

Financial Results for First Half of Fiscal Year Ending March 31, 2018 [Japanese GAAP] (Consolidated)



November 2, 2017

Okamura Corporation

Listing: Tokyo Stock Exchange

Code Number: 7994

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Scheduled date for filing of quarterly report: November 13, 2017

Scheduled date for commencement of dividend payments: December 8, 2017

Preparation of supplementary materials to explain quarterly financial results: Prepared.

Scheduling of meeting to explain quarterly financial results: Scheduled (for institutional investors and analysts).

(Amounts less than 1 million yen have been rounded down.)

1. Consolidated Operating Results for First Half (April 1, 2017 to September 30, 2017) of FY Ending March 2018 (April 1, 2017 to March 31, 2018)

(1) Operating Results (cumulative) (% Figures indicate year-over-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half of FY ending March 2018	113,327	1.4	4,702	(7.9)	5,334	(3.0)	3,645	(4.5)
First half of FY ended March 2017	111,708	(0.4)	5,106	11.6	5,498	8.5	3,817	18.2

Note: Comprehensive income ¥5,817 million (252.3%) for the first half of FY ending March 2018

¥1,651 million (-24.0%) for the first half of FY ended March 2017

	Profit per share		Diluted profit per share	
	yen		yen	
First half of FY ending March 2018	33.09		-	
First half of FY ended March 2017	34.65		-	

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First half of FY ending March 2018	214,977	118,495	55.0
FY ended March 2017	218,741	114,249	52.0

Reference: Total equity ¥118,177 million for the first half of FY ending March 2018

¥113,689 million for FY ended March 2017

2. Dividend

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen				
FY ended March 2017	-	12.00	-	12.00	24.00
FY ending March 2018	-	12.00			
FY ending March 2018 (forecast)			-	12.00	24.00

Note: Revision of the most recently released dividend forecasts: None

3. Forecast of Consolidated Performance for FY Ending March 2018 (April 1, 2017 to March 31, 2018)

(% Figures indicate year-over-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	243,000	2.6	12,500	5.8	13,200	3.4	8,900	7.3	80.79

Note: Revision of the most recently released performance forecasts: None

* Notes

(1) Changes in the number of material subsidiaries during the quarter under review (This indicates whether there have been changes in the number of specified subsidiaries involving changes in the scope of consolidation): None

New — company(ies) (—)
 Excluded — company(ies) (—)

(2) Adoption of a special accounting method applicable to the preparation of consolidated quarterly financial statements: None

(3) Changes in accounting policy or accounting estimates, or restatement

- ① Changes in accounting policy in accordance with revisions to accounting standards: None
- ② Changes other than those in ① above in accounting policy: None
- ③ Changes in accounting estimates: None
- ④ Restatement: None

(4) Number of shares of stock (common stock)

- ① Number of shares issued (including treasury stock) at the end of the term
- ② Number of shares of treasury stock at the end of the term
- ③ Average number of shares during the term (cumulative quarters)

First half of FY ending March 2018	112,391,530	FY ended March 2017	112,391,530
First half of FY ending March 2018	2,236,710	FY ended March 2017	2,233,725
First half of FY ending March 2018	110,156,422	First half of FY ended March 2017	110,162,896

* The quarterly Financial Results summary is not subject to quarterly review procedures.

* Explanation of Appropriate Use of Performance Forecasts and Other Issues Requiring Particular Mention

- The performance forecasts and other forward-looking statements contained herein are based on the information available to the Company at the time, and contain certain assumptions that the Company considers to be reasonable. They are subject to diverse factors that may cause actual results of operations and other items to differ significantly from the statements and forecasts. For a description of the assumptions underlying the performance forecasts and the points to note when using the performance forecasts in this document, etc., please refer to (3) Explanation of the performance forecast in 1. Qualitative Information Concerning Consolidated Quarterly Financial Results on page 3 of the Appendix.

○ Table of Contents for Appendix

1. Qualitative Information Concerning Consolidated Quarterly Financial Results	2
(1) Explanation of the progress in (consolidated) operating results.....	2
(2) Explanation of the changes in (consolidated) financial position	3
(3) Explanation of the performance forecast	3
2. Consolidated Quarterly Financial Statements and Important Notes.....	4
(1) Consolidated Quarterly Balance Sheet.....	4
(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income	6
(3) Consolidated Quarterly Statements of Cash Flows.....	8
(4) Notes regarding Consolidated Quarterly Financial Statements.....	9
Note regarding the assumption of going concern.....	9
Note regarding occurrence of significant change in amount of shareholders' equity	9
Segment information	9

1. Qualitative Information Concerning Consolidated Quarterly Financial Results

(1) Explanation of the progress in (consolidated) operating results

During the first half of the consolidated fiscal year under review, corporate earnings and the employment situation continued to improve, keeping the Japanese economy on a moderate recovery trend despite a persisting mood of uncertainty about US government policies and future performance of China and other emerging market economies, a segment seen with concerns.

Under these circumstances, the Okamura Group strove to develop new market potential, increase our market share in each of our business segments, and cultivate new customer bases by creating distinctive products and offering total solutions. The Group also endeavored to improve productivity and accelerate the cost reduction.

Performance results by segment are discussed below.

Segment name	Net sales (Millions of yen)			Segment income (loss) (Millions of yen)		
	First half of FY ended March 2017	First half of FY ending March 2018	Increase/decrease	First half of FY ended March 2017	First half of FY ending March 2018	Increase/decrease
Office Furniture	57,410	57,422	12	3,548	2,884	(663)
Store Displays	47,347	48,383	1,035	1,682	1,708	25
Others	6,951	7,521	570	(124)	109	233
Total	111,708	113,327	1,618	5,106	4,702	(404)

Note: The total of segment income (loss) corresponds to the operating income on Consolidated Quarterly Statements of Income.

Office Furniture

In the Office Furniture segment, although demand for office furniture remained strong, large office relocation projects declined in number since the supply of large-scale office buildings was in a brief off-demand period. Under these circumstances, the Company proactively made proposals on how to create a new office environment in response to work style innovations in offices and the growing interest in health. The Company also engaged in aggressive sales activities targeting companies with strong performance records and the furniture market for office-related facilities including school and library facilities as well as municipal offices. Despite these efforts, however, net sales leveled off, and income decreased year-over-year also due in part to increased prices for materials.

As a result, net sales in this segment amounted to ¥57,422 million (a year-over-year increase of 0.0%), and the segment income amounted to ¥2,884 million (a year-over-year decrease of 18.7%).

Store Displays

In the Store Display segment, the Company stepped up efforts to deliver total solutions mainly to strongly performing retailers such as supermarkets and drugstores for display fixtures, store carts, store security systems, and the like by leveraging the organization's overall capabilities. The Company also focused on increasing its market share in refrigerated showcases and making cost reductions. As a result, both net sales and income increased year-over-year.

As a result, net sales in this segment amounted to ¥48,383 million (a year-over-year increase of 2.2%), and the segment income amounted to ¥1,708 million (a year-over-year increase of 1.5%).

Others (including Material Handling Systems)

In the Materials Handling Systems segment, the Company focused its efforts on promising areas such as food, healthcare, and Internet shopping, and on increasing sales of automated warehousing equipment. The organization also strengthened collaboration with other segments and engaged in aggressive sales activities by maximum utilization of its solution-proposal capabilities and its products, which stand out from among others due to their superiority. As a result, both net sales and income increased year-over-year.

As a result, net sales in this segment amounted to ¥7,521 million (a year-over-year increase of 8.2%), and the segment income amounted to ¥109 million (versus a segment loss of ¥124 million in the same period of the previous fiscal year).

As a result of the above, during the first half of the current fiscal year, the Company posted net sales of ¥113,327 million (a year-over-year increase of 1.4%), operating income of ¥4,702 million (a year-over-year decrease of 7.9%), ordinary income of ¥5,334 million (a year-over-year decrease of 3.0%), and profit attributable to owners of parent of ¥3,645 million (a year-over-year decrease of 4.5%).

(2) Explanation of the changes in (consolidated) financial position

The Company's consolidated financial position at the end of the first half of the fiscal year under review is as follows:

Total assets amounted to ¥214,977 million, down ¥3,764 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥8,255 million, mainly because of an increase in cash and deposits and a decrease in notes and accounts receivable-trade; and noncurrent assets increased by ¥4,491 million, mainly because of an increase in investment securities.

Liabilities amounted to ¥96,481 million, down ¥8,009 million over the end of the previous fiscal year, mainly because of decreases in notes and accounts payable-trade as well as income taxes payable and provision for bonuses.

Net assets amounted to ¥118,495 million, up ¥4,245 million over the end of the previous fiscal year, mainly because of an increase in retained earnings and valuation difference on available-for-sale securities. The equity ratio amounted to 55.0%, up 3.0 percentage points.

A review of cash flows for the first half of the current fiscal year is as follows:

Operating activities generated a net cash increase of ¥7,655 million (an increase of ¥6,877 million in the same period of the previous fiscal year), reflecting inflows including profit before income taxes for the quarter of ¥5,333 million, depreciation and amortization of ¥2,696 million, and a decrease in notes and accounts receivable-trade of ¥9,845 million. Outflows included a decrease in provision for bonuses of ¥1,297 million and decreases in notes and accounts payable-trade of ¥4,929 million and income taxes paid of ¥2,910 million.

Investment activities resulted in a net cash outflow of ¥4,519 million (versus a net cash outflow of ¥1,995 million in the same period of the previous fiscal year), reflecting outflows including disbursements of ¥2,101 million for the purchase of property, plant and equipment and ¥1,524 million for the purchase of investment securities.

Financing activities resulted in a net cash outflow of ¥1,984 million (a net cash outflow of ¥1,321 million in the same period of the previous fiscal year), reflecting outflows including cash dividends paid of ¥1,323 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first half increased by ¥1,167 million from the end of the previous fiscal year (an increase of ¥3,152 million in the same period of the previous fiscal year) to ¥26,629 million.

(3) Explanation of the performance forecast

The consolidated performance forecasts for the fiscal year ending March 2018 remain the same as those that were announced on May 10, 2017.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2017)	First half of the current fiscal year (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	26,536	28,084
Notes and accounts receivable-trade	64,565	54,719
Short-term investment securities	10	10
Merchandise and finished goods	10,113	10,279
Work in process	1,467	1,812
Raw materials and supplies	4,384	4,472
Other	4,383	3,801
Allowance for doubtful accounts	(137)	(112)
Total current assets	111,322	103,066
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,268	14,852
Land	28,072	27,900
Other, net	12,931	12,917
Total property, plant and equipment	56,273	55,670
Intangible assets		
Goodwill	18	11
Other	4,505	4,259
Total intangible assets	4,523	4,271
Investments and other assets		
Investment securities	32,632	37,495
Other	14,023	14,505
Allowance for doubtful accounts	(33)	(32)
Total investments and other assets	46,622	51,968
Total non-current assets	107,419	111,910
Total assets	218,741	214,977

(Millions of yen)

	Previous fiscal year (As of March 31, 2017)	First half of the current fiscal year (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	30,007	25,606
Electronically recorded obligations-operating	16,398	15,521
Short-term loans payable	6,147	6,187
Current portion of long-term loans payable	1,115	1,067
Current portion of bonds	5,000	–
Income taxes payable	2,988	808
Provision for bonuses	3,685	2,388
Other	5,018	4,638
Total current liabilities	70,362	56,219
Non-current liabilities		
Bonds payable	5,000	10,000
Long-term loans payable	6,227	6,045
Net defined benefit liability	15,674	16,232
Other	7,227	7,984
Total non-current liabilities	34,129	40,262
Total liabilities	104,491	96,481
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,762	16,766
Retained earnings	70,819	73,140
Treasury stock	(2,422)	(2,425)
Total shareholders' equity	103,829	106,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,256	12,445
Foreign currency translation adjustment	56	67
Remeasurements of defined benefit plans	(452)	(487)
Total accumulated other comprehensive income	9,860	12,025
Non-controlling interests	559	317
Total net assets	114,249	118,495
Total liabilities and net assets	218,741	214,977

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income
[First Half of Current Fiscal Year]

(Millions of yen)

	First half of FY ended March 2017 (From April 1, 2016 to September 30, 2016)	First half of FY ending March 2018 (From April 1, 2017 to September 30, 2017)
Net sales	111,708	113,327
Cost of sales	76,660	78,260
Gross profit	35,048	35,067
Selling, general and administrative expenses		
Packing and transportation expenses	4,845	4,836
Salaries and allowances	9,401	9,720
Provision for bonuses	1,600	1,602
Rent expenses	3,561	3,918
Other	10,533	10,287
Total selling, general and administrative expenses	29,941	30,365
Operating income	5,106	4,702
Non-operating income		
Interest income	12	8
Dividends income	296	346
Equity in earnings of affiliates	293	186
Other	380	364
Total non-operating income	981	906
Non-operating expenses		
Interest expenses	127	100
Loss on sales and retirement of non-current assets	49	56
Other	413	117
Total non-operating expenses	589	274
Ordinary income	5,498	5,334
Extraordinary income		
Gain on liquidation of subsidiaries	25	–
Total extraordinary income	25	–
Extraordinary loss		
Loss on valuation of golf club membership	–	1
Total extraordinary loss	–	1
Profit before income taxes	5,524	5,333
Income taxes-current	1,200	1,014
Income taxes-deferred	468	666
Total income taxes	1,668	1,680
Profit	3,855	3,652
Profit attributable to non-controlling interests	37	7
Profit attributable to owners of parent	3,817	3,645

Consolidated Quarterly Statements of Comprehensive Income
[First Half of Current Fiscal Year]

(Millions of yen)

	First half of FY ended March 2017 (From April 1, 2016 to September 30, 2016)	First half of FY ending March 2018 (From April 1, 2017 to September 30, 2017)
Profit	3,855	3,652
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,608)	2,198
Foreign currency translation adjustment	(475)	(4)
Remeasurements of defined benefit plans, net of tax	8	(35)
Share of other comprehensive income of entities accounted for using equity method	(129)	5
Total other comprehensive income	(2,204)	2,164
Comprehensive income	1,651	5,817
Details:		
Comprehensive income attributable to owners of parent	1,643	5,819
Comprehensive income attributable to non-controlling interests	7	(1)

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First half of FY ended March 2017 (From April 1, 2016 to September 30, 2016)	First half of FY ending March 2018 (From April 1, 2017 to September 30, 2017)
Net cash provided by (used in) operating activities		
Profit before income taxes	5,524	5,333
Depreciation and amortization	2,516	2,696
Loss (gain) on liquidation of subsidiaries	(25)	–
Equity in (earnings) losses of affiliates	(293)	(186)
Increase (decrease) in allowance for doubtful accounts	(13)	(25)
Increase (decrease) in provision for bonuses	(1,359)	(1,297)
Increase (decrease) in net defined benefit liability	391	330
Interest and dividends income	(308)	(355)
Interest expenses	127	100
Decrease (increase) in notes and accounts receivable-trade	14,123	9,845
Decrease (increase) in inventories	(1,370)	(599)
Increase (decrease) in notes and accounts payable-trade	(8,110)	(4,929)
Increase (decrease) in accrued consumption taxes	(519)	275
Other, net	(373)	(883)
Subtotal	10,309	10,305
Interest and dividends income received	318	364
Interest expenses paid	(135)	(103)
Income taxes paid	(3,616)	(2,910)
Net cash provided by (used in) operating activities	6,877	7,655
Net cash provided by (used in) investing activities		
Payments into time deposits	(944)	(912)
Proceeds from withdrawal of time deposits	1,118	533
Purchase of property, plant and equipment	(1,857)	(2,101)
Purchase of intangible assets	(252)	(474)
Purchase of investment securities	(638)	(1,524)
Proceeds from sales and redemption of investment securities	797	0
Other, net	(217)	(38)
Net cash provided by (used in) investing activities	(1,995)	(4,519)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	902	50
Proceeds from long-term loans payable	528	–
Repayment of long-term loans payable	(1,027)	(231)
Proceeds from issuance of bonds	–	5,000
Redemption of bonds	–	(5,000)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,541)	(1,323)
Payments due to such acquisition of shares in subsidiary as does not involve a change in the scope of consolidation	–	(236)
Other, net	(182)	(242)
Net cash provided by (used in) financing activities	(1,321)	(1,984)
Effect of exchange rate change on cash and cash equivalents	(407)	15
Net increase (decrease) in cash and cash equivalents	3,152	1,167
Cash and cash equivalents at the beginning of the fiscal year	27,547	25,461
Cash and cash equivalents at the end of the quarter term	30,700	26,629

(4) Notes regarding Consolidated Quarterly Financial Statements

Note regarding the assumption of going concern

There is no information that needs to be disclosed herein.

Note regarding occurrence of significant change in amount of shareholders' equity

There is no information that needs to be disclosed herein.

Segment information

First half of FY ended March 2017 (from April 1, 2016 to September 30, 2016)

Information concerning net sales and income or loss amounts by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment	Amount recorded on Consolidated Quarterly Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	57,410	47,347	104,757	6,951	111,708	–	111,708
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	57,410	47,347	104,757	6,951	111,708	–	111,708
Segment income (loss)	3,548	1,682	5,230	(124)	5,106	–	5,106

Notes: 1. The category "Others" aggregates those business segments that do not meet the definition of reportable segments, and includes Material Handling Systems, Industrial Machinery and Others.

2. The total of segment income (loss) corresponds to the operating income on Consolidated Quarterly Statements of Income.

First half of FY ending March 2018 (from April 1, 2017 to September 30, 2017)

Information concerning net sales and income or loss amounts by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment	Amount recorded on Consolidated Quarterly Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	57,422	48,383	105,805	7,521	113,327	–	113,327
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	57,422	48,383	105,805	7,521	113,327	–	113,327
Segment income	2,884	1,708	4,592	109	4,702	–	4,702

Notes: 1. The category "Others" aggregates those business segments that do not meet the definition of reportable segments, and includes Material Handling Systems, Industrial Machinery and Others.

2. The total of segment income corresponds to the operating income on Consolidated Quarterly Statements of Income.