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June 27, 2024

Consolidated Financial Results for the Three Months Ended May 20, 2024 (Under Japanese GAAP)



Company name: HEIWADO CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 8276
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 Scheduled date to file quarterly securities report: June 28, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended May 20, 2024 (from February 21, 2024 to May 20, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
May 20, 2024	105,278	4.3	2,833	9.2	3,213	10.2	2,006	27.6
May 20, 2023	100,905	2.2	2,595	37.7	2,915	32.4	1,572	30.7

Note: Comprehensive income For the three months ended May 20, 2024: ¥2,662 million [48.4%]
 For the three months ended May 20, 2023: ¥1,793 million [(3.4)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
May 20, 2024	38.61	—
May 20, 2023	29.99	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
May 20, 2024	304,286	187,530	61.0
February 20, 2024	309,461	188,266	60.2

Reference: Equity
 As of May 20, 2024: ¥185,496 million
 As of February 20, 2024: ¥186,258 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 20, 2024	—	19.00	—	23.00	42.00
Fiscal year ending February 20, 2025	—				
Fiscal year ending February 20, 2025 (Forecast)		30.00	—	30.00	60.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial result forecasts for the fiscal year ending February 20, 2025 (from February 21, 2024 to February 20, 2025)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	217,000	4.3	6,800	6.5	7,300	5.5	4,800	16.2	91.52
Full year	444,000	4.4	13,700	3.3	14,700	1.5	9,100	34.1	173.50

Note: Revisions to the financial result forecast most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly included: –

Excluded: –

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes

Note: For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (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.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of May 20, 2024	52,546,470 shares
As of February 20, 2024	52,546,470 shares

(ii) Number of treasury shares at the end of the period

As of May 20, 2024	1,082,438 shares
As of February 20, 2024	98,338 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended May 20, 2024	51,958,757 shares
Three months ended May 20, 2023	52,448,447 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation regarding proper use of earnings forecasts and other special matters

Forward-looking statements such as earnings forecasts in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to guarantee that the Company will achieve them. Actual operating results may differ substantially from these forecasts due to a variety of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months under review (from February 21, 2024 to May 20, 2024), the Japanese economy exhibited steady growth due to the positive impact of factors such as rising wages due to labor shortages and easing supply constraints on semiconductors against the backdrop of proactive economic measures taken by the Japanese government and the Bank of Japan's maintenance of an accommodative financial environment. However, personal consumption in Japan has been slow to recover due to rising prices and sluggish real wages. In addition, the outlook remains uncertain with lingering downside risks to both the Japanese and international economies due to uncertain global conditions, such as the persistent swell of high inflation globally and supply chain vulnerabilities that have manifested themselves in the wake of intensifying geopolitical conflicts.

In the retail and restaurant businesses in Japan, the business environment remains challenging due to soaring prices of raw materials, as well as price revisions associated with the sharp depreciation of the yen, both of which have raised a saving-oriented attitude of consumers and raised personnel and logistics expenses.

As a result of the foregoing, the operating results for the three months under review were operating revenue of ¥105,278 million (up 4.3% year on year), operating profit of ¥2,833 million (up 9.2% year on year), ordinary profit of ¥3,213 million (up 10.2% year on year), and profit attributable to owners of parent of ¥2,006 million (up 27.6% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter under review decreased by ¥5,174 million from the end of the previous fiscal year to ¥304,286 million. The main factors included a decrease in cash and deposits of ¥6,631 million, which was partially offset primarily by increases in merchandise and finished goods of ¥1,162 million and property, plant and equipment of ¥331 million.

Liabilities decreased by ¥4,438 million from the end of the previous fiscal year to ¥116,755 million. The main factors included a decrease in short-term borrowings of ¥7,512 million, which was partially offset primarily by an increase in long-term borrowings of ¥2,912 million.

Net assets decreased by ¥736 million from the end of the previous fiscal year to ¥187,530 million. The main factors included the purchase of treasury shares of ¥2,157 million, which was partially offset primarily by increases in retained earnings of ¥800 million and foreign currency translation adjustment of ¥514 million.

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

Forecasted figures for the consolidated operating results for the fiscal year ending February 20, 2025 remain unchanged from those announced on April 4, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of February 20, 2024	As of May 20, 2024
Assets		
Current assets		
Cash and deposits	33,051	26,419
Notes and accounts receivable - trade, and contract assets	10,180	10,791
Merchandise and finished goods	19,124	20,287
Raw materials and supplies	200	211
Other	5,917	5,294
Allowance for doubtful accounts	(60)	(61)
Total current assets	68,413	62,942
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	90,613	90,854
Land	98,640	98,640
Other, net	11,532	11,622
Total property, plant and equipment	200,786	201,117
Intangible assets		
Goodwill	607	590
Leasehold interests in land	5,513	5,564
Other	3,925	3,793
Total intangible assets	10,046	9,948
Investments and other assets		
Investment securities	4,460	4,594
Leasehold and guarantee deposits	18,003	18,231
Deferred tax assets	4,963	4,943
Other	3,142	2,862
Allowance for doubtful accounts	(355)	(355)
Total investments and other assets	30,214	30,276
Total non-current assets	241,047	241,343
Total assets	309,461	304,286

	As of February 20, 2024	As of May 20, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,810	31,412
Short-term borrowings	17,330	9,817
Income taxes payable	2,303	1,470
Provision for bonuses	1,937	3,023
Contract liabilities	11,598	10,443
Refund liabilities	7,674	7,717
Provision for loss on interest repayment	23	21
Provision for loss on shop close	371	368
Provision for bonuses for directors (and other officers)	36	—
Provision for loss on disaster	1,114	610
Other	17,087	17,123
Total current liabilities	89,287	82,006
Non-current liabilities		
Long-term borrowings	10,825	13,737
Retirement benefit liability	8,127	7,931
Asset retirement obligations	4,426	4,483
Leasehold and guarantee deposits received	8,250	8,314
Deferred tax liabilities	59	58
Other	218	224
Total non-current liabilities	31,907	34,748
Total liabilities	121,194	116,755
Net assets		
Shareholders' equity		
Share capital	11,614	11,614
Capital surplus	19,748	19,748
Retained earnings	150,087	150,887
Treasury shares	(198)	(2,356)
Total shareholders' equity	181,251	179,893
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,284	1,378
Foreign currency translation adjustment	3,424	3,938
Remeasurements of defined benefit plans	298	284
Total accumulated other comprehensive income	5,007	5,602
Non-controlling interests	2,008	2,034
Total net assets	188,266	187,530
Total liabilities and net assets	309,461	304,286

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended May 20

(Millions of yen)

	For the three months ended May 20, 2023	For the three months ended May 20, 2024
Operating revenue		
Net sales	92,358	96,034
Operating revenue	8,547	9,243
Total operating revenue	100,905	105,278
Cost of sales	64,411	67,150
Gross profit	27,946	28,884
Operating gross profit	36,493	38,127
Selling, general and administrative expenses	33,898	35,294
Operating profit	2,595	2,833
Non-operating income		
Interest income	55	42
Commission income	148	144
Receipt subsidy	74	122
Other	82	103
Total non-operating income	362	413
Non-operating expenses		
Burden charge payment	26	1
Interest expenses	7	12
Foreign exchange losses	—	15
Other	8	4
Total non-operating expenses	42	33
Ordinary profit	2,915	3,213
Extraordinary income		
Gain on sale of non-current assets	0	—
Insurance claim income	—	194
Other	—	2
Total extraordinary income	0	197
Extraordinary losses		
Loss on retirement of non-current assets	206	62
Loss on disaster	—	4
Other	45	7
Total extraordinary losses	251	73
Profit before income taxes	2,664	3,336
Income taxes	1,061	1,298
Profit	1,602	2,037
Profit attributable to non-controlling interests	29	31
Profit attributable to owners of parent	1,572	2,006

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 20

(Millions of yen)

	For the three months ended May 20, 2023	For the three months ended May 20, 2024
Profit	1,602	2,037
Other comprehensive income		
Valuation difference on available-for-sale securities	90	94
Foreign currency translation adjustment	71	542
Remeasurements of defined benefit plans, net of tax	29	(13)
Total other comprehensive income	191	624
Comprehensive income	1,793	2,662
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,760	2,602
Comprehensive income attributable to non-controlling interests	33	60

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Based on a resolution approved at a meeting of the Board of Directors on February 19, 2024, the Company purchased 984,100 shares of treasury shares. As a result, treasury shares increased by ¥2,157 million during the three months ended May 20, 2024, bringing treasury shares to ¥2,356 million as of May 20, 2024.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company calculates tax expenses by making a reasonable estimate of the effective tax rate after application of tax effect accounting to profit before income taxes for the consolidated fiscal year that includes the first quarter under review, and multiplying profit before income taxes by the said estimated effective tax rate. In addition, income taxes deferred are included in "Income taxes."

(Significant subsequent events)

(Purchase of treasury shares)

(Purchase based on a resolution approved at a meeting of the Board of Directors on February 19, 2024)

The Company, at the Board of Directors meeting held on February 19, 2024, resolved matters concerning the purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and purchased treasury shares.

The purchase of treasury shares based on the aforementioned resolution of the Board of Directors was terminated when the maximum number of shares to be purchased was reached on May 27, 2024.

1. Details of the Board of Directors resolution regarding the purchase of treasury shares

(1) Reason for purchasing treasury shares

The purchase of treasury shares is to be conducted with the aim of enhancing shareholder returns and improving capital efficiency, as well as from the perspective of mitigating the impact on the supply and demand of the Company's shares in connection with the secondary offering of the Company's common shares announced in the "Notice Regarding the Secondary Offering of Shares" dated February 19, 2024.

(2) Details of matters related to the purchase

(i) Class of shares to be purchased: Common shares of the Company

(ii) Total number of shares to be purchased: Up to 1,000,000 shares

(iii) Total amount of share purchase costs: Up to 2,400 million yen

(iv) Purchase period: From March 7, 2024, to August 20, 2024

(v) Purchase method: Market purchase on the Tokyo Stock Exchange

2. Details of the acquisition of treasury shares

(1) Class of shares purchased: Common shares of the Company

(2) Total number of shares purchased: 15,900 shares

- (3) Total amount of share purchase costs: 37,269,600 yen
- (4) Purchase period: From May 21, 2024, to May 27, 2024 (on a delivery date basis)
- (5) Purchase method: Market purchase on the Tokyo Stock Exchange

The cumulative total of treasury shares purchased through May 27, 2024 based on the above Board of Directors' resolution is as follows.

- (1) Total number of shares purchased: 1,000,000 shares
- (2) Total amount of purchased share purchase costs: 2,195,111,600 yen

(Purchase based on a resolution approved at a meeting of the Board of Directors on June 27, 2024)

The Company, at the Board of Directors meeting held on June 27, 2024, resolved matters concerning the purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

1. Reason for purchasing treasury shares

The Company is currently in the first year of its "Fifth Medium-Term Management Plan FY2024-FY2026," a plan that calls for accelerating growth toward 2030 while at the same time ensuring stable returns to shareholders. Our basic cash allocation policy is to strive to improve the total return ratio by increasing dividends and implementing treasury shares purchases in line with business performance, while securing internal reserves to continue investments aimed at investment for growth.

Based on the above policy, the Company will purchase treasury shares to improve capital efficiency and increase the level of shareholder returns.

2. Details of matters related to the purchase

- (i) Class of shares to be purchased: Common shares of the Company
- (ii) Total number of shares to be purchased: Up to 2,000,000 shares
- (iii) Total amount of share purchase costs: Up to 6,000 million yen
- (iv) Purchase period: From August 21, 2024, to August 20, 2025
- (v) Purchase method: Market purchase on the Tokyo Stock Exchange