

Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2022 [Japanese GAAP]



April 12, 2022

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 26, 2022

Scheduled date of commencing dividend payments: May 27, 2022

Scheduled date of filing securities report: May 27, 2022

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 28, 2022 (March 1, 2021 – February 28, 2022)

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

	Operating income*		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2022	163,374	7.5	8,688	14.3	8,713	14.9	5,932	7.9
February 28, 2021	151,943	12.8	7,604	43.7	7,582	42.7	5,498	55.1

	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
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2022	277.77	277.08	12.7	9.8	5.5
February 28, 2021	276.84	276.08	14.0	9.0	5.1

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

(Reference) Equity in earnings of affiliated companies:

Fiscal year ended February 28, 2022: ¥— million

Fiscal year ended February 28, 2021: ¥— million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2022	87,266	49,400	56.5	2,306.90
As of February 28, 2021	90,845	44,217	48.5	2,065.07

(Reference) Equity: As of February 28, 2022: ¥49,279 million

As of February 28, 2021: ¥44,087 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
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 28, 2022	3,280	(7,819)	(4,047)	14,663
February 28, 2021	11,589	(7,560)	4,684	23,249

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, 2021	-	16.00	-	18.00	34.00	700	12.3	1.8
Fiscal year ended February 28, 2022	-	18.00	-	20.00	38.00	811	13.7	1.7
Fiscal year ending February 28, 2023 (Forecast)	-	20.00	-	20.00	40.00		14.4	

(Note) 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, 2023 (March 1, 2022 – February 28, 2023)

(% 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	82,810	-	4,340	-	4,330	-	2,940	-	137.65
Full year	166,000	-	8,700	-	8,750	-	5,940	-	278.11

(Note) “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. will be applied from the beginning of the fiscal year ending February 28, 2023. Accordingly, the above forecasts are based on the amounts after the application of the said standard, etc., and the percentage of changes from the previous corresponding period is not presented.

***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 28, 2022:	21,423,900
As of February 28, 2021:	21,423,900
 - 2) Total number of treasury shares at the end of the year:

As of February 28, 2022:	62,317
As of February 28, 2021:	74,617
 - 3) Average number of shares during the year:

Year ended February 28, 2022:	21,358,449
Year ended February 28, 2021:	19,861,828

*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.
- The Company plans to hold a financial results briefing session for institutional investors and analysts on April 14, 2022. 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, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	21,568	13,396
Accounts receivable - trade	544	691
Merchandise	3,185	3,339
Supplies	4	4
Prepaid expenses	463	505
Accounts receivable - other	216	217
Deposits paid	1,681	1,267
Other	205	210
Allowance for doubtful accounts	(3)	(4)
Total current assets	27,866	19,627
Non-current assets		
Property, plant and equipment		
Buildings	40,941	44,445
Accumulated depreciation	(14,976)	(16,441)
Buildings, net	25,965	28,003
Structures	8,626	9,625
Accumulated depreciation	(4,946)	(5,385)
Structures, net	3,680	4,240
Machinery and equipment	1,772	1,938
Accumulated depreciation	(1,242)	(1,363)
Machinery and equipment, net	530	574
Tools, furniture and fixtures	5,471	6,050
Accumulated depreciation	(4,155)	(4,622)
Tools, furniture and fixtures, net	1,315	1,428
Land	17,247	18,382
Leased assets	3,602	3,270
Accumulated depreciation	(2,059)	(1,888)
Leased assets, net	1,543	1,381
Construction in progress	1,513	2,489
Total property, plant and equipment	51,795	56,500
Intangible assets		
Software	327	251
Right to use facilities	46	43
Leased assets	9	-
Other	5	5
Total intangible assets	389	301

(Million yen)

	As of February 28, 2021	As of February 28, 2022
Investments and other assets		
Investment securities	2	2
Shares of subsidiaries and associates	50	50
Investments in capital	0	0
Long-term prepaid expenses	4,833	4,856
Deferred tax assets	1,634	1,778
Leasehold and guarantee deposits	2,743	2,728
Construction assistance fund receivables	1,478	1,364
Other	52	55
Total investments and other assets	10,794	10,836
Total non-current assets	62,978	67,638
Total assets	90,845	87,266
Liabilities		
Current liabilities		
Accounts payable - trade	14,868	8,615
Current portion of long-term borrowings	3,622	3,289
Lease obligations	612	520
Accounts payable - other	2,077	1,563
Accrued expenses	1,403	1,297
Income taxes payable	1,663	1,910
Accrued consumption taxes	382	477
Deposits received	294	187
Advances received	1,694	2,017
Unearned revenue	303	336
Provision for point card certificates	570	598
Other	286	295
Total current liabilities	27,779	21,109
Non-current liabilities		
Long-term borrowings	11,718	9,431
Lease obligations	935	847
Provision for retirement benefits	704	748
Asset retirement obligations	1,408	1,497
Deposits for construction assistance fund receivables	953	991
Long-term leasehold and guarantee deposits received	1,872	2,029
Long-term unearned revenue	928	902
Other	328	308
Total non-current liabilities	18,849	16,756
Total liabilities	46,628	37,865

(Million yen)

	As of February 28, 2021	As of February 28, 2022
Net assets		
Shareholders' equity		
Share capital	5,430	5,430
Capital surplus		
Legal capital surplus	5,373	5,373
Other capital surplus	0	6
Total capital surplus	5,374	5,379
Retained earnings		
Legal retained earnings	16	16
Other retained earnings		
Reserve for tax purpose reduction entry	215	199
General reserve	22,722	26,522
Retained earnings brought forward	10,461	11,841
Total retained earnings	33,415	38,579
Treasury shares	(133)	(111)
Total shareholders' equity	44,086	49,278
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Share acquisition rights	129	121
Total net assets	44,217	49,400
Total liabilities and net assets	90,845	87,266

(2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Net sales	148,257	159,147
Cost of sales		
Beginning merchandise inventory	3,157	3,185
Cost of purchased goods	110,616	119,132
Total	113,773	122,318
Ending merchandise inventory	3,185	3,339
Total cost of sales	110,587	118,978
Gross profit	37,670	40,168
Operating revenue		
Lease revenue	3,311	3,664
Other operating revenue	373	562
Total operating revenue	3,685	4,226
Operating gross profit	41,355	44,395
Selling, general and administrative expenses		
Advertising expenses	909	958
Supplies expenses	1,599	1,542
Salaries and bonuses	14,224	14,808
Share-based payment expenses	21	19
Retirement benefit expenses	65	69
Legal and other welfare expenses	1,735	1,861
Rent expenses on land and buildings	4,151	4,521
Rent expenses	268	218
Utilities expenses	2,358	2,685
Repair expenses	800	689
Depreciation	3,246	3,529
Taxes and dues	954	1,044
Other	3,415	3,758
Total selling, general and administrative expenses	33,751	35,706
Operating profit	7,604	8,688
Non-operating income		
Interest income	24	22
Purchase discounts	34	25
Income from logistics management	15	16
Other	60	71
Total non-operating income	134	135
Non-operating expenses		
Interest expenses	120	103
Share issuance costs	28	-
Other	6	6
Total non-operating expenses	155	110
Ordinary profit	7,582	8,713

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Extraordinary income		
Gain on sale of non-current assets	8	0
Gain on receipt of donated non-current assets	5	0
Gain on cancellation of leasehold contracts	5	1
Compensation for expropriation	151	-
Total extraordinary income	169	2
Extraordinary losses		
Loss on sale of non-current assets	0	-
Loss on retirement of non-current assets	60	10
Differences between the asset retirement liability balance and the actual retirement	3	-
Total extraordinary losses	63	10
Profit before income taxes	7,689	8,705
Income taxes - current	2,369	2,916
Income taxes - deferred	(179)	(144)
Total income taxes	2,190	2,772
Profit	5,498	5,932

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

(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		Other retained earnings			
						Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	3,114	3,057	1	3,058	16	141	20,422	7,930	28,510
Changes during period									
Issuance of new shares	2,316	2,316		2,316					
Dividends of surplus								(593)	(593)
Profit								5,498	5,498
Provision of reserve for tax purpose reduction entry						80		(80)	-
Reversal of reserve for tax purpose reduction entry						(6)		6	-
Provision of general reserve							2,300	(2,300)	-
Purchase of treasury shares									
Disposal of treasury shares			(0)	(0)					
Net changes in items other than shareholders' equity									
Total changes during period	2,316	2,316	(0)	2,315	-	74	2,300	2,530	4,904
Balance at end of period	5,430	5,373	0	5,374	16	215	22,722	10,461	33,415

	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	(137)	34,544	0	0	108	34,653
Changes during period						
Issuance of new shares		4,632				4,632
Dividends of surplus		(593)				(593)
Profit		5,498				5,498
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	5	4				4
Net changes in items other than shareholders' equity			0	0	20	21
Total changes during period	4	9,541	0	0	20	9,563
Balance at end of period	(133)	44,086	0	0	129	44,217

Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(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	0	5,374	16	215	22,722	10,461	33,415
Changes during period									
Issuance of new shares									
Dividends of surplus								(768)	(768)
Profit								5,932	5,932
Provision of reserve for tax purpose reduction entry									-
Reversal of reserve for tax purpose reduction entry						(15)		15	-
Provision of general reserve							3,800	(3,800)	-
Purchase of treasury shares									
Disposal of treasury shares			5	5					
Net changes in items other than shareholders' equity									
Total changes during period	-	-	5	5	-	(15)	3,800	1,379	5,163
Balance at end of period	5,430	5,373	6	5,379	16	199	26,522	11,841	38,579

	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	(133)	44,086	0	0	129	44,217
Changes during period						
Issuance of new shares		-				-
Dividends of surplus		(768)				(768)
Profit		5,932				5,932
Provision of reserve for tax purpose reduction entry		-				-
Reversal of reserve for tax purpose reduction entry		-				-
Provision of general reserve		-				-
Purchase of treasury shares		-				-
Disposal of treasury shares	21	27				27
Net changes in items other than shareholders' equity			(0)	(0)	(8)	(8)
Total changes during period	21	5,191	(0)	(0)	(8)	5,183
Balance at end of period	(111)	49,278	0	0	121	49,400

(4) Non-consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Cash flows from operating activities		
Profit before income taxes	7,689	8,705
Depreciation	3,246	3,529
Share issuance costs	28	-
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for retirement benefits	49	44
Increase (decrease) in provision for point card certificates	76	27
Interest and dividend income	(24)	(22)
Interest expenses	120	103
Loss (gain) on sale of non-current assets	(7)	(0)
Loss on retirement of non-current assets	60	10
Compensation for expropriation	(151)	-
Decrease (increase) in trade receivables	(89)	(147)
Decrease (increase) in inventories	(30)	(153)
Increase (decrease) in trade payables	1,142	(6,252)
Increase (decrease) in accrued consumption taxes	61	94
Increase (decrease) in deposits for construction assistance fund receivables	(87)	34
Increase (decrease) in leasehold and guarantee deposits received	89	156
Other, net	1,333	(85)
Subtotal	13,507	6,045
Interest and dividends received	0	0
Interest paid	(101)	(85)
Proceeds from compensation for expropriation	58	-
Income taxes paid	(1,874)	(2,678)
Net cash provided by (used in) operating activities	11,589	3,280
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,390)	(7,609)
Proceeds from sale of property, plant and equipment	52	15
Purchase of intangible assets	(202)	(56)
Purchase of long-term prepaid expenses	(785)	(318)
Proceeds from refund of leasehold and guarantee deposits	23	149
Payments of leasehold and guarantee deposits	(346)	(135)
Proceeds from collection of construction assistance fund receivables	137	134
Payments of construction assistance fund receivables	(45)	-
Other, net	(3)	-
Net cash provided by (used in) investing activities	(7,560)	(7,819)

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	4,920	1,010
Repayments of long-term borrowings	(3,570)	(3,629)
Proceeds from issuance of shares	4,604	-
Repayments of lease obligations	(678)	(660)
Dividends paid	(595)	(767)
Other, net	3	0
Net cash provided by (used in) financing activities	4,684	(4,047)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	8,713	(8,586)
Cash and cash equivalents at beginning of period	14,535	23,249
Cash and cash equivalents at end of period	23,249	14,663