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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 4, 2022

Company name:	OCHI Holdings Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange and Fukuoka Stock Exchange
Code number:	3166
URL:	https://www.ochiholdings.co.jp
Representative:	Michihiro Ochi, Representative Director, President and Chief Executive Officer
Contact:	Naoyuki Shiraiishi, Executive Officer, General Manager of Finance Department
Phone:	+81-92-711-9173
Scheduled date of filing quarterly securities report:	August 5, 2022
Scheduled date of commencing dividend payments:	—
Availability of supplementary explanatory materials on quarterly financial results:	None
Schedule of quarterly financial results briefing session:	None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2022	27,868	12.3	743	71.5	907	66.5	566	64.6
June 30, 2021	24,821	7.8	433	65.5	544	68.2	344	67.8

(Note) Comprehensive income: Three months ended June 30, 2022: ¥526 million [76.8%]

Three months ended June 30, 2021: ¥297 million [11.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2022	44.06	—
June 30, 2021	26.44	—

- 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 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
	Million yen	Million yen	%	Yen
As of June 30, 2022	61,924	19,872	32.0	1,542.50
As of March 31, 2022	62,834	19,814	31.5	1,537.51

(Reference) Equity: As of June 30, 2022: ¥19,846 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 total number of issued shares at the end of the period for the purpose of calculating net assets per share.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	15.00	—	35.00	50.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		25.00	—	25.00	50.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% 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	57,000	11.7	1,400	20.7	1,620	17.3	1,030	8.7	80.09
Full year	115,500	3.2	2,700	(11.9)	3,150	(11.2)	2,000	(42.0)	155.51

(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):
Newly included: – (), Excluded: – ()
- (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: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of shares issued (common shares)
- 1) Total number of shares issued at the end of the period (including treasury shares):
June 30, 2022: 13,610,970 shares
March 31, 2022: 13,610,970 shares
 - 2) Total number of treasury shares at the end of the period:
June 30, 2022: 744,828 shares
March 31, 2022: 749,828 shares
 - 3) Average number of shares during the period:
Three months ended June 30, 2022: 12,864,510 shares
Three months ended June 30, 2021: 13,020,872 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 (109,800 shares as of June 30, 2022 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 (109,800 shares as of June 30, 2022 and 111,370 shares as of 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 (161,000 shares as of June 30, 2022 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 (162,632 shares as of June 30, 2022 and 27,070 shares as of March 31, 2022).

* 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 under Review” on page 3 of the attachment.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the three months ended June 30, 2022, the Japanese economy began to show signs of picking up with the easing of COVID-19 movement restrictions. However, its outlook remains uncertain due to the surge in energy and raw materials prices caused by Russia's invasion of Ukraine, the sharp depreciation of the yen and, more recently, the rapid increase in the number of new COVID-19 cases.

In the housing industry, challenges persist, such as the global shortage in lumber supply and its resulting high prices, as well as continued delay in the supply of housing equipment and others due to the semiconductor shortage. As a result, new housing starts for the three-month period under review decreased by 1.3% 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 5.0% year-on-year decline.

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

As a result of the above, in the three-month period under review, net sales increased by 12.3% year-on-year to 27,868 million yen, while operating profit increased by 71.5% year-on-year to 743 million yen, ordinary profit increased by 66.5% year-on-year to 907 million yen, and profit attributable to owners of parent increased by 64.6% year-on-year to 566 million yen.

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 aimed at achieving carbon neutrality, including solar power generation systems, storage batteries, high-efficiency water heaters, and LED lighting, 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. To prevent the further spread of COVID-19, we decided not to organize trade shows or other events and instead focused on promoting sales online, via members-only websites, online conference systems, and other means.

As a result of the above, net sales of this business increased by 6.1% year-on-year to 17,365 million yen but operating profit decreased by 2.7% year-on-year to 258 million yen owing to a rise in labor and logistics costs.

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

In the Air-conditioning, Heating and Cooling, and Household Products Business, which mainly operates in the Hokkaido, Tohoku, and Kanto regions, sales of household products decreased owing to changes in some commercial distribution channels. Sales and installation work of refrigeration/freezing equipment also declined because of a delay in the supply of equipment.

Nevertheless, net sales of this business increased by 22.0% year-on-year to 3,928 million yen and operating profit amounted to 14 million yen (compared to operating loss of 8 million yen in the corresponding period of the previous year), buoyed by the performance of Terada Co., Ltd., which became a subsidiary in October 2021.

<Pre-cut Lumber Business>

While the lumber supply continued to be in short supply globally and lumber prices hovered at high levels accordingly, we did our utmost to secure materials and sell them at reasonable prices. At the same time, we made greater efforts to win orders for non-housing projects, including childcare facilities and assembly halls, in addition to detached houses, our mainstay.

As a result of the above, net sales of this business increased by 48.2% year-on-year to 4,659 million yen and operating profit increased by 144.7% year-on-year to 392 million yen.

<Engineering Business>

In the Engineering Business, we construct commercial facilities and other properties, engage in interior work for condominiums, office buildings, and other structures, and provide civil engineering services for public works projects. Partly because of delayed construction schedule due to the shortage of materials, net sales of this business decreased by 12.0% year-on-year to 1,240 million yen, but operating profit increased by 39.9% year-on-year to 217 million yen, primarily owing to improved profit margin on completed projects.

<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 1.6% year-on-year to 801 million yen and operating profit increased by 33.4% year-on-year to 26 million yen because of a rise in sales of electric insulating materials for industrial use.

(2) Explanation of Financial Position

Total assets decreased by 910 million yen, or 1.4%, from the previous fiscal year-end to 61,924 million yen. This was chiefly attributable to increases of 1,031 million yen in merchandise and 153 million yen in other under current assets, and decreases of 1,484 million yen in notes and accounts receivable - trade, and contract assets, 129 million yen in other under investments and other assets, 116 million yen in electronically recorded monetary claims - operating, and 108 million yen in cash and deposits.

Total liabilities decreased by 967 million yen, or 2.2%, from the previous fiscal year-end to 42,052 million yen. This was chiefly attributable to an increase of 484 million yen in other under current liabilities, and decreases of 465 million yen in income taxes payable, 443 million yen in electronically recorded obligations - operating, and 277 million yen in long-term borrowings.

Total net assets rose by 57 million yen, or 0.3%, from the previous fiscal year-end to 19,872 million yen. This was chiefly attributable to a decrease of 42 million yen in valuation difference on available-for-sale securities and an increase of 106 million yen in retained earnings.

(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, 2023 from the earlier forecast announced on May 10, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	12,195	12,087
Notes and accounts receivable - trade, and contract assets	21,061	19,577
Electronically recorded monetary claims - operating	3,332	3,215
Merchandise	5,107	6,139
Costs on construction contracts in progress	731	655
Other	834	987
Allowance for doubtful accounts	(30)	(34)
Total current assets	43,231	42,627
Non-current assets		
Property, plant and equipment		
Land	8,354	8,352
Other, net	4,403	4,307
Total property, plant and equipment	12,757	12,660
Intangible assets		
Goodwill	579	543
Other	724	683
Total intangible assets	1,303	1,227
Investments and other assets		
Retirement benefit asset	241	239
Other, net	5,316	5,186
Allowance for doubtful accounts	(15)	(16)
Total investments and other assets	5,541	5,409
Total non-current assets	19,602	19,296
Total assets	62,834	61,924

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,479	15,520
Electronically recorded obligations - operating	16,481	16,038
Short-term borrowings	3,223	3,208
Income taxes payable	796	330
Provision for bonuses	657	580
Other	2,035	2,519
Total current liabilities	38,673	38,197
Non-current liabilities		
Long-term borrowings	1,663	1,386
Provision for retirement benefits for directors (and other officers)	434	384
Provision for share awards for directors (and other officers)	57	51
Retirement benefit liability	653	622
Other	1,537	1,409
Total non-current liabilities	4,346	3,854
Total liabilities	43,019	42,052
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	18,786	18,893
Treasury shares	(791)	(785)
Total shareholders' equity	19,392	19,506
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	392	349
Remeasurements of defined benefit plans	(10)	(9)
Total accumulated other comprehensive income	381	339
Non-controlling interests	40	26
Total net assets	19,814	19,872
Total liabilities and net assets	62,834	61,924

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	24,821	27,868
Cost of sales	21,591	24,019
Gross profit	3,229	3,848
Selling, general and administrative expenses	2,795	3,105
Operating profit	433	743
Non-operating income		
Interest income	1	0
Dividend income	13	17
Purchase discounts	32	52
Rental income from real estate	44	42
Other	51	74
Total non-operating income	144	187
Non-operating expenses		
Interest expenses	5	4
Rental expenses on real estate	10	10
Depreciation	7	6
Other	9	2
Total non-operating expenses	33	23
Ordinary profit	544	907
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on sale of investment securities	0	—
Total extraordinary income	0	1
Extraordinary losses		
Loss on sale of non-current assets	—	1
Loss on retirement of non-current assets	0	0
Loss on sale of investment securities	—	0
Total extraordinary losses	0	1
Profit before income taxes	545	907
Income taxes - current	265	364
Income taxes - deferred	(65)	(25)
Total income taxes	200	339
Profit	345	567
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	344	566

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	345	567
Other comprehensive income		
Valuation difference on available-for-sale securities	(48)	(42)
Remeasurements of defined benefit plans, net of tax	1	1
Total other comprehensive income	(47)	(41)
Comprehensive income	297	526
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	296	525
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(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 first quarter of the fiscal year under review. 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 quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

Information on net sales and profit or loss, and information on disaggregation of revenue, by reportable segment
(Million yen)

	Reportable segments					Other (Note 1)	Adjustment (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	14,647	2,949	2,909	105	20,611	788	—	21,400
Revenue from construction work	1,652	269	212	1,147	3,283	—	—	3,283
Other revenue	8	—	—	128	137	—	—	137
Revenue from contracts with customers	16,309	3,219	3,122	1,382	24,032	788	—	24,821
Sales to external customers	16,309	3,219	3,122	1,382	24,032	788	—	24,821
Intersegment sales or transfers	54	—	21	27	103	0	(103)	—
Total	16,363	3,219	3,143	1,409	24,136	788	(103)	24,821
Segment profit (loss)	265	(8)	160	155	573	19	(160)	433

- (Notes) 1. “Other” comprises business segments not included in reportable segments and contains sales of industrial materials.
2. Adjustment for segment profit (loss) of (160) million yen includes corporate expenses of (161) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit (loss) is reconciled with operating profit in the quarterly consolidated statements of income.

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

Information on net sales and profit or loss, and information on disaggregation of revenue, by reportable segment
(Million yen)

	Reportable segments					Other (Note 1)	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Construction Materials Business	Air- conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	15,698	3,733	4,406	93	23,931	801	—	24,732
Revenue from construction work	1,597	194	189	1,018	3,000	—	—	3,000
Other revenue	6	—	—	128	135	—	—	135
Revenue from contracts with customers	17,302	3,928	4,595	1,240	27,067	801	—	27,868
Sales to external customers	17,302	3,928	4,595	1,240	27,067	801	—	27,868
Intersegment sales or transfers	62	—	63	—	126	—	(126)	—
Total	17,365	3,928	4,659	1,240	27,193	801	(126)	27,868
Segment profit	258	14	392	217	883	26	(165)	743

- (Notes) 1. “Other” comprises business segments not included in reportable segments and contains sale of industrial materials.
2. Adjustment for segment profit of (165) million yen includes corporate expenses of (168) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit is reconciled with operating profit in the quarterly consolidated statements of income.

(Revenue recognition)

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

(Significant subsequent events)

(Business combination via share acquisition)

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

(1) Name of acquired company and its business outline

Name of acquired company: All Japan Data Service, Co., Ltd.

Business outline: Construction consulting

(2) Main reason for business combination

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

Now that we have made All Japan Data Service our subsidiary, we aim to expand the Engineering Business and further pursue synergy within the Group, in a bid to realize sustainable growth.

(3) Date of business combination

July 7, 2022

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of company after the combination

No change

(6) Percentage of voting rights acquired

100%

(7) Major basis for determining the acquirer

It is based on the fact that the Company acquired shares in consideration for cash.

2. 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

3. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

To be determined.