Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

Company name: Okura Industrial Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4221
URL: https://www.okr-ind.co.jp/
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Scheduled date of commencing dividend payments: －
Availability of supplementary explanatory materials on financial results: Not available
Schedule of financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 - September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	59,339	1.1	3,181	(13.9)	3,473	(15.4)	3,510	6.3
September 30, 2023	58,698	2.0	3,696	20.7	4,105	15.4	3,301	28.8

(Note) Comprehensive income: Nine months ended September 30, 2024: ¥6,100 million [29.6%]
Nine months ended September 30, 2023: ¥4,705 million [76.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	291.05	–
September 30, 2023	275.49	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	106,730	64,443	60.4
As of December 31, 2023	100,272	60,869	60.7

(Reference) Equity: As of September 30, 2024: ¥64,414 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	–	55.00	–		
Fiscal year ending December 31, 2024 (Forecast)				100.00	155.00

(Note) Revision to the forecast for dividends announced most recently: Yes

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
Full year	82,000	4.0	5,300	6.9	5,700	5.2	4,300	(0.4)	355.57

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None

(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):
September 30, 2024: 12,414,870 shares
December 31, 2023: 12,414,870 shares

2) Total number of treasury shares at the end of the period:
September 30, 2024: 529,199 shares
December 31, 2023: 321,546 shares

3) Average number of shares during the period:
Nine months ended September 30, 2024: 12,061,181 shares
Nine months ended September 30, 2023: 11,985,330 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* 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 nine months ended September 30, 2024, the Japanese economy was on a recovery path mainly due to growing inbound demand and improvements in the employment and income situation, despite a loss of opportunity for order taking caused by labor shortages and delayed purchases by consumers resulting from food price hikes. Although there are expectations based largely on continued real wage increases and recovery of the tourism industry, the economic outlook remains uncertain as it is still difficult to foresee the future on account of such concerns as continued inflation due to rising energy prices and distribution costs, the tendency of consumers to economize, and growing international tension.

Under these circumstances, the Group posted net sales of 59,339 million yen for the nine months ended September 30, 2024 (up 1.1% year on year) mainly due to an increase in demand for optical films for small- and medium-sized panel applications in the New Materials Division.

In terms of profit, it took time to stabilize quality at new plants in the New Materials Division, and consequently expenses increased. This and other factors, despite the increase in net sales, resulted in operating profit of 3,181 million yen (down 13.9% year on year) and ordinary profit of 3,473 million yen (down 15.4% year on year). Profit attributable to owners of parent was 3,510 million yen (up 6.3% year on year) mainly due to the recording of gain on sale of non-current assets and gain on sale of investment securities under extraordinary income.

Operating results by segment are as follows.

[Plastic Film]

Sales of packaging films for the food service industry were robust on the back of inbound demand, and sales of industrial-use process films for optics and semiconductor usages also remained strong as the market was on a recovery trend. Meanwhile, the sales volume of agricultural-use multi-films did not reach the level attained in the previous corresponding period, although inventory adjustments by distributors resulting from consumers' buying for filling current needs were becoming eased. As a result, net sales amounted to 38,291 million yen (up 0.3% year on year). Operating profit was 3,208 million yen (up 6.7% year on year) due to contributory factors including the streamlining of unprofitable products, productivity improvement caused by the improved production system, and cost reduction made by a review of raw materials to be purchased.

[New Materials]

While sales of functional materials mainly for automotive applications remained weak, demand for optical films for small- and medium-sized panel applications increased, resulting in net sales of 10,388 million yen (up 3.4% year on year). It took time to stabilize quality at the new plants, and consequently expenses increased. This and other factors resulted in operating profit of 828 million yen (down 44.4% year on year).

[Housing Materials]

The sales volume of particleboards, one of the key products of this business segment, remained strong as a result of continuous stable production. However, due to a decline in the sales volume of the lumber processing business caused by the decreased number of housing starts, net sales amounted to 9,297 million yen (down 0.4% year on year). Operating profit was 662 million yen (down 1.4% year on year) due in part to increasing costs in the lumber processing business caused by plant relocation despite the promotion of cost reduction initiatives including improved productivity of particleboards.

[Other]

Sales from hotel stays remained strong in the hotel business, and sales of systems for dispensing pharmacies increased in the information processing system development business. As a result, overall net sales of other businesses were 1,362 million yen (up 20.4% year on year). Operating profit amounted to 373 million yen (up 19.2% year on year) due in part to the increase in net sales.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review increased by 6,457 million yen compared to the end of the previous fiscal year, to 106,730 million yen, mainly due to increases in investment securities of 3,127 million yen, cash and deposits of 2,706 million yen, and inventories of 1,263 million yen, despite a decrease in trade receivables of 1,564 million yen.

On the other hand, liabilities increased by 2,883 million yen compared to the end of the previous fiscal year, to 42,287 million yen, mainly due to increases in borrowings of 5,061 million yen and trade payables of 3,343 million yen, despite decreases in accounts payable - other of 4,123 million yen and other current liabilities of 2,289 million yen.

Net assets increased by 3,573 million yen from the end of the previous fiscal year to 64,443 million yen, mainly due to increases in valuation difference on available-for-sale securities of 2,572 million yen and retained earnings of 1,514 million yen.

As a result of the above, the equity ratio decreased by 0.3 percentage points from the end of the previous fiscal year to 60.4%.

(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 June 14, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	7,806	10,513
Notes and accounts receivable - trade	21,713	20,591
Electronically recorded monetary claims - operating	8,189	7,747
Merchandise and finished goods	5,292	6,111
Work in process	1,224	1,470
Raw materials and supplies	4,967	5,198
Real estate for sale	291	259
Other	1,461	2,162
Total current assets	50,947	54,053
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,032	16,243
Machinery, equipment and vehicles, net	8,292	10,808
Land	6,278	6,153
Construction in progress	8,491	909
Other, net	522	578
Total property, plant and equipment	35,616	34,694
Intangible assets	888	1,291
Investments and other assets		
Investment securities	11,291	14,419
Deferred tax assets	130	126
Other	1,398	2,144
Total investments and other assets	12,820	16,690
Total non-current assets	49,325	52,676
Total assets	100,272	106,730

(Million yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	17,020	19,088
Electronically recorded obligations - operating	672	1,948
Short-term borrowings	1,529	5,239
Current portion of long-term borrowings	373	389
Accounts payable - other	5,382	1,258
Income taxes payable	765	1,200
Electronically recorded obligations - facilities	1,893	1,025
Provision for bonuses	–	570
Other	6,437	4,148
Total current liabilities	34,075	34,869
Non-current liabilities		
Long-term borrowings	–	1,335
Deferred tax liabilities	714	1,448
Retirement benefit liability	3,789	3,806
Other	823	827
Total non-current liabilities	5,327	7,418
Total liabilities	39,403	42,287
Net assets		
Shareholders' equity		
Share capital	8,619	8,619
Capital surplus	9,105	9,113
Retained earnings	38,394	39,909
Treasury shares	(557)	(1,095)
Total shareholders' equity	55,562	56,546
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,018	7,590
Foreign currency translation adjustment	236	246
Remeasurements of defined benefit plans	27	31
Total accumulated other comprehensive income	5,281	7,868
Non-controlling interests	24	28
Total net assets	60,869	64,443
Total liabilities and net assets	100,272	106,730

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	58,698	59,339
Cost of sales	47,614	48,364
Gross profit	11,083	10,975
Selling, general and administrative expenses		
Sales commission	62	69
Transportation and storage costs	1,970	2,068
Salaries	1,573	1,654
Bonuses	281	295
Provision for bonuses	169	172
Remuneration for directors (and other officers)	255	263
Retirement benefit expenses	107	105
Depreciation	160	175
Research and development expenses	966	1,082
Provision of allowance for doubtful accounts	(0)	–
Other	1,839	1,905
Total selling, general and administrative expenses	7,387	7,793
Operating profit	3,696	3,181
Non-operating income		
Interest income	4	36
Dividend income	238	267
Foreign exchange gains	111	–
Miscellaneous income	114	73
Total non-operating income	469	377
Non-operating expenses		
Interest expenses	13	20
Foreign exchange losses	–	3
Commission expenses	33	45
Miscellaneous losses	12	14
Total non-operating expenses	59	85
Ordinary profit	4,105	3,473
Extraordinary income		
Gain on sale of non-current assets	0	879
Gain on sale of investment securities	428	793
Total extraordinary income	429	1,672
Extraordinary losses		
Loss on sale and retirement of non-current assets	129	117
Loss on sale of investment securities	1	–
Extra retirement payments	0	–
Plant relocation expense	–	130
Total extraordinary losses	132	248
Profit before income taxes	4,402	4,898
Income taxes - current	1,301	1,767
Income taxes - deferred	(202)	(382)
Total income taxes	1,098	1,385
Profit	3,303	3,513
Profit attributable to non-controlling interests	1	2
Profit attributable to owners of parent	3,301	3,510

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Profit	3,303	3,513
Other comprehensive income		
Valuation difference on available-for-sale securities	1,364	2,572
Foreign currency translation adjustment	26	10
Remeasurements of defined benefit plans, net of tax	10	3
Total other comprehensive income	1,401	2,586
Comprehensive income	4,705	6,100
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,702	6,096
Comprehensive income attributable to non-controlling interests	3	3

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

The Company resolved, at its Board of Directors meeting held on June 21, 2024, to acquire treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied mutatis mutandis under the provisions of Article 165, Paragraph 3 of the said Act., and reacquired its own 211,700 shares during the nine months ended September 30, 2024. As a result, the amount of treasury shares increased by 543 million yen during the nine months ended September 30, 2024 to 1,095 million yen at the end of the third quarter of the fiscal year under review.

(Segment information, etc.)

I For the nine months ended September 30, 2023 (January 1, 2023 to September 30, 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	38,186	10,047	9,333	57,566	1,131	58,698	–	58,698
Inter-segment net sales or transfers	3	–	7	10	607	618	(618)	–
Total	38,189	10,047	9,341	57,577	1,738	59,316	(618)	58,698
Segment profit	3,007	1,491	671	5,171	313	5,484	(1,787)	3,696

(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 1,787 million yen includes negative 1 million yen in eliminations of inter-segment transactions and negative 1,786 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 nine months ended September 30, 2024 (January 1, 2024 to September 30, 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	38,291	10,388	9,297	57,977	1,362	59,339	–	59,339
Inter-segment net sales or transfers	2	0	19	22	595	618	(618)	–
Total	38,293	10,388	9,317	58,000	1,958	59,958	(618)	59,339
Segment profit	3,208	828	662	4,698	373	5,072	(1,890)	3,181

(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 1,890 million yen includes negative 6 million yen in eliminations of inter-segment transactions and negative 1,884 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.

(Notes to statements of cash flows)

Quarterly consolidated statements of cash flows for the nine months ended September 30, 2024 have not been prepared. Depreciation (including amortization related to intangible assets) for the nine months ended September 30, 2023 and 2024 is as follows:

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Depreciation	¥3,034 million	¥3,984 million