

Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024 [Japanese GAAP]



April 11, 2024

Company name: Halows Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2742

URL: <https://www.halows.com/en/>

Representative: Toshiyuki Sato, President and Chief Executive Officer

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Scheduled date of general shareholders' meeting: May 23, 2024

Scheduled date of commencing dividend payments: May 24, 2024

Scheduled date of filing securities report: May 24, 2024

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 – February 29, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended February 29, 2024	195,444	12.3	10,870	20.1	10,896	19.2	8,589	38.5
February 28, 2023	174,107	6.6	9,052	4.2	9,141	4.9	6,201	4.5

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended February 29, 2024	402.12	400.49	14.7	10.7	5.7
February 28, 2023	290.27	289.55	11.9	9.8	5.4

(Reference) Equity in earnings of affiliated companies:

Fiscal year ended February 29, 2024: ¥— million

Fiscal year ended February 28, 2023: ¥— million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 29, 2024	104,284	62,514	59.7	2,916.65
As of February 28, 2023	99,148	54,806	55.1	2,557.36

(Reference) Equity: As of February 29, 2024: ¥62,297 million

As of February 28, 2023: ¥54,642 million

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended February 29, 2024	13,154	(7,249)	(5,603)	18,139
February 28, 2023	10,619	(11,519)	4,075	17,837

2. Dividends

	Annual dividends per share					Total dividends	Payout ratio	Ratio of dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended February 28, 2023	-	20.00	-	22.00	42.00	897	14.5	1.7
Fiscal year ended February 29, 2024	-	20.00	-	26.00	46.00	982	11.4	1.7
Fiscal year ending February 28, 2025 (Forecast)	-	26.00	-	26.00	52.00		15.0	

(Note 1) The year-end dividend for the fiscal year ended February 28, 2023 is ¥22 per share, consisting of an ordinary dividend of ¥20 per share and a commemorative dividend of ¥2 per share for achieving 100 stores.

(Note 2) The year-end dividend for the fiscal year ended February 29, 2024 is ¥26 per share, consisting of an ordinary dividend of ¥24 per share and a commemorative dividend of ¥2 per share for the 65th anniversary of the foundation.

3. Non-consolidated Financial Results Forecasts for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)

(% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	99,196	3.9	5,270	4.5	5,250	4.2	3,560	3.6	166.67
Full year	201,755	3.2	10,960	0.8	10,950	0.5	7,420	(13.6)	347.38

***Notes:**

- (1) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (2) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the year (including treasury shares):

As of February 29, 2024:	21,431,400
As of February 28, 2023:	21,423,900
 - 2) Total number of treasury shares at the end of the year:

As of February 29, 2024:	72,275
As of February 28, 2023:	57,255
 - 3) Average number of shares during the year:

Year ended February 29, 2024:	21,359,919
Year ended February 28, 2023:	21,365,397

*These non-consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

***Explanation of the proper use of financial results forecasts and other notes**

- The financial results forecasts and other forward-looking statements contained in this document are based on the information available to the Company and certain assumptions deemed to be reasonable as of the date of publication of this document, and actual results may differ significantly due to various factors. For the assumptions that the financial results forecasts are based on and cautionary notes on the use of the forecasts, please see “Future Outlook” on page 3 of the attached documents (available in Japanese only).
- The Company plans to hold a financial results briefing session for institutional investors and analysts on April 19, 2024. Materials for the session will be posted on the Company’s website immediately after the session.

3. Non-consolidated Financial Statements and Principal Notes

(1) Non-consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	16,705	17,127
Accounts receivable - trade	1,113	1,514
Merchandise	3,785	4,344
Supplies	5	5
Prepaid expenses	552	555
Accounts receivable - other	244	241
Deposits paid	1,132	1,011
Other	213	242
Allowance for doubtful accounts	(6)	(8)
Total current assets	23,747	25,034
Non-current assets		
Property, plant and equipment		
Buildings	47,440	54,962
Accumulated depreciation	(17,961)	(19,770)
Buildings, net	29,478	35,192
Structures	10,494	11,327
Accumulated depreciation	(5,855)	(6,394)
Structures, net	4,638	4,932
Machinery and equipment	2,165	2,496
Accumulated depreciation	(1,495)	(1,674)
Machinery and equipment, net	669	822
Tools, furniture and fixtures	6,967	8,175
Accumulated depreciation	(5,234)	(5,897)
Tools, furniture and fixtures, net	1,733	2,278
Land	19,973	21,877
Leased assets	2,823	2,528
Accumulated depreciation	(1,577)	(1,424)
Leased assets, net	1,246	1,104
Construction in progress	6,152	1,116
Total property, plant and equipment	63,891	67,323
Intangible assets		
Software	489	869
Right to use facilities	43	41
Other	5	5
Total intangible assets	539	916

(Million yen)

	As of February 28, 2023	As of February 29, 2024
Investments and other assets		
Investment securities	2	2
Shares of subsidiaries and associates	50	50
Investments in capital	0	0
Long-term prepaid expenses	4,716	4,506
Deferred tax assets	1,908	2,169
Leasehold and guarantee deposits	2,837	2,940
Construction assistance fund receivables	1,393	1,275
Other	60	64
Total investments and other assets	10,969	11,010
Total non-current assets	75,400	79,250
Total assets	99,148	104,284
Liabilities		
Current liabilities		
Accounts payable - trade	9,485	10,685
Current portion of long-term borrowings	4,153	3,880
Lease liabilities	473	418
Accounts payable - other	1,491	1,729
Accrued expenses	1,407	1,573
Income taxes payable	1,764	1,628
Accrued consumption taxes	398	141
Deposits received	207	241
Unearned revenue	353	403
Contract liabilities	2,858	3,145
Other	292	178
Total current liabilities	22,886	24,027
Non-current liabilities		
Long-term borrowings	14,057	10,176
Lease liabilities	754	665
Provision for retirement benefits	805	850
Asset retirement obligations	1,574	1,686
Deposits for construction assistance fund receivables	938	902
Long-term leasehold and guarantee deposits received	2,101	2,224
Long-term unearned revenue	934	955
Other	288	281
Total non-current liabilities	21,454	17,742
Total liabilities	44,341	41,770

(Million yen)

	As of February 28, 2023	As of February 29, 2024
Net assets		
Shareholders' equity		
Share capital	5,430	5,444
Capital surplus		
Legal capital surplus	5,373	5,387
Other capital surplus	9	9
Total capital surplus	5,383	5,396
Retained earnings		
Legal retained earnings	16	16
Other retained earnings		
Reserve for tax purpose reduction entry	194	464
General reserve	30,722	35,022
Retained earnings brought forward	12,997	16,119
Total retained earnings	43,930	51,622
Treasury shares	(102)	(166)
Total shareholders' equity	54,641	62,295
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	1
Total valuation and translation adjustments	0	1
Share acquisition rights	164	217
Total net assets	54,806	62,514
Total liabilities and net assets	99,148	104,284

(2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Net sales	168,819	189,932
Cost of sales		
Beginning merchandise inventory	3,339	3,785
Cost of purchased goods	126,552	141,653
Total	129,891	145,438
Ending merchandise inventory	3,785	4,344
Total cost of sales	126,106	141,094
Gross profit	42,713	48,837
Operating revenue		
Lease revenue	3,919	4,100
Other operating revenue	1,368	1,412
Total operating revenue	5,287	5,512
Operating gross profit	48,001	54,350
Selling, general and administrative expenses		
Advertising expenses	1,304	1,378
Supplies expenses	1,627	1,839
Salaries and bonuses	15,388	17,272
Share-based payment expenses	55	57
Retirement benefit expenses	81	72
Legal and other welfare expenses	1,961	2,173
Rent expenses on land and buildings	4,815	5,025
Rent expenses	181	236
Utilities expenses	3,934	4,087
Repair expenses	707	1,194
Depreciation	3,693	4,259
Taxes and dues	1,154	1,175
Other	4,042	4,707
Total selling, general and administrative expenses	38,948	43,479
Operating profit	9,052	10,870
Non-operating income		
Interest income	23	22
Purchase discounts	23	24
Insurance claim income	22	35
Income from logistics management	17	17
Income from contribution to facilities	47	-
Other	65	65
Total non-operating income	200	165
Non-operating expenses		
Interest expenses	99	128
Other	11	11
Total non-operating expenses	111	139
Ordinary profit	9,141	10,896

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Extraordinary income		
Gain on sale of non-current assets	1	5
Gain on receipt of donated non-current assets	-	11
Subsidy income	-	420
Gain on cancellation of leasehold contracts	1	11
Total extraordinary income	3	449
Extraordinary losses		
Loss on sale of non-current assets	6	0
Loss on retirement of non-current assets	6	26
Total extraordinary losses	12	27
Profit before income taxes	9,131	11,318
Income taxes - current	3,061	2,990
Income taxes - deferred	(131)	(260)
Total income taxes	2,929	2,729
Profit	6,201	8,589

(3) Non-consolidated Statements of Changes in Equity
Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	5,430	5,373	6	5,379	16	199	26,522	11,841	38,579
Cumulative effects of changes in accounting policies								3	3
Restated balance	5,430	5,373	6	5,379	16	199	26,522	11,845	38,583
Changes during period									
Issuance of new shares - exercise of share acquisition rights									
Dividends of surplus								(854)	(854)
Profit								6,201	6,201
Provision of reserve for tax purpose reduction entry									
Reversal of reserve for tax purpose reduction entry						(5)		5	-
Provision of general reserve							4,200	(4,200)	-
Purchase of treasury shares									
Disposal of treasury shares			3	3					
Net changes in items other than shareholders' equity									
Total changes during period	-	-	3	3	-	(5)	4,200	1,152	5,347
Balance at end of period	5,430	5,373	9	5,383	16	194	30,722	12,997	43,930

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(111)	49,278	0	0	121	49,400
Cumulative effects of changes in accounting policies		3				3
Restated balance	(111)	49,282	0	0	121	49,404
Changes during period						
Issuance of new shares - exercise of share acquisition rights		-				-
Dividends of surplus		(854)				(854)
Profit		6,201				6,201
Provision of reserve for tax purpose reduction entry		-				-
Reversal of reserve for tax purpose reduction entry		-				-
Provision of general reserve		-				-
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	9	12				12
Net changes in items other than shareholders' equity			0	0	43	43
Total changes during period	8	5,359	0	0	43	5,402
Balance at end of period	(102)	54,641	0	0	164	54,806

Fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	5,430	5,373	9	5,383	16	194	30,722	12,997	43,930
Changes during period									
Issuance of new shares - exercise of share acquisition rights	13	13		13					
Dividends of surplus								(897)	(897)
Profit								8,589	8,589
Provision of reserve for tax purpose reduction entry						291		(291)	-
Reversal of reserve for tax purpose reduction entry						(21)		21	-
Provision of general reserve							4,300	(4,300)	-
Purchase of treasury shares									
Disposal of treasury shares									
Net changes in items other than shareholders' equity									
Total changes during period	13	13	-	13	-	269	4,300	3,121	7,691
Balance at end of period	5,444	5,387	9	5,396	16	464	35,022	16,119	51,622

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(102)	54,641	0	0	164	54,806
Changes during period						
Issuance of new shares - exercise of share acquisition rights		26				26
Dividends of surplus		(897)				(897)
Profit		8,589				8,589
Provision of reserve for tax purpose reduction entry		-				-
Reversal of reserve for tax purpose reduction entry		-				-
Provision of general reserve		-				-
Purchase of treasury shares	(64)	(64)				(64)
Disposal of treasury shares		-				-
Net changes in items other than shareholders' equity			0	0	53	53
Total changes during period	(64)	7,654	0	0	53	7,707
Balance at end of period	(166)	62,295	1	1	217	62,514

(4) Non-consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	9,131	11,318
Depreciation	3,693	4,259
Increase (decrease) in allowance for doubtful accounts	1	1
Increase (decrease) in provision for retirement benefits	56	45
Interest and dividend income	(23)	(22)
Interest expenses	99	128
Loss (gain) on sale of non-current assets	4	(5)
Gain on receipt of donated non-current assets	-	(11)
Loss on retirement of non-current assets	6	26
Subsidy income	-	(420)
Decrease (increase) in trade receivables	(421)	(401)
Decrease (increase) in inventories	(446)	(558)
Increase (decrease) in trade payables	869	1,199
Increase (decrease) in contract liabilities	242	286
Increase (decrease) in accrued consumption taxes	(78)	(257)
Increase (decrease) in deposits for construction assistance fund receivables	(70)	(28)
Increase (decrease) in leasehold and guarantee deposits received	72	123
Other, net	771	724
Subtotal	13,908	16,408
Interest and dividends received	0	0
Interest paid	(87)	(110)
Income taxes paid	(3,202)	(3,143)
Net cash provided by (used in) operating activities	10,619	13,154
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,795)	(6,801)
Proceeds from sale of property, plant and equipment	54	10
Purchase of intangible assets	(386)	(607)
Purchase of long-term prepaid expenses	(280)	(259)
Subsidies received	-	420
Proceeds from refund of leasehold and guarantee deposits	49	21
Payments of leasehold and guarantee deposits	(114)	(174)
Proceeds from collection of construction assistance fund receivables	136	141
Payments of construction assistance fund receivables	(183)	-
Net cash provided by (used in) investing activities	(11,519)	(7,249)
Cash flows from financing activities		
Proceeds from long-term borrowings	9,150	-
Repayments of long-term borrowings	(3,659)	(4,153)
Proceeds from issuance of shares	-	22
Repayments of lease liabilities	(561)	(511)
Dividends paid	(854)	(897)
Other, net	(0)	(64)
Net cash provided by (used in) financing activities	4,075	(5,603)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	3,174	301
Cash and cash equivalents at beginning of period	14,663	17,837
Cash and cash equivalents at end of period	17,837	18,139