

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 Six Months Ended August 20, 2023 [Japanese GAAP]



October 3, 2023

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: October 3, 2023

Scheduled date of commencing dividend payments: October 18, 2023

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and financial analysts)

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

1. Consolidated Financial Results for the Six Months Ended August 20, 2023 (February 21, 2023 - August 20, 2023)

(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	%
Six months ended August 20, 2023	121,520	0.7	706	(31.2)	819	(30.5)	399	(37.1)
August 20, 2022	120,653	—	1,026	(58.4)	1,179	(54.8)	635	(56.2)

(Note) Comprehensive income: Six months ended August 20, 2023: ¥438 million [(31.3)%]
Six months ended August 20, 2022: ¥638 million [(58.2)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 20, 2023	9.10		9.10	
August 20, 2022	14.48		14.48	

(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 quarter of the fiscal year ended February 20, 2023. Therefore, the figure of operating income for the six months ended August 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 August 20, 2023	135,658	77,811	57.1
As of February 20, 2023	132,526	77,928	58.6

(Reference) Equity: As of August 20, 2023: ¥77,494 million
As of February 20, 2023: ¥77,623 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 February 20, 2023	–	13.00	–	13.00	26.00
Fiscal year ending February 20, 2024	–	13.00			
Fiscal year ending February 20, 2024 (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, 2024 (February 21, 2023 - February 20, 2024)

(% indicates changes from the previous corresponding period.)

	Operating income		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
	253,000	2.5	3,400	16.1	3,600	14.3	1,200	29.2	27.35

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

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.....	2
2. Quarterly Consolidated Financial Statements and Primary Notes.....	3
(1) Quarterly Consolidated Balance Sheets	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes on going concern assumption).....	7
(Notes in case of significant changes in shareholders' equity)	7
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	7

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended August 20, 2023 (February 21, 2023 - August 20, 2023), the environment surrounding OKUWA Co., Ltd. (the “Company”) is becoming one in which the effects of COVID-19 are subsiding, and a recovery in flow of people and domestic consumption is expected due in part to the easing of restrictions on domestic activities and entry into Japan from overseas. On the other hand, the outlook for the global economy remains uncertain due to factors such as prolonged tensions in Russia and Ukraine, persistent inflation in various countries as a result of monetary policy shifts, and financial sector turmoil in the U.S. and Europe.

The retail industry, too, continues to struggle with the harsh environment, which is exemplified by the fluctuations in raw material prices due to the imbalance between supply and demand and the hikes in market prices, higher costs caused by a rising trend in energy costs and a rise in labor costs, and the need for labor saving and productivity improvement to prepare for the 2024 logistics problem.

Against this backdrop, the Company has decided the slogan for the fiscal year as “Let us cope with the drastically changing social environment by expanding our market share through reorganization of store formats and reducing costs through operational reform.” In order to increase share in the market territories of the Company, we have restructured the four business types we offer and worked to provide products and services that can respond to changing lifestyles through such efforts as improving operational efficiency in order to reduce costs and responding diversifying customer needs.

As for the new store openings for the period under review, we opened the Kasugai Store (Kasugai-shi, Aichi) and the Yao Korigawa Store (Yao-shi, Osaka) in April. As for the revitalization of existing stores, we renovated the Oyodo-nishi Store (Oyodo-cho, Yoshino-gun, Nara) in June.

With regards to our consolidated subsidiaries, OAK FOODS CO. LTD., which operates restaurants, posted sales and profits on a par with the previous fiscal year, while SUNRISE., CO. LTD., which handles the processing and delivery of agricultural and other products, saw a slight increase in sales and a rise in profits due to operational improvement.

As a result, for the six months ended August 20, 2023, the Company and its consolidated subsidiaries (the “Group”) posted operating income (net sales and operating revenue) of 121,520 million yen (up by 0.7% year-on-year), operating profit of 706 million yen (down by 31.2% year-on-year), ordinary profit of 819 million yen (down by 30.5% year-on-year), and profit attributable to owners of parent of 399 million yen (down by 37.1% year-on-year).

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the fiscal year under review increased by 3,132 million yen from the end of the previous fiscal year to 135,658 million yen. Current assets increased by 2,923 million yen, primarily due to an increase of 2,187 million yen in cash and deposits and an increase of 817 million yen in notes and accounts receivable - trade. Non-current assets increased by 208 million yen, primarily due to an increase of 461 million yen in buildings and structures, net, under property, plant and equipment, and an increase of 357 million yen in tools, furniture and fixtures, net included in other, net, under property, plant and equipment, despite a decrease of 465 million yen in construction in progress, and a decrease of 325 million yen in leased assets, net, both included in other, net, under property, plant and equipment.

Liabilities increased by 3,249 million yen from the end of the previous fiscal year to 57,847 million yen. Current liabilities increased by 2,426 million yen, primarily due to an increase of 2,541 million yen in notes and accounts payable - trade. Non-current liabilities increased by 823 million yen, primarily due to an increase of 1,200 million yen in long-term borrowings.

Net assets decreased by 117 million yen from the end of the previous fiscal year to 77,811 million yen. This was primarily due to a decrease of 171 million yen in retained earnings.

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

Given the operating results for the six months ended August 20, 2023 and other factors, the Company has not revised its earlier consolidated financial results forecast for the fiscal year ending February 20, 2024, which was announced on April 3, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 20, 2023	As of August 20, 2023
Assets		
Current assets		
Cash and deposits	15,751	17,938
Notes and accounts receivable - trade	6,294	7,111
Merchandise and finished goods	9,483	9,891
Other	2,371	1,889
Allowance for doubtful accounts	(0)	(7)
Total current assets	33,899	36,823
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,232	47,693
Land	28,044	28,085
Other, net	6,817	6,341
Total property, plant and equipment	82,093	82,119
Intangible assets		
Other	3,691	3,786
Total intangible assets	3,691	3,786
Investments and other assets		
Other	12,854	12,941
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	12,841	12,928
Total non-current assets	98,626	98,834
Total assets	132,526	135,658
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,684	15,225
Short-term borrowings	4,660	4,660
Current portion of long-term borrowings	6,129	6,125
Income taxes payable	373	571
Refund liability	1,321	1,450
Contract liabilities	2,649	2,336
Other	11,145	11,021
Total current liabilities	38,963	41,390
Non-current liabilities		
Long-term borrowings	9,174	10,374
Retirement benefit liability	73	75
Asset retirement obligations	3,170	3,212
Other	3,215	2,794
Total non-current liabilities	15,634	16,457
Total liabilities	54,597	57,847

(Million yen)

	As of February 20, 2023	As of August 20, 2023
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus	15,009	15,003
Retained earnings	50,513	50,342
Treasury shares	(1,629)	(1,608)
Total shareholders' equity	78,010	77,855
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	280	283
Remeasurements of defined benefit plans	(667)	(643)
Total accumulated other comprehensive income	(387)	(360)
Share acquisition rights	38	38
Non-controlling interests	267	278
Total net assets	77,928	77,811
Total liabilities and net assets	132,526	135,658

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended August 20

(Million yen)

	For the six months ended August 20, 2022	For the six months ended August 20, 2023
Net sales	114,587	115,469
Cost of sales	82,574	83,532
Gross profit	32,012	31,937
Operating revenue		
Real estate lease revenue	2,028	1,982
Other operating revenue	4,037	4,068
Total operating revenue	6,066	6,050
Operating gross profit	38,078	37,987
Selling, general and administrative expenses	37,051	37,281
Operating profit	1,026	706
Non-operating income		
Share of profit of entities accounted for using equity method	10	42
Gain on sale of recycled materials	36	33
Dividend income	45	37
Sponsorship money income	21	-
Other	82	50
Total non-operating income	196	163
Non-operating expenses		
Interest expenses	30	41
Other	13	9
Total non-operating expenses	44	51
Ordinary profit	1,179	819
Extraordinary income		
Gain on sale of non-current assets	5	1
Compensation income	-	20
Gain on differences between the asset retirement obligation balance and the actual retirement costs	234	-
Other	-	5
Total extraordinary income	239	27
Extraordinary losses		
Loss on retirement of non-current assets	138	81
Impairment losses	14	-
Loss on cancellation of rental contracts	112	14
Other	1	10
Total extraordinary losses	265	106
Profit before income taxes	1,153	740
Income taxes	514	328
Profit	638	412
Profit attributable to non-controlling interests	3	13
Profit attributable to owners of parent	635	399

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended August 20

(Million yen)

	For the six months ended August 20, 2022	For the six months ended August 20, 2023
Profit	638	412
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	2
Remeasurements of defined benefit plans, net of tax	1	23
Total other comprehensive income	0	26
Comprehensive income	638	438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	635	425
Comprehensive income attributable to non-controlling interests	3	13

(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 six months ended August 20, 2023 by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the profit before income taxes for the current fiscal year ending February 20, 2024, including the second quarter of the 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.