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

November 6, 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
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Scheduled date to file quarterly securities report: November 7, 2023
Scheduled date to commence dividend payments: December 4, 2023
Preparation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 - September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	56,645	0.6	1,240	(16.9)	1,532	(14.5)	981	(19.1)
September 30, 2022	56,307	10.3	1,493	28.7	1,792	29.8	1,213	28.0

(Note) Comprehensive income: For the six months ended September 30, 2023: ¥1,133 million [0.2%]
For the six months ended September 30, 2022: ¥1,132 million [30.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	75.96	—
September 30, 2022	94.22	—

- 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 September 30, 2023	63,063	22,373	35.4	1,727.00
As of March 31, 2023	64,531	21,557	33.4	1,667.88

(Reference) Equity: As of September 30, 2023: ¥22,345 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	–	27.00			
Fiscal year ending March 31, 2024 (Forecast)			–	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, 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
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 September 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 September 30, 2023: 672,205 shares
As of March 31, 2023: 702,208 shares

3) Average number of shares outstanding during the period:
Six months ended September 30, 2023: 12,924,343 shares
Six months ended September 30, 2022: 12,874,375 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 (93,700 shares as of September 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 (98,473 shares for the six months ended September 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 (104,400 shares as of September 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 (114,048 shares for the six months ended September 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.

(How to obtain supplementary materials on financial results)

The Company will hold a briefing session for institutional investors and analysts on Monday, December 4, 2023. The supplementary explanatory materials on financial results for the briefing session will be posted on the Company's website soon after the session.

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1. Qualitative Information on Quarterly Financial Results for the Period

(1) Explanation of Operating Results

During the six months ended September 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 six-month period decreased by 6.2% 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 8.9% year-on-year decline.

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.

Against this backdrop, in the six-month period, net sales increased by 0.6% year on year to 56,645 million yen due to the effect of corporate acquisitions. However, operating profit decreased by 16.9% year on year to 1,240 million yen, ordinary profit decreased by 14.5% year on year to 1,532 million yen, and profit attributable to owners of parent decreased by 19.1% year on year to 981 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. Moreover, in May 2023, we acquired TRESSA Co., Ltd. and made it a new subsidiary, aiming to strengthen the construction function. The company, headquartered in Nagasaki City, is engaged in housing construction work, mainly on exterior wall work, and sales of housing materials.

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 0.2% year on year to 34,403 million yen and operating profit decreased by 15.5% year on year to 516 million yen.

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

Net sales of this business increased by 2.4% year on year to 8,695 million yen due to the inclusion of the results for seven months of Terada Co., Ltd., which has changed its accounting period. However, operating profit decreased by 8.2% year on year to 90 million yen, mainly due to a slight decline in the profit margin on sales and installation work of freezing equipment.

<Pre-cut Lumber Business>

We made greater efforts to win orders for non-housing projects, including offices, 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 22.4% year on year to 7,572 million yen and operating profit decreased by 42.9% year on year to 482 million yen.

<Engineering Business>

Net sales of this business increased by 103.0% year on year to 4,593 million yen and operating profit increased by 115.5% year on year to 469 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 increased by 3.1% year on year to 1,615 million yen and operating profit increased by 29.5% year on year to 59 million yen, because of an increase in sales of putty and sealing materials.

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

Total assets decreased by 1,468 million yen, or 2.3%, from the previous fiscal year-end to 63,063 million yen. This was mainly attributable to decreases of 1,381 million yen in notes and accounts receivable - trade, and contract assets and 658 million yen in costs on construction contracts in progress, with an increase of 524 million yen in merchandise.

Total liabilities decreased by 2,284 million yen, or 5.3%, from the previous fiscal year-end to 40,689 million yen. This was mainly attributable to decreases of 918 million yen in electronically recorded obligations - operating, 636 million yen in other under current liabilities, 615 million yen in short-term borrowings, and 382 million yen in long-term borrowings, with an increase of 396 million yen in notes and accounts payable - trade.

Total net assets rose by 815 million yen, or 3.8%, from the previous fiscal year-end to 22,373 million yen. This was mainly attributable to increases of 626 million yen in retained earnings and 149 million yen in valuation difference on available-for-sale securities.

2) Cash flows

Cash and cash equivalents at the end of the six months ended September 30, 2023 decreased by 133 million yen, or 1.0%, from the previous fiscal year-end to 13,871 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities for the six months ended September 30, 2023 was 1,797 million yen (compared with 544 million yen provided in the corresponding period of the previous fiscal year).

This was mainly attributable to profit before income taxes of 1,586 million yen, a decrease in trade receivables of 1,288 million yen, and depreciation of 416 million yen, with a decrease in trade payables of 569 million yen, income taxes paid of 545 million yen, and a decrease in other current liabilities of 435 million yen.

(Cash flows from investing activities)

Net cash used in investing activities for the six months ended September 30, 2023 was 348 million yen (compared with 244 million yen used in the corresponding period of the previous fiscal year).

This was mainly attributable to purchase of property, plant and equipment of 443 million yen, with proceeds from sale and redemption of investment securities of 125 million yen.

(Cash flows from financing activities)

Net cash used in financial activities for the six months ended September 30, 2023 was 1,582 million yen (compared with 117 million yen provided in the corresponding period of the previous fiscal year).

This was mainly attributable to repayments of long-term borrowings of 822 million yen, net decrease in short-term borrowings of 365 million yen, and dividends paid of 354 million yen.

(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 September 30, 2023
Assets		
Current assets		
Cash and deposits	14,146	14,018
Notes and accounts receivable - trade, and contract assets	20,701	19,320
Electronically recorded monetary claims - operating	2,702	2,863
Merchandise	4,460	4,985
Costs on construction contracts in progress	1,662	1,003
Other	994	993
Allowance for doubtful accounts	(24)	(23)
Total current assets	44,644	43,162
Non-current assets		
Property, plant and equipment		
Land	8,441	8,456
Other, net	4,380	4,398
Total property, plant and equipment	12,822	12,854
Intangible assets		
Goodwill	1,021	961
Other	595	478
Total intangible assets	1,616	1,440
Investments and other assets		
Retirement benefit asset	233	241
Other, net	5,231	5,381
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	5,448	5,606
Total non-current assets	19,887	19,901
Total assets	64,531	63,063

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,650	15,046
Electronically recorded obligations - operating	16,173	15,254
Short-term borrowings	3,837	3,221
Income taxes payable	528	376
Provision for bonuses	674	660
Other	2,633	1,996
Total current liabilities	38,497	36,557
Non-current liabilities		
Long-term borrowings	2,017	1,635
Provision for retirement benefits for directors (and other officers)	399	378
Provision for share awards for directors (and other officers)	59	49
Retirement benefit liability	633	623
Other	1,366	1,446
Total non-current liabilities	4,476	4,132
Total liabilities	42,974	40,689
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	20,483	21,110
Treasury shares	(731)	(694)
Total shareholders' equity	21,150	21,813
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	395	545
Remeasurements of defined benefit plans	(15)	(14)
Total accumulated other comprehensive income	380	531
Non-controlling interests	27	28
Total net assets	21,557	22,373
Total liabilities and net assets	64,531	63,063

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	56,307	56,645
Cost of sales	48,649	48,763
Gross profit	7,658	7,882
Selling, general and administrative expenses	6,164	6,641
Operating profit	1,493	1,240
Non-operating income		
Interest income	1	1
Dividend income	33	35
Purchase discounts	104	90
Rental income from real estate	84	79
Other	122	130
Total non-operating income	347	338
Non-operating expenses		
Interest expenses	10	10
Rental expenses on real estate	20	17
Depreciation	12	12
Other	4	7
Total non-operating expenses	48	47
Ordinary profit	1,792	1,532
Extraordinary income		
Gain on sale of non-current assets	2	1
Gain on sale of investment securities	148	61
Total extraordinary income	150	62
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	0
Restructuring expenses	–	5
Total extraordinary losses	1	8
Profit before income taxes	1,941	1,586
Income taxes - current	691	544
Income taxes - deferred	34	59
Total income taxes	726	604
Profit	1,214	982
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	1,213	981

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	1,214	982
Other comprehensive income		
Valuation difference on available-for-sale securities	(85)	149
Remeasurements of defined benefit plans, net of tax	2	1
Total other comprehensive income	(82)	151
Comprehensive income	1,132	1,133
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,130	1,132
Comprehensive income attributable to non-controlling interests	1	0

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,941	1,586
Depreciation	354	416
Amortization of goodwill	70	131
Increase (decrease) in allowance for doubtful accounts	2	(3)
Increase (decrease) in provision for bonuses	(49)	(18)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(45)	(21)
Increase (decrease) in provision for share awards for directors (and other officers)	(3)	(9)
Increase (decrease) in retirement benefit liability	(34)	(10)
Interest and dividend income	(34)	(37)
Interest expenses	10	10
Loss (gain) on sale of non-current assets	(0)	(1)
Loss on retirement of non-current assets	0	2
Loss (gain) on sale of investment securities	(148)	(60)
Restructuring expenses	–	5
Decrease (increase) in trade receivables	1,172	1,288
Decrease (increase) in inventories	(577)	157
Decrease (increase) in other current assets	60	(148)
Decrease (increase) in other non-current assets	57	10
Increase (decrease) in trade payables	(1,148)	(569)
Increase (decrease) in other current liabilities	(248)	(435)
Increase (decrease) in other non-current liabilities	(40)	23
Other, net	(1)	(0)
Subtotal	1,337	2,316
Interest and dividends received	34	37
Interest paid	(10)	(10)
Income taxes paid	(817)	(545)
Net cash provided by (used in) operating activities	544	1,797

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from investing activities		
Payments into time deposits	(10)	(19)
Proceeds from withdrawal of time deposits	14	14
Decrease (increase) in short-term loans receivable	(0)	2
Purchase of property, plant and equipment	(38)	(443)
Payments for retirement of property, plant and equipment	–	(2)
Proceeds from sale of property, plant and equipment	2	11
Purchase of intangible assets	(21)	(26)
Purchase of investment securities	(21)	(23)
Proceeds from sale and redemption of investment securities	3	125
Long-term loan advances	–	(0)
Proceeds from collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(206)	(41)
Proceeds from cancellation of insurance funds	8	35
Purchase of investment property	(0)	–
Proceeds from sale of investment property	–	16
Other, net	25	3
Net cash provided by (used in) investing activities	(244)	(348)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	0	(365)
Proceeds from long-term borrowings	1,300	–
Repayments of long-term borrowings	(666)	(822)
Repayments of lease liabilities	(68)	(67)
Proceeds from sale of treasury shares	26	26
Dividends paid	(459)	(354)
Dividends paid to non-controlling interests	(15)	–
Net cash provided by (used in) financing activities	117	(1,582)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	417	(133)
Cash and cash equivalents at beginning of period	12,158	14,004
Cash and cash equivalents at end of period	12,576	13,871

(4) 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 six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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	31,075	8,120	9,211	172	48,579	1,567	–	50,146
Revenue from construction work	3,262	370	421	1,833	5,888	–	–	5,888
Other revenue	15	–	–	256	272	–	–	272
Revenue from contracts with customers	34,353	8,491	9,632	2,262	54,740	1,567	–	56,307
Sales to external customers	34,353	8,491	9,632	2,262	54,740	1,567	–	56,307
Intersegment sales or transfers	131	0	130	–	262	–	(262)	–
Total	34,485	8,491	9,763	2,262	55,003	1,567	(262)	56,307
Segment profit	610	98	845	217	1,773	45	(325)	1,493

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

2. Adjustments for segment profit of (325) million yen include corporate expenses of (330) 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 six months ended September 30, 2023 (from April 1, 2023 to September 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	30,741	8,369	6,945	194	46,251	1,615	–	47,866
Revenue from construction work	3,517	323	522	4,143	8,507	–	–	8,507
Other revenue	16	–	–	255	272	–	–	272
Revenue from contracts with customers	34,275	8,692	7,468	4,593	55,030	1,615	–	56,645
Sales to external customers	34,275	8,692	7,468	4,593	55,030	1,615	–	56,645
Intersegment sales or transfers	127	2	104	–	233	0	(233)	–
Total	34,403	8,695	7,572	4,593	55,264	1,615	(233)	56,645
Segment profit	516	90	482	469	1,559	59	(377)	1,240

(Notes) 1. "Other" comprises business segments not included in reportable segments and contains sale of industrial materials.
2. Adjustments for segment profit of (377) million yen include corporate expenses of (378) 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 "Notes (Segment information, etc.)."

(Significant subsequent events)

Not applicable.