4,442	942	5,384	1,220	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, 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.

Third quarter of FY ending March 2020 (from April 1, 2019 to December 31, 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	91,008	72,028	163,037	14,362	177,400	–	177,400
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	91,008	72,028	163,037	14,362	177,400	–	177,400
Segment income	3,265	1,516	4,782	1,068	5,850	–	5,850

- 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 ¥10 million, ¥3 million, and ¥14 million, respectively.