

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Nine Months Ended November 20, 2022 [Japanese GAAP]



December 27, 2022

Company name: OKUWA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8217

URL: <http://www.okuwa.net>

Representative: Hirotugu Okuwa, President and Representative Director

Contact: Kozo Togawa, Director; Managing Executive Officer; General Manager, Administration Headquarters; and
General Manager, IR Office

Phone: +81-73-425-2481

Scheduled date of filing quarterly securities report: December 27, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended November 20, 2022 (February 21, 2022 - November 20, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended November 20, 2022	181,529	–	1,350	(60.6)	1,531	(57.4)	794	(57.5)
November 20, 2021	198,191	(4.5)	3,425	(36.9)	3,595	(35.5)	1,869	(33.4)

(Note) Comprehensive income: Nine months ended November 20, 2022: ¥768 million [(59.6)%]

Nine months ended November 20, 2021: ¥1,899 million [(34.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 20, 2022	18.12	18.12
November 20, 2021	42.63	42.63

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first three months of the consolidated fiscal year under review. Therefore, the figure of operating income for the nine months ended November 20, 2022 shows the amount after the relevant accounting standards are applied, and the change from the previous corresponding period is not described.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 20, 2022	135,555	77,878	57.2
As of February 20, 2022	133,513	78,170	58.3

(Reference) Equity: As of November 20, 2022: ¥77,577 million

As of February 20, 2022: ¥77,876 million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first three months of the consolidated fiscal year under review. Therefore, the figures as of November 20, 2022 show the amounts after the relevant accounting standards are applied.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 20, 2022	—	13.00	—	13.00	26.00
Fiscal year ending February 20, 2023	—	13.00	—		
Fiscal year ending February 20, 2023 (Forecast)				13.00	26.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 20, 2023 (February 21, 2022 - February 20, 2023)

(% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	245,500	—	3,700	(29.3)	3,900	(28.6)	1,100	(27.8)		25.07

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

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first three months of the consolidated fiscal year under review. Therefore, the figures of operating income in the consolidated financial results forecast for the fiscal year ending February 20, 2023 show the amounts after the relevant accounting standards are applied, and the changes from the previous corresponding period are not described.

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
For details, please refer to “(3) Notes to Quarterly Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)” on page 8 of the Attachments to this report.
- (3) 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
- (4) 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):

November 20, 2022:	45,237,297 shares
February 20, 2022:	45,237,297 shares
 - 2) Total number of treasury shares at the end of the period:

November 20, 2022:	1,362,930 shares
February 20, 2022:	1,386,767 shares
 - 3) Average number of shares during the period (cumulative total):

Nine months ended November 20, 2022:	43,865,579 shares
Nine months ended November 20, 2021:	43,846,571 shares

* These 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 forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on certain information available to the Company as of the date of publication of this document and on certain assumptions deemed reasonable. As such, actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions used as the basis for the financial results forecast and notes on the use of the forecast, please refer to “1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments to this report.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.....	3
2. Quarterly Consolidated Financial Statements and Primary Notes.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes on going concern assumption).....	8
(Notes in case of significant changes in shareholders' equity)	8
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	8
(Changes in accounting policies)	8
(Additional information).....	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended November 20, 2022 (February 21, 2022 - November 20, 2022), the Japanese economy began to show signs of recovery as the country sought to maintain a balance between socioeconomic activities and measures to mitigate the spread of COVID-19 including vaccination. Nevertheless, the pandemic has yet to be contained with a resurgence in the number of new cases due to a new variant of the virus. With this, coupled with a series of other developments, including soaring prices of crude oil and other energy resources, as well as raw materials, on the back of worsening international situation, and the yen's rapid depreciation, the future outlook remains uncertain.

The retail industry, too, continues to struggle with the harsh environment, as existing players compete to open new stores and cross-industry competition intensifies, amid a rise in the costs of raw materials, utilities, labor, and so forth.

Against this backdrop, OKUWA Co., Ltd. (the "Company") has decided the slogan for the fiscal year as "Let us contribute to host communities through our business as we cope with the ever-changing social circumstances and remain true to the customer-comes-first principle." With the basic stance of responding to the ever-changing social environment and customer needs, and providing customers with food safety and security, and a prosperous life, we have worked to provide products and services that can respond to changing lifestyles with an eye on a post COVID-19 world. In addition, we have continued to thoroughly implement preventive measures against the infection and have worked to provide sales systems and services to ensure the safety of employees and earn the trust of our customers.

As for the new store openings for the period under review, we opened the Nakatsugawa Nakamura Store (Nakatsugawa-shi, Gifu) in March, and the Mesa Iwade Store (Iwade-shi, Wakayama) in October. As for the revitalization of existing stores, we renovated the Kishiwada Hatsuta Store (Kishiwada-shi, Osaka) in March, and both the Pare Marche Nishikani Store (Kani-shi, Gifu) and the Price Cut Matsusaka Oishi Store (Matsusaka-shi, Mie) in April, the Izumisano Shofudai Store (Izumisano-shi, Osaka) in June, and the Igashindo Store (Iga-shi, Mie) in November. Meanwhile, in order to increase management efficiency, we closed the Sanda Store (Sanda-shi, Hyogo), the Momoyama Store (Kinokawa-shi, Wakayama), and the Pare Marche Horita Store (Nagoya-shi, Aichi).

With regards to our consolidated subsidiaries, due to changes in demands resulting from the COVID-19 pandemic, OAK FOODS CO. LTD., which operates restaurants, remained on a recovery track to post slightly higher sales, while Hiramatsu Co., Ltd., a food supermarket chain, and SUNRISE., CO. LTD., which handles the processing and delivery of agricultural and other products, both saw a decline in sales.

As a result, for the nine months ended November 20, 2022, the Company and its consolidated subsidiaries (the "Group") posted operating income (net sales and operating revenue) of 181,529 million yen, operating profit of 1,350 million yen (down by 60.6% year-on-year), ordinary profit of 1,531 million yen (down by 57.4% year-on-year), and profit attributable to owners of parent of 794 million yen (down by 57.5% year-on-year).

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first three months of the consolidated fiscal year ending February 20, 2023. For details, please see "2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)."

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the consolidated fiscal year under review increased by 2,041 million yen from the end of the previous consolidated fiscal year to 135,555 million yen. Current assets increased by 2,413 million yen, primarily due to an increase of 1,416 million yen in merchandise and finished goods, an increase of 858 million yen in notes and accounts receivable – trade, and an increase of 610 million yen in accounts receivable – other included in other under current assets, despite a decrease of 701 million yen

in cash and deposits. Non-current assets decreased by 372 million yen, primarily due to a decrease of 982 million yen in construction in progress, a decrease of 601 million yen in leased assets, net, both included in other, net, under property, plant and equipment, and a decrease of 216 million yen in investment securities included in other under investments and other assets, despite an increase of 447 million yen in buildings and structures, net, under property, plant and equipment, an increase of 693 million yen in furniture and fixtures, net, included in other, net, under property, plant and equipment, and an increase of 345 million yen in land.

Liabilities increased by 2,334 million yen from the end of the previous consolidated fiscal year to 57,677 million yen. Current liabilities decreased by 332 million yen, primarily due to a decrease of 498 million yen in the current portion of long-term borrowings, and a decrease of 400 million yen in short-term borrowings, despite an increase of 810 million yen in notes and accounts payable - trade. Non-current liabilities increased by 2,666 million yen, primarily due to an increase of 3,362 million yen in long-term borrowings despite a decrease of 494 million yen in lease obligations included in other under non-current liabilities.

Net assets decreased by 292 million yen from the end of the previous consolidated fiscal year to 77,878 million yen. This was primarily due to a decrease of 277 million yen in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The Company has not revised its earlier consolidated financial results forecast for the fiscal year ending February 20, 2023, which was announced on September 28, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 20, 2022	As of November 20, 2022
Assets		
Current assets		
Cash and deposits	17,029	16,328
Notes and accounts receivable - trade	5,653	6,512
Merchandise and finished goods	8,789	10,205
Other	1,942	2,781
Allowance for doubtful accounts	(0)	(0)
Total current assets	33,414	35,828
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,265	48,713
Land	27,876	28,222
Other, net	7,565	6,582
Total property, plant and equipment	83,708	83,518
Intangible assets		
Other	3,929	3,836
Total intangible assets	3,929	3,836
Investments and other assets		
Other	12,473	12,384
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	12,460	12,371
Total non-current assets	100,099	99,727
Total assets	133,513	135,555
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,192	14,002
Short-term borrowings	5,060	4,660
Current portion of long-term borrowings	4,149	3,650
Income taxes payable	358	200
Provision for point card certificates	1,385	—
Refund liability	—	1,541
Contract liabilities	—	2,294
Other	14,622	12,085
Total current liabilities	38,768	38,436
Non-current liabilities		
Long-term borrowings	9,310	12,672
Retirement benefit liability	73	70
Asset retirement obligations	3,093	3,159
Other	4,097	3,338
Total non-current liabilities	16,574	19,241
Total liabilities	55,342	57,677

(Million yen)

	As of February 20, 2022	As of November 20, 2022
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus	15,015	15,009
Retained earnings	50,656	50,379
Treasury shares	(1,658)	(1,629)
Total shareholders' equity	78,131	77,876
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	139	94
Remeasurements of defined benefit plans	(394)	(392)
Total accumulated other comprehensive income	(255)	(298)
Share acquisition rights	45	38
Non-controlling interests	249	262
Total net assets	78,170	77,878
Total liabilities and net assets	133,513	135,555

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended November 20

(Million yen)

	For the nine months ended November 20, 2021	For the nine months ended November 20, 2022
Net sales	190,306	172,466
Cost of sales	137,891	124,086
Gross profit	52,415	48,379
Operating revenue		
Real estate lease revenue	2,323	3,021
Other operating revenue	5,560	6,041
Total operating revenue	7,884	9,062
Operating gross profit	60,300	57,442
Selling, general and administrative expenses	56,874	56,092
Operating profit	3,425	1,350
Non-operating income		
Share of profit of entities accounted for using equity method	8	7
Gain on sale of recycled materials	51	54
Dividend income	41	51
Sponsorship money income	-	21
Other	126	111
Total non-operating income	227	246
Non-operating expenses		
Interest expenses	47	46
Other	10	18
Total non-operating expenses	58	65
Ordinary profit	3,595	1,531
Extraordinary income		
Gain on sale of non-current assets	0	10
Subsidy income	8	-
Gain on differences between the asset retirement obligation balance and the actual retirement costs	-	234
Total extraordinary income	8	245
Extraordinary losses		
Loss on retirement of non-current assets	390	192
Impairment losses	178	14
Loss on cancellation of rental contracts	32	113
Other	22	14
Total extraordinary losses	623	334
Profit before income taxes	2,980	1,441
Income taxes	1,087	629
Profit	1,892	811
Profit attributable to non-controlling interests	23	17
Profit attributable to owners of parent	1,869	794

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended November 20

(Million yen)

	For the nine months ended November 20, 2021	For the nine months ended November 20, 2022
Profit	1,892	811
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	(45)
Remeasurements of defined benefit plans, net of tax	37	1
Total other comprehensive income	7	(43)
Comprehensive income	1,899	768
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,876	751
Comprehensive income attributable to non-controlling interests	23	17

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in case of significant changes in shareholders' equity)

There is no relevant information.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of taxes)

Taxes are calculated by multiplying profit before income taxes for the nine months ended November 20, 2022 by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the profit before income taxes for the current consolidated fiscal year ending February 20, 2023, including the third quarter of the consolidated fiscal year under review. Should it be deemed to be significantly irrational to calculate taxes by the effective tax rate thus estimated, the normal effective statutory tax rate will be used for calculation.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard"), etc. from the beginning of the three months ended May 20, 2022. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Major changes due to the application of the Revenue Recognition Standard, etc. are as follows.

1. Revenue recognition related to agent transactions

For transactions in which the Company offers a good or services to a customer as an agent (consignment buying), revenue was previously recognized at the total amount of consideration received from the customer. After evaluating the Company's role (whether it acts as a principal or an agent) in the provision of a good or services to the customer, however, revenue is now recognized at the net amount received from the customer less the amount paid to the supplier. Such revenue is recorded under operating revenue.

2. Revenue recognition related to the loyalty program

The Company offers a customer loyalty program, whereby points are granted to members at the time of sale and one point is converted to one yen. The Company previously recognized the estimated value to be redeemed as the provision and recorded the provision of point card certificates as promotion expenses under selling, general and administrative expenses. However, such revenue is now recognized at the amount of net sales less the points granted.

The Company previously recorded the points granted in connection with the sale of products based on the loyalty program operated by other companies as selling, general and administrative expenses. However, such revenue is now recognized at the amount of net sales less the amount equivalent to the points granted.

3. Revenue recognition related to gift certificates issued by the Company

The Company previously did not recognize revenue for unused portions of gift certificates it had issued. However, such revenue is now recognized at the time when the likelihood of customers exercising their rights becomes extremely low.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the three months ended May 20, 2022, with the new accounting policies applied from the beginning balance.

As a result, for the nine months ended November 20, 2022, net sales decreased by 10,895 million yen, cost of sales decreased by 8,226 million yen, operating revenue increased by 1,132 million yen, and selling, general and administrative expenses decreased by 1,536 million yen. These results do not affect operating profit, ordinary profit, and profit before income taxes. Meanwhile, the balance of retained earnings at the beginning of the period increased by 68 million yen.

Because of the application of the Revenue Recognition Standard, etc., starting from the three months ended May 20, 2022, gift certificates and electronic money, which were included in other under current liabilities in the consolidated balance sheets for the previous consolidated fiscal year, are now included in contract liabilities, and provision for point card certificates is now presented as refund liability. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made to the previous year's consolidated financial statements to conform to the new presentation method.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard"), etc. from the beginning of the three months ended May 20, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates associated with the impact of the spread of COVID-19)

There has been no significant change to the assumptions on the impact of COVID-19, including how it might spread and how it will end, which were described in the "Accounting estimates associated with the impact of the spread of COVID-19" of "Additional information" of the Consolidated Financial Results for the previous fiscal year.