

Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2023 [Japanese GAAP]



April 11, 2023

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 25, 2023

Scheduled date of commencing dividend payments: May 26, 2023

Scheduled date of filing securities report: May 26, 2023

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

(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 28, 2023	174,107	6.6	9,052	4.2	9,141	4.9	6,201	4.5
February 28, 2022	163,374	7.5	8,688	14.3	8,713	14.9	5,932	7.9

	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 28, 2023	290.27	289.55	11.9	9.8	5.4
February 28, 2022	277.77	277.08	12.7	9.8	5.5

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

(Reference) Equity in earnings of affiliated companies: Fiscal year ended February 28, 2023: ¥— million

Fiscal year ended February 28, 2022: ¥— million

(Note) “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the fiscal year under review. Accordingly, each figure for the fiscal year ended February 28, 2023 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	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2023	99,148	54,806	55.1	2,557.36
As of February 28, 2022	87,266	49,400	56.5	2,306.90

(Reference) Equity: As of February 28, 2023: ¥54,642 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 fiscal year under review. Accordingly, each figure for the fiscal year ended February 28, 2023 is based on the amount after the application of the said standard, etc.

(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 February 28, 2023	Million yen 10,619	Million yen (11,519)	Million yen 4,075	Million yen 17,837
February 28, 2022	3,280	(7,819)	(4,047)	14,663

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			
Fiscal year ended February 28, 2022	Yen -	Yen 18.00	Yen -	Yen 20.00	Yen 38.00	Million yen 811	% 13.7	% 1.7
Fiscal year ended February 28, 2023	-	20.00	-	22.00	42.00	897	14.5	1.7
Fiscal year ending February 29, 2024 (Forecast)	-	20.00	-	22.00	42.00		13.8	

(Note) 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.

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

(% 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	90,511	6.2	4,550	5.1	4,540	4.6	3,100	4.9	145.09
Full year	182,977	5.1	9,170	1.3	9,150	0.1	6,480	4.5	303.29

***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: Yes
 - 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, 2023:	21,423,900
As of February 28, 2022:	21,423,900
 - 2) Total number of treasury shares at the end of the year:

As of February 28, 2023:	57,255
As of February 28, 2022:	62,317
 - 3) Average number of shares during the year:

Year ended February 28, 2023:	21,365,397
Year ended February 28, 2022:	21,358,449

*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 13, 2023. 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, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	13,396	16,705
Accounts receivable - trade	691	1,113
Merchandise	3,339	3,785
Supplies	4	5
Prepaid expenses	505	552
Accounts receivable - other	217	244
Deposits paid	1,267	1,132
Other	210	213
Allowance for doubtful accounts	(4)	(6)
Total current assets	19,627	23,747
Non-current assets		
Property, plant and equipment		
Buildings	44,445	47,440
Accumulated depreciation	(16,441)	(17,961)
Buildings, net	28,003	29,478
Structures	9,625	10,494
Accumulated depreciation	(5,385)	(5,855)
Structures, net	4,240	4,638
Machinery and equipment	1,938	2,165
Accumulated depreciation	(1,363)	(1,495)
Machinery and equipment, net	574	669
Tools, furniture and fixtures	6,050	6,967
Accumulated depreciation	(4,622)	(5,234)
Tools, furniture and fixtures, net	1,428	1,733
Land	18,382	19,973
Leased assets	3,270	2,823
Accumulated depreciation	(1,888)	(1,577)
Leased assets, net	1,381	1,246
Construction in progress	2,489	6,152
Total property, plant and equipment	56,500	63,891
Intangible assets		
Software	251	489
Right to use facilities	43	43
Other	5	5
Total intangible assets	301	539

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Investments and other assets		
Investment securities	2	2
Shares of subsidiaries and associates	50	50
Investments in capital	0	0
Long-term prepaid expenses	4,856	4,716
Deferred tax assets	1,778	1,908
Leasehold and guarantee deposits	2,728	2,837
Construction assistance fund receivables	1,364	1,393
Other	55	60
Total investments and other assets	10,836	10,969
Total non-current assets	67,638	75,400
Total assets	87,266	99,148
Liabilities		
Current liabilities		
Accounts payable - trade	8,615	9,485
Current portion of long-term borrowings	3,289	4,153
Lease liabilities	520	473
Accounts payable - other	1,563	1,491
Accrued expenses	1,297	1,407
Income taxes payable	1,910	1,764
Accrued consumption taxes	477	398
Deposits received	187	207
Advances received	2,017	-
Unearned revenue	336	353
Provision for point card certificates	598	-
Contract liabilities	-	2,858
Other	295	292
Total current liabilities	21,109	22,886
Non-current liabilities		
Long-term borrowings	9,431	14,057
Lease liabilities	847	754
Provision for retirement benefits	748	805
Asset retirement obligations	1,497	1,574
Deposits for construction assistance fund receivables	991	938
Long-term leasehold and guarantee deposits received	2,029	2,101
Long-term unearned revenue	902	934
Other	308	288
Total non-current liabilities	16,756	21,454
Total liabilities	37,865	44,341

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Net assets		
Shareholders' equity		
Share capital	5,430	5,430
Capital surplus		
Legal capital surplus	5,373	5,373
Other capital surplus	6	9
Total capital surplus	5,379	5,383
Retained earnings		
Legal retained earnings	16	16
Other retained earnings		
Reserve for tax purpose reduction entry	199	194
General reserve	26,522	30,722
Retained earnings brought forward	11,841	12,997
Total retained earnings	38,579	43,930
Treasury shares	(111)	(102)
Total shareholders' equity	49,278	54,641
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Share acquisition rights	121	164
Total net assets	49,400	54,806
Total liabilities and net assets	87,266	99,148

(2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net sales	159,147	168,819
Cost of sales		
Beginning merchandise inventory	3,185	3,339
Cost of purchased goods	119,132	126,552
Total	122,318	129,891
Ending merchandise inventory	3,339	3,785
Total cost of sales	118,978	126,106
Gross profit	40,168	42,713
Operating revenue		
Lease revenue	3,664	3,919
Other operating revenue	562	1,368
Total operating revenue	4,226	5,287
Operating gross profit	44,395	48,001
Selling, general and administrative expenses		
Advertising expenses	958	1,304
Supplies expenses	1,542	1,627
Salaries and bonuses	14,808	15,388
Share-based payment expenses	19	55
Retirement benefit expenses	69	81
Legal and other welfare expenses	1,861	1,961
Rent expenses on land and buildings	4,521	4,815
Rent expenses	218	181
Utilities expenses	2,685	3,934
Repair expenses	689	707
Depreciation	3,529	3,693
Taxes and dues	1,044	1,154
Other	3,758	4,042
Total selling, general and administrative expenses	35,706	38,948
Operating profit	8,688	9,052
Non-operating income		
Interest income	22	23
Purchase discounts	25	23
Insurance claim income	7	22
Income from contribution to facilities	-	47
Other	79	83
Total non-operating income	135	200
Non-operating expenses		
Interest expenses	103	99
Other	6	11
Total non-operating expenses	110	111
Ordinary profit	8,713	9,141

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on receipt of donated non-current assets	0	-
Gain on cancellation of leasehold contracts	1	1
Total extraordinary income	2	3
Extraordinary losses		
Loss on sale of non-current assets	-	6
Loss on retirement of non-current assets	10	6
Total extraordinary losses	10	12
Profit before income taxes	8,705	9,131
Income taxes - current	2,916	3,061
Income taxes - deferred	(144)	(131)
Total income taxes	2,772	2,929
Profit	5,932	6,201

(3) Non-consolidated Statements of Changes in Equity

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

(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	5,430	5,373	0	5,374	16	215	22,722	10,461	33,415
Cumulative effects of changes in accounting policies									
Restated balance	5,430	5,373	0	5,374	16	215	22,722	10,461	33,415
Changes during period									
Dividends of surplus								(768)	(768)
Profit								5,932	5,932
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
Cumulative effects of changes in accounting policies						-
Restated balance	(133)	44,086	0	0	129	44,217
Changes during period						
Dividends of surplus		(768)				(768)
Profit		5,932				5,932
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

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									
Dividends of surplus								(854)	(854)
Profit								6,201	6,201
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						
Dividends of surplus		(854)				(854)
Profit		6,201				6,201
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

(4) Non-consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	8,705	9,131
Depreciation	3,529	3,693
Increase (decrease) in allowance for doubtful accounts	1	1
Increase (decrease) in provision for retirement benefits	44	56
Increase (decrease) in provision for point card certificates	27	-
Interest and dividend income	(22)	(23)
Interest expenses	103	99
Loss (gain) on sale of non-current assets	(0)	4
Loss on retirement of non-current assets	10	6
Decrease (increase) in trade receivables	(147)	(421)
Decrease (increase) in inventories	(153)	(446)
Increase (decrease) in trade payables	(6,252)	869
Increase (decrease) in contract liabilities	-	242
Increase (decrease) in accrued consumption taxes	94	(78)
Increase (decrease) in deposits for construction assistance fund receivables	34	(70)
Increase (decrease) in leasehold and guarantee deposits received	156	72
Other, net	(85)	771
Subtotal	6,045	13,908
Interest and dividends received	0	0
Interest paid	(85)	(87)
Income taxes paid	(2,678)	(3,202)
Net cash provided by (used in) operating activities	3,280	10,619
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,609)	(10,795)
Proceeds from sale of property, plant and equipment	15	54
Purchase of intangible assets	(56)	(386)
Purchase of long-term prepaid expenses	(318)	(280)
Proceeds from refund of leasehold and guarantee deposits	149	49
Payments of leasehold and guarantee deposits	(135)	(114)
Proceeds from collection of construction assistance fund receivables	134	136
Payments of construction assistance fund receivables	-	(183)
Net cash provided by (used in) investing activities	(7,819)	(11,519)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,010	9,150
Repayments of long-term borrowings	(3,629)	(3,659)
Repayments of lease liabilities	(660)	(561)
Dividends paid	(767)	(854)
Other, net	0	(0)
Net cash provided by (used in) financing activities	(4,047)	4,075
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(8,586)	3,174
Cash and cash equivalents at beginning of period	23,249	14,663
Cash and cash equivalents at end of period	14,663	17,837