

# Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]



August 10, 2023

Company name: Okura Industrial Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4221

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Scheduled date of filing quarterly securities report: August 10, 2023

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled

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

## 1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (January 1, 2023 - June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2023	39,337	2.6	2,424	10.5	2,714	6.8	2,302	25.8
June 30, 2022	38,336	–	2,194	–	2,541	–	1,830	–

(Note) Comprehensive income: Six months ended June 30, 2023: ¥3,418 million [92.6%]

Six months ended June 30, 2022: ¥1,775 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2023	192.85	–
June 30, 2022	153.44	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended December 31, 2022. Changes in the amounts for the fiscal year ended December 31, 2022 from the previous corresponding period are not presented.

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	93,707	58,008	61.9
As of December 31, 2022	90,234	55,591	61.6

(Reference) Equity: As of June 30, 2023: ¥57,984 million

As of December 31, 2022: ¥55,570 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	–	0.00	–	85.00	85.00
Fiscal year ending December 31, 2023	–	0.00			
Fiscal year ending December 31, 2023 (Forecast)			–	85.00	85.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	81,000	4.8	4,500	19.3	4,800	12.3	3,500	(7.6)	293.23

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

### \* Notes:

- (1) Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (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 shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):
 

June 30, 2023:	12,414,870 shares
December 31, 2022:	12,414,870 shares
  - 2) Total number of treasury shares at the end of the period:
 

June 30, 2023:	471,937 shares
December 31, 2022:	478,949 shares
  - 3) Average number of shares during the period:
 

Six months ended June 30, 2023:	11,938,937 shares
Six months ended June 30, 2022:	11,932,023 shares

\* These quarterly 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

Forward-looking statements such as financial results forecast in this document are based on information currently available and certain assumptions that Company regards as reasonable. Actual results may significantly differ from such estimates due to various factors.

For details on the earnings forecasts of the Company, please see “Qualitative Information on Quarterly Financial Results” on page 2 of the attachments.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the six months ended June 30, 2023, the Japanese economy was on a recovery trend; domestic economic activity continued to normalize with favorable tailwinds such as the downgrading of COVID-19's category to a Class 5 infectious disease and an increase in inbound consumption outweighing headwinds such as the situation in Ukraine, and price hikes. Although there are expectations that the lifting of COVID-19-related restrictions on economic activity will proceed further, the economic outlook remains uncertain as it is still difficult to foresee the future on account of such concerns as increasing costs due to rising prices, reduced demand, and escalating labor shortages.

Under these circumstances, the Group posted net sales of 39,337 million yen for the six months ended June 30, 2023 (up 2.6% year on year) as, despite a decline in sales volume, the transfer of rising costs resulting from higher raw material prices to product prices progressed in the Plastic Film Division, and orders for optical films for large LCD panels picked up in the New Materials Division.

In terms of profit, the increase in net sales as well as our cost reduction efforts through productivity improvement resulted in operating profit of 2,424 million yen (up 10.5% year on year) and ordinary profit of 2,714 million yen (up 6.8% year on year). Profit attributable to owners of parent was 2,302 million yen (up 25.8% year on year) mainly due to the recording of gain on sale of investment securities under extraordinary income following the sale of investment securities held by the Company.

Operating results by segment are as follows.

#### [Plastic Film]

The sales volume of packaging films mainly for food usage as well as agricultural-use films decreased, as it also did for industrial-use process films, affected by inventory adjustments due to the decline of the market. However, as the transfer of the increases in raw material prices to product prices had progressed, net sales amounted to 25,759 million yen (up 1.2% year on year). Operating profit was 2,077 million yen (up 23.6% year on year), mainly due to the increase in net sales and our cost reduction efforts through productivity improvement.

#### [New Materials]

Orders received for optical films for large LCD panels began to recover as the inventory adjustments peaked out, and functional materials for automobiles and other applications remained strong, resulting in net sales of 6,460 million yen (up 11.1% year on year). Operating profit was 816 million yen (down 15.9% year on year) due to the increase in electricity utility charges and a decrease in sales volume of products for small- and medium-sized panels despite concentrated efforts to improve yields and productivity.

#### [Housing Materials]

The sales volume of particleboards, one of the key products of this business segment, was maintained as the Company focused on new customer acquisition and approaches to existing customers. However, mainly due to a significant decline in the sales volume of the lumber processing business, which mainly operates in the Shikoku Island area where new housing starts fell remarkably, net sales amounted to 6,367 million yen (down 0.9% year on year). Meanwhile, operating profit was 466 million yen (up 2.5% year on year) due in part to the continued stable production of particleboards and the promotion of cost reduction, despite the ongoing impact of rising raw materials costs, including electricity charges.

#### [Other]

The hotel business saw a partial recovery in sales from hotel stays and banquets as COVID-19-related movement restrictions were eased, while the information processing system development business remained robust. As a result, overall net sales of other businesses were 751 million yen (up 16.5% year on year). Operating profit amounted to 217 million yen (up 27.0% year on year) due in part to the increase in net sales and reduction of fixed costs.

## (2) Explanation of Financial Position

### 1) Assets, liabilities and net assets

Total assets at the end of the second quarter of the fiscal year under review increased by 3,473 million yen compared to the end of the previous fiscal year to 93,707 million yen. This was mainly due to an increase in property, plant and equipment of 2,349 million yen, a decrease in trade receivables of 1,787 million yen, an increase in investment securities of 1,554 million yen, and an increase in cash and deposits of 942 million yen.

On the other hand, liabilities increased by 1,055 million yen compared to the end of the previous fiscal year to 35,699 million yen, mainly due to an increase in accounts payable – other of 1,266 million yen, a decrease in trade payables of 862 million yen, an increase in other current liabilities of 560 million yen, and an increase in deferred tax liabilities of 488 million yen.

Net assets increased by 2,417 million yen from the end of the previous fiscal year to 58,008 million yen, mainly due to an increase in retained earnings of 1,287 million yen and an increase in valuation difference on available-for-sale securities of 1,089 million yen.

As a result of the above, the equity ratio increased by 0.3 percentage points from the end of the previous fiscal year to 61.9%.

### 2) Cash flows for the period under review

Cash and cash equivalents (hereinafter referred to as “cash”) on a consolidated basis at the end of the six-month period under review increased by 942 million yen compared to the end of the previous fiscal year to 9,390 million yen.

The status of each cash flow and their factors during the six-month period under review are as follows.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 5,200 million yen (2,044 million yen provided in the same period of the previous fiscal year).

This was mainly due to cash inflows from profit before income taxes of 3,049 million yen, depreciation of 1,972 million yen, and a decrease in trade receivables of 1,791 million yen, and cash outflows from income taxes paid of 845 million yen and a decrease in trade payables of 841 million yen.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 3,016 million yen (2,606 million yen used in the same period of the previous fiscal year).

This was mainly due to a cash outflow from the purchase of property, plant and equipment, such as plants and manufacturing equipment in the New Materials Division.

#### (Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 1,292 million yen (1,466 million yen used in the same period of the previous fiscal year).

This was mainly due to cash outflows from dividends paid of 1,009 million yen and a decrease in borrowings of 281 million yen.

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

There have been no changes to the consolidated financial results forecast announced on July 24, 2023.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2022	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	8,448	9,390
Notes and accounts receivable - trade	20,797	19,598
Electronically recorded monetary claims - operating	8,325	7,737
Merchandise and finished goods	5,694	5,435
Work in process	1,263	1,355
Raw materials and supplies	4,611	4,882
Real estate for sale	206	257
Other	1,292	1,083
Allowance for doubtful accounts	(0)	—
Total current assets	50,640	49,741
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,981	11,749
Machinery, equipment and vehicles, net	7,415	7,764
Land	6,276	6,276
Construction in progress	2,868	5,036
Other, net	428	493
Total property, plant and equipment	28,970	31,320
Intangible assets	642	777
Investments and other assets		
Investment securities	9,141	10,695
Deferred tax assets	234	113
Other	605	1,059
Total investments and other assets	9,981	11,868
Total non-current assets	39,594	43,966
Total assets	90,234	93,707

(Million yen)

	As of December 31, 2022	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,213	17,351
Short-term borrowings	1,549	1,530
Current portion of long-term borrowings	483	486
Accounts payable - other	4,306	5,572
Income taxes payable	797	681
Other	4,159	4,719
<b>Total current liabilities</b>	<b>29,509</b>	<b>30,341</b>
Non-current liabilities		
Long-term borrowings	343	81
Deferred tax liabilities	0	488
Retirement benefit liability	3,968	3,969
Other	821	819
<b>Total non-current liabilities</b>	<b>5,133</b>	<b>5,357</b>
<b>Total liabilities</b>	<b>34,643</b>	<b>35,699</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	8,619	8,619
Capital surplus	9,071	9,073
Retained earnings	35,094	36,381
Treasury shares	(829)	(817)
<b>Total shareholders' equity</b>	<b>51,956</b>	<b>53,257</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,507	4,597
Foreign currency translation adjustment	220	236
Remeasurements of defined benefit plans	(114)	(106)
<b>Total accumulated other comprehensive income</b>	<b>3,613</b>	<b>4,727</b>
Non-controlling interests	20	23
<b>Total net assets</b>	<b>55,591</b>	<b>58,008</b>
<b>Total liabilities and net assets</b>	<b>90,234</b>	<b>93,707</b>



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Six months ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Net sales	38,336	39,337
Cost of sales	31,429	32,101
Gross profit	6,906	7,236
Selling, general and administrative expenses		
Sales commission	33	40
Transportation and storage costs	1,398	1,321
Salaries	1,045	1,041
Bonuses	272	281
Remuneration for directors (and other officers)	160	171
Retirement benefit expenses	56	70
Depreciation	100	104
Research and development expenses	562	617
Provision of allowance for doubtful accounts	(0)	(0)
Other	1,080	1,163
Total selling, general and administrative expenses	4,711	4,811
Operating profit	2,194	2,424
Non-operating income		
Interest income	1	4
Dividend income	139	160
Foreign exchange gains	150	75
Miscellaneous income	102	93
Total non-operating income	393	334
Non-operating expenses		
Interest expenses	12	8
Commission expenses	22	28
Miscellaneous losses	12	6
Total non-operating expenses	46	44
Ordinary profit	2,541	2,714
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	–	428
Total extraordinary income	0	428
Extraordinary losses		
Loss on sale and retirement of non-current assets	22	91
Loss on sale of investment securities	–	1
Extra retirement payments	–	0
Total extraordinary losses	22	94
Profit before income taxes	2,520	3,049
Income taxes - current	670	733
Income taxes - deferred	20	12
Total income taxes	690	745
Profit	1,829	2,304
Profit (loss) attributable to non-controlling interests	(1)	1
Profit attributable to owners of parent	1,830	2,302

Quarterly Consolidated Statements of Comprehensive Income

Six months ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit	1,829	2,304
Other comprehensive income		
Valuation difference on available-for-sale securities	(103)	1,089
Foreign currency translation adjustment	47	17
Remeasurements of defined benefit plans, net of tax	1	7
Total other comprehensive income	(54)	1,114
Comprehensive income	1,775	3,418
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,773	3,415
Comprehensive income attributable to non-controlling interests	1	2

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,520	3,049
Depreciation	2,065	1,972
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in retirement benefit liability	31	0
Interest and dividend income	(140)	(165)
Interest expenses	12	8
Foreign exchange losses (gains)	(119)	(57)
Loss (gain) on sale of investment securities	–	(426)
Loss (gain) on sale and retirement of non-current assets	2	51
Decrease (increase) in trade receivables	(1,350)	1,791
Decrease (increase) in inventories	(1,308)	(144)
Increase (decrease) in trade payables	1,518	(841)
Other, net	(208)	647
Subtotal	3,023	5,885
Interest and dividends received	139	168
Interest paid	(7)	(8)
Income taxes paid	(1,110)	(845)
Net cash provided by (used in) operating activities	2,044	5,200
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,556)	(2,926)
Proceeds from sale of property, plant and equipment	0	3
Proceeds from governmental subsidy income	19	50
Purchase of investment securities	(5)	(55)
Proceeds from sale of investment securities	–	611
Proceeds from collection of loans receivable	0	0
Payments for investments in capital of subsidiaries and associates	–	(455)
Other, net	(65)	(245)
Net cash provided by (used in) investing activities	(2,606)	(3,016)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(314)	(21)
Repayments of long-term borrowings	(319)	(260)
Purchase of treasury shares	(0)	(0)
Dividends paid	(831)	(1,009)
Net cash provided by (used in) financing activities	(1,466)	(1,292)
Effect of exchange rate change on cash and cash equivalents	110	50
Net increase (decrease) in cash and cash equivalents	(1,917)	942
Cash and cash equivalents at beginning of period	9,765	8,448
Cash and cash equivalents at end of period	7,848	9,390

#### (4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

[Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement]

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021; hereinafter referred to as the "Implementation Guidance on Fair Value Measurement Accounting Standard") from the beginning of the first quarter of the fiscal year under review, applying new accounting policies defined in the Implementation Guidance on Fair Value Measurement Accounting Standard over the future in accordance with the transitional treatment as provided for in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Accounting Standard. The application has no impact on the Company's quarterly consolidated financial statements.

(Additional information)

[Application of the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System]

The Company and its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year under review. Accordingly, income taxes, local income taxes, and tax effect accounting are accounted for and disclosed in accordance with the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021; hereinafter referred to as the "ASBJ PITF No. 42"). Based on Paragraph 32 (1) of the ASBJ PITF No. 42, the Company has concluded that there is no impact from the changes in accounting policies resulting from the application of the ASBJ PITF No. 42.

(Segment information, etc.)

I For the six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

Information on the amount of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	25,453	5,812	6,424	37,691	644	38,336	–	38,336
Inter-segment net sales or transfers	1	–	5	7	407	415	(415)	–
Total	25,455	5,812	6,430	37,698	1,052	38,751	(415)	38,336
Segment profit	1,680	970	454	3,105	171	3,277	(1,082)	2,194

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 1,082 million yen includes negative 0 million yen in eliminations of inter-segment transactions and negative 1,081 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

3. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

II For the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

Information on the amount of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	25,759	6,460	6,367	38,586	751	39,337	–	39,337
Inter-segment net sales or transfers	2	–	7	9	403	412	(412)	–
Total	25,761	6,460	6,374	38,596	1,154	39,750	(412)	39,337
Segment profit	2,077	816	466	3,360	217	3,577	(1,153)	2,424

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 1,153 million yen includes negative 0 million yen in eliminations of inter-segment transactions and negative 1,152 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

3. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

(Significant subsequent events)

[Disposal of treasury shares through third-party allotment]

The Board of Directors resolved at the meeting held on March 23, 2023 to introduce a special incentive scheme (the “Scheme”) under which the common shares issued by the Company (the “Company’s Shares”) will be granted to members of the Group’s Employee Stock Ownership Association (the “Members”) as a special incentive.

The Board of Directors also resolved at the meeting to dispose of treasury shares (the “Treasury Share Disposal”) through third-party allotment in conjunction with the introduction of the Scheme, and paid in the value on July 3, 2023.

#### 1. Outline of the disposal

(1) Date of disposal	July 3, 2023
(2) Class and number of shares to be disposed of	150,825 shares of common shares of the Company
(3) Disposal price	1,945 yen per share
(4) Total value of disposal	293,354,625 yen
(5) Method of disposal	Third-party allotment
(6) Scheduled allottee	The Group’s Employee Stock Ownership Association
(7) Other	The Treasury Share Disposal shall be subject to effectuation of registration under the Financial Instruments and Exchange Act.

#### 2. Purpose of and reasons for the disposal

The Group grants an incentive to the Members with the aim of helping employees of the Group (“Employees”) build their assets and motivate themselves to work by holding the Company’s Shares. We will further promote this concept to grant a special incentive to all members and to allot treasury shares to the Stock Ownership Association for the contribution of said special incentive.

The Scheme is designed to raise Employees’ awareness of participating in management and to increase their motivation to enhance the Company’s medium- to long-term shareholder value. We believe that the Scheme will encourage Employees who have not yet joined to join the Stock Ownership Association, allowing more Employees to share medium- to long-term shareholder value with our shareholders.