

Non-consolidated Financial Results for the Six Months Ended August 31, 2023 [Japanese GAAP]



September 28, 2023

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 filing quarterly securities report: October 10, 2023

Scheduled date of commencing dividend payments: November 2, 2023

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly 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 Six Months Ended August 31, 2023 (March 1, 2023 – August 31, 2023)

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

	Operating income		Operating profit		Ordinary profit		Profit	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2023	95,488	12.1	5,043	16.5	5,039	16.1	3,437	16.3
August 31, 2022	85,216	5.4	4,330	7.7	4,338	7.9	2,955	8.3

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2023	160.88	160.36
August 31, 2022	138.35	138.01

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2023	102,781	57,803	56.1
As of February 28, 2023	99,148	54,806	55.1

(Reference) Equity: As of August 31, 2023: ¥57,609 million

As of February 28, 2023: ¥54,642 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2023	—	20.00	—	22.00	42.00
Fiscal year ending February 29, 2024	—	20.00			
Fiscal year ending February 29, 2024 (Forecast)			—	22.00	42.00

(Note 1) Revision to the forecast for dividends announced most recently: None

(Note 2) The year-end dividend for the fiscal year ended February 28, 2023 is ¥22 per share, consisting of an ordinary dividend of ¥20 per share and a commemorative dividend of ¥2 per share for achieving 100 stores.

3. Non-consolidated Financial Results Forecasts for the Fiscal Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(% 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
Full year	182,977	5.1	9,170	1.3	9,150	0.1	6,480	4.5	303.28

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

*** Notes:**

- (1) Accounting methods adopted particularly for the preparation of quarterly non-consolidated financial statements: Yes
(Note) For details, please see “2. Quarterly Non-consolidated Financial Statements and Principal Notes (4) Notes to Quarterly Non-consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly non-consolidated financial statements)” on page 7 of the attached documents (available in Japanese only).
- (2) 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
- (3) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of August 31, 2023:	21,423,900 shares
As of February 28, 2023:	21,423,900 shares
 - 2) Total number of treasury shares at the end of the period:

As of August 31, 2023:	57,275 shares
As of February 28, 2023:	57,255 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended August 31, 2023:	21,366,638 shares
Six months ended August 31, 2022:	21,364,133 shares

* These quarterly non-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 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 “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Non-consolidated Financial Results Forecasts and Other Forward-looking Information” on page 2 of the attached documents (available in Japanese only).
- The Company plans to hold a financial results briefing session for institutional investors and analysts on October 5, 2023. Materials for the session will be posted on the Company’s website immediately after the session.

2. Quarterly Non-consolidated Financial Statements and Principal Notes

(1) Quarterly Non-consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	16,705	18,117
Accounts receivable - trade	1,113	1,770
Merchandise	3,785	4,108
Supplies	5	4
Other	2,144	2,138
Allowance for doubtful accounts	(6)	(6)
Total current assets	23,747	26,132
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,934	64,401
Accumulated depreciation	(23,817)	(24,989)
Buildings and structures, net	34,116	39,411
Land	19,973	20,357
Other	18,109	13,751
Accumulated depreciation	(8,307)	(8,574)
Other, net	9,801	5,177
Total property, plant and equipment	63,891	64,945
Intangible assets		
Other	539	704
Total intangible assets	539	704
Investments and other assets		
Leasehold and guarantee deposits	2,837	2,925
Construction assistance fund receivables	1,393	1,333
Long-term prepaid expenses	4,716	4,715
Other	2,021	2,024
Total investments and other assets	10,969	10,999
Total non-current assets	75,400	76,648
Total assets	99,148	102,781

(Million yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	9,485	12,296
Current portion of long-term borrowings	4,153	4,114
Lease liabilities	473	444
Accounts payable - other	1,491	1,334
Accrued expenses	1,407	1,829
Income taxes payable	1,764	1,783
Contract liabilities	2,858	2,878
Other	1,252	843
Total current liabilities	22,886	25,524
Non-current liabilities		
Long-term borrowings	14,057	12,001
Lease liabilities	754	695
Provision for retirement benefits	805	826
Asset retirement obligations	1,574	1,609
Deposits for construction assistance fund receivables	938	937
Long-term leasehold and guarantee deposits received	2,101	2,127
Long-term unearned revenue	934	975
Other	288	281
Total non-current liabilities	21,454	19,454
Total liabilities	44,341	44,978
Net assets		
Shareholders' equity		
Share capital	5,430	5,430
Capital surplus	5,383	5,383
Retained earnings	43,930	46,897
Treasury shares	(102)	(102)
Total shareholders' equity	54,641	57,609
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Share acquisition rights	164	193
Total net assets	54,806	57,803
Total liabilities and net assets	99,148	102,781

(2) Quarterly Non-consolidated Statements of Income
Six Months Ended August 31

(Million yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Net sales	82,607	92,780
Cost of sales	61,909	69,065
Gross profit	20,697	23,715
Operating revenue	2,609	2,707
Operating gross profit	23,307	26,423
Selling, general and administrative expenses		
Advertising expenses	611	839
Supplies expenses	831	872
Salaries and bonuses	7,567	8,413
Share-based payment expenses	27	28
Retirement benefit expenses	41	36
Legal and other welfare expenses	984	1,068
Rent expenses on land and buildings	2,390	2,483
Rent expenses	88	95
Utilities expenses	1,759	2,146
Repair expenses	360	535
Depreciation	1,789	2,027
Taxes and dues	544	541
Other	1,981	2,291
Total selling, general and administrative expenses	18,976	21,379
Operating profit	4,330	5,043
Non-operating income		
Interest income	10	11
Purchase discounts	11	11
Other	36	46
Total non-operating income	58	68
Non-operating expenses		
Interest expenses	47	66
Other	2	7
Total non-operating expenses	49	73
Ordinary profit	4,338	5,039
Extraordinary income		
Gain on sale of non-current assets	-	0
Gain on receipt of donated non-current assets	-	22
Gain on cancellation of leasehold contracts	0	3
Total extraordinary income	0	25
Extraordinary losses		
Loss on retirement of non-current assets	5	1
Total extraordinary losses	5	1
Profit before income taxes	4,333	5,063
Income taxes	1,378	1,625
Profit	2,955	3,437

(3) Quarterly Non-consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,333	5,063
Depreciation	1,789	2,027
Increase (decrease) in provision for retirement benefits	24	21
Interest and dividend income	(10)	(11)
Interest expenses	47	66
Gain on receipt of donated non-current assets	-	(22)
Loss on retirement of non-current assets	5	1
Decrease (increase) in trade receivables	(248)	(656)
Decrease (increase) in inventories	(242)	(321)
Increase (decrease) in trade payables	1,962	2,811
Increase (decrease) in contract liabilities	72	19
Increase (decrease) in deposits for construction assistance fund receivables	(25)	(6)
Increase (decrease) in leasehold and guarantee deposits received	29	25
Other, net	315	211
Subtotal	8,053	9,230
Interest and dividends received	0	0
Interest paid	(40)	(58)
Income taxes paid	(1,741)	(1,599)
Net cash provided by (used in) operating activities	6,271	7,572
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,879)	(2,851)
Purchase of intangible assets	(226)	(265)
Purchase of long-term prepaid expenses	(93)	(235)
Proceeds from refund of leasehold and guarantee deposits	3	11
Payments of leasehold and guarantee deposits	(65)	(147)
Proceeds from collection of construction assistance fund receivables	67	70
Payments of construction assistance fund receivables	(183)	-
Net cash provided by (used in) investing activities	(4,378)	(3,418)
Cash flows from financing activities		
Proceeds from long-term borrowings	2,150	-
Repayments of long-term borrowings	(1,830)	(2,095)
Repayments of lease liabilities	(293)	(260)
Dividends paid	(426)	(469)
Other, net	0	(0)
Net cash provided by (used in) financing activities	(400)	(2,826)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	1,492	1,327
Cash and cash equivalents at beginning of period	14,663	17,837
Cash and cash equivalents at end of period	16,156	19,165