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

August 5, 2024

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 Listing: Tokyo Stock Exchange and Fukuoka Stock Exchange
 Securities code: 3166
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary materials on financial results: None
 Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 – June 30, 2024)

(1) Consolidated Operating Results (Percentages indicate 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	%
Three months ended June 30, 2024	29,143	1.6	591	(21.9)	732	(18.4)	401	(27.0)
June 30, 2023	28,697	3.0	756	1.7	897	(1.1)	550	(2.9)

(Note) Comprehensive income: For the three months ended June 30, 2024: ¥330 million [(52.0)%]
 For the three months ended June 30, 2023: ¥687 million [30.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	31.00	—
June 30, 2023	42.63	—

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of the average number of shares outstanding during the period for the purpose of calculating basic earnings per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2024	66,046	23,327	35.3	1,797.18
As of March 31, 2024	66,337	23,345	35.1	1,799.32

(Reference) Equity: As of June 30, 2024: ¥23,297 million

As of March 31, 2024: ¥23,315 million

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of the total number of shares issued at the end of the period for the purpose of calculating net assets per share.

2. Cash Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	27.00	–	27.00	54.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		27.00	–	27.00	54.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		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	62,000	9.5	1,400	12.8	1,700	10.9	1,050	7.0	81.03
Full year	125,000	10.3	2,800	29.9	3,400	24.5	2,100	0.3	162.06

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

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1. Overview of Results of Operations

(1) Overview of Results of Operations for the Three Months Ended June 30, 2024

During the three months ended June 30, 2024, the Japanese economy indicated a modest recovery trend, underpinned by demand from inbound tourists and the improvement of income environment due to corporate wage hikes. However, the economic outlook remains uncertain for such reasons as weak personal consumption growth due to lingering inflation, prolonged depreciation of the yen, and geopolitical risks in Ukraine and the Middle East.

In the housing industry, we faced challenges, such as price hikes in housing construction and concerns over a possible rise in mortgage rates. While new housing starts for the three-month period increased by 0.5% year on year, the number of housing starts for owner-occupied houses and built-for-sale detached houses, which represent the main targets for the Group, registered an 8.9% year-on-year decline.

Against this backdrop, the Group focused on winning orders for non-housing projects, capturing remodeling/renovation demand, and transforming business portfolio through corporate acquisitions.

As a result, in the three-month period, net sales increased by 1.6% year on year to 29,143 million yen due to the effect of corporate acquisitions that took place in the previous fiscal year. However, operating profit decreased by 21.9% year on year to 591 million yen, ordinary profit decreased by 18.4% year on year to 732 million yen, and profit attributable to owners of parent decreased by 27.0% year on year to 401 million yen.

Results by segment were as follows:

<Construction Materials Business>

Amid the decline in the number of housing starts for owner-occupied houses and built-for-sale detached houses, the Group focused on such efforts as increasing sales in non-housing fields, capturing remodeling/renovation demand, promoting sales of products aimed at achieving carbon neutrality, and strengthening the construction function.

As a result, net sales of this business increased by 4.4% year on year to 18,061 million yen because TRESSA Co., Ltd. and Ai-build Corporation, which both became our subsidiaries in the previous fiscal year, contributed to the performance of this business. However, operating profit decreased by 11.4% year on year to 209 million yen due to increases in personnel costs, logistics costs, and other expenses.

<Air-conditioning, Heating and Cooling, and Household Products Business>

Net sales of this business decreased by 2.0% year on year to 3,957 million yen due to a decline in the sales of textiles to mass retailers, despite a strong performance in sales and installation work of freezing and refrigeration equipment and air-conditioning equipment. However, we recorded an operating profit of 24 million yen (operating loss of 12 million yen for the same period of the previous fiscal year) through efforts to reduce selling, general and administrative expenses.

<Pre-cut Lumber Business>

We made greater efforts to win orders for non-housing projects, including nursing homes, offices, and other facilities, in addition to detached houses, our mainstay. However, due to the decline in new construction starts for owner-occupied houses and built-for-sale detached houses, net sales of this business decreased by 6.4% year on year to 3,379 million yen and operating profit decreased by 27.6% year on year to 157 million yen.

<Engineering Business>

Net sales of this business decreased by 0.8% year on year to 3,052 million yen. Operating profit decreased by 6.4% year on year to 461 million yen due to a slight decline in the profit margin.

<Other>

The businesses of Taihei Shoko Co., Ltd., which sells industrial materials, and Hit-il Co., Ltd., which engages in the worker dispatching business, are classified into the Other Business that is not included in any reportable segment.

Net sales of this business decreased by 1.3% year on year to 780 million yen due to a decline in the sales of electric insulating materials for industrial use. Operating profit decreased by 65.4% year on year to 9 million yen because of the costs associated with the acquisition of Hit-il Co., Ltd., a new subsidiary.

We acquired Hit-il Co., Ltd. (Fukuoka City) and made it a new subsidiary in May 2024. As for Hit-il Co., Ltd., only the balance sheets have been consolidated for the three months ended June 30, 2024.

(2) Overview of Financial Position for the Three Months Ended June 30, 2024

Total assets decreased by 290 million yen, or 0.4%, from the previous fiscal year-end to 66,046 million yen. This was mainly attributable to decreases of 1,436 million yen in notes and accounts receivable - trade, and contract assets, 685 million yen in costs on construction contracts in progress, 275 million yen in other under current assets, and 243 million yen in other under investments and other assets, with increases of 2,155 million yen in cash and deposits and 395 million yen in merchandise.

Total liabilities decreased by 273 million yen, or 0.6%, from the previous fiscal year-end to 42,718 million yen. This was mainly attributable to decreases of 894 million yen in electronically recorded obligations - operating and 619 million yen in short-term borrowings, with increases of 956 million yen in long-term borrowings and 210 million yen in other under current liabilities.

Total net assets declined by 17 million yen, or 0.1%, from the previous fiscal year-end to 23,327 million yen. This was mainly attributable to a decrease of 71 million yen in valuation difference on available-for-sale securities, with an increase of 47 million yen in retained earnings.

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

There are no changes to the consolidated financial results forecast for the fiscal year ending March 31, 2025 from the earlier forecast announced on May 8, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	14,598	16,754
Notes and accounts receivable - trade, and contract assets	19,083	17,647
Electronically recorded monetary claims - operating	3,162	3,160
Merchandise	4,526	4,922
Costs on construction contracts in progress	1,645	960
Other	973	698
Allowance for doubtful accounts	(43)	(40)
Total current assets	43,947	44,102
Non-current assets		
Property, plant and equipment		
Land	9,894	9,869
Other, net	4,779	4,703
Total property, plant and equipment	14,673	14,572
Intangible assets		
Goodwill	1,035	977
Other	389	340
Total intangible assets	1,424	1,318
Investments and other assets		
Retirement benefit asset	331	334
Other, net	6,006	5,763
Allowance for doubtful accounts	(47)	(45)
Total investments and other assets	6,291	6,053
Total non-current assets	22,389	21,943
Total assets	66,337	66,046

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,577	13,714
Electronically recorded obligations - operating	16,798	15,904
Short-term borrowings	4,051	3,432
Current portion of bonds payable	33	24
Income taxes payable	418	463
Provision for bonuses	665	692
Other	2,375	2,585
Total current liabilities	37,921	36,817
Non-current liabilities		
Bonds payable	144	144
Long-term borrowings	1,906	2,863
Provision for retirement benefits for directors (and other officers)	650	655
Provision for share awards for directors (and other officers)	54	57
Retirement benefit liability	627	623
Other	1,687	1,557
Total non-current liabilities	5,071	5,901
Total liabilities	42,992	42,718
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	21,867	21,914
Treasury shares	(669)	(661)
Total shareholders' equity	22,596	22,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	684	612
Remeasurements of defined benefit plans	34	34
Total accumulated other comprehensive income	719	646
Non-controlling interests	29	30
Total net assets	23,345	23,327
Total liabilities and net assets	66,337	66,046

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	28,697	29,143
Cost of sales	24,581	24,911
Gross profit	4,116	4,231
Selling, general and administrative expenses	3,359	3,639
Operating profit	756	591
Non-operating income		
Interest income	0	0
Dividend income	22	21
Purchase discounts	46	45
Rental income from real estate	39	32
Other	55	68
Total non-operating income	163	168
Non-operating expenses		
Interest expenses	5	7
Rental expenses on real estate	8	7
Depreciation	6	6
Other	3	6
Total non-operating expenses	23	27
Ordinary profit	897	732
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investment securities	0	–
Total extraordinary income	2	0
Extraordinary losses		
Loss on retirement of non-current assets	2	1
Loss on valuation of investment securities	–	1
Impairment losses	–	9
Total extraordinary losses	2	13
Profit before income taxes	896	719
Income taxes - current	378	486
Income taxes - deferred	(33)	(169)
Total income taxes	345	317
Profit	551	402
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	550	401

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	551	402
Other comprehensive income		
Valuation difference on available-for-sale securities	135	(71)
Remeasurements of defined benefit plans, net of tax	0	(0)
Total other comprehensive income	136	(72)
Comprehensive income	687	330
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	686	329
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Notes on changes in accounting policies)

(Application of the Accounting Standard for Current Income Taxes, etc.)

We have applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard of 2022") and other standards from the beginning of the first quarter under review.

As for the revision of accounting classification of income taxes (imposed on other comprehensive income), we follow the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022, as well as the transitional treatment stipulated in the proviso of Paragraph 65-2, Item 2 of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). These changes in accounting policies do not have any impact on the quarterly consolidated financial statements.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows were not prepared for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the three months ended June 30, 2023 and 2024 were as follows:

	(Million yen)	
	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	207	205
Amortization of goodwill	64	78

(Notes on segment information, etc.)

[Segment information]

For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Construction Materials Business	Air- conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	15,447	3,867	3,290	108	22,713	790	–	23,503
Revenue from construction work	1,780	170	262	2,841	5,055	–	–	5,055
Other revenue	13	–	–	126	139	–	–	139
Revenue from contracts with customers	17,240	4,038	3,552	3,076	27,907	790	–	28,697
Sales to external customers	17,240	4,038	3,552	3,076	27,907	790	–	28,697
Intersegment sales or transfers	64	1	59	–	125	0	(125)	–
Total	17,304	4,039	3,612	3,076	28,033	790	(125)	28,697
Segment profit (loss)	236	(12)	218	493	935	27	(206)	756

- (Notes) 1. “Other” comprises business segments not included in reportable segments and contains sales of industrial materials.
2. Adjustments for segment profit (loss) of (206) million yen include corporate expenses of (205) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit (loss) is reconciled with operating profit in the quarterly consolidated statements of income.

For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Construction Materials Business	Air- conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	14,969	3,795	3,154	97	22,016	778	–	22,794
Revenue from construction work	3,040	160	187	2,826	6,214	–	–	6,214
Other revenue	4	–	–	128	133	–	–	133
Revenue from contracts with customers	18,014	3,955	3,341	3,052	28,364	778	–	29,143
Sales to external customers	18,014	3,955	3,341	3,052	28,364	778	–	29,143
Intersegment sales or transfers	47	1	37	–	86	1	(88)	–
Total	18,061	3,957	3,379	3,052	28,451	780	(88)	29,143
Segment profit	209	24	157	461	853	9	(271)	591

(Notes) 1. “Other” comprises business segments not included in reportable segments and contains sale of industrial materials.

2. Adjustments for segment profit of (271) million yen include corporate expenses of (271) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.

3. Segment profit is reconciled with operating profit in the quarterly consolidated statements of income.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in “(3) Notes to the Quarterly Consolidated Financial Statements (Notes on segment information, etc.)” under “2. Quarterly Consolidated Financial Statements and Primary Notes.”

(Significant subsequent events)

Not applicable.