

Financial Results for First Half of Fiscal Year Ending March 31, 2016 [Japanese GAAP] (Consolidated)



November 5, 2015

Okamura Corporation

Listing: Tokyo Stock Exchange

Code Number: 7994

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Scheduled date for commencement of dividend payments: December 10, 2015

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, 2015 to September 30, 2015) of FY Ending March 2016 (April 1, 2015 to March 31, 2016)

(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 2016	112,114	11.4	4,574	36.4	5,069	27.6	3,229	23.3
First half of FY ended March 2015	100,610	1.2	3,353	(11.2)	3,973	(1.0)	2,618	(3.0)

Note: Comprehensive income ¥2,172 million (-45.1%) for the first half of FY ending March 2016
 ¥3,957 million (-7.0%) for the first half of FY ended March 2015

	Profit per share	Diluted profit per share
	yen	yen
First half of FY ending March 2016	29.32	-
First half of FY ended March 2015	23.77	-

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First half of FY ending March 2016	201,062	104,775	51.9
FY ended March 2015	207,387	103,544	49.8

Reference: Total equity ¥104,412 million for the first half of FY ending March 2016
 ¥103,178 million for FY ended March 2015

2. Dividend

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
FY ended March 2015	-	8.50	-	8.50	17.00
FY ending March 2016	-	10.00	-	-	-
FY ending March 2016 (forecast)	-	-	-	10.00	20.00

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

3. Forecast of Consolidated Performance for FY Ending March 2016 (April 1, 2015 to March 31, 2016)

(% 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	226,000	2.7	11,000	25.5	12,000	16.0	7,800	21.5	70.80

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 quarterly consolidated 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: Yes
- ② Changes other than those in ① above in accounting policy: Yes
- ③ Changes in accounting estimates: Yes
- ④ Restatement: None

Note: The Company has changed its depreciation method since the first quarter of the fiscal year under review, which falls under “Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates.” For details, please refer to Appendix (3) Changes in accounting policy or accounting estimates, or restatement in 2. Summary Information (Notes) on page 4.

(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 2016	112,391,530	FY ended March 2015	112,391,530
First half of FY ending March 2016	2,231,666	FY ended March 2015	2,228,194
First half of FY ending March 2016	110,161,529	First half of FY ended March 2015	110,169,783

* Indication of Implementation Status of Quarterly Review Procedures

- This quarterly Financial Results summary is not subject to the quarterly review procedures as provided for in the Financial Instruments and Exchange Act. The procedures for reviewing the Company’s quarterly financial statements in accordance with the Financial Instruments and Exchange Act are yet to be completed at the time of publication of this quarterly Financial Results summary.

* 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 Quarterly Consolidated Financial Results on page 3 of the Appendix.

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1. Qualitative Information Concerning Quarterly Consolidated Financial Results

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

During the first half of the consolidated fiscal year under review, the Japanese economy showed some positive signs, such as continuing improvements in personal income and in the employment situation, as well as brisk capital investment. This took place on the back of fiscal policy and monetary easing by the government and Bank of Japan, and as expectations grew for further growth in corporate performance. On the other hand, with concerns about the impact of deteriorating overseas economies, including a slowdown in the growth of China's economy, the economy remained unable to shake off a mood of uncertainty.

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 2015	First half of FY ending March 2016	Increase/decrease	First half of FY ended March 2015	First half of FY ending March 2016	Increase/decrease
Office Furniture	51,327	54,999	3,671	1,882	2,891	1,009
Store Displays	42,942	49,894	6,951	1,581	1,962	380
Others	6,340	7,221	881	(109)	(278)	(169)
Total	100,610	112,114	11,504	3,353	4,574	1,221

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

Office Furniture

In the Office Furniture segment, demand for both office relocation and renewal mainly by companies with strong performance began to increase. This was due to a rise in the supply of large-scale office buildings, mainly in the center of Tokyo. Under these circumstances, the Company proactively made proposals on how to create office environments in response to various office working styles, and also launched new products that realize such proposals. Also in this segment, the Company endeavored to engage in aggressive sales activities for healthcare, R&D, school and library facilities, as well as municipal offices. The results of the above efforts increased both net sales and income year-over-year.

As a result, net sales in this segment amounted to ¥54,999 million (a year-over-year increase of 7.2%), and the segment income amounted to ¥2,891 million (a year-over-year increase of 53.6%).

Store Displays

In the Store Displays segment, by taking advantage of the Group's total strength, the Company enhanced its capabilities to make proposals for one-stop total solutions for the retail industry—an industry that is aggressively opening new stores and performing store renovations. In addition, the Company focused on increasing its market share in refrigerated showcases and on cost reductions. In order to respond to rising demand for the renovation of existing stores by firms seeking to enhance their competitiveness, the Company primarily took advantage of its strong presence in the existing store market and its capabilities for quick delivery thanks to its domestic production. The Company thereby achieved steady sales growth. The results of the above efforts increased both net sales and income year-over-year.

As a result, net sales in this segment amounted to ¥49,894 million (a year-over-year increase of 16.2%), and the segment income amounted to ¥1,962 million (a year-over-year increase of 24.1%).

Others (including Material Handling Systems business)

In the Materials Handling Systems segment, the Company focused on growth areas such as logistics centers for food, healthcare, and Internet shopping, and the transportation of small articles. In addition, the Company attracted more orders for total solutions by making the most of its solution-proposal capabilities and its products, which are distinguished by their superiority, as well as making use of synergies with other segments. Despite these efforts, however, losses increased year-over-year.

As a result, net sales in this segment amounted to ¥7,221 million (a year-over-year increase of 13.9%), and the segment loss amounted to ¥278 million (versus a segment loss of ¥109 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 ¥112,114 million (a year-over-year increase of 11.4%), operating income of ¥4,574 million (a year-over-year increase of 36.4%), ordinary income of ¥5,069 million (a year-over-year increase of 27.6%), and profit attributable to owners of parent of ¥3,229 million (a year-over-year increase of 23.3%).

(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 ¥201,062 million, down ¥6,325 million compared with the end of the previous consolidated fiscal year. Current assets decreased by ¥5,010 million, mainly because of an increase in cash and deposits and a decrease in notes and accounts receivable-trade, and noncurrent assets decreased by ¥1,314 million, mainly because of a decrease in investment securities.

Liabilities amounted to ¥96,286 million, down ¥7,556 million over the end of the previous fiscal year, mainly because of a decrease in notes and accounts payable-trade.

Net assets amounted to ¥104,775 million, up ¥1,231 million over the end of the previous fiscal year, mainly because of an increase in retained earnings. The equity ratio amounted to 51.9%, up 2.1 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 ¥9,767 million (an increase of ¥2,118 million in the same period of the previous fiscal year), reflecting inflows including income before income taxes and minority interests for the quarter of ¥5,071 million, depreciation and amortization of ¥1,942 million, and a decrease in notes and accounts receivable-trade of ¥11,255 million. Outflows included a decrease in provision for bonuses of ¥968 million and decreases in notes and accounts payable-trade of ¥4,059 million and income taxes paid of ¥2,202 million.

Investment activities resulted in a net cash outflow of ¥2,815 million (versus a net cash outflow of ¥4,006 million in the same period of the previous fiscal year), reflecting outflows including disbursements of ¥1,691 million for the purchase of property, plant and equipment and ¥662 million for the purchase of intangible assets.

Financing activities resulted in a net cash outflow of ¥909 million (versus a net cash outflow of ¥1,697 million in the same period of the previous fiscal year), reflecting inflows including an increase in short-term loans payable of ¥453 million and outflows including cash dividends paid by parent company of ¥937 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's first half increased by ¥6,067 million from the end of the previous fiscal year (a decrease of ¥3,658 million in the same period of the previous fiscal year) to ¥28,875 million.

(3) Explanation of the performance forecast

The consolidated performance forecasts for the fiscal year ending March 2016 remain the same as those that were announced on May 8, 2015.

2. Summary Information (Notes)

- (1) Changes in the number of material subsidiaries during the quarter under review

Nothing in particular.

- (2) Adoption of a special accounting method applicable to the preparation of quarterly consolidated financial statements

Nothing in particular.

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

Changes in accounting policies

Starting from the first quarter of the fiscal year under review, the Company has applied the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). In line with the application of these standards, the presentation of profit, etc. has been changed, and the presentation of minority interests has been changed to non-controlling interests. The quarterly consolidated financial statements for the first half of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been reclassified in order to reflect these changes in presentation.

Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates

The Company and its consolidated subsidiaries in Japan, which had primarily used the declining balance method to depreciate property, plant and equipment (except for leased assets), have adopted the straight-line method, starting from the first quarter of the fiscal year under review.

By the end of the previous fiscal year, the Group had for the most part completed its major investments in domestic facilities and equipment, with the aim of establishing its profit base in the medium- to long-term. These facilities and the equipment are expected to start operating at full scale in the fiscal year under review, and to operate stably over the long term. Against this background, we have changed the depreciation method, based on our conclusion that adopting the straight-line method for property, plant and equipment will contribute to more appropriate cost control, and will display the real state of our business conditions.

As a result of this change, each of operating income, ordinary income and income before income taxes and minority interests for the first half of the fiscal year under review increased by ¥556 million compared with the corresponding amounts that would have been recorded under the previous method.

The effect of this change on Segment Information is explained in the applicable notes.

3. Quarterly Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	First half of the current fiscal year (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	24,021	30,365
Notes and accounts receivable-trade	60,898	49,643
Short-term investment securities	21	521
Merchandise and finished goods	10,163	10,212
Work in process	1,625	1,564
Raw materials and supplies	3,954	4,211
Other	4,592	3,838
Allowance for doubtful accounts	(30)	(121)
Total current assets	105,247	100,236
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	15,380	15,034
Land	23,522	23,522
Other, net	11,333	11,789
Total property, plant and equipment	50,237	50,346
Intangible assets		
Goodwill	401	280
Other	4,645	4,914
Total intangible assets	5,046	5,194
Investments and other assets		
Investment securities	32,773	30,907
Other	14,182	14,469
Allowance for doubtful accounts	(98)	(92)
Total investments and other assets	46,856	45,284
Total noncurrent assets	102,140	100,825
Total assets	207,387	201,062

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	First half of the current fiscal year (As of September 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	34,209	26,081
Electronically recorded obligations-operating	11,123	15,136
Short-term loans payable	6,102	6,565
Current portion of long-term loans payable	3,126	2,896
Income taxes payable	2,311	1,449
Provision for bonuses	3,250	2,282
Other	5,793	4,229
Total current liabilities	65,919	58,642
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	5,059	5,049
Net defined benefit liability	13,701	14,211
Other	9,162	8,382
Total noncurrent liabilities	37,923	37,644
Total liabilities	103,843	96,286
Net assets		
Shareholders' equity		
Capital stock	18,670	18,670
Capital surplus	16,759	16,759
Retained earnings	58,365	60,657
Treasury stock	(2,413)	(2,417)
Total shareholders' equity	91,382	93,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,308	9,364
Foreign currency translation adjustment	522	535
Remeasurement of defined benefit plans	965	842
Total accumulated other comprehensive income	11,796	10,743
Non-controlling interests	366	362
Total net assets	103,544	104,775
Total liabilities and net assets	207,387	201,062

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

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

(Millions of yen)

	First half of FY ended March 2015 (From April 1, 2014 to September 30, 2014)	First half of FY ending March 2016 (From April 1, 2015 to September 30, 2015)
Net sales	100,610	112,114
Cost of sales	70,545	79,041
Gross profit	30,064	33,072
Selling, general and administrative expenses		
Packing and transportation expenses	4,056	4,718
Salaries and allowances	8,729	9,145
Provision for bonuses	1,417	1,517
Rent expenses	3,250	3,475
Other	9,257	9,641
Total selling, general and administrative expenses	26,711	28,498
Operating income	3,353	4,574
Non-operating income		
Interest income	9	11
Dividends income	285	279
Equity in earnings of affiliates	78	71
Other	497	382
Total non-operating income	871	745
Non-operating expenses		
Interest expenses	157	149
Other	94	100
Total non-operating expenses	251	250
Ordinary income	3,973	5,069
Extraordinary income		
Gain on sales of investment securities	–	1
Gain on sales of golf club memberships	54	–
Total extraordinary income	54	1
Extraordinary loss		
Loss on valuation of golf club memberships	0	0
Total extraordinary loss	0	0
Income before income taxes and minority interests	4,027	5,071
Income taxes-current	961	1,404
Income taxes-deferred	478	443
Total income taxes	1,440	1,848
Profit	2,586	3,222
Profit (loss) attributable to non-controlling interests	(31)	(6)
Profit attributable to owners of parent	2,618	3,229

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

(Millions of yen)

	First half of FY ended March 2015 (From April 1, 2014 to September 30, 2014)	First half of FY ending March 2016 (From April 1, 2015 to September 30, 2015)
Profit	2,586	3,222
Other comprehensive income		
Valuation difference on available-for-sale securities	1,548	(974)
Foreign currency translation adjustment	(102)	31
Remeasurement of defined benefit plans, net of tax	(51)	(122)
Share of other comprehensive income of equity method affiliates	(22)	15
Total other comprehensive income	1,371	(1,050)
Comprehensive income	3,957	2,172
Details:		
Comprehensive income attributable to owners of the parent	4,002	2,176
Comprehensive income attributable to non- controlling interests	(44)	(3)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First half of FY ended March 2015 (From April 1, 2014 to September 30, 2014)	First half of FY ending March 2016 (From April 1, 2015 to September 30, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,027	5,071
Depreciation and amortization	2,215	1,942
Equity in (earnings) losses of affiliates	(78)	(71)
Increase (decrease) in allowance for doubtful accounts	(5)	84
Increase (decrease) in provision for bonuses	(1,084)	(968)
Increase (decrease) in net defined benefit liability	290	168
Interest and dividends income	(295)	(290)
Interest expenses	157	149
Loss (gain) on sales of investment securities	–	(1)
Decrease (increase) in notes and accounts receivable-trade	8,674	11,255
Decrease (increase) in inventories	(973)	(247)
Increase (decrease) in notes and accounts payable-trade	(6,265)	(4,059)
Increase (decrease) in accrued consumption taxes	269	(591)
Other, net	(958)	(620)
Subtotal	5,972	11,821
Interest and dividends income received	325	285
Interest expenses paid	(141)	(136)
Income taxes paid	(4,038)	(2,202)
Net cash provided by (used in) operating activities	2,118	9,767
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,684)	(1,072)
Proceeds from withdrawal of time deposits	1,174	800
Purchase of property, plant and equipment	(2,526)	(1,691)
Purchase of intangible assets	(417)	(662)
Purchase of investment securities	(541)	(3)
Proceeds from sales and redemption of investment securities	303	5
Other, net	(314)	(191)
Net cash provided by (used in) investing activities	(4,006)	(2,815)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(86)	453
Proceeds from long-term loans payable	–	950
Repayment of long-term loans payable	(452)	(1,193)
Purchase of treasury stock	(2)	(1)
Cash dividends paid	(1,101)	(937)
Other, net	(53)	(180)
Net cash provided by (used in) financing activities	(1,697)	(909)
Effect of exchange rate change on cash and cash equivalents	(72)	24
Net increase (decrease) in cash and cash equivalents	(3,658)	6,067
Cash and cash equivalents at the beginning of the fiscal year	24,909	22,808
Cash and cash equivalents at the end of the quarter term	21,251	28,875

(4) Note 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 2015 (from April 1, 2014 to September 30, 2014)

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 Quarterly Consolidated Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	51,327	42,942	94,269	6,340	100,610	–	100,610
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	51,327	42,942	94,269	6,340	100,610	–	100,610
Segment income (loss)	1,882	1,581	3,463	(109)	3,353	–	3,353

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 Quarterly Consolidated Statements of Income.

First half of FY ending March 2016 (from April 1, 2015 to September 30, 2015)

1. 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 Quarterly Consolidated Statements of Income (Note 2)
	Office Furniture	Store Displays	Total				
Net sales							
Net sales to external customers	54,999	49,894	104,893	7,221	112,114	–	112,114
Internal sales or transfers between segments	–	–	–	–	–	–	–
Total	54,999	49,894	104,893	7,221	112,114	–	112,114
Segment income (loss)	2,891	1,962	4,853	(278)	4,574	–	4,574

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 Quarterly Consolidated Statements of Income.

2. Changes in reportable segment

Changes in depreciation method for property, plant and equipment

As noted in “Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates,” the Company and its consolidated subsidiaries in Japan, which had primarily used the declining balance method to depreciate property, plant and equipment (except for leased assets), have adopted the straight-line method, starting from the first quarter of the fiscal year under review.

By the end of the previous fiscal year, the Group had for the most part completed its major investments in domestic facilities and equipment, with the aim of establishing its profit base in the medium- to long-term. These facilities and equipment are expected to start operating at full scale in the fiscal year under review and to operate stably over the long term. Against this background, we have changed the depreciation method, based on our conclusion that adopting the straight-line method for depreciating property, plant and equipment will contribute to more appropriate cost control and will display the real state of our business conditions.

As a result of this change, segment incomes of “Office Furniture” and “Store Displays” for the first half of the fiscal year under review increased by ¥351 million and ¥160 million respectively, compared with the corresponding amounts that would have been recorded under the previous method. Segment loss of “Others” dropped by ¥44 million.

Material subsequent events

There is no information that needs to be disclosed herein.