

# Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2021 [Japanese GAAP]



April 13, 2021

Company name: Halows Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2742

URL: <https://www.halows.com/en/>

Representative: Toshiyuki Sato, President and Chief Executive Officer

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Scheduled date of general shareholders' meeting: May 27, 2021

Scheduled date of commencing dividend payments: May 28, 2021

Scheduled date of filing securities report: May 28, 2021

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

## 1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2021 (March 1, 2020 – February 28, 2021)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating income*		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended February 28, 2021	151,943	12.8	7,604	43.7	7,582	42.7	5,498	55.1
February 29, 2020	134,659	5.8	5,290	7.6	5,312	7.6	3,544	12.1

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended February 28, 2021	276.84	276.08	14.0	9.0	5.1
February 29, 2020	179.28	178.67	10.7	7.5	4.0

\*Operating income is the sum of net sales and operating revenue.

(Reference) Equity in earnings of affiliated companies:

Fiscal year ended February 28, 2021: ¥— million

Fiscal year ended February 29, 2020: ¥— million

## (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2021	90,845	44,217	48.5	2,065.07
As of February 29, 2020	77,066	34,653	44.8	1,745.84

(Reference) Equity: As of February 28, 2021: ¥44,087 million

As of February 29, 2020: ¥34,545 million

## (3) Non-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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended February 28, 2021	11,589	(7,560)	4,684	23,249
February 29, 2020	15,133	(8,133)	1,039	14,535

## 2. Dividends

	Annual dividends per share					Total dividends	Payout ratio	Ratio of dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended February 29, 2020	-	14.00	-	14.00	28.00	554	15.6	1.7
Fiscal year ended February 28, 2021	-	16.00	-	18.00	34.00	700	12.3	1.8
Fiscal year ending February 28, 2022 (Forecast)		18.00		18.00	36.00		14.5	

(Note) The year-end dividend of 18 yen for the fiscal year ended February 28, 2021 includes a commemorative dividend of 2 yen for achieving operating income of 150 billion yen.

## 3. Non-consolidated Financial Results Forecasts for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	76,500	(0.2)	3,260	(15.9)	3,250	(15.9)	2,190	(18.5)	110.26
Full year	156,800	3.2	7,330	(3.6)	7,300	(3.7)	4,920	(10.5)	247.71

**\*Notes:**

- (1) 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
- (2) Total number of issued and outstanding shares (common shares)
  - 1) Total number of issued and outstanding shares at the end of the year (including treasury shares):

As of February 28, 2021:	21,423,900
As of February 29, 2020:	19,864,600
  - 2) Total number of treasury shares at the end of the year:

As of February 28, 2021:	74,617
As of February 29, 2020:	77,374
  - 3) Average number of shares during the year:

Year ended February 28, 2021:	19,861,828
Year ended February 29, 2020:	19,771,964

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

**\*Explanation of the proper use of financial results forecasts and other notes**

- The financial results forecasts and other forward-looking statements contained in this document are based on the information available to the Company and certain assumptions deemed to be reasonable as of the date of publication of this document, and actual results may differ significantly due to various factors. For the assumptions that the financial results forecasts are based on and cautionary notes on the use of the forecasts, please see “Future Outlook” on page 3 of the attached documents.
- The Company plans to hold a financial results briefing session for institutional investors and analysts on April 16, 2021. Materials for the session will be posted on the Company’s website immediately after the session.

### 3. Non-consolidated Financial Statements and Principal Notes

#### (1) Non-consolidated Balance Sheets

(Million yen)

	As of February 29, 2020	As of February 28, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	13,349	21,568
Accounts receivable - trade	455	544
Merchandise	3,157	3,185
Supplies	3	4
Prepaid expenses	435	463
Accounts receivable - other	240	216
Deposits paid	1,186	1,681
Other	218	205
Allowance for doubtful accounts	(2)	(3)
Total current assets	19,042	27,866
Non-current assets		
Property, plant and equipment		
Buildings	38,074	40,941
Accumulated depreciation	(13,690)	(14,976)
Buildings, net	24,383	25,965
Structures	7,627	8,626
Accumulated depreciation	(4,575)	(4,946)
Structures, net	3,051	3,680
Machinery and equipment	1,604	1,772
Accumulated depreciation	(1,165)	(1,242)
Machinery and equipment, net	439	530
Tools, furniture and fixtures	4,682	5,471
Accumulated depreciation	(3,806)	(4,155)
Tools, furniture and fixtures, net	875	1,315
Land	15,867	17,247
Leased assets	3,599	3,602
Accumulated depreciation	(1,790)	(2,059)
Leased assets, net	1,808	1,543
Construction in progress	1,347	1,513
Total property, plant and equipment	47,773	51,795
Intangible assets		
Software	295	327
Right to use facilities	43	46
Leased assets	20	9
Other	5	5
Total intangible assets	365	389

(Million yen)

	As of February 29, 2020	As of February 28, 2021
Investments and other assets		
Investment securities	1	2
Shares of subsidiaries and associates	50	50
Investments in capital	0	0
Long-term prepaid expenses	4,364	4,833
Deferred tax assets	1,455	1,634
Leasehold and guarantee deposits	2,421	2,743
Construction assistance fund receivables	1,542	1,478
Other	48	52
Total investments and other assets	9,885	10,794
Total non-current assets	58,023	62,978
Total assets	77,066	90,845
Liabilities		
Current liabilities		
Accounts payable - trade	13,726	14,868
Current portion of long-term borrowings	3,311	3,622
Lease obligations	643	612
Accounts payable - other	1,595	2,077
Accrued expenses	1,234	1,403
Income taxes payable	1,127	1,663
Accrued consumption taxes	321	382
Deposits received	299	294
Advances received	1,324	1,694
Unearned revenue	400	303
Provision for point card certificates	494	570
Other	292	286
Total current liabilities	24,772	27,779
Non-current liabilities		
Long-term borrowings	10,678	11,718
Lease obligations	1,191	935
Provision for retirement benefits	655	704
Asset retirement obligations	1,327	1,408
Deposits for construction assistance fund receivables	1,021	953
Long-term leasehold and guarantee deposits received	1,782	1,872
Long-term unearned revenue	649	928
Other	333	328
Total non-current liabilities	17,639	18,849
Total liabilities	42,412	46,628

(Million yen)

	As of February 29, 2020	As of February 28, 2021
Net assets		
Shareholders' equity		
Share capital	3,114	5,430
Capital surplus		
Legal capital surplus	3,057	5,373
Other capital surplus	1	0
Total capital surpluses	3,058	5,374
Retained earnings		
Legal retained earnings	16	16
Other retained earnings		
Reserve for tax purpose reduction entry	141	215
General reserve	20,422	22,722
Retained earnings brought forward	7,930	10,461
Total retained earnings	28,510	33,415
Treasury shares	(137)	(133)
Total shareholders' equity	34,544	44,086
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Share acquisition rights	108	129
Total net assets	34,653	44,217
Total liabilities and net assets	77,066	90,845

## (2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 29, 2020	For the fiscal year ended February 28, 2021
Net sales	131,217	148,257
Cost of sales		
Beginning merchandise inventory	3,041	3,157
Cost of purchased goods	98,305	110,616
Total	101,347	113,773
Ending merchandise inventory	3,157	3,185
Total cost of sales	98,190	110,587
Gross profit	33,027	37,670
Operating revenue		
Lease revenue	3,120	3,311
Other operating revenue	322	373
Total operating revenue	3,442	3,685
Operating gross profit	36,469	41,355
Selling, general and administrative expenses		
Advertising expenses	1,118	909
Supplies expenses	1,345	1,599
Salaries and bonuses	12,568	14,224
Share-based remuneration expenses	20	21
Retirement benefit expenses	63	65
Legal and other welfare expenses	1,540	1,735
Rent expenses on land and buildings	3,839	4,151
Rent expenses	269	268
Utilities expenses	2,407	2,358
Repair expenses	761	800
Depreciation	2,987	3,246
Taxes and dues	888	954
Other	3,368	3,415
Total selling, general and administrative expenses	31,179	33,751
Operating profit	5,290	7,604
Non-operating income		
Interest income	26	24
Purchase discounts	35	34
Other	100	75
Total non-operating income	162	134
Non-operating expenses		
Interest expenses	130	120
Share issuance costs	-	28
Other	9	6
Total non-operating expenses	140	155
Ordinary profit	5,312	7,582

(Million yen)

	For the fiscal year ended February 29, 2020	For the fiscal year ended February 28, 2021
Extraordinary income		
Gain on sales of non-current assets	-	8
Gain on donation of non-current assets	-	5
Gain on cancellation of leasehold contracts	42	5
Gain on reversal of share acquisition rights	0	-
Compensation for expropriation	43	151
Total extraordinary income	86	169
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	22	60
Impairment loss	117	-
Differences between the asset retirement liability balance and the actual retirement	-	3
Total extraordinary losses	142	63
Profit before income taxes	5,256	7,689
Income taxes - current	1,885	2,369
Income taxes - deferred	(174)	(179)
Total income taxes	1,711	2,190
Profit	3,544	5,498



### (3) Non-consolidated Statements of Changes in Equity

Fiscal year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	3,114	3,057	9	3,066	16	148	18,222	7,132	25,519
Changes during period									
Dividends of surplus								(553)	(553)
Profit								3,544	3,544
Reversal of reserve for tax purpose reduction entry						(7)		7	-
Provision of general reserve							2,200	(2,200)	-
Purchase of treasury shares									
Disposal of treasury shares			(8)	(8)					
Net changes in items other than shareholders' equity									
Total changes during period	-	-	(8)	(8)	-	(7)	2,200	797	2,990
Balance at end of period	3,114	3,057	1	3,058	16	141	20,422	7,930	28,510

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(124)	31,575	0	0	100	31,677
Changes during period						
Dividends of surplus		(553)				(553)
Profit		3,544				3,544
Reversal of reserve for tax purpose reduction entry		-				-
Provision of general reserve		-				-
Purchase of treasury shares	(120)	(120)				(120)
Disposal of treasury shares	107	98				98
Net changes in items other than shareholders' equity			(0)	(0)	7	7
Total changes during period	(13)	2,969	(0)	(0)	7	2,976
Balance at end of period	(137)	34,544	0	0	108	34,653

Fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	3,114	3,057	1	3,058	16	141	20,422	7,930	28,510
Changes during period									
Issuance of new shares	2,316	2,316		2,316					
Dividends of surplus								(593)	(593)
Profit								5,498	5,498
Provision of reserve for tax purpose reduction entry						80		(80)	-
Reversal of reserve for tax purpose reduction entry						(6)		6	-
Provision of general reserve							2,300	(2,300)	-
Purchase of treasury shares									
Disposal of treasury shares			(0)	(0)					
Net changes in items other than shareholders' equity									
Total changes during period	2,316	2,316	(0)	2,315	-	74	2,300	2,530	4,904
Balance at end of period	5,430	5,373	0	5,374	16	215	22,722	10,461	33,415

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(137)	34,544	0	0	108	34,653
Changes during period						
Issuance of new shares		4,632				4,632
Dividends of surplus		(593)				(593)
Profit		5,498				5,498
Provision of reserve for tax purpose reduction entry		-				-
Reversal of reserve for tax purpose reduction entry		-				-
Provision of general reserve		-				-
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	5	4				4
Net changes in items other than shareholders' equity			0	0	20	21
Total changes during period	4	9,541	0	0	20	9,563
Balance at end of period	(133)	44,086	0	0	129	44,217

#### (4) Non-consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 29, 2020	For the fiscal year ended February 28, 2021
Cash flows from operating activities		
Profit before income taxes	5,256	7,689
Depreciation	2,987	3,246
Share issuance costs	-	28
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for retirement benefits	52	49
Increase (decrease) in provision for point card certificates	54	76
Interest and dividend income	(26)	(24)
Interest expenses	130	120
Impairment loss	117	-
Loss (gain) on sales of non-current assets	2	(7)
Loss on retirement of non-current assets	22	60
Compensation for expropriation	(43)	(151)
Decrease (increase) in trade receivables	(179)	(89)
Decrease (increase) in inventories	(115)	(30)
Increase (decrease) in trade payables	7,356	1,142
Increase (decrease) in accrued consumption taxes	(16)	61
Increase (decrease) in deposits for construction assistance fund receivables	(125)	(87)
Increase (decrease) in leasehold and guarantee deposits received	75	89
Other, net	1,489	1,333
Subtotal	17,040	13,507
Interest and dividends received	0	0
Interest paid	(107)	(101)
Proceeds from compensation for expropriation	30	58
Income taxes paid	(1,829)	(1,874)
Net cash provided by (used in) operating activities	15,133	11,589
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,567)	(6,390)
Proceeds from sales of property, plant and equipment	51	52
Purchase of intangible assets	(46)	(202)
Purchase of long-term prepaid expenses	(590)	(785)
Proceeds from refund of leasehold and guarantee deposits	15	23
Payments of leasehold and guarantee deposits	(138)	(346)
Collection of construction assistance fund receivables	141	137
Payments of construction assistance fund receivables	-	(45)
Other, net	0	(3)
Net cash provided by (used in) investing activities	(8,133)	(7,560)

(Million yen)

	For the fiscal year ended February 29, 2020	For the fiscal year ended February 28, 2021
Cash flows from financing activities		
Proceeds from long-term borrowings	5,470	4,920
Repayments of long-term borrowings	(3,208)	(3,570)
Proceeds from issuance of shares	-	4,604
Repayments of lease obligations	(633)	(678)
Proceeds from disposal of treasury shares	86	4
Purchase of treasury shares	(120)	(0)
Dividends paid	(553)	(595)
Net cash provided by (used in) financing activities	1,039	4,684
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	8,039	8,713
Cash and cash equivalents at beginning of period	6,496	14,535
Cash and cash equivalents at end of period	14,535	23,249