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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 5, 2024

Company name: OCHI Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange and Fukuoka Stock Exchange
 Securities code: 3166
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 Scheduled date to file quarterly securities report: February 6, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary materials
 on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 – December 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2023	87,059	0.2	1,991	(8.2)	2,431	(7.0)	1,602	(13.5)
December 31, 2022	86,868	4.2	2,170	(11.3)	2,614	(6.3)	1,851	(38.8)

(Note) Comprehensive income: For the nine months ended December 31, 2023: ¥1,726 million [(5.4)%]
 For the nine months ended December 31, 2022: ¥1,825 million [(37.7)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	123.90	—
December 31, 2022	143.75	—

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of the average number of shares outstanding during the period for the purpose of calculating basic earnings per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	65,655	22,625	34.4	1,744.99
As of March 31, 2023	64,531	21,557	33.4	1,667.88

(Reference) Equity: As of December 31, 2023: ¥22,596 million
 As of March 31, 2023: ¥21,530 million

- With the introduction of the Board Benefit Trust (BBT) and the introduction of the Trust-type Employee Shareholding Incentive Plan, the Company's shares held by the respective trusts, which are recorded as treasury shares in shareholders' equity, are included in treasury shares that are deducted in the calculation of the total number of shares issued at the end of the period for the purpose of calculating net assets per share.

2. Cash Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	25.00	–	27.00	52.00
Fiscal year ending March 31, 2024	–	27.00	–		
Fiscal year ending March 31, 2024 (Forecast)				27.00	54.00

(Note) Revisions to the forecast of cash dividends announced most recently: None

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	120,000	3.8	2,750	(6.7)	3,200	(9.4)	2,050	(17.5)	158.81

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

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1. Qualitative Information on Quarterly Financial Results for the Period

(1) Explanation of Operating Results

During the nine months ended December 31, 2023, the Japanese economy indicated a modest recovery trend as the government downgraded COVID-19 to a Category V Infectious Disease and eased restrictions on activities in Japan and entry of people from abroad, while seeing progress in the normalization of economic activities. However, the economic outlook remains uncertain for a number of downside economic risks, including the increased geopolitical risks in Ukraine and the Middle East.

In the housing industry, we faced challenges, such as price hikes in housing construction due to increases in construction materials and housing equipment prices, and undermined consumer sentiment for purchasing a home caused by rising living costs. As a result, new housing starts for the nine-month period decreased by 6.3% 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 10.1% year-on-year decline.

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

Against this backdrop, in the nine-month period, net sales increased by 0.2% year on year to 87,059 million yen due to the effect of corporate acquisitions. However, operating profit decreased by 8.2% year on year to 1,991 million yen, ordinary profit decreased by 7.0% year on year to 2,431 million yen, and profit attributable to owners of parent decreased by 13.5% year on year to 1,602 million yen.

Results by segment were as follows:

<Construction Materials Business>

The Group focused on expanding sales of products aimed at achieving carbon neutrality, including solar power generation systems, storage batteries, and high-efficiency water heaters, capturing demand for remodeling/renovation to enhance comfort in wet areas and improve air quality and promoting the introduction of wooden structures and wooden interior decorations to non-housing buildings. Moreover, in May 2023, we acquired TRESSA Co., Ltd. and made it a new subsidiary, aiming to strengthen the construction function. The company, headquartered in Nagasaki City, is engaged in housing construction work, mainly on exterior wall work, and sales of housing materials.

However, due to factors such as the decline in new construction starts for owner-occupied houses and built-for-sale detached houses, net sales of this business decreased by 0.0% year on year to 53,071 million yen and operating profit decreased by 10.8% year on year to 807 million yen.

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

Net sales of this business increased by 5.6% year on year to 14,193 million yen and operating profit increased by 50.1% year on year to 293 million yen, due to the inclusion of the results for ten months of Terada Co., Ltd., which has changed its accounting period, in addition to strong performance in sales and installation work of freezing and air-conditioning equipment.

<Pre-cut Lumber Business>

We made greater efforts to win orders for non-housing projects, including offices, shops, and other facilities, in addition to detached houses, our mainstay. However, due to lower lumber prices as well as the decline in new construction starts for owner-occupied houses and built-for-sale detached houses, net sales of this business decreased by 21.9% year on year to 11,521 million yen and operating profit decreased by 43.9% year on year to 741 million yen.

<Engineering Business>

Net sales of this business increased by 76.7% year on year to 6,211 million yen and operating profit increased by 403.5% year on year to 597 million yen, because All Japan Data Service, Co., Ltd. and Hagaya Construction Co., Ltd., which both became our subsidiaries in the previous fiscal year, contributed to the performance of this business, and construction sales at existing subsidiaries were also robust.

<Other>

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

Net sales of this business decreased by 3.8% year on year to 2,418 million yen due to a decline in automotive-related sales, while operating profit increased by 2.6% year on year to 101 million yen through efforts to improve the gross profit margin.

(2) Explanation of Financial Position

Total assets increased by 1,123 million yen, or 1.7%, from the previous fiscal year-end to 65,655 million yen. This was mainly attributable to increases of 1,038 million yen in land, 983 million yen in electronically recorded monetary claims - operating, and 388 million yen in merchandise, with decreases of 723 million yen in cash and deposits, 335 million yen in costs on construction contracts in progress, and 308 million yen in notes and accounts receivable - trade, and contract assets.

Total liabilities increased by 55 million yen, or 0.1%, from the previous fiscal year-end to 43,030 million yen. This was mainly attributable to increases of 1,063 million yen in electronically recorded obligations - operating and 669 million yen in notes and accounts payable - trade, with decreases of 877 million yen in short-term borrowings, 332 million yen in income taxes payable, 249 million yen in provision for bonuses, and 202 million yen in long-term borrowings.

Total net assets rose by 1,067 million yen, or 5.0%, from the previous fiscal year-end to 22,625 million yen. This was mainly attributable to increases of 892 million yen in retained earnings and 120 million yen in valuation difference on available-for-sale securities.

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

There are no changes to the consolidated financial results forecast for the fiscal year ending March 31, 2024 from the earlier forecast announced on May 9, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	14,146	13,422
Notes and accounts receivable - trade, and contract assets	20,701	20,393
Electronically recorded monetary claims - operating	2,702	3,686
Merchandise	4,460	4,848
Costs on construction contracts in progress	1,662	1,327
Other	994	987
Allowance for doubtful accounts	(24)	(21)
Total current assets	44,644	44,643
Non-current assets		
Property, plant and equipment		
Land	8,441	9,479
Other, net	4,380	4,740
Total property, plant and equipment	12,822	14,219
Intangible assets		
Goodwill	1,021	894
Other	595	436
Total intangible assets	1,616	1,331
Investments and other assets		
Retirement benefit asset	233	247
Other, net	5,231	5,228
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	5,448	5,460
Total non-current assets	19,887	21,011
Total assets	64,531	65,655

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,650	15,320
Electronically recorded obligations - operating	16,173	17,236
Short-term borrowings	3,837	2,959
Income taxes payable	528	196
Provision for bonuses	674	425
Other	2,633	2,482
Total current liabilities	38,497	38,620
Non-current liabilities		
Long-term borrowings	2,017	1,814
Provision for retirement benefits for directors (and other officers)	399	382
Provision for share awards for directors (and other officers)	59	52
Retirement benefit liability	633	617
Other	1,366	1,543
Total non-current liabilities	4,476	4,409
Total liabilities	42,974	43,030
Net assets		
Shareholders' equity		
Share capital	400	400
Capital surplus	997	997
Retained earnings	20,483	21,375
Treasury shares	(731)	(680)
Total shareholders' equity	21,150	22,093
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	395	516
Remeasurements of defined benefit plans	(15)	(13)
Total accumulated other comprehensive income	380	502
Non-controlling interests	27	29
Total net assets	21,557	22,625
Total liabilities and net assets	64,531	65,655

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	86,868	87,059
Cost of sales	75,222	75,080
Gross profit	11,646	11,979
Selling, general and administrative expenses	9,476	9,987
Operating profit	2,170	1,991
Non-operating income		
Interest income	1	2
Dividend income	52	56
Purchase discounts	156	139
Rental income from real estate	124	119
Other	205	188
Total non-operating income	540	506
Non-operating expenses		
Interest expenses	16	15
Rental expenses on real estate	29	24
Depreciation	19	17
Other	31	8
Total non-operating expenses	96	66
Ordinary profit	2,614	2,431
Extraordinary income		
Gain on sale of non-current assets	81	17
Gain on sale of investment securities	148	134
Gain on bargain purchase	91	–
Total extraordinary income	321	152
Extraordinary losses		
Loss on sale of non-current assets	1	1
Loss on retirement of non-current assets	0	2
Loss on sale of investment securities	0	0
Impairment losses	–	24
Restructuring expenses	–	25
Total extraordinary losses	2	55
Profit before income taxes	2,933	2,528
Income taxes - current	896	746
Income taxes - deferred	182	178
Total income taxes	1,079	924
Profit	1,853	1,603
Profit attributable to non-controlling interests	2	1
Profit attributable to owners of parent	1,851	1,602

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	1,853	1,603
Other comprehensive income		
Valuation difference on available-for-sale securities	(32)	120
Remeasurements of defined benefit plans, net of tax	3	2
Total other comprehensive income	(28)	122
Comprehensive income	1,825	1,726
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,822	1,724
Comprehensive income attributable to non-controlling interests	2	1

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Construction Materials Business	Air- conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	47,809	12,862	13,771	257	74,701	2,512	–	77,214
Revenue from construction work	5,060	577	735	2,876	9,248	–	–	9,248
Other revenue	24	–	–	381	405	–	–	405
Revenue from contracts with customers	52,894	13,440	14,506	3,514	84,355	2,512	–	86,868
Sales to external customers	52,894	13,440	14,506	3,514	84,355	2,512	–	86,868
Intersegment sales or transfers	195	1	248	–	445	0	(445)	–
Total	53,089	13,441	14,755	3,514	84,800	2,513	(445)	86,868
Segment profit	905	195	1,321	118	2,540	99	(469)	2,170

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

2. Adjustments for segment profit of (469) million yen include corporate expenses of (473) million yen that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.

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

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Million yen)

	Reportable segments					Other (Note 1)	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Construction Materials Business	Air- conditioning, Heating and Cooling, and Household Products Business	Pre-cut Lumber Business	Engineering Business	Total			
Net sales								
Revenue from sale of merchandise	47,323	12,898	10,562	289	71,073	2,418	–	73,491
Revenue from construction work	5,544	1,289	790	5,540	13,164	–	–	13,164
Other revenue	20	–	–	381	402	–	–	402
Revenue from contracts with customers	52,888	14,188	11,352	6,211	84,641	2,418	–	87,059
Sales to external customers	52,888	14,188	11,352	6,211	84,641	2,418	–	87,059
Intersegment sales or transfers	182	5	168	–	356	0	(357)	–
Total	53,071	14,193	11,521	6,211	84,997	2,418	(357)	87,059
Segment profit	807	293	741	597	2,439	101	(549)	1,991

(Notes) 1. “Other” comprises business segments not included in reportable segments and contains sale of industrial materials.

2. Adjustments for segment profit of (549) million yen include corporate expenses of (550) 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.

2. Information on impairment losses of non-current assets or goodwill, and other items, by reportable segment
(Significant impairment losses on non-current assets)

Impairment losses of 24 million yen were recorded for investment property included in corporate assets.

(Revenue recognition)

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

(Significant subsequent events)

Not applicable.