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Consolidated Financial Results for the Three Months Ended May 20, 2023 [Japanese GAAP]



June 26, 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: June 26, 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 Three Months Ended May 20, 2023 (February 21, 2023 - May 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	%
Three months ended May 20, 2023	58,238	0.2	6	(97.7)	64	(81.5)	(45)	–
May 20, 2022	58,132	–	273	(74.1)	346	(68.8)	203	(63.0)

(Note) Comprehensive income: Three months ended May 20, 2023: ¥(42) million [–%]

Three months ended May 20, 2022: ¥93 million [(86.0)%]

	Basic earnings per share	Diluted earnings per share
Three months ended May 20, 2023	Yen (1.05)	Yen –
May 20, 2022	4.64	4.64

(Notes) 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31,

2020), etc. from the beginning of the consolidated three months ended May 20, 2022. Therefore, the figure of operating income for the three months ended May 20, 2022 shows the amount after the relevant accounting standards are applied, and the change from the previous corresponding period is not described.

2. Diluted earnings per share for the three months ended May 20, 2023 is not described because basic earnings per share are negative although there are dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 20, 2023	133,196	77,313	57.8
As of February 20, 2023	132,526	77,928	58.6

(Reference) Equity: As of May 20, 2023: ¥77,006 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	–				
Fiscal year ending February 20, 2024 (Forecast)		13.00	–	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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	124,000	2.8	800	(22.1)	900	(23.7)	400	(37.0)	9.12
Full year	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

*** 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 7 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: None
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):
 May 20, 2023: 45,237,297 shares
 February 20, 2023: 45,237,297 shares
- 2) Total number of treasury shares at the end of the period:
 May 20, 2023: 1,363,112 shares
 February 20, 2023: 1,363,053 shares
- 3) Average number of shares during the period (cumulative total):
 Three months ended May 20, 2023: 43,874,203 shares
 Three months ended May 20, 2022: 43,851,054 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 2 of the Attachments to this report.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended May 20, 2023 (February 21, 2023 - May 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, high 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.

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 higher sales and profits, while SUNRISE., CO. LTD., which handles the processing and delivery of agricultural and other products, saw a slight increase in both sales and profits.

As a result, for the three months ended May 20, 2023, the Company and its consolidated subsidiaries (the “Group”) posted a slightly higher operating income (net sales and operating revenue) of 58,238 million yen (up by 0.2% year-on-year). However, due in part to initial investment expenses arising from the opening of the two new stores, the Group posted operating profit of 6 million yen (down by 97.7% year-on-year), ordinary profit of 64 million yen (down by 81.5% year-on-year), and loss attributable to owners of parent of 45 million yen (profit attributable to owners of parent of 203 million yen for the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the consolidated fiscal year under review increased by 670 million yen from the end of the previous consolidated fiscal year to 133,196 million yen. Current assets increased by 219 million yen, primarily due to an increase of 1,091 million yen in merchandise and finished goods and an increase of 294 million yen in prepaid expenses included in other under current assets, despite a decrease of 1,201 million yen in cash and deposits. Non-current assets increased by 451 million yen, primarily due to an increase of 903 million yen in buildings and structures, net, under property, plant and equipment, despite a decrease of 433 million yen in construction in progress included in other, net, under property, plant and equipment.

Liabilities increased by 1,285 million yen from the end of the previous consolidated fiscal year to 55,882 million yen. Current liabilities increased by 2,295 million yen, primarily due to an increase of 1,317 million yen in notes and accounts payable - trade, an increase of 600 million yen in deposits received included in other under current liabilities, and an increase of 538 million yen in accrued expenses, despite a decrease of 435 million yen in accounts payable - other included in other under current liabilities. Non-current liabilities decreased by 1,010 million yen, primarily due to a decrease of 900 million yen in long-term borrowings and a decrease of 112 million yen in lease liabilities included in other under non-current liabilities.

Net assets decreased by 614 million yen from the end of the previous consolidated fiscal year to 77,313 million yen. This was primarily due to a decrease of 616 million yen in retained earnings.

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

Given the operating results for the three months ended May 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 May 20, 2023
Assets		
Current assets		
Cash and deposits	15,751	14,549
Notes and accounts receivable - trade	6,294	6,404
Merchandise and finished goods	9,483	10,575
Other	2,371	2,590
Allowance for doubtful accounts	(0)	(1)
Total current assets	33,899	34,118
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,232	48,136
Land	28,044	27,917
Other, net	6,817	6,488
Total property, plant and equipment	82,093	82,541
Intangible assets		
Other	3,691	3,719
Total intangible assets	3,691	3,719
Investments and other assets		
Other	12,854	12,829
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	12,841	12,816
Total non-current assets	98,626	99,077
Total assets	132,526	133,196
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,684	14,001
Short-term borrowings	4,660	4,660
Current portion of long-term borrowings	6,129	6,052
Refund liabilities	1,321	1,338
Contract liabilities	2,649	2,777
Other	11,518	12,428
Total current liabilities	38,963	41,258
Non-current liabilities		
Long-term borrowings	9,174	8,274
Retirement benefit liability	73	75
Asset retirement obligations	3,170	3,207
Other	3,215	3,067
Total non-current liabilities	15,634	14,623
Total liabilities	54,597	55,882

(Million yen)

	As of February 20, 2023	As of May 20, 2023
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus	15,009	15,009
Retained earnings	50,513	49,896
Treasury shares	(1,629)	(1,629)
Total shareholders' equity	78,010	77,393
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	280	268
Remeasurements of defined benefit plans	(667)	(655)
Total accumulated other comprehensive income	(387)	(386)
Share acquisition rights	38	38
Non-controlling interests	267	268
Total net assets	77,928	77,313
Total liabilities and net assets	132,526	133,196

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended May 20

(Million yen)

	For the three months ended May 20, 2022	For the three months ended May 20, 2023
Net sales	55,118	55,282
Cost of sales	39,657	39,855
Gross profit	15,460	15,427
Operating revenue		
Real estate lease revenue	1,023	990
Other operating revenue	1,990	1,964
Total operating revenue	3,013	2,955
Operating gross profit	18,474	18,382
Selling, general and administrative expenses	18,201	18,376
Operating profit	273	6
Non-operating income		
Share of profit of entities accounted for using equity method	18	34
Gain on sale of recycled materials	15	16
Sponsorship money income	21	-
Other	43	34
Total non-operating income	99	85
Non-operating expenses		
Interest expenses	15	19
Other	10	7
Total non-operating expenses	25	27
Ordinary profit	346	64
Extraordinary income		
Gain on sale of non-current assets	4	1
Gain on differences between the asset retirement obligation balance and the actual retirement costs	234	-
Total extraordinary income	239	1
Extraordinary losses		
Loss on retirement of non-current assets	97	48
Loss on cancellation of rental contracts	91	0
Other	0	1
Total extraordinary losses	188	50
Profit before income taxes	397	15
Income taxes	191	57
Profit (loss)	205	(42)
Profit attributable to non-controlling interests	1	3
Profit (loss) attributable to owners of parent	203	(45)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 20

(Million yen)

	For the three months ended May 20, 2022	For the three months ended May 20, 2023
Profit (loss)	205	(42)
Other comprehensive income		
Valuation difference on available-for-sale securities	(112)	(11)
Remeasurements of defined benefit plans, net of tax	0	11
Total other comprehensive income	(112)	0
Comprehensive income	93	(42)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	91	(45)
Comprehensive income attributable to non-controlling interests	1	3

(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 three months ended May 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 consolidated fiscal year ending February 20, 2024, including the first 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.