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Consolidated Financial Results for the Three Months Ended May 20, 2024 [Japanese GAAP]



June 27, 2024

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 27, 2024

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, 2024 (February 21, 2024 - May 20, 2024)

(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, 2024	58,697	0.8	(38)	–	6	(90.6)	(56)	–
May 20, 2023	58,238	0.2	6	(97.7)	64	(81.5)	(45)	–

(Note) Comprehensive income: Three months ended May 20, 2024: ¥135 million [–%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 20, 2024	(1.30)	–
May 20, 2023	(1.05)	–

(Note) Diluted earnings per share for the three months ended May 20, 2024 and the three months ended May 20, 2023 are 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, 2024	131,019	77,684	59.0
As of February 20, 2024	132,496	78,679	59.1

(Reference) Equity: As of May 20, 2024: ¥77,360 million

As of February 20, 2024: ¥78,352 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, 2024	–	13.00	–	13.00	26.00
Fiscal year ending February 20, 2025	–				
Fiscal year ending February 20, 2025 (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, 2025 (February 21, 2024 - February 20, 2025)

(% 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	126,500	4.1	1,050	48.6	1,100	34.3	500	25.2	11.44
Full year	259,000	4.7	3,500	21.2	3,550	14.6	1,200	20.0	27.46

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

(Note) At a meeting of the Board of Directors held on March 26, 2024, the Company resolved to repurchase treasury shares.

The calculation of the basic earnings per share in the consolidated financial results forecast does not take into consideration the impact of the repurchase of treasury shares after May 21, 2024 based on this resolution.

*** 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 8 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 shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

May 20, 2024:	45,237,297 shares
February 20, 2024:	45,237,297 shares
 - 2) Total number of treasury shares at the end of the period:

May 20, 2024:	1,914,779 shares
February 20, 2024:	1,345,231 shares
 - 3) Average number of shares outstanding during the period (cumulative total):

Three months ended May 20, 2024:	43,704,559 shares
Three months ended May 20, 2023:	43,874,203 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, 2024 (February 21, 2024 - May 20, 2024), the environment surrounding OKUWA Co., Ltd. (the “Company”) is becoming one in which economic activities gradually returned to normal due to a further increase in wages caused by growing labor shortages and the effects of various measures such as ongoing improvements of employment and income situations. On the other hand, the outlook remained uncertain as shown by soaring resource prices caused by the prolonged situation in Ukraine and rising geopolitical risks in the Middle East and other regions, and decline in real wages and rise in energy costs due to the impact of higher prices, stemming from the rapid depreciation of the yen and other factors.

The retail industry, too, continues to struggle with the harsh environment, which is exemplified by an increasing trend to save money among consumers due to rapid inflation, fluctuations in raw material prices due to the imbalance between supply and demand and the hikes in market prices, higher costs caused by a rise in energy and labor costs, and the need for labor saving and productivity improvement.

Against this backdrop, the Company has decided the slogan for the fiscal year as “Let us turn small ideas into action and transform sales floors for the better by everyone’s efforts.” With each employee sharing the common goal of taking actions “toward a better store,” we have worked to provide products and services that can meet changing lifestyles to respond to diversifying customer needs.

The Company also has started the new Medium-Term Management Plan ending in the fiscal year ending February 20, 2027. We have been working on the issues of “restructuring of business types,” “improvement of store productivity,” “expansion of product development for OKUWA brand,” “formulation of marketing strategies,” “achievement of cost reduction through business transformation,” “maximization of the value of human capital,” and “further promotion of sustainability management,” etc.

With regard to our consolidated subsidiaries, OAK FOODS CO. LTD., which operates restaurants, saw a slight increase in sales and a decrease in profits due mainly to the impact of labor shortages and an increase in labor costs, although demand for restaurants has been recovering with the normalization of economic activities. SUNRISE., CO. LTD., which handles the processing and delivery of agricultural and other products, saw a slight increase in sales and a decrease in profits.

As a result, for the three months ended May 20, 2024, the Company and its consolidated subsidiaries (the “Group”) posted operating income (net sales and operating revenue) of 58,697 million yen (up by 0.8% year-on-year). However, due in part to an increase in cost of sales, the Group posted operating loss of 38 million yen (operating profit of 6 million yen for the same period of the previous fiscal year), ordinary profit of 6 million yen (down by 90.6% year-on-year), and loss attributable to owners of parent of 56 million yen (loss attributable to owners of parent of 45 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 fiscal year under review decreased by 1,476 million yen from the end of the previous fiscal year to 131,019 million yen. Current assets decreased by 3,112 million yen, primarily due to a decrease of 4,039 million yen in cash and deposits, despite an increase of 433 million yen in merchandise and finished goods and an increase of 371 million yen in notes and accounts receivable - trade. Non-current assets increased by 1,635 million yen, primarily due to an increase of 1,461 million yen in construction in progress included in other, net, under property, plant and equipment and an increase of 989 million yen in land, despite a decrease of 547 million yen in buildings and structures, net.

Liabilities decreased by 481 million yen from the end of the previous fiscal year to 53,334 million yen. Current liabilities increased by 475 million yen, primarily due to an increase of 600 million yen in notes and accounts payable - trade and an increase of 576 million yen in accrued expenses included in other under current liabilities, despite a decrease of 363 million yen in accounts payable - other and a decrease of 313 million yen in income taxes payable, both included in other under current liabilities. Non-current liabilities decreased by 956 million yen, primarily due to a decrease of 890 million yen in long-term borrowings.

Net assets decreased by 995 million yen from the end of the previous fiscal year to 77,684 million yen. This was primarily due to a decrease of 627 million yen in retained earnings and a decrease of 557 million yen due to an increase of treasury shares, despite an increase of 182 million yen in valuation difference on available-for-sale securities.

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

Given the operating results for the three months ended May 20, 2024 and other factors, the Company has not revised its earlier consolidated financial results forecast for the fiscal year ending February 20, 2025, which

was announced on April 2, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 20, 2024	As of May 20, 2024
Assets		
Current assets		
Cash and deposits	16,550	12,511
Notes and accounts receivable - trade	6,238	6,610
Merchandise and finished goods	10,085	10,519
Other	1,634	1,751
Allowance for doubtful accounts	(8)	(4)
Total current assets	34,500	31,387
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,180	45,633
Land	28,314	29,304
Other, net	5,988	7,442
Total property, plant and equipment	80,483	82,380
Intangible assets		
Other	4,094	3,832
Total intangible assets	4,094	3,832
Investments and other assets		
Other	13,431	13,431
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	13,418	13,419
Total non-current assets	97,996	99,631
Total assets	132,496	131,019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,875	13,476
Short-term borrowings	4,850	4,850
Current portion of long-term borrowings	4,360	4,160
Refund liabilities	1,306	1,314
Contract liabilities	2,114	1,998
Other	10,816	10,999
Total current liabilities	36,323	36,798
Non-current liabilities		
Long-term borrowings	11,614	10,724
Retirement benefit liability	72	72
Asset retirement obligations	3,211	3,222
Other	2,595	2,517
Total non-current liabilities	17,493	16,536
Total liabilities	53,816	53,334

(Million yen)

	As of February 20, 2024	As of May 20, 2024
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus	15,003	15,003
Retained earnings	50,372	49,744
Treasury shares	(1,608)	(2,166)
Total shareholders' equity	77,885	76,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	426	609
Remeasurements of defined benefit plans	40	50
Total accumulated other comprehensive income	467	659
Share acquisition rights	38	38
Non-controlling interests	289	286
Total net assets	78,679	77,684
Total liabilities and net assets	132,496	131,019

(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, 2023	For the three months ended May 20, 2024
Net sales	55,282	55,611
Cost of sales	39,855	40,374
Gross profit	15,427	15,237
Operating revenue		
Real estate lease revenue	990	991
Other operating revenue	1,964	2,094
Total operating revenue	2,955	3,085
Operating gross profit	18,382	18,323
Selling, general and administrative expenses	18,376	18,361
Operating profit (loss)	6	(38)
Non-operating income		
Share of profit of entities accounted for using equity method	34	20
Gain on sale of recycled materials	16	12
Other	34	40
Total non-operating income	85	74
Non-operating expenses		
Interest expenses	19	22
Other	7	7
Total non-operating expenses	27	29
Ordinary profit	64	6
Extraordinary income		
Gain on sale of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on retirement of non-current assets	48	4
Loss on cancellation of rental contracts	0	0
Other	1	-
Total extraordinary losses	50	4
Profit before income taxes	15	2
Income taxes	57	59
Loss	(42)	(57)
Profit (loss) attributable to non-controlling interests	3	(0)
Loss attributable to owners of parent	(45)	(56)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 20

(Million yen)

	For the three months ended May 20, 2023	For the three months ended May 20, 2024
Loss	(42)	(57)
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	182
Remeasurements of defined benefit plans, net of tax	11	10
Total other comprehensive income	0	192
Comprehensive income	(42)	135
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(45)	136
Comprehensive income attributable to non-controlling interests	3	(0)

(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, 2024 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, 2025, including the first 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.