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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP)

May 9, 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 of Annual General Meeting of Shareholders: June 27, 2023
Scheduled date to commence dividend payments: June 6, 2023
Scheduled date to file annual securities report: June 28, 2023
Preparation of supplementary material on annual financial results: Yes
Holding of annual 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 Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 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	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	115,613	3.3	2,946	(3.8)	3,531	(0.4)	2,484	(28.0)
March 31, 2022	111,875	9.9	3,064	57.7	3,547	61.3	3,451	92.5

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥2,485 million [(24.6)%]
For the fiscal year ended March 31, 2022: ¥3,298 million [56.4%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	192.82	–	12.0	5.5	2.5
March 31, 2022	265.51	–	18.7	5.9	2.7

Reference: Equity in earnings of affiliates For the fiscal year ended March 31, 2023: ¥– million
For the fiscal year ended March 31, 2022: ¥– million

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan in February 2022, 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 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
As of	Million yen	Million yen	%	Yen
March 31, 2023	64,531	21,557	33.4	1,667.88
March 31, 2022	62,834	19,814	31.5	1,537.51

Reference: Equity As of March 31, 2023: ¥21,530 million
As of March 31, 2022: ¥19,774 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.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	1,856	364	(376)	14,004
March 31, 2022	3,428	(532)	(1,449)	12,158

2. Cash Dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	–	15.00	–	35.00	50.00	656	18.8	3.5
Fiscal year ended March 31, 2023	–	25.00	–	27.00	52.00	683	27.0	3.2
Fiscal year ending March 31, 2024 (forecast)	–	26.00	–	26.00	52.00		32.7	

Note: Revisions to the forecast of cash dividends most recently announced: Yes
For details, please refer to “Notice of Revisions to Dividend Forecast” released today (May 9, 2023).

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (from 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

*** Notes:**

(1) Changes in significant subsidiaries during the period: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: 1 (Hagaya Construction Co., Ltd), Excluded: – ( )

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

(3) Number of issued shares (common shares):
1) Total number of shares issued at the end of the period (including treasury shares):
As of March 31, 2023 13,610,970 shares
As of March 31, 2022 13,610,970 shares
2) Total number of treasury shares at the end of the period:
As of March 31, 2023 702,208 shares
As of March 31, 2022 749,828 shares
3) Average number of shares outstanding during the period:
Fiscal year ended March 31, 2023 12,887,163 shares
Fiscal year ended March 31, 2022 12,998,526 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 March 31, 2023, and 109,800 shares as of March 31, 2022). The number of treasury shares deducted in the calculation of the average number of shares during the period includes the number of the Company's shares held by the trust (104,920 shares for the fiscal year ended March 31, 2023, and 111,370 shares for the fiscal year ended March 31, 2022).
- 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 (124,800 shares as of March 31, 2023, and 166,000 shares as of March 31, 2022). The number of treasury shares deducted in the calculation of the average number of shares during the period includes the number of the Company's shares held by the trust (144,840 shares for the fiscal year ended March 31, 2023, and 27,070 shares for the fiscal year ended March 31, 2022).

<Reference> Summary of Non-consolidated Financial Results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Non-consolidated Operating Results (Percentages indicate changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	2,701	30.4	2,072	39.2	2,041	37.0	2,006	35.2
March 31, 2022	2,072	12.2	1,489	12.0	1,490	13.8	1,483	15.2

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	155.66	–
March 31, 2022	114.16	–

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan in February 2022, 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 during the period for the purpose of calculating basic earnings per share.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2023	18,518	10,595	57.2	820.82
March 31, 2022	15,525	9,314	60.0	724.25

Reference: Equity As of March 31, 2023: ¥10,595 million
As of March 31, 2022: ¥9,314 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.

* These consolidated financial results are outside the scope of review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

(Cautions on forward-looking statements)

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 "(4) Future Outlook" under "1. Overview of Results of Operations" on page 4 of the attachment.

(How to obtain supplementary materials on annual financial results)

The Company plans to hold an annual financial results briefing for institutional investors and analysts on Wednesday, June 7, 2023. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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1. Overview of Results of Operations

(1) Overview of Results of Operations for the Current Fiscal Year

During the fiscal year ended March 31, 2023, while the impact of COVID-19 continued, Japanese economic activities and trends showed signs of recovery as the transition toward coexisting with COVID-19 progressed over time. However, the economic outlook remains uncertain for a number of downside economic risks, including the surge in energy and raw materials prices caused by Russia's invasion of Ukraine and rising costs of living caused by the depreciation of the yen.

In the housing industry, we faced challenges, such as price hikes in housing construction due to increases in construction materials and housing equipment prices. As a result, new housing starts for the fiscal year ended March 31, 2023, decreased by 0.6% 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 7.7% 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.

In July 2022, we acquired All Japan Data Service, Co., Ltd. and made it a new subsidiary. The company, headquartered in Itabashi-ku, Tokyo, is mainly engaged in diagnosing and investigating civil engineering structures such as bridges and other facilities in various areas from the Tohoku region to the Kyushu region. Moreover, in October 2022, we acquired Hagaya Construction Co., Ltd. and made it a new subsidiary. The company, headquartered in Utsunomiya City, Tochigi Prefecture, is mainly engaged in construction and civil engineering works. We aim to expand the Engineering Business and further pursue synergy within the Group to realize sustainable growth.

As a result, in the fiscal year ended March 31, 2023, net sales increased by 3.3% year on year to 115,613 million yen. Operating profit decreased by 3.8% year on year to 2,946 million yen, ordinary profit decreased by 0.4% year on year to 3,531 million yen, and profit attributable to owners of parent decreased by 28.0% year on year to 2,484 million yen, mainly due to an increase in labor and other costs.

Results by segment were as follows:

<Construction Materials Business>

While new construction starts for owner-occupied houses and built-for-sale detached houses were on the decline, the Group focused on expanding sales of products to achieve 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. In addition to focusing on online sales promotion via members-only websites, online conference systems, and other means, we organized "I Love Home Fair," an exhibition of construction materials and housing equipment in the Kyushu region for the first time in about three years, to reinforce sales by creating demand, such as stimulating new demand and capturing remodeling demand.

As a result, net sales of this business increased by 2.4% year on year to 71,118 million yen. Operating profit decreased by 1.8% year on year to 1,311 million yen, mainly due to increases in labor and logistics costs.

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

The Air-conditioning, Heating and Cooling, and Household Products Business mainly operates in the Hokkaido, Tohoku, and Kanto regions. Net sales of this business increased by 7.2% year-on-year to 17,306 million yen because sales and installation work of air-conditioning equipment grew steadily, and Terada Co., Ltd., which became a subsidiary in October 2021, contributed to the performance of this business. Operating profit increased by 182.6% year-on-year to 196 million yen, mainly in a rebound from the previous fiscal year in which M&A-related expenses of 90 million yen were recognized.

<Pre-cut Lumber Business>

As lumber prices, which had previously been high, showed signs of a decline, we continued to do our utmost to sell lumber products at reasonable prices. At the same time, 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.

As a result, net sales of this business increased by 7.3% year on year to 18,711 million yen. However, operating profit decreased by 3.4% year on year to 1,578 million yen due to increased labor costs and plants' electricity charges.

<Engineering Business>

In the Engineering Business, we construct commercial facilities and other properties, engage in interior work for condominiums, office buildings, and other structures, provide civil engineering services for public works projects, and diagnose and investigate civil engineering structures. Net sales of this business decreased by 8.2% year on year to 5,644 million yen, and operating profit decreased by 32.1% year on year to 356 million yen, partly due to a delayed construction schedule.

<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 7.9% year on year to 3,405 million yen, and operating profit increased by 59.8% year on year to 131 million yen because of a rise in sales of electric insulating materials for industrial use.

(2) Overview of Financial Position for the Current Fiscal Year

(Assets)

Current assets increased by 1,412 million yen, or 3.3%, from the previous fiscal year to 44.644 million yen. This was mainly attributable to increases of 1,951 million yen in cash and deposits and 931 million yen in costs on construction contracts in progress, with decreases of 647 million yen in merchandise, 629 million yen in electronically recorded monetary claims – operating, and 359 million yen in notes and accounts receivable – trade, and contract assets.

Non-current assets increased by 284 million yen, or 1.5%, from the previous fiscal year to 19,887 million yen. This was mainly attributable to increases of 442 million yen in goodwill and 108 million yen in machinery, equipment and vehicles, net, with decreases of 126 million yen in investment property, net, and 101 million yen in leased assets under intangible assets.

(Liabilities)

Current liabilities decreased by 176 million yen, or 0.5%, from the previous fiscal year to 38,497 million yen. This was mainly attributable to decreases of 828 million yen in notes and accounts payable – trade, 308 million yen in electronically recorded monetary claims – operating, and 267 million yen in income taxes payable, with increases of 613 million yen in short-term borrowings, 478 million yen in other, and 123 million yen in accrued consumption taxes.

Non-current liabilities increased by 130 million yen, or 3.0%, from the previous fiscal year to 4,476 million yen. This was mainly attributable to an increase of 353 million yen in long-term borrowings, with decreases of 140 million yen in lease liabilities and 34 million yen in provision for retirement benefits for directors (and other officers).

(Net assets)

Net assets increased by 1,743 million yen, or 8.8%, from the previous fiscal year to 21,557 million yen. This was mainly attributable to increases of 1,696 million yen in retained earnings and 60 million yen in treasury shares.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents during the fiscal year ended March 31, 2023 increased by 1,845 million yen, or 15.2%, from the previous fiscal year to 14,004 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year ended March 31, 2023 was 1,856 million yen (compared with 3,428 million yen provided for the previous fiscal year). This was mainly attributable to profit before income taxes of 3,848 million yen, a decrease in trade receivables of 1,012 million yen, and depreciation of 749 million yen, with income taxes paid of 1,965 million yen and a decrease in trade payables of 1,417 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities during the fiscal year ended March 31, 2023 was 364 million yen (compared with 532 million yen used for the previous fiscal year). This was mainly attributable to proceeds from the purchase of shares of subsidiaries resulting in a change in scope of consolidation of 319 million yen, proceeds from the sale of investment property of 232 million yen, and proceeds from the sale and redemption of investment securities of 201 million yen, with purchase of shares of subsidiaries resulting in a change in scope of consolidation of 206 million yen.

(Cash flows from financing activities)

Net cash used in investing activities during the fiscal year ended March 31, 2023 was 376 million yen (compared with 1,449 million yen used for the previous fiscal year). This was mainly attributable to the repayment of long-term borrowings of 1,457 million yen, dividends paid of 787 million yen, and repayment of lease liabilities of 136 million yen, with proceeds from long-term borrowings of 1,300 million yen and net increase in short-term borrowings of 666 million yen.

<Reference> Historical changes in cash flow-related indicators

	Fiscal year ended Mar. 31, 2019	Fiscal year ended Mar. 31, 2020	Fiscal year ended Mar. 31, 2021	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023
Equity ratio (%)	26.8	29.1	30.1	31.5	33.4
Equity ratio based on market value (%)	28.7	37.4	30.2	26.2	24.6
Interest-bearing debt to cash flow ratio (annual)	3.6	1.9	2.8	1.6	3.3
Interest coverage ratio (times)	56.7	111.5	80.5	156.0	82.4

Equity ratio: Equity/Total assets
Equity ratio based on market value: Market capitalization/Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt/Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities/Interest expenses

(Notes)
1. All these indicators are calculated on the basis of consolidated figures.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares issued and outstanding at the end of the period (excluding treasury shares).
3. Cash flow above refers to cash flows from operating activities recorded on the consolidated statement of cash flows.
4. Interest-bearing debt includes all interest-bearing liabilities that are recorded on the consolidated balance sheet. Interest expenses represent the amount of Interest expenses recorded on the statement of cash flows.

(4) Future Outlook

In Japan, consumer spending is expected to rise since demand subdued amid the COVID-19 pandemic will likely recover, driven by the normalization of economic activities. However, the economic outlook is still highly uncertain, given several factors, such as the prolonged war in Ukraine, soaring prices of energy and raw materials, and concerns over the decelerating global economy.

In the housing industry, the number of housing starts for owner-occupied houses and built-for-sale detached houses, which are the main targets for the Group, is expected to decline slightly, due to undermined consumer sentiment caused by rising living costs and surging utility charges, and possible mortgage rates rises despite the signs of a decline in the lumber prices, which have been soaring.

Against this backdrop, we will strive to build a corporate structure invulnerable to fluctuations in housing demand by transforming our business portfolio based on the current medium-term management plan. We will also engage in sales activities, focusing on growth fields, such as promoting sales of products to achieve carbon neutrality, capturing remodeling/renovation demand, and reaching out to non-housing markets, among others. Furthermore, we will build a management platform underpinning stable growth by improving operational efficiency through DX (digital transformation) promotion and developing and retaining talent.

As a result, for the next fiscal year, we expect to record net sales of 120,000 million yen (up 3.8% year on year), operating profit of 2,750 million yen (down 6.7% year on year), ordinary profit of 3,200 million yen (down 9.4% year on year), and profit attributable to owners of parent of 2,050 million yen (down 17.5% year on year).

2. Basic Approach to the Selection of Accounting Standards

Considering the comparability of consolidated financial statements between periods and between companies, the Group has determined to prepare its consolidated financial statements based on Japanese accounting standards for the time being.

The Company will examine the possibility of adopting the International Financial Reporting Standards (IFRS) in the future based on trends in accounting standards in Japan and abroad.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	12,195	14,146
Notes and accounts receivable - trade, and contract assets	21,061	20,701
Electronically recorded monetary claims - operating	3,332	2,702
Merchandise	5,107	4,460
Costs on construction contracts in progress	731	1,662
Other	834	994
Allowance for doubtful accounts	(30)	(24)
Total current assets	43,231	44,644
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,383	3,294
Machinery, equipment and vehicles, net	648	756
Land	8,354	8,441
Leased assets, net	151	93
Construction in progress	146	149
Other, net	73	85
Total property, plant and equipment	12,757	12,822
Intangible assets		
Goodwill	579	1,021
Leased assets	333	231
Other	391	363
Total intangible assets	1,303	1,616
Investments and other assets		
Investment securities	1,894	1,903
Deferred tax assets	342	318
Retirement benefit asset	241	233
Guarantee deposits	627	593
Investment property, net	2,239	2,112
Other	211	302
Allowance for doubtful accounts	(15)	(16)
Total investments and other assets	5,541	5,448
Total non-current assets	19,602	19,887
Total assets	62,834	64,531

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,479	14,650
Electronically recorded obligations - operating	16,481	16,173
Short-term borrowings	3,223	3,837
Lease liabilities	149	144
Income taxes payable	796	528
Accrued consumption taxes	404	527
Provision for bonuses	657	674
Other	1,482	1,960
Total current liabilities	38,673	38,497
Non-current liabilities		
Long-term borrowings	1,663	2,017
Lease liabilities	333	193
Deferred tax liabilities	654	647
Provision for retirement benefits for directors (and other officers)	434	399
Provision for share awards for directors (and other officers)	57	59
Retirement benefit liability	653	633
Other	548	524
Total non-current liabilities	4,346	4,476
Total liabilities	43,019	42,974
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	18,786	20,483
Treasury shares	(791)	(731)
Total shareholders' equity	19,392	21,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	392	395
Remeasurements of defined benefit plans	(10)	(15)
Total accumulated other comprehensive income	381	380
Non-controlling interests	40	27
Total net assets	19,814	21,557
Total liabilities and net assets	62,834	64,531

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	111,875	115,613
Cost of sales	96,786	99,995
Gross profit	15,089	15,617
Selling, general and administrative expenses		
Freight-out	1,979	2,089
Salaries and allowances	4,205	4,445
Bonuses	480	469
Provision for bonuses	527	519
Retirement benefit expenses	183	182
Provision for retirement benefits for directors (and other officers)	21	21
Provision for share awards for directors (and other officers)	10	12
Depreciation	343	392
Amortization of goodwill	147	206
Other	4,123	4,331
Total selling, general and administrative expenses	12,025	12,671
Operating profit	3,064	2,946
Non-operating income		
Interest income	5	2
Dividend income	46	57
Purchase discounts	145	201
Rental income from real estate	172	164
Revenue from sale of solar power	76	79
Sponsorship money income	0	9
Miscellaneous income	139	198
Total non-operating income	587	714
Non-operating expenses		
Interest expenses	22	22
Loss on disposal of inventories	–	16
Rental expenses on real estate	36	41
Depreciation	27	25
Miscellaneous losses	17	23
Total non-operating expenses	104	129
Ordinary profit	3,547	3,531
Extraordinary income		
Gain on sale of non-current assets	1	83
Gain on sale of investment securities	88	158
Gain on bargain purchase	1,223	91
Total extraordinary income	1,314	333
Extraordinary losses		
Loss on sale of non-current assets	0	1
Loss on retirement of non-current assets	0	0
Loss on sale of investment securities	2	3
Loss on valuation of investment securities	9	–
Impairment losses	69	11
Total extraordinary losses	81	16
Profit before income taxes	4,779	3,848
Income taxes - current	1,448	1,297
Income taxes - deferred	(123)	63
Total income taxes	1,325	1,360
Profit	3,454	2,487
Profit (loss) attributable to non-controlling interests	2	2
Profit attributable to owners of parent	3,451	2,484

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	3,454	2,487
Other comprehensive income		
Valuation difference on available-for-sale securities	(153)	3
Remeasurements of defined benefit plans, net of tax	(1)	(5)
Total other comprehensive income	(155)	(1)
Comprehensive income	3,298	2,485
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,296	2,483
Comprehensive income attributable to non-controlling interests	2	2

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	400	997	15,755	(579)	16,573
Changes during period					
Dividends of surplus			(420)		(420)
Profits attributable to owners of parent			3,451		3,451
Purchase of treasury shares				(222)	(222)
Disposal of treasury shares				10	10
Net changes in items other than shareholders' equity					
Total changes during period	—	—	3,030	(212)	2,818
Balance at end of period	400	997	18,786	(791)	19,392

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	545	(8)	536	37	17,147
Changes during period					
Dividends of surplus					(420)
Profit attributable to owners of parent					3,451
Purchase of treasury shares					(222)
Disposal of treasury shares					10
Net changes in items other than shareholders' equity	(153)	(1)	(155)	2	(152)
Total changes during period	(153)	(1)	(155)	2	2,666
Balance at end of period	392	(10)	381	40	19,814

For the fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	400	997	18,786	(791)	19,392
Changes during period					
Dividends of surplus			(788)		(788)
Profit attributable to owners of parent			2,484		2,484
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				60	60
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,696	60	1,757
Balance at end of period	400	997	20,483	(731)	21,150

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	392	(10)	381	40	19,814
Changes during period					
Dividends of surplus					(788)
Profit attributable to owners of parent					2,484
Purchase of treasury shares					(0)
Disposal of treasury shares					60
Net changes in items other than shareholders' equity	3	(5)	(1)	(12)	(14)
Total changes during period	3	(5)	(1)	(12)	1,743
Balance at end of period	395	(15)	380	27	21,557

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,779	3,848
Depreciation	757	749
Impairment losses	69	11
Amortization of goodwill	147	206
Increase (decrease) in allowance for doubtful accounts	(6)	(5)
Increase (decrease) in provision for bonuses	102	(30)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	20	(97)
Increase (decrease) in provision for share awards for directors (and other officers)	0	2
Increase (decrease) in retirement benefit liability	27	(31)
Interest and dividend income	(52)	(60)
Interest expenses	22	22
Loss (gain) on sale of non-current assets	(1)	(81)
Loss on retirement of non-current assets	0	0
Loss (gain) on sale of investment securities	(86)	(155)
Loss (gain) on valuation of investment securities	9	–
Gain on bargain purchase	(1,223)	(91)
Decrease (increase) in trade receivables	(3,130)	1,012
Decrease (increase) in inventories	491	221
Decrease (increase) in other current assets	(19)	(16)
Decrease (increase) in other non-current assets	266	(6)
Increase (decrease) in trade payables	3,704	(1,417)
Increase (decrease) in accrued consumption taxes	88	93
Increase (decrease) in other current liabilities	(1,133)	(353)
Increase (decrease) in other non-current liabilities	16	(34)
Other, net	(0)	(1)
Subtotal	4,850	3,784
Interest and dividends received	52	60
Interest paid	(21)	(22)
Income taxes paid	(1,452)	(1,965)
Net cash provided by (used in) operating activities	3,428	1,856

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	(19)	(30)
Proceeds from withdrawal of time deposits	44	39
Decrease (increase) in short-term loans receivable	0	(0)
Purchase of property, plant and equipment	(380)	(138)
Proceeds from sale of property, plant and equipment	23	4
Purchase of intangible assets	(94)	(55)
Purchase of investment securities	(32)	(38)
Proceeds from sale and redemption of investment securities	136	201
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(224)	(206)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5	319
Proceeds from cancellation of insurance funds	11	8
Long-term loan advances	(1)	–
Proceeds from collection of long-term loans receivable	0	0
Purchase of investment property	–	(1)
Proceeds from sale of investment property	–	232
Other, net	(2)	29
Net cash provided by (used in) investing activities	(532)	364
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	395	666
Proceeds from long-term borrowings	523	1,300
Repayments of long-term borrowings	(1,446)	(1,457)
Redemption of bonds	(100)	–
Repayments of lease liabilities	(181)	(136)
Repayments of installment payables	(0)	–
Purchase of treasury shares	(222)	(0)
Proceeds from sale of treasury shares	4	54
Dividends paid	(420)	(787)
Dividends paid to non-controlling interests	–	(15)
Net cash provided by (used in) financing activities	(1,449)	(376)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	1,447	1,845
Cash and cash equivalents at beginning of period	10,711	12,158
Cash and cash equivalents at end of period	12,158	14,004

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the fiscal year ended March 31, 2023. Accordingly, the Company will prospectively apply the new accounting policies stipulated in the Fair Value Measurement Guidance in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance. This change will not have any impact on the consolidated financial statements.

(Business combinations)

1. Business combination via share acquisition (All Japan Data Service, Co., Ltd.)

At the Board of Directors' meeting held on March 23, 2022, the Company passed a resolution to acquire all of the issued shares of All Japan Data Service, Co., Ltd. (hereinafter "All Japan Data Service") and make it the Company's consolidated subsidiary. The Company acquired the shares of All Japan Data Service on July 7, 2022.

1) Outline of the business combination

i) Name of acquired company and its business outline
Name of acquired company: All Japan Data Service, Co., Ltd.
Business outline: Construction consulting

ii) Main reason for business combination

All Japan Data Service, headquartered in Itabashi-ku, Tokyo, is mainly engaged in the diagnosis and investigation of civil engineering structures from the Tohoku region to the Kyushu region.

After the combination, we aim to expand the Engineering Business and further pursue synergy within the Group, in a bid to realize sustainable growth.

iii) Date of business combination
July 7, 2022

iv) Legal form of business combination
Share acquisition in consideration for cash

v) Name of company after the combination
No change

vi) Percentage of voting rights acquired
100%

vii) Major basis for determining the acquirer
It is based on the fact that the Company acquired shares in consideration for cash.

2) Period of the acquired company's financial results included in the consolidated financial statements
From August 1, 2022 to January 31, 2023

3) Acquisition cost of the acquired company and related details of each class of consideration

Consideration for acquisition	Cash and deposits	2,069 million yen
Acquisition cost		2,069 million yen

4) Content and amount of major acquisition-related expenses
Advisory fee, etc. 94 million yen

5) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

i) Amount of goodwill incurred
631 million yen

ii) Reasons for the goodwill incurred
Future profitability expected from future business development of All Japan Data Service

iii) Method and period of amortization
Straight-line method over five years

6) Amount of assets acquired, and liabilities assumed at the date of business combination and their disaggregation

Current assets	2,194 million yen
Non-current assets	159 million yen
Total assets	2,353 million yen
Current liabilities	555 million yen
Non-current liabilities	361 million yen
Total liabilities	916 million yen

2. Business combination via share acquisition (Hagaya Construction Co., Ltd.)

At the Board of Directors' meeting held on October 27, 2022, the Company passed a resolution to acquire all of the issued shares excluding treasury shares of Hagaya Construction Co., Ltd. (hereinafter "Hagaya Construction") and make it the Company's consolidated subsidiary. The Company acquired the shares of Hagaya Construction on October 28, 2022.

1) Outline of the business combination

i) Name of acquired company and its business outline
Name of acquired company: Hagaya Construction Co., Ltd.
Business outline: Construction business and civil engineering business

ii) Main reason for business combination

Hagaya Construction was founded in Utsunomiya City, Tochigi Prefecture in 1931 under the name of Hagaya Lumber Shop. Since its establishment, Hagaya Construction has expanded its businesses, and is mainly engaged in construction and civil engineering works. Hagaya Construction has set a company goal to develop the land of Tochigi Prefecture and improve the safety and convenience of the people's lives there, and has built up a firm position in the local community based on its technological capabilities accumulated over the years.

After the combination, we aim to expand the Engineering Business in the Kanto region and further pursue synergy within the Group, in a bid to realize sustainable growth.

iii) Date of business combination
October 28, 2022

iv) Legal form of business combination
Share acquisition in consideration for cash

v) Name of company after the combination
No change

vi) Percentage of voting rights acquired
100%

vii) Major basis for determining the acquirer
It is based on the fact that the Company acquired shares in consideration for cash.

2) Period of the acquired company's financial results included in the consolidated financial statements
From October 1, 2022 to December 31, 2022

3) Acquisition cost of the acquired company and related details of each class of consideration
The acquisition cost is not disclosed due to the confidentiality required under the provisions of the share transfer agreement.

4) Content and amount of major acquisition-related expenses
Advisory fee, etc. 50 million yen

5) Amount of gain on bargain purchase and reasons for the gain on bargain purchase incurred
i) Amount of gain on bargain purchase
91 million yen
ii) Reasons for the gain on bargain purchase incurred
The net amount of assets received, and liabilities assumed exceeded the acquisition cost.

(Revenue recognition)

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

(Segment information, etc.)

[Segment information]

1. Overview of reportable segment

The Group's reportable segments are those of its constituent units for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and to assess performance.

The Group is engaged in five businesses within Japan: Construction Materials Business; Air-Conditioning, Heating and Cooling, and Household Products Business; Pre-Cut Lumber Business; Engineering Business; and Other Business. We have the following four reportable business segments.

The Construction Materials Business, our core business unit, accounts for the majority of the Group's business results. In this segment, we purchase housing equipment principally from domestic building materials manufacturers, distributors, and trading companies and sell it to domestic buyers, such as building materials and lumber dealers, house builders, general contractors, construction companies, and home centers.

The Air-conditioning, Heating and Cooling, and Household Products Business is a wholesale and sales business that covers products aimed at creating a comfortable environment. The products including commercial and household air-conditioning and heating equipment are purchased primarily from domestic manufacturers and distributors.

The Pre-cut Lumber Business refers to the business of processing, assembling, and selling structural frames, mostly for wooden houses. Materials such as lumber are mainly purchased from domestic manufacturers, distributors, and trading companies. This segment seeks to differentiate itself from other companies.

The Engineering Business is composed of the construction of commercial facilities, civil engineering works for public projects, interior work for condominiums and office buildings, and diagnosis and inspection for civil structures. This segment includes the nursing care business, which provides rental housing exclusively for senior citizens, and other services offered by the group company that belongs to the Engineering Business.

2. Method for calculating net sales, profit (loss), assets, liabilities, and other items for each reporting segment

The Accounting treatment and methods for the reporting segments are the same as that used in the consolidated financial statements.

Intersegment sales or transfers are based on prevailing market price.

3. Information on net sales and profit (loss), assets, liabilities and other item, and information on disaggregation of revenue, by reportable segments

For the fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)

(Million yen)

	Reportable segments					Other (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (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	62,059	15,052	16,181	355	93,649	3,155	–	96,805
Revenue from construction work	7,127	1,091	1,058	5,241	14,518	–	–	14,518
Other revenue	44	0	–	507	551	–	–	551
Revenue from contracts with customers	69,231	16,144	17,239	6,104	108,719	3,155	–	111,875
Sales to external customers	69,231	16,144	17,239	6,104	108,719	3,155	–	111,875
Intersegment sales or transfers	222	0	194	41	458	0	(458)	–
Total	69,453	16,144	17,434	6,146	109,178	3,156	(458)	111,875
Segment profit	1,335	69	1,633	525	3,563	82	(581)	3,064
Segment assets	32,007	11,425	10,334	4,438	58,205	1,751	2,877	62,834
Other items								
Depreciation	207	85	347	54	695	9	14	718
Increase in property, plant and equipment and intangible assets	211	35	243	10	501	1	19	522

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

2. Adjustments are as follows:

1) Adjustments for segment profit of (581) million yen includes corporate expenses of (583) 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.

2) Adjustments for segment assets of 2,877million yen include investment property of 2,239 million yen, assets of the owners of parent of 700 million yen, and other adjustments of (62) million yen that are not allocated to each reportable segment.

3) Adjustments of increase in property, plant and equipment and intangible assets of 19 million yen are attributable to an increase of assets of the owners of parent.

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

For the fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)

(Million yen)

	Reportable segments					Other (Note 1)	Adjustment (Note 2)	Amount recorded in the consolidated financial statements (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	63,405	16,357	17,505	353	97,622	3,405	–	101,027
Revenue from construction work	7,401	947	907	4,785	14,042	–	–	14,042
Other revenue	37	0	–	505	543	–	–	543
Revenue from contracts with customers	70,844	17,305	18,413	5,644	112,207	3,405	–	115,613
Sales to external customers	70,844	17,305	18,413	5,644	112,207	3,405	–	115,613
Intersegment sales or transfers	273	1	297	–	573	0	(573)	–
Total	71,118	17,306	18,711	5,644	112,780	3,405	(573)	115,613
Segment income	1,311	196	1,578	356	3,442	131	(628)	2,946
Segment assets	29,979	10,995	9,955	9,030	59,962	1,901	2,668	64,531
Other items								
Depreciation	215	91	298	83	689	9	15	713
Increase in property, plant and equipment and intangible assets	57	22	297	727	1,104	28	1	1,134

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

2. Adjustments are as follows:

1) Adjustments for segment profit of (628) million yen includes corporate expenses of (629) 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.

2) Adjustments of segment assets of 2,668 million yen includes investment property of 2,112 million yen not allocated to each reportable segment, assets of the owners of parent of 686 million yen, and other adjustment of (130) million yen.

3) Adjustments of increase in property, plant and equipment and intangible assets of 1 million yen include an increase of 0 million yen related to assets of the owners of parent and an increase of 1 million yen in investment property that are not allocated to reportable segments.

3. Segment profit is reconciled with operating profit in the Consolidated Statements of Income.

[Related Information]

For the fiscal year ended March 31,2022 (April 1, 2021–March 31, 2022)

1. Information by products and services
   This information is omitted since similar information is disclosed in segment information.

2. Information by geographic areas
   (1) Net sales
   Not applicable since there are no sales amount to external customers outside Japan.

   (2) Non-current assets
   Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by major customers
   Not applicable since there are no sales amount of specific customers within the external customers that accounts for 10% or more of sales amount recorded in the Consolidated Statements of Income.

For the fiscal year ended March 31,2023 (April 1, 2022–March 31, 2023)

1. Information by products and services
   This information is omitted since similar information is disclosed in segment information.

2. Information by geographic areas
   (1) Net sales
   Not applicable since there are no sales amount to external customers outside Japan.

   (2) Non-current assets
   Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by major customers
   Not applicable since there are no sales amount of specific customers within the external customers that accounts for 10% or more of sales amount recorded in the Consolidated Statements of Income.

[Information on impairment loss on non-current assets by reportable segments]

For the fiscal year ended March 31,2022 (April 1, 2021–March 31, 2022)

(Million yen)

	Reportable segments					Other (Note)	Corporate/ Eliminations	Total
	Construction Materials Business	Air-conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Impairment loss	0	68	—	—	69	—	—	69

(Note) “Other” comprises business segments not included in reportable segments and contains sales of industrial materials.

For the fiscal year ended March 31,2023 (April 1, 2022–March 31, 2023)

(Million yen)

	Reportable segments					Other (Note)	Corporate/ Eliminations	Total
	Construction Materials Business	Air-conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Impairment losses	—	1	9	—	11	—	—	11

(Note) “Other” comprises business segments not included in reportable segments and contains sales of industrial materials.

[Information on amortization and outstanding balance of goodwill by reportable segments]

For the fiscal year ended March 31,2022 (April 1, 2021–March 31, 2022)

(Million yen)

	Reportable segments					Others (Note)	Corporate/ Eliminations	Total
	Construction Materials Business	Air-conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
(Goodwill)								
Amortization for the period	—	51	15	75	141	6	—	147
Balance at the end of the period	—	319	15	244	579	—	—	579

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

For the fiscal year ended March 31,2023 (April 1, 2022–March 31, 2023)

(Million yen)

	Reportable segments					Others (Note)	Corporate/ Eliminations	Total
	Construction Materials Business	Air-conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
(Goodwill)								
Amortization for the period	—	51	15	140	206	—	—	206
Balance at the end of the period	—	268	—	753	1,021	—	—	1,021

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

[Information on gain on bargain purchase by reportable segments]

For the fiscal year ended March 31,2022 (April 1, 2021–March 31, 2022)

On July 15, 2021, Ochisangyo Co., Ltd., which is a consolidated subsidiary, acquired shares of Marumitsu Toyo Co., Ltd., which resulted in gain on bargain purchase of 11 million yen recorded in the Construction Materials Business. Besides, on October 8, 2021, the Company acquired shares of Terada Co., Ltd., which resulted in gain on bargain purchase of 1,211 million yen recorded in the Air-conditioning, Heating and Cooling, and Household Products Business.

For the fiscal year ended March 31,2023 (April 1, 2022–March 31, 2023)

On October 28, 2022, the Company acquired shares of Hagaya Construction Co., Ltd., which resulted in gain on bargain purchase of 91 million yen recorded in the Engineering Business.

(Per share information)

Items	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Net assets per share	1,537.51 yen	1,667.88 yen
Basic earnings per share	265.51 yen	192.82 yen

(Notes) 1. Diluted earnings per share are not provided as there are no potential shares with dilutive effect.

2. The Company's shares held by the Board Benefit Trust (BBT) as trust assets, which are recorded as treasury shares in shareholders equity, are included in the number of treasury shares that are deducted in the calculation of the average number of shares during the period for the purpose of calculating basic earnings per share, and in the number of treasury shares that are deducted from the total number of shares issued at the end of the period to calculate the net assets per share. The average number of treasury shares during the period that was deducted to calculate basic earnings per share was 111,370 for the previous fiscal year, and 104,920 for the fiscal year ended March 31, 2023. The number of treasury shares outstanding at the end of the period that was deducted to calculate net assets per share was 109,800 for the previous fiscal year, and 103,300 for the fiscal year ended March 31, 2023.

3. The Company's shares held by a trust established exclusively for the OCHI Holdings Employee Shareholding Association (E-Ship Trust) as trust assets, which are recorded as treasury shares in shareholders equity, are included in the number of treasury shares that are deducted in the calculation of the average number of shares during the period for the purpose of calculating basic earnings per share, and in the number of treasury shares that are deducted from the total number of shares issued at the end of the period to calculate the net assets per share.

   The average number of treasury shares during the period that was deducted to calculate basic earnings per share was 27,070 for the previous fiscal year, and 144,840 for the fiscal year ended March 31, 2023. The number of treasury shares outstanding at the end of the period that was deducted to calculate net assets per share was 166,000 for the previous fiscal year, and 124,800 for the fiscal year ended March 31, 2023.

4. The basis for calculating net assets per share is as follows.

Items	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Total net assets (million yen)	19,814	21,557
Amount excluded from total net assets Non-controlling interests (million yen)	40	27
Net Assets attributable to common shares (million yen)	19,774	21,530
Number of common shares outstanding (shares)	13,610,970	13,610,970
Number of treasury shares outstanding (shares)	749,828	702,208
Number of common shares outstanding calculated under net assets per share (share)	12,861,142	12,908,762

5. The basis for calculating basic earnings per share is as follows.

Items	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Profit attributable to owners of parent (million yen)	3,451	2,484
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent relating to common shares (million yen)	3,451	2,484
Average number of common shares outstanding during the period (shares)	12,998,526	12,887,163

(Significant subsequent events)

Not applicable.