

Non-consolidated Financial Results for the Six Months Ended August 31, 2022 [Japanese GAAP]



September 28, 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 filing quarterly securities report: October 11, 2022

Scheduled date of commencing dividend payments: November 2, 2022

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, 2022 (March 1, 2022 – August 31, 2022)

(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, 2022	85,216	5.4	4,330	7.7	4,338	7.9	2,955	8.3
August 31, 2021	80,880	5.5	4,020	3.7	4,022	4.1	2,728	1.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
August 31, 2022	138.35	138.01
August 31, 2021	127.77	127.45

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

(Note) “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the fiscal year under review. Accordingly, each figure for the six months ended August 31, 2022 is based on the amount after the application of the said standard, etc. The percentage of changes from the previous corresponding period is calculated by comparing the results for the fiscal year ended February 28, 2022, before the application of the said standard, etc.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2022	92,953	51,960	55.8
As of February 28, 2022	87,266	49,400	56.5

(Reference) Equity: As of August 31, 2022: ¥51,823 million

As of February 28, 2022: ¥49,279 million

(Note) “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the fiscal year under review. Accordingly, each figure for the six months ended August 31, 2022 is based on the amount after the application of the said standard, etc.

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, 2022	–	18.00	–	20.00	38.00
Fiscal year ending February 28, 2023	–	20.00			
Fiscal year ending February 28, 2023 (Forecast)			–	20.00	40.00

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

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
Full year	166,000	1.6	8,700	0.1	8,750	0.4	5,940	0.1	278.04

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

(Note) “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the fiscal year under review. Accordingly, the forecasts for the fiscal year ending February 28, 2023 are based on the amounts after the application of the said standard, etc., and the percentage of changes from the previous corresponding period is calculated by comparing the results for the fiscal year ended February 28, 2022, before the application of the said standard, etc.

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

As of August 31, 2022:	57,217 shares
As of February 28, 2022:	62,317 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended August 31, 2022:	21,364,133 shares
Six months ended August 31, 2021:	21,355,366 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 6, 2022. 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, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	13,396	15,150
Accounts receivable - trade	691	940
Merchandise	3,339	3,582
Supplies	4	4
Other	2,200	1,997
Allowance for doubtful accounts	(4)	(4)
Total current assets	19,627	21,670
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,070	55,597
Accumulated depreciation	(21,827)	(22,789)
Buildings and structures, net	32,243	32,808
Land	18,382	18,737
Other	13,748	16,353
Accumulated depreciation	(7,874)	(7,969)
Other, net	5,874	8,384
Total property, plant and equipment	56,500	59,930
Intangible assets		
Other	301	461
Total intangible assets	301	461
Investments and other assets		
Leasehold and guarantee deposits	2,728	2,790
Construction assistance fund receivables	1,364	1,485
Long-term prepaid expenses	4,856	4,726
Other	1,887	1,888
Total investments and other assets	10,836	10,890
Total non-current assets	67,638	71,282
Total assets	87,266	92,953

(Million yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	8,615	10,578
Current portion of long-term borrowings	3,289	3,288
Lease obligations	520	487
Accounts payable - other	1,563	2,645
Accrued expenses	1,297	1,555
Advances received	2,017	-
Income taxes payable	1,910	1,532
Provision for point card certificates	598	-
Contract liabilities	-	2,688
Other	1,296	1,170
Total current liabilities	21,109	23,946
Non-current liabilities		
Long-term borrowings	9,431	9,751
Lease obligations	847	765
Provision for retirement benefits	748	773
Asset retirement obligations	1,497	1,544
Deposits for construction assistance fund receivables	991	972
Long-term leasehold and guarantee deposits received	2,029	2,058
Long-term unearned revenue	902	891
Other	308	288
Total non-current liabilities	16,756	17,046
Total liabilities	37,865	40,993
Net assets		
Shareholders' equity		
Share capital	5,430	5,430
Capital surplus	5,379	5,383
Retained earnings	38,579	41,111
Treasury shares	(111)	(102)
Total shareholders' equity	49,278	51,823
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Share acquisition rights	121	136
Total net assets	49,400	51,960
Total liabilities and net assets	87,266	92,953

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

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Net sales	78,851	82,607
Cost of sales	59,137	61,909
Gross profit	19,714	20,697
Operating revenue	2,028	2,609
Operating gross profit	21,743	23,307
Selling, general and administrative expenses		
Advertising expenses	482	611
Supplies expenses	778	831
Salaries and bonuses	7,446	7,567
Share-based payment expenses	10	27
Retirement benefit expenses	34	41
Legal and other welfare expenses	942	984
Rent expenses on land and buildings	2,218	2,390
Rent expenses	112	88
Utilities expenses	1,271	1,759
Repair expenses	327	360
Depreciation	1,719	1,789
Taxes and dues	510	544
Other	1,868	1,981
Total selling, general and administrative expenses	17,723	18,976
Operating profit	4,020	4,330
Non-operating income		
Interest income	11	10
Purchase discounts	13	11
Other	37	36
Total non-operating income	62	58
Non-operating expenses		
Interest expenses	55	47
Other	4	2
Total non-operating expenses	59	49
Ordinary profit	4,022	4,338
Extraordinary income		
Gain on receipt of donated non-current assets	0	-
Gain on cancellation of leasehold contracts	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on retirement of non-current assets	6	5
Total extraordinary losses	6	5
Profit before income taxes	4,018	4,333
Income taxes	1,289	1,378
Profit	2,728	2,955

(3) Quarterly Non-consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,018	4,333
Depreciation	1,719	1,789
Increase (decrease) in provision for retirement benefits	20	24
Increase (decrease) in provision for point card certificates	30	-
Increase (decrease) in contract liabilities	-	72
Interest and dividend income	(11)	(10)
Interest expenses	55	47
Loss on retirement of non-current assets	6	5
Decrease (increase) in trade receivables	(280)	(248)
Decrease (increase) in inventories	(135)	(242)
Increase (decrease) in trade payables	(4,856)	1,962
Increase (decrease) in deposits for construction assistance fund receivables	60	(25)
Increase (decrease) in leasehold and guarantee deposits received	108	29
Other, net	(420)	315
Subtotal	313	8,053
Interest and dividends received	0	0
Interest paid	(46)	(40)
Income taxes paid	(1,502)	(1,741)
Net cash provided by (used in) operating activities	(1,234)	6,271
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,955)	(3,879)
Purchase of intangible assets	(31)	(226)
Purchase of long-term prepaid expenses	(187)	(93)
Proceeds from refund of leasehold and guarantee deposits	70	3
Payments of leasehold and guarantee deposits	(61)	(65)
Proceeds from collection of construction assistance fund receivables	67	67
Payments of construction assistance fund receivables	-	(183)
Net cash provided by (used in) investing activities	(4,097)	(4,378)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	2,150
Repayments of long-term borrowings	(1,834)	(1,830)
Repayments of lease obligations	(342)	(293)
Dividends paid	(383)	(426)
Other, net	0	0
Net cash provided by (used in) financing activities	(2,561)	(400)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(7,892)	1,492
Cash and cash equivalents at beginning of period	23,249	14,663
Cash and cash equivalents at end of period	15,356	16,156