

Consolidated Financial Results for the Six Months Ended June 30, 2024 [Japanese GAAP]



August 9, 2024

Company name: Okura Industrial Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4221

URL: <https://www.okr-ind.co.jp/>

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Scheduled date of filing semi-annual securities report: August 9, 2024

Scheduled date of commencing dividend payments: September 3, 2024

Availability of supplementary explanatory materials on financial results: Available

Schedule of financial results briefing session: Scheduled

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2024 (January 1, 2024 - June 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
June 30, 2024	39,400	0.2	2,322	(4.2)	2,704	(0.4)	2,418	5.0
June 30, 2023	39,337	2.6	2,424	10.5	2,714	6.8	2,302	25.8

(Note) Comprehensive income: Six months ended June 30, 2024: ¥4,161 million [21.7%]

Six months ended June 30, 2023: ¥3,418 million [92.6%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended				
June 30, 2024	199.94		-	
June 30, 2023	192.85		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	105,010	63,714	60.6
As of December 31, 2023	100,272	60,869	60.7

(Reference) Equity: As of June 30, 2024: ¥63,685 million

As of December 31, 2023: ¥60,844 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 December 31, 2023	–	0.00	–	110.00	110.00
Fiscal year ending December 31, 2024	–	55.00			
Fiscal year ending December 31, 2024 (Forecast)			–	55.00	110.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		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
	82,000	4.0	5,300	6.9	5,700	5.2	4,300	(0.4)	355.57

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

* Notes:

(1) Significant changes in the scope of consolidation during the period under review: None

(2) Accounting methods adopted particularly for the preparation of semi-annual consolidated financial statements: None

(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):

June 30, 2024: 12,414,870 shares

December 31, 2023: 12,414,870 shares

2) Total number of treasury shares at the end of the period:

June 30, 2024: 317,152 shares

December 31, 2023: 321,546 shares

3) Average number of shares during the period:

Six months ended June 30, 2024: 12,095,102 shares

Six months ended June 30, 2023: 11,938,937 shares

* These semi-annual consolidated financial results are outside the scope of review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

Forward-looking statements such as financial results forecast in this document are based on information currently available and certain assumptions that Company regards as reasonable. Actual results may significantly differ from such estimates due to various factors.

For details on the earnings forecasts of the Company, please see “Qualitative Information on Semi-annual Financial Results” on page 2 of the attachments.

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1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

During the six months ended June 30, 2024, the Japanese economy remained stalled mainly due to an increase in cost burden and a decrease in personal consumption in response to the yen's depreciation. Although there are expectations based largely on increasing inbound consumption and a global recovery in demand for semiconductors, the economic outlook remains uncertain as it is still difficult to foresee the future on account of such concerns as the growing tendency of consumers to economize due to rising prices and continued labor shortages.

Under these circumstances, the Group posted net sales of 39,400 million yen for the six months ended June 30, 2024 (up 0.2% year on year) mainly due to an increase in demand for optical films for small- and medium-sized panel applications in the New Materials Division despite a decline in sales volume in the Plastic Film Division.

In terms of profit, factors such as increased expenses attendant on the launch of new plants in the New Materials Division resulted in operating profit of 2,322 million yen (down 4.2% year on year) and ordinary profit of 2,704 million yen (down 0.4% year on year). Profit attributable to owners of parent was 2,418 million yen (up 5.0% year on year) mainly due to the recording of gains under extraordinary income following the transfer of non-current assets.

Operating results by segment are as follows.

[Plastic Film]

Sales of packaging films for the food service industry and other services remained strong partly due to brisk inbound demand, while sales of packaging films for daily essentials especially food and daily necessities remained weak as a result of the increasing tendency of consumers to economize due to rising prices. The sales volume of agricultural-use multi-films decreased due to inventory adjustments by distributors resulting from consumers' buying for filling current needs, and net sales amounted to 25,364 million yen (down 1.5% year on year). Operating profit was 2,236 million yen (up 7.6% year on year) due to contributory factors including the streamlining of unprofitable products, productivity improvement caused by the improved production system, and a review of raw materials to be purchased.

[New Materials]

While sales of functional materials mainly for automotive applications remained weak, demand for optical films for small- and medium-sized panel applications increased, resulting in net sales of 7,096 million yen (up 9.8% year on year). Operating profit was 651 million yen (down 20.2% year on year) due in part to increased expenses attendant on the launch of new plants.

[Housing Materials]

A certain level of sales volume was obtained for particleboards, one of the key products of this business segment, as a result of continuous stable production and consistent sales activities. However, mainly due to a significant decline in the sales volume of the lumber processing business caused by the decreased number of new housing starts, net sales amounted to 6,047 million yen (down 5.0% year on year). Operating profit was 428 million yen (down 8.2% year on year) due to the decrease in net sales despite efforts to reduce costs through stable production of particleboards.

[Other]

The hotel business saw a recovery in sales from hotel stays and banquets as COVID-19-related movement restrictions were eased, while sales of systems for dispensing pharmacies increased in the information processing system development business. As a result, overall net sales of other businesses were 891 million yen (up 18.7% year on year). Operating profit amounted to 241 million yen (up 10.8% year on year) due in part to the increase in net sales.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter of the fiscal year under review increased by 4,737 million yen compared to the end of the previous fiscal year, to 105,010 million yen. This was mainly due to an increase in investment securities of 2,433 million yen, an increase in cash and deposits of 1,387 million yen, and an increase in inventories of 803 million yen.

On the other hand, liabilities increased by 1,892 million yen compared to the end of the previous fiscal year, to 41,296 million yen, mainly due to an increase in borrowings of 5,254 million yen, a decrease in accounts payable - other of 3,728 million yen, an increase in trade payables of 2,145 million yen, and a decrease in other current liabilities of 2,052 million yen.

Net assets increased by 2,845 million yen from the end of the previous fiscal year to 63,714 million yen, mainly due to an increase in valuation difference on available-for-sale securities of 1,694 million yen and an increase in retained earnings of 1,088 million yen.

As a result of the above, the equity ratio decreased by 0.0 percentage points from the end of the previous fiscal year to 60.6%.

2) Cash flows for the period under review

Cash and cash equivalents (hereinafter referred to as “cash”) on a consolidated basis at the end of the six-month period under review increased by 1,387 million yen compared to the end of the previous fiscal year to 9,194 million yen.

The status of each cash flow and their factors during the six-month period under review are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 3,270 million yen (5,200 million yen provided in the same period of the previous fiscal year).

This was mainly due to cash inflows from profit before income taxes of 3,350 million yen, depreciation of 2,585 million yen, and an increase in trade payables of 2,143 million yen, and cash outflows from an increase in inventories of 788 million yen and income taxes paid of 708 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 5,885 million yen (3,016 million yen used in the same period of the previous fiscal year).

This was mainly due to a cash outflow from the purchase of property, plant and equipment, such as plants and manufacturing equipment in the New Materials Division.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to 3,923 million yen (1,292 million yen used in the same period of the previous fiscal year).

This was mainly due to a cash inflow from an increase in borrowings of 5,250 million yen and a cash outflow from dividends paid of 1,324 million yen.

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

There have been no changes to the consolidated financial results forecast announced on June 14, 2024.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	7,806	9,194
Notes and accounts receivable - trade	21,713	21,313
Electronically recorded monetary claims - operating	8,189	8,861
Merchandise and finished goods	5,292	5,589
Work in process	1,224	1,455
Raw materials and supplies	4,967	5,245
Real estate for sale	291	288
Other	1,461	953
Total current assets	50,947	52,902
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,032	16,411
Machinery, equipment and vehicles, net	8,292	11,196
Land	6,278	6,153
Construction in progress	8,491	946
Other, net	522	609
Total property, plant and equipment	35,616	35,317
Intangible assets	888	1,141
Investments and other assets		
Investment securities	11,291	13,724
Deferred tax assets	130	111
Other	1,398	1,813
Total investments and other assets	12,820	15,649
Total non-current assets	49,325	52,108
Total assets	100,272	105,010

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	17,020	18,073
Electronically recorded obligations - operating	672	1,765
Short-term borrowings	1,529	5,232
Current portion of long-term borrowings	373	492
Accounts payable - other	5,382	1,653
Income taxes payable	765	1,054
Electronically recorded obligations - facilities	1,893	1,213
Other	6,437	4,385
Total current liabilities	34,075	33,871
Non-current liabilities		
Long-term borrowings	–	1,432
Deferred tax liabilities	714	1,375
Retirement benefit liability	3,789	3,786
Other	823	830
Total non-current liabilities	5,327	7,424
Total liabilities	39,403	41,296
Net assets		
Shareholders' equity		
Share capital	8,619	8,619
Capital surplus	9,105	9,113
Retained earnings	38,394	39,482
Treasury shares	(557)	(550)
Total shareholders' equity	55,562	56,664
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,018	6,713
Foreign currency translation adjustment	236	277
Remeasurements of defined benefit plans	27	29
Total accumulated other comprehensive income	5,281	7,020
Non-controlling interests	24	29
Total net assets	60,869	63,714
Total liabilities and net assets	100,272	105,010

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Net sales	39,337	39,400
Cost of sales	32,101	31,957
Gross profit	7,236	7,442
Selling, general and administrative expenses		
Sales commission	40	45
Transportation and storage costs	1,321	1,361
Salaries	1,041	1,092
Bonuses	281	295
Remuneration for directors (and other officers)	171	174
Retirement benefit expenses	70	69
Depreciation	104	115
Research and development expenses	617	703
Provision of allowance for doubtful accounts	(0)	–
Other	1,163	1,261
Total selling, general and administrative expenses	4,811	5,119
Operating profit	2,424	2,322
Non-operating income		
Interest income	4	18
Dividend income	160	178
Foreign exchange gains	75	174
Miscellaneous income	93	60
Total non-operating income	334	432
Non-operating expenses		
Interest expenses	8	12
Commission expenses	28	28
Miscellaneous losses	6	10
Total non-operating expenses	44	51
Ordinary profit	2,714	2,704
Extraordinary income		
Gain on sale of non-current assets	0	876
Gain on sale of investment securities	428	–
Total extraordinary income	428	876
Extraordinary losses		
Loss on sale and retirement of non-current assets	91	98
Loss on sale of investment securities	1	–
Extra retirement payments	0	–
Plant relocation expense	–	130
Total extraordinary losses	94	229
Profit before income taxes	3,049	3,350
Income taxes - current	733	983
Income taxes - deferred	12	(53)
Total income taxes	745	930
Profit	2,304	2,420
Profit attributable to non-controlling interests	1	1
Profit attributable to owners of parent	2,302	2,418

Semi-annual Consolidated Statements of Comprehensive Income

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Profit	2,304	2,420
Other comprehensive income		
Valuation difference on available-for-sale securities	1,089	1,694
Foreign currency translation adjustment	17	43
Remeasurements of defined benefit plans, net of tax	7	2
Total other comprehensive income	1,114	1,740
Comprehensive income	3,418	4,161
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,415	4,156
Comprehensive income attributable to non-controlling interests	2	4

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,049	3,350
Depreciation	1,972	2,585
Increase (decrease) in allowance for doubtful accounts	(0)	–
Increase (decrease) in retirement benefit liability	0	(3)
Interest and dividend income	(165)	(197)
Interest expenses	8	12
Foreign exchange losses (gains)	(57)	(158)
Loss (gain) on sale of investment securities	(426)	–
Loss (gain) on sale and retirement of non-current assets	51	(812)
Decrease (increase) in trade receivables	1,791	(258)
Decrease (increase) in inventories	(144)	(788)
Increase (decrease) in trade payables	(841)	2,143
Other, net	647	(2,080)
Subtotal	5,885	3,792
Interest and dividends received	168	197
Interest paid	(8)	(11)
Income taxes paid	(845)	(708)
Net cash provided by (used in) operating activities	5,200	3,270
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,926)	(6,461)
Proceeds from sale of property, plant and equipment	3	1,119
Proceeds from governmental subsidy income	50	42
Purchase of investment securities	(55)	(6)
Proceeds from sale of investment securities	611	–
Loan advances to subsidiaries and associates	–	(351)
Proceeds from collection of loans receivable	0	109
Payments for investments in capital of subsidiaries and associates	(455)	–
Other, net	(245)	(336)
Net cash provided by (used in) investing activities	(3,016)	(5,885)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(21)	3,699
Proceeds from long-term borrowings	–	1,950
Repayments of long-term borrowings	(260)	(398)
Purchase of treasury shares	(0)	(2)
Dividends paid	(1,009)	(1,324)
Net cash provided by (used in) financing activities	(1,292)	3,923
Effect of exchange rate change on cash and cash equivalents	50	78
Net increase (decrease) in cash and cash equivalents	942	1,387
Cash and cash equivalents at beginning of period	8,448	7,806
Cash and cash equivalents at end of period	9,390	9,194

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

I For the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

Information on the amount of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in semi-annual consolidated statements of income (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	25,759	6,460	6,367	38,586	751	39,337	–	39,337
Inter-segment net sales or transfers	2	–	7	9	403	412	(412)	–
Total	25,761	6,460	6,374	38,596	1,154	39,750	(412)	39,337
Segment profit	2,077	816	466	3,360	217	3,577	(1,153)	2,424

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 1,153 million yen includes negative 0 million yen in eliminations of inter-segment transactions and negative 1,152 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

3. Segment profit is adjusted with operating profit in the semi-annual consolidated statements of income.

II For the six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)

Information on the amount of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in semi-annual consolidated statements of income (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	25,364	7,096	6,047	38,508	891	39,400	–	39,400
Inter-segment net sales or transfers	1	0	16	18	399	418	(418)	–
Total	25,366	7,096	6,063	38,526	1,291	39,818	(418)	39,400
Segment profit	2,236	651	428	3,316	241	3,557	(1,235)	2,322

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 1,235 million yen includes negative 6 million yen in

eliminations of inter-segment transactions and negative 1,228 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

3. Segment profit is adjusted with operating profit in the semi-annual consolidated statements of income.