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Consolidated Financial Results for the Nine Months Ended November 20, 2023 [Japanese GAAP]



December 27, 2023

Company name: OKUWA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8217

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

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Scheduled date of filing quarterly securities report: December 27, 2023

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, 2023 (February 21, 2023 - November 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 20, 2023	182,636	0.6	1,193	(11.6)	1,327	(13.3)	662	(16.7)
November 20, 2022	181,529	–	1,350	(60.6)	1,531	(57.4)	794	(57.5)

(Note) Comprehensive income: Nine months ended November 20, 2023: ¥772 million [0.5%]

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

	Basic earnings per share		Diluted earnings per share	
Nine months ended	Yen		Yen	
November 20, 2023	15.09		15.09	
November 20, 2022	18.12		18.12	

(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 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, 2023	131,754	77,574	58.6
As of February 20, 2023	132,526	77,928	58.6

(Reference) Equity: As of November 20, 2023: ¥77,247 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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended November 20, 2023 (February 21, 2023 - November 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, 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, while OAK FOODS CO. LTD., which operates restaurants, saw both sales and profits decrease.

As a result, for the nine months ended November 20, 2023, the Company and its consolidated subsidiaries (the “Group”) posted operating income (net sales and operating revenue) of 182,636 million yen (up by 0.6% year-on-year), operating profit of 1,193 million yen (down by 11.6% year-on-year), ordinary profit of 1,327 million yen (down by 13.3% year-on-year), and profit attributable to owners of parent of 662 million yen (down by 16.7% year-on-year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review decreased by 771 million yen from the end of the previous fiscal year to 131,754 million yen. Current assets decreased by 845 million yen, primarily due to a decrease of 1,559 million yen in cash and deposits, despite an increase of 1,125 million yen in merchandise and finished goods. Non-current assets increased by 73 million yen, primarily due to an increase of 362 million yen in land under property, plant and equipment and an increase of 180 million yen in software in progress included in other under intangible assets, despite a decrease of 496 million yen in leased assets, net included in other, net, under property, plant and equipment.

Liabilities decreased by 416 million yen from the end of the previous fiscal year to 54,180 million yen. Current liabilities decreased by 228 million yen, primarily due to a decrease of 1,070 million yen in electronically recorded obligations-facilities included in other under current liabilities, despite an increase of 1,121 million yen in notes and accounts payable - trade. Non-current liabilities decreased by 188 million yen, primarily due to a decrease of 283 million yen in lease liabilities and a decrease of 201 million yen in long-term leasehold deposits received, both included in other under non-current liabilities, despite an increase of 300 million yen in long-term borrowings.

Net assets decreased by 354 million yen from the end of the previous fiscal year to 77,574 million yen. This was primarily due to a decrease of 478 million yen in retained earnings.

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

Given the operating results for the nine months ended November 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 November 20, 2023
Assets		
Current assets		
Cash and deposits	15,751	14,191
Notes and accounts receivable - trade	6,294	6,439
Merchandise and finished goods	9,483	10,609
Other	2,371	1,820
Allowance for doubtful accounts	(0)	(7)
Total current assets	33,899	33,054
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,232	47,206
Land	28,044	28,406
Other, net	6,817	6,300
Total property, plant and equipment	82,093	81,912
Intangible assets		
Other	3,691	3,805
Total intangible assets	3,691	3,805
Investments and other assets		
Other	12,854	12,994
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	12,841	12,981
Total non-current assets	98,626	98,700
Total assets	132,526	131,754
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,684	13,805
Short-term borrowings	4,660	4,660
Current portion of long-term borrowings	6,129	6,198
Income taxes payable	373	353
Refund liability	1,321	1,502
Contract liabilities	2,649	2,483
Other	11,145	9,730
Total current liabilities	38,963	38,734
Non-current liabilities		
Long-term borrowings	9,174	9,474
Retirement benefit liability	73	71
Asset retirement obligations	3,170	3,222
Other	3,215	2,677
Total non-current liabilities	15,634	15,445
Total liabilities	54,597	54,180

(Million yen)

	As of February 20, 2023	As of November 20, 2023
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus	15,009	15,003
Retained earnings	50,513	50,034
Treasury shares	(1,629)	(1,608)
Total shareholders' equity	78,010	77,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	280	332
Remeasurements of defined benefit plans	(667)	(631)
Total accumulated other comprehensive income	(387)	(299)
Share acquisition rights	38	38
Non-controlling interests	267	287
Total net assets	77,928	77,574
Total liabilities and net assets	132,526	131,754

(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, 2022	For the nine months ended November 20, 2023
Net sales	172,466	173,491
Cost of sales	124,086	125,474
Gross profit	48,379	48,016
Operating revenue		
Real estate lease revenue	3,021	2,961
Other operating revenue	6,041	6,182
Total operating revenue	9,062	9,144
Operating gross profit	57,442	57,161
Selling, general and administrative expenses	56,092	55,968
Operating profit	1,350	1,193
Non-operating income		
Share of profit of entities accounted for using equity method	7	40
Gain on sale of recycled materials	54	48
Dividend income	51	42
Sponsorship money income	21	-
Other	111	81
Total non-operating income	246	212
Non-operating expenses		
Interest expenses	46	63
Other	18	15
Total non-operating expenses	65	78
Ordinary profit	1,531	1,327
Extraordinary income		
Gain on sale of non-current assets	10	1
Compensation income	-	20
Gain on differences between the asset retirement obligation balance and the actual retirement costs	234	-
Other	-	10
Total extraordinary income	245	32
Extraordinary losses		
Loss on retirement of non-current assets	192	111
Impairment losses	14	9
Loss on cancellation of rental contracts	113	14
Other	14	10
Total extraordinary losses	334	145
Profit before income taxes	1,441	1,214
Income taxes	629	529
Profit	811	684
Profit attributable to non-controlling interests	17	22
Profit attributable to owners of parent	794	662

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended November 20

(Million yen)

	For the nine months ended November 20, 2022	For the nine months ended November 20, 2023
Profit	811	684
Other comprehensive income		
Valuation difference on available-for-sale securities	(45)	51
Remeasurements of defined benefit plans, net of tax	1	35
Total other comprehensive income	(43)	87
Comprehensive income	768	772
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	751	749
Comprehensive income attributable to non-controlling interests	17	22

(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, 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 third 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.