Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]

May 14, 2024

Company name: Okura Industrial Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4221
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Scheduled date of filing quarterly securities report: May 14, 2024
Scheduled date of commencing dividend payments: –
Availability of supplementary explanatory materials on quarterly financial results: Not available
Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended March 31, 2024 (January 1, 2024 - March 31, 2024)

(1) Consolidated Operating Results (% indicates 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	%
March 31, 2024	19,504	(2.3)	1,199	15.5	1,365	16.9	856	3.7
March 31, 2023	19,970	8.5	1,038	24.0	1,168	23.3	826	18.2

(Note) Comprehensive income: Three months ended March 31, 2024: ¥2,063 million [49.0%]
Three months ended March 31, 2023: ¥1,384 million [104.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2024	70.84	–
March 31, 2023	69.22	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2024	104,269	61,600	59.1
As of December 31, 2023	100,272	60,869	60.7

(Reference) Equity: As of March 31, 2024: ¥61,574 million
As of December 31, 2023: ¥60,844 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	–	0.00	–	110.00	110.00
Fiscal year ending December 31, 2024	–				
Fiscal year ending December 31, 2024 (Forecast)		55.00	–	55.00	110.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(% indicates changes from the previous corresponding period.)

	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	40,500	3.0	2,550	5.2	2,700	(0.6)	1,900	(17.5)	157.11
Full year	84,000	6.5	5,700	15.0	6,000	10.8	4,300	(0.4)	355.57

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

*** Notes:**

(1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2024: 12,414,870 shares
December 31, 2023: 12,414,870 shares

2) Total number of treasury shares at the end of the period:
March 31, 2024: 322,078 shares
December 31, 2023: 321,546 shares

3) Average number of shares during the period:
Three months ended March 31, 2024: 12,093,087 shares
Three months ended March 31, 2023: 11,935,859 shares

* 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

Forward-looking statements such as financial results forecast in this document are based on information currently available and certain assumptions that Company regards as reasonable. Actual results may significantly differ from such estimates due to various factors.

For details on the earnings forecasts of the Company, please see “Qualitative Information on Quarterly Financial Results” on page 2 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended March 31, 2024, the Japanese economy remained generally flat mainly due to sustained high raw material and energy prices and the yen's continuing depreciation, while domestic economic activity continued to normalize following the softened impact of the COVID-19 pandemic on economic activity. Although there are expectations that pay raises will spread further and inbound demand will continue to increase, the economic outlook remains uncertain as it is still difficult to foresee the future on account of such concerns as increasing costs and reduced demand due to rising prices.

Under these circumstances, the Group posted net sales of 19,504 million yen (down 2.3% year on year) for the three months ended March 31, 2024 due to a decline in sales volume in the Plastic Film Division despite an increase in demand for optical films for small- and medium-sized panel applications in the New Materials Division.

In terms of profit, despite the decrease in net sales, our efforts for production efficiency improvement and cost reduction resulted in operating profit of 1,199 million yen (up 15.5% year on year) and ordinary profit of 1,365 million yen (up 16.9% year on year). Profit attributable to owners of parent was 856 million yen (up 3.7% year on year).

Operating results by segment are as follows.

[Plastic Film]

The sales volume of plastic films, particularly packaging films for food and daily necessities, decreased due to price hikes although the yen’s depreciation generated inbound demand. The market of industrial-use process films for optics and semiconductor usages was on a recovery trend but did not reach the level attained in the previous corresponding period, and net sales amounted to 12,765 million yen (down 4.1% year on year). Meanwhile, operating profit was 1,238 million yen (up 13.9% year on year) mainly due to our efforts for production efficiency improvement, cost reduction, and the streamlining of unprofitable products.

[New Materials]

Demand for optical films for automotive and small- and medium-sized panel applications increased, and functional materials mainly for office automation equipment remained robust, resulting in net sales of 3,272 million yen (up 3.9% year on year). Operating profit was 251 million yen (up 17.0% year on year) due in part to an increase in sales volume of optical films for small- and medium-sized panels despite expenses required for the launch of new plants.

[Housing Materials]

A certain level of sales volume was obtained in the field of particleboards, one of the key products of this business segment, as a result of continuous stable production and fine-tuned sales activities. However, mainly due to a significant decline in the sales volume of the lumber processing business, net sales amounted to 3,037 million yen (down 3.7% year on year). Operating profit was 210 million yen (down 5.8% year on year) due to increasing costs in the lumber processing business caused by plant relocation as well as the decrease in net sales.

[Other]

The hotel business saw a recovery in sales from hotel stays and banquets as COVID-19-related movement restrictions were eased, while sales of systems for dispensing pharmacies increased in the information processing system development business. As a result, overall net sales of other businesses were 428 million yen (up 20.0% year on year). Operating profit amounted to 120 million yen (up 24.5% year on year) due in part to the increase in net sales.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review increased by 3,996 million yen compared to the end of the previous fiscal year, to 104,269 million yen. This was mainly due to an increase in cash and deposits of 2,933 million yen, an increase in investment securities of 1,697 million yen, and a decrease in trade receivables of 1,057 million yen.

On the other hand, liabilities increased by 3,265 million yen compared to the end of the previous fiscal year, to 42,668 million yen, mainly due to an increase in borrowings of 5,428 million yen, a decrease in other current liabilities of 2,898 million yen, a decrease in accounts payable - other of 2,194 million yen, an increase in electronically recorded obligations - facilities of 1,291 million yen, an increase in trade payables of 989 million yen, and an increase in provision for bonuses of 541 million yen.

Net assets increased by 731 million yen from the end of the previous fiscal year to 61,600 million yen, mainly due to an increase in valuation difference on available-for-sale securities of 1,185 million yen and a decrease in retained earnings of 473 million yen.

As a result of the above, the equity ratio decreased by 1.6 percentage points from the end of the previous fiscal year to 59.1%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There have been no changes to the consolidated financial results forecast announced on February 13, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	7,806	10,740
Notes and accounts receivable - trade	21,713	20,949
Electronically recorded monetary claims - operating	8,189	7,897
Merchandise and finished goods	5,292	5,256
Work in process	1,224	1,404
Raw materials and supplies	4,967	5,166
Real estate for sale	291	302
Other	1,461	832
Total current assets	50,947	52,549
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,032	16,693
Machinery, equipment and vehicles, net	8,292	11,520
Land	6,278	6,278
Construction in progress	8,491	791
Other, net	522	590
Total property, plant and equipment	35,616	35,874
Intangible assets	888	1,058
Investments and other assets		
Investment securities	11,291	12,989
Deferred tax assets	130	158
Other	1,398	1,639
Total investments and other assets	12,820	14,786
Total non-current assets	49,325	51,719
Total assets	100,272	104,269

(Million yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	17,020	17,062
Electronically recorded obligations - operating	672	1,619
Short-term borrowings	1,529	5,224
Current portion of long-term borrowings	373	616
Accounts payable - other	5,382	3,188
Income taxes payable	765	531
Electronically recorded obligations - facilities	1,893	3,185
Provision for bonuses	–	541
Other	6,437	3,539
Total current liabilities	34,075	35,509
Non-current liabilities		
Long-term borrowings	–	1,490
Deferred tax liabilities	714	1,056
Retirement benefit liability	3,789	3,791
Other	823	820
Total non-current liabilities	5,327	7,159
Total liabilities	39,403	42,668
Net assets		
Shareholders' equity		
Share capital	8,619	8,619
Capital surplus	9,105	9,105
Retained earnings	38,394	37,921
Treasury shares	(557)	(558)
Total shareholders' equity	55,562	55,087
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,018	6,204
Foreign currency translation adjustment	236	253
Remeasurements of defined benefit plans	27	28
Total accumulated other comprehensive income	5,281	6,486
Non-controlling interests	24	26
Total net assets	60,869	61,600
Total liabilities and net assets	100,272	104,269

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Net sales	19,970	19,504
Cost of sales	16,499	15,763
Gross profit	3,470	3,741
Selling, general and administrative expenses		
Sales commission	18	22
Transportation and storage costs	670	662
Salaries	505	531
Provision for bonuses	165	163
Remuneration for directors (and other officers)	86	84
Retirement benefit expenses	30	35
Depreciation	49	57
Research and development expenses	292	351
Provision of allowance for doubtful accounts	(0)	–
Other	611	632
Total selling, general and administrative expenses	2,431	2,541
Operating profit	1,038	1,199
Non-operating income		
Interest income	3	7
Dividend income	79	80
Foreign exchange gains	9	83
Subsidy income	37	0
Miscellaneous income	31	26
Total non-operating income	161	198
Non-operating expenses		
Interest expenses	4	4
Commission expenses	23	22
Miscellaneous losses	2	5
Total non-operating expenses	31	32
Ordinary profit	1,168	1,365
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	21	75
Plant relocation expenses	–	130
Total extraordinary losses	21	206
Profit before income taxes	1,147	1,160
Income taxes - current	495	497
Income taxes - deferred	(174)	(194)
Total income taxes	320	302
Profit	826	857
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	826	856

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Profit	826	857
Other comprehensive income		
Valuation difference on available-for-sale securities	546	1,185
Foreign currency translation adjustment	7	18
Remeasurements of defined benefit plans, net of tax	3	1
Total other comprehensive income	557	1,205
Comprehensive income	1,384	2,063
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,383	2,061
Comprehensive income attributable to non-controlling interests	1	1

(3) Notes to 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.)

I For the three months ended March 31, 2023 (January 1, 2023 to March 31, 2023)

Information on the amount of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	13,307	3,151	3,154	19,613	357	19,970	–	19,970
Inter-segment net sales or transfers	0	–	6	7	207	214	(214)	–
Total	13,308	3,151	3,161	19,620	564	20,185	(214)	19,970
Segment profit	1,087	214	223	1,526	96	1,622	(583)	1,038

(Notes) 1. The "Other" category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 583 million yen includes negative 0 million yen in eliminations of inter-segment transactions and negative 583 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

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

II For the three months ended March 31, 2024 (January 1, 2024 to March 31, 2024)

Information on the amount of net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	12,765	3,272	3,037	19,075	428	19,504	–	19,504
Inter-segment net sales or transfers	0	–	8	9	200	210	(210)	–
Total	12,765	3,272	3,046	19,085	629	19,714	(210)	19,504
Segment profit	1,238	251	210	1,700	120	1,820	(621)	1,199

(Notes) 1. The "Other" category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 621 million yen includes negative 0 million yen in eliminations

of inter-segment transactions and negative 620 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

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