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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 4, 2023

Company name: OCHI Holdings Co., Ltd.
Listing: Tokyo Stock Exchange and Fukuoka Stock Exchange
Securities code: 3166
URL: https://www.ochiholdings.co.jp
Representative: Michihiro Ochi, Representative Director, President and Chief Executive Officer
Inquiries: Naoyuki Shiraishi, Executive Officer, General Manager of Finance Department
Telephone: +81-92-711-9173
Scheduled date to file quarterly securities report: August 7, 2023
Scheduled date to commence dividend payments: –
Preparation of supplementary materials on quarterly financial results: None
Holding of quarterly 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, 2023 (April 1, 2023 - June 30, 2023)

(1) Consolidated Operating Results (Percentages indicate changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2023	28,697	3.0	756	1.7	897	(1.1)	550	(2.9)
June 30, 2022	27,868	12.3	743	71.5	907	66.5	566	64.6

(Note) Comprehensive income: For the three months ended June 30, 2023: ¥687 million [30.7%]
For the three months ended June 30, 2022: ¥526 million [76.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	42.63	—
June 30, 2022	44.06	—

- 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, 2023	62,841	21,898	34.8	1,693.41
As of March 31, 2023	64,531	21,557	33.4	1,667.88

(Reference) Equity: As of June 30, 2023: ¥21,870 million
As of March 31, 2023: ¥21,530 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, 2023	–	25.00	–	27.00	52.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		27.00	–	27.00	54.00

(Note) Revisions to the forecast of cash dividends announced most recently: Yes
For details, please refer to “Notice of Revisions to Dividend Forecast” released today (August 4, 2023).

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(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	60,000	6.6	1,330	(10.9)	1,570	(12.4)	1,030	(15.1)	79.79
Full year	120,000	3.8	2,750	(6.7)	3,200	(9.4)	2,050	(17.5)	158.81

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

*** Notes:**

(1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – ( ), Excluded: – ( )

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements
1) Changes in accounting policies due to revisions of accounting standards and other regulations: None
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None
4) Restatements: None

(4) Number of issued shares (common shares):
1) Total number of shares issued at the end of the period (including treasury shares):
As of June 30, 2023: 13,610,970 shares
As of March 31, 2023: 13,610,970 shares

2) Total number of treasury shares at the end of the period:
As of June 30, 2023: 695,805 shares
As of March 31, 2023: 702,208 shares

3) Average number of shares outstanding during the period:
Three months ended June 30, 2023: 12,913,032 shares
Three months ended June 30, 2022: 12,864,510 shares

- The total number of treasury shares at the end of the period includes the number of shares of the Company held by the Board Benefit Trust (BBT) as trust assets (103,300 shares as of June 30, 2023, and 103,300 shares as of March 31, 2023). The number of treasury shares deducted in the calculation of the average number of shares outstanding during the period includes the number of the Company's shares held by the trust (103,300 shares for the three months ended June 30, 2023, and 104,920 shares for the fiscal year ended March 31, 2023).
- The total number of treasury shares at the end of the period includes the number of shares of the Company held by a trust established exclusively for the OCHI Holdings Employee Shareholding Association (E-Ship Trust) as trust assets (118,400 shares as of June 30, 2023, and 124,800 shares as of March 31, 2023). The number of treasury shares deducted in the calculation of the average number of shares outstanding during the period includes the number of the Company's shares held by the trust (120,532 shares for the three months ended June 30, 2023, and 144,840 shares for the fiscal year ended March 31, 2023).

* These quarterly 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 information currently available to the Company and certain assumptions deemed reasonable as of the date of publication of this document, and are not intended as a guarantee by the Company that they will be achieved. Actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the financial results forecast and precautions regarding their use, please refer to "(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" under "1. Qualitative Information on Quarterly Financial Results for the Period" on page 3 of the attachment.

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1. Qualitative Information on Quarterly Financial Results for the Period

(1) Explanation of Operating Results

During the three months ended June 30, 2023, the Japanese economy indicated a modest recovery trend as the government downgraded COVID-19 to a Category V Infectious Disease and eased restrictions on activities in Japan and entry of people from abroad, while seeing progress in the normalization of economic activities. However, the economic outlook remains uncertain for a number of downside economic risks, including the surge in energy and raw materials prices caused by the prolonged situation in Ukraine.

In the housing industry, we faced challenges, such as price hikes in housing construction due to increases in construction materials and housing equipment prices, and undermined consumer sentiment for purchasing a home caused by rising living costs. As a result, new housing starts for the three-month period decreased by 4.7% year on year. Meanwhile, the number of housing starts for owner-occupied houses and built-for-sale detached houses, which represent the main targets for the Group, registered a 9.0% year-on-year decline.

Against this backdrop, the Group pursued business opportunities with a focus on growth fields by promoting sales of products aimed at achieving carbon neutrality, capturing remodeling/renovation demand, and reaching out to non-housing markets, among other efforts.

As a result, in the three-month period, net sales increased by 3.0% year on year to 28,697 million yen. Operating profit increased by 1.7% year on year to 756 million yen, ordinary profit decreased by 1.1% year on year to 897 million yen, and profit attributable to owners of parent decreased by 2.9% year on year to 550 million yen.

Results by segment were as follows:

<Construction Materials Business>

The Group focused on expanding sales of products aimed at achieving carbon neutrality, including solar power generation systems, storage batteries, and high-efficiency water heaters, capturing demand for remodeling/renovation to enhance comfort in wet areas and improve air quality and promoting the introduction of wooden structures and wooden interior decorations to non-housing buildings. However, due to factors such as the decline in new construction starts for owner-occupied houses and built-for-sale detached houses, net sales of this business decreased by 0.3% year on year to 17,304 million yen and operating profit decreased by 8.6% year on year to 236 million yen.

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

Net sales of this business increased by 2.8% year on year to 4,039 million yen due to the inclusion of the results for four months of Terada Co., Ltd., which has changed its accounting period. However, operating loss of 12 million yen (operating profit of 14 million yen in the corresponding period of the previous year) was recorded mainly due to a decline in sales and installation work of freezing equipment.

<Pre-cut Lumber Business>

We made greater efforts to win orders for non-housing projects, including nursing homes, shops, and other facilities, in addition to detached houses, our mainstay. However, due to lower lumber prices as well as the decline in new construction starts for owner-occupied houses and built-for-sale detached houses, net sales of this business decreased by 22.5% year on year to 3,612 million yen and operating profit decreased by 44.4% year on year to 218 million yen.

<Engineering Business>

Net sales of this business increased by 148.1% year on year to 3,076 million yen and operating profit increased by 126.4% year on year to 493 million yen, because All Japan Data Service, Co., Ltd. and Hagaya Construction Co., Ltd., which both became our subsidiaries in the previous fiscal year, contributed to the performance of this business.

<Other>

The business of Taihei Shoko Co., Ltd., which sells industrial materials, is classified into the Other Business that is not included in any reportable segment.

Net sales of this business decreased by 1.4% year on year to 790 million yen because of a decline in sales of electric insulating materials for industrial use. However, operating profit increased by 2.2% year on year to 27 million yen as a result of our efforts to improve the profit margin.

(2) Explanation of Financial Position

Total assets decreased by 1,690 million yen, or 2.6%, from the previous fiscal year-end to 62,841 million yen. This was mainly attributable to decreases of 2,340 million yen in notes and accounts receivable - trade, and contract assets and 904 million yen in costs on construction contracts in progress, with increases of 786 million yen in merchandise, 280 million yen in other, net under investments and other assets, 244 million yen in other under current assets, and 130 million yen in cash and deposits.

Total liabilities decreased by 2,031 million yen, or 4.7%, from the previous fiscal year-end to 40,942 million yen. This was mainly attributable to decreases of 718 million yen in short-term borrowings, 603 million yen in electronically recorded obligations - operating, 225 million yen in other under current liabilities, 170 million yen in notes and accounts payable - trade, and 164 million yen in income taxes payable.

Total net assets rose by 341 million yen, or 1.6%, from the previous fiscal year-end to 21,898 million yen. This was mainly attributable to increases of 195 million yen in retained earnings and 135 million yen in valuation difference on available-for-sale securities.

(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, 2024 from the earlier forecast announced on May 9, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	14,146	14,276
Notes and accounts receivable - trade, and contract assets	20,701	18,361
Electronically recorded monetary claims - operating	2,702	2,788
Merchandise	4,460	5,247
Costs on construction contracts in progress	1,662	757
Other	994	1,238
Allowance for doubtful accounts	(24)	(23)
Total current assets	44,644	42,647
Non-current assets		
Property, plant and equipment		
Land	8,441	8,456
Other, net	4,380	4,434
Total property, plant and equipment	12,822	12,890
Intangible assets		
Goodwill	1,021	1,029
Other	595	539
Total intangible assets	1,616	1,568
Investments and other assets		
Retirement benefit asset	233	238
Other, net	5,231	5,512
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	5,448	5,734
Total non-current assets	19,887	20,194
Total assets	64,531	62,841

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,650	14,479
Electronically recorded obligations - operating	16,173	15,569
Short-term borrowings	3,837	3,118
Income taxes payable	528	364
Provision for bonuses	674	645
Other	2,633	2,408
Total current liabilities	38,497	36,586
Non-current liabilities		
Long-term borrowings	2,017	1,942
Provision for retirement benefits for directors (and other officers)	399	375
Provision for share awards for directors (and other officers)	59	47
Retirement benefit liability	633	622
Other	1,366	1,367
Total non-current liabilities	4,476	4,356
Total liabilities	42,974	40,942
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	20,483	20,678
Treasury shares	(731)	(722)
Total shareholders' equity	21,150	21,354
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	395	531
Remeasurements of defined benefit plans	(15)	(14)
Total accumulated other comprehensive income	380	516
Non-controlling interests	27	28
Total net assets	21,557	21,898
Total liabilities and net assets	64,531	62,841

(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, 2022	For the three months ended June 30, 2023
Net sales	27,868	28,697
Cost of sales	24,019	24,581
Gross profit	3,848	4,116
Selling, general and administrative expenses	3,105	3,359
Operating profit	743	756
Non-operating income		
Interest income	0	0
Dividend income	17	22
Purchase discounts	52	46
Rental income from real estate	42	39
Other	74	55
Total non-operating income	187	163
Non-operating expenses		
Interest expenses	4	5
Rental expenses on real estate	10	8
Depreciation	6	6
Other	2	3
Total non-operating expenses	23	23
Ordinary profit	907	897
Extraordinary income		
Gain on sale of non-current assets	1	1
Gain on sale of investment securities	–	0
Total extraordinary income	1	2
Extraordinary losses		
Loss on sale of non-current assets	1	–
Loss on retirement of non-current assets	0	2
Loss on sale of investment securities	0	–
Total extraordinary losses	1	2
Profit before income taxes	907	896
Income taxes - current	364	378
Income taxes - deferred	(25)	(33)
Total income taxes	339	345
Profit	567	551
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	566	550

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	567	551
Other comprehensive income		
Valuation difference on available-for-sale securities	(42)	135
Remeasurements of defined benefit plans, net of tax	1	0
Total other comprehensive income	(41)	136
Comprehensive income	526	687
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	525	686
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.

(Segment information, etc.)

[Segment information]

For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

Information on net sales and profit (loss), 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	15,698	3,733	4,406	93	23,931	801	–	24,732
Revenue from construction work	1,597	194	189	1,018	3,000	–	–	3,000
Other revenue	6	–	–	128	135	–	–	135
Revenue from contracts with customers	17,302	3,928	4,595	1,240	27,067	801	–	27,868
Sales to external customers	17,302	3,928	4,595	1,240	27,067	801	–	27,868
Intersegment sales or transfers	62	–	63	–	126	–	(126)	–
Total	17,365	3,928	4,659	1,240	27,193	801	(126)	27,868
Segment profit	258	14	392	217	883	26	(165)	743

(Notes) 1. "Other" comprises business segments not included in reportable segments and contains sales of industrial materials.

2. Adjustments for segment profit of (165) million yen include corporate expenses of (168) 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.

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

1. Information on net sales and profit (loss), 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 sale 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.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in "Notes (Segment information, etc.)."

(Significant subsequent events)

Not applicable.