

Non-consolidated Financial Results for the Six Months Ended August 31, 2021 [Japanese GAAP]



September 28, 2021

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

Contact: Hidenori Hanaoka, Senior Managing Director and General Manager of Administrative Groups

Phone: +81-86-483-1011

Scheduled date of filing quarterly securities report: October 12, 2021

Scheduled date of commencing dividend payments: November 5, 2021

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly 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 Six Months Ended August 31, 2021 (March 1, 2021 – August 31, 2021)

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

	Operating income*		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
August 31, 2021	80,880	5.5	4,020	3.7	4,022	4.1	2,728	1.6
August 31, 2020	76,651	15.5	3,874	55.9	3,864	56.4	2,686	61.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
August 31, 2021	127.77	127.45
August 31, 2020	135.76	135.41

* Operating income is the sum of net sales and operating revenue.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2021	85,497	46,571	54.3
As of February 28, 2021	90,845	44,217	48.5

(Reference) Equity: As of August 31, 2021: ¥46,459 million

As of February 28, 2021: ¥44,087 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2021	–	16.00	–	18.00	34.00
Fiscal year ending February 28, 2022	–	18.00			
Fiscal year ending February 28, 2022 (Forecast)			–	18.00	36.00

(Note 1) Revision to the forecast for dividends announced most recently: None

(Note 2) The year-end dividend of 18 yen for the fiscal year ended February 28, 2021 includes a commemorative dividend of 2 yen for achieving operating income of 150 billion yen.

3. Non-consolidated Financial Results Forecasts for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(% 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
Full year	156,800	3.2	7,330	(3.6)	7,300	(3.7)	4,920	(10.5)	230.39

(Note) Revision to the financial results forecasts announced most recently: None

*** Notes:**

- (1) Accounting methods adopted particularly for the preparation of quarterly non-consolidated financial statements:
Yes
(Note) For details, please see “2. Quarterly Non-consolidated Financial Statements and Principal Notes (4) Notes to Quarterly Non-consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly non-consolidated financial statements)” on page 7 of the attached documents (available in Japanese only).
- (2) 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
- (3) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of August 31, 2021:	21,423,900 shares
As of February 28, 2021:	21,423,900 shares
 - 2) Total number of treasury shares at the end of the period:

As of August 31, 2021:	62,317 shares
As of February 28, 2021:	74,617 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended August 31, 2021:	21,355,366 shares
Six months ended August 31, 2020:	19,790,045 shares

* These quarterly non-consolidated financial results are outside the scope of quarterly review 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 “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Non-consolidated Financial Results Forecasts and Other Forward-looking Information” on page 2 of the attached documents (available in Japanese only).
- The Company plans to hold a financial results briefing session for institutional investors and analysts on October 7, 2021. Materials for the session will be posted on the Company’s website immediately after the session.

2. Quarterly Non-consolidated Financial Statements and Principal Notes
(1) Quarterly Non-consolidated Balance Sheets

(Million yen)

	As of February 28, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	21,568	14,085
Accounts receivable - trade	544	825
Merchandise	3,185	3,321
Supplies	4	4
Other	2,567	2,262
Allowance for doubtful accounts	(3)	(3)
Total current assets	27,866	20,494
Non-current assets		
Property, plant and equipment		
Buildings and structures	49,567	51,992
Accumulated depreciation	(19,922)	(20,850)
Buildings and structures, net	29,645	31,141
Land	17,247	17,647
Other	12,359	12,969
Accumulated depreciation	(7,458)	(7,823)
Other, net	4,901	5,145
Total property, plant and equipment	51,795	53,934
Intangible assets		
Other	389	341
Total intangible assets	389	341
Investments and other assets		
Leasehold and guarantee deposits	2,743	2,733
Construction assistance fund receivables	1,478	1,419
Long-term prepaid expenses	4,833	4,831
Other	1,739	1,741
Total investments and other assets	10,794	10,726
Total non-current assets	62,978	65,002
Total assets	90,845	85,497

(Million yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	14,868	10,011
Current portion of long-term borrowings	3,622	3,463
Lease obligations	612	559
Accounts payable - other	2,077	1,079
Accrued expenses	1,403	1,616
Advances received	1,694	1,720
Income taxes payable	1,663	1,418
Provision for point card certificates	570	601
Other	1,266	1,107
Total current liabilities	27,779	21,578
Non-current liabilities		
Long-term borrowings	11,718	10,041
Lease obligations	935	878
Provision for retirement benefits	704	725
Asset retirement obligations	1,408	1,458
Deposits for construction assistance fund receivables	953	1,015
Long-term leasehold and guarantee deposits received	1,872	1,981
Long-term unearned revenue	928	937
Other	328	308
Total non-current liabilities	18,849	17,347
Total liabilities	46,628	38,925
Net assets		
Shareholders' equity		
Share capital	5,430	5,430
Capital surplus	5,374	5,379
Retained earnings	33,415	35,759
Treasury shares	(133)	(111)
Total shareholders' equity	44,086	46,458
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Share acquisition rights	129	111
Total net assets	44,217	46,571
Total liabilities and net assets	90,845	85,497

(2) Quarterly Non-consolidated Statements of Income
Six Months Ended August 31

(Million yen)

	For the six months ended August 31, 2020	For the six months ended August 31, 2021
Net sales	74,897	78,851
Cost of sales	56,003	59,137
Gross profit	18,894	19,714
Operating revenue	1,754	2,028
Operating gross profit	20,648	21,743
Selling, general and administrative expenses		
Advertising expenses	411	482
Supplies expenses	767	778
Salaries and bonuses	7,219	7,446
Share-based remuneration expenses	10	10
Retirement benefit expenses	32	34
Legal and other welfare expenses	882	942
Rent expenses on land and buildings	2,055	2,218
Rent expenses	134	112
Utilities expenses	1,220	1,271
Repair expenses	366	327
Depreciation	1,554	1,719
Taxes and dues	419	510
Other	1,700	1,868
Total selling, general and administrative expenses	16,773	17,723
Operating profit	3,874	4,020
Non-operating income		
Interest income	12	11
Purchase discounts	17	13
Other	27	37
Total non-operating income	56	62
Non-operating expenses		
Interest expenses	62	55
Other	5	4
Total non-operating expenses	67	59
Ordinary profit	3,864	4,022
Extraordinary income		
Gain on sales of non-current assets	6	-
Gain on donation of non-current assets	5	0
Gain on cancellation of leasehold contracts	4	1
Compensation for expropriation	151	-
Total extraordinary income	168	1
Extraordinary losses		
Loss on retirement of non-current assets	43	6
Differences between the asset retirement liability balance and the actual retirement	3	-
Total extraordinary losses	46	6
Profit before income taxes	3,986	4,018
Income taxes	1,299	1,289
Profit	2,686	2,728

(3) Quarterly Non-consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2020	For the six months ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	3,986	4,018
Depreciation	1,554	1,719
Increase (decrease) in provision for retirement benefits	18	20
Increase (decrease) in provision for point card certificates	76	30
Interest and dividend income	(12)	(11)
Interest expenses	62	55
Loss (gain) on sales of non-current assets	(6)	-
Loss on retirement of non-current assets	43	6
Compensation for expropriation	(151)	-
Decrease (increase) in trade receivables	(196)	(280)
Decrease (increase) in inventories	(4)	(135)
Increase (decrease) in trade payables	(4,436)	(4,856)
Increase (decrease) in deposits for construction assistance fund receivables	(41)	60
Increase (decrease) in leasehold and guarantee deposits received	48	108
Other, net	507	(420)
Subtotal	1,447	313
Interest and dividends received	0	0
Interest paid	(52)	(46)
Proceeds from compensation for expropriation	58	-
Income taxes paid	(1,008)	(1,502)
Net cash provided by (used in) operating activities	445	(1,234)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,399)	(3,955)
Proceeds from sales of property, plant and equipment	40	-
Purchase of intangible assets	(130)	(31)
Purchase of long-term prepaid expenses	(420)	(187)
Proceeds from refund of leasehold and guarantee deposits	23	70
Payments of leasehold and guarantee deposits	(205)	(61)
Proceeds from collection of construction assistance fund receivables	70	67
Payments of construction assistance fund receivables	(22)	-
Other, net	(3)	-
Net cash provided by (used in) investing activities	(3,048)	(4,097)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,730	-
Repayments of long-term borrowings	(1,759)	(1,834)
Repayments of lease obligations	(343)	(342)
Dividends paid	(278)	(383)
Other, net	3	0
Net cash provided by (used in) financing activities	(648)	(2,561)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(3,252)	(7,892)
Cash and cash equivalents at beginning of period	14,535	23,249
Cash and cash equivalents at end of period	11,283	15,356