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Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]



August 11, 2020

Company name: YAOKO CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 8279
 URL: <https://www.yaoko-net.com/>
 Representative: Kawano Sumito, President and Representative Director
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 Scheduled date of filing quarterly securities report: August 11, 2020
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on quarterly financial results: No
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

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

	Total revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2020	129,925	17.3	8,328	60.1	8,342	59.6	5,632	62.6
June 30, 2019	110,729	5.2	5,200	(0.5)	5,226	1.6	3,463	2.9

(Note) Comprehensive income: Three months ended June 30, 2020: ¥5,727 million [63.7 %]

Three months ended June 30, 2019: ¥3,498 million [3.2 %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	145.06	136.32
June 30, 2019	89.20	88.50

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2020	241,686	108,354	44.8	2,790.39
As of March 31, 2020	244,511	104,037	42.5	2,679.23

(Reference) Equity: As of June 30, 2020: ¥108,354 million

As of March 31, 2020: ¥104,037 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen -	Yen 30.00	Yen -	Yen 35.00	Yen 65.00
Fiscal year ending March 31, 2021	-				
Fiscal year ending March 31, 2021 (Forecast)		32.50	-	32.50	65.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Total revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	473,100	2.7	20,200	1.6	19,900	1.4	12,700	1.9	327.06

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2020 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: - company (Name of company) Exclusion: - company (Name of company)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For details, please refer to page 8 of the Attachment, "Consolidated Financial Statements and Primary Notes, (3) Notes to the Consolidated Financial Statements, *Changes in accounting policies.*"

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stocks):

June 30, 2020: 40,013,722 shares

March 31, 2020: 40,013,722 shares

2) Total number of treasury stocks at the end of the period:

June 30, 2020: 1,182,248 shares

March 31, 2020: 1,182,501 shares

3) Average number of shares during the period:

Three months ended June 30, 2020: 38,831,411 shares

Three months ended June 30, 2019: 38,830,336 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on certain assumptions in light of information currently available and deemed reasonable and are not a guarantee of future performance. Actual results may differ significantly from these forecasts due to a wide range of factors. For details on conditions for the assumptions of financial results forecasts and notes for the use of financial results forecasts, please refer to page 4 of the Japanese version of the Attachment, “1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2020, (3) Explanation of financial results forecast and forward-looking information.”

Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and bank deposits	24,338	22,779
Accounts receivable—trade	6,710	6,046
Merchandise and finished products	7,806	8,040
Raw materials and supplies	246	255
Other	8,960	8,348
Total current assets	48,062	45,468
Non-current assets		
Tangible fixed assets		
Buildings and structures (net)	67,784	67,534
Land	71,533	71,570
Other (net)	19,989	20,466
Total tangible fixed assets	159,307	159,571
Intangible fixed assets		
Goodwill	2,031	1,777
Other	7,826	7,765
Total intangible fixed assets	9,857	9,543
Investments and other assets		
Deferred tax assets	6,820	5,977
Guarantee deposits paid	18,023	18,620
Other	2,399	2,467
Total investments and other assets	27,244	27,065
Total non-current assets	196,409	196,180
Deferred assets	39	37
Total assets	244,511	241,686

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Accounts payable—trade	30,975	30,245
Current portion of long-term loans payable	8,974	8,372
Income taxes payable	4,164	2,112
Provision for bonuses for employees	2,550	1,548
Provision for loss on future collection of gift certificates	41	-
Provision for point card certificates	1,752	-
Other	13,620	14,449
Total current liabilities	62,079	56,727
Long-term liabilities		
Bonds payable	15,062	15,058
Long-term loans payable	42,077	40,248
Deferred tax liabilities	1,121	1,117
Deferred tax liabilities on revaluation	34	34
Provision for retirement benefits for directors	197	220
Provision for retirement benefits for executive officers	29	30
Provision for stock compensation for employees	1,767	1,757
Provision for stock compensation for directors	158	158
Liability for retirement benefits	4,101	4,177
Asset retirement obligations	4,188	4,271
Other	9,654	9,528
Total long-term liabilities	78,394	76,603
Total liabilities	140,473	133,331
Net assets		
Shareholders' equity		
Common stock	4,199	4,199
Capital surplus	5,361	5,361
Retained earnings	101,925	106,146
Treasury stock	(3,128)	(3,127)
Total shareholders' equity	108,358	112,581
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	166	219
Revaluation reserve for land	(3,534)	(3,534)
Remeasurements of defined benefit plans	(952)	(911)
Total accumulated other comprehensive income	(4,320)	(4,226)
Total net assets	104,037	108,354
Total liabilities and net assets	244,511	241,686

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of Yen)

	Three months ended June 30, 2019 (April 1, 2019 - June 30, 2019)	Three months ended June 30, 2020 (April 1, 2020 - June 30, 2020)
Net sales	106,298	124,775
Cost of sales	78,971	92,287
Gross profit	27,327	32,487
Operating revenue	4,430	5,149
Operating gross profit	31,758	37,637
Selling, general and administrative expenses	26,557	29,309
Operating income	5,200	8,328
Non-operating income		
Interest income	23	24
Dividend income	4	4
Subsidy income	133	98
Other	24	26
Total non-operating income	185	153
Non-operating expenses		
Interest expenses	145	136
Other	13	3
Total non-operating expenses	159	139
Ordinary income	5,226	8,342
Extraordinary income		
Penalty income on lease contracts	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on disposal of fixed assets	1	13
Total extraordinary losses	1	13
Income before income taxes	5,225	8,330
Income taxes - current	958	1,881
Income taxes - deferred	802	815
Total income taxes	1,761	2,697
Net income	3,463	5,632
Net income attributable to owners of parent	3,463	5,632

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months ended June 30, 2019 (April 1, 2019 - June 30, 2019)	Three months ended June 30, 2020 (April 1, 2020 - June 30, 2020)
Net income	3,463	5,632
Other comprehensive income		
Unrealized gains on available-for-sale securities	0	52
Remeasurements of defined benefit plans	33	41
Total other comprehensive income	34	94
Comprehensive income	3,498	5,727
Comprehensive income attributable to		
Owners of parent	3,498	5,727

(3) Notes to the Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes in the Event of Material Changes in the Amount of Shareholders' Equity

Not applicable.

Changes in accounting policies

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time the control of those goods or services is transferred to customers.

The main changes resulting from application of the Accounting Standard for Revenue Recognition, etc. are as follows:

i) Revenue recognition relating to agent transactions

In regard to revenue relating to consignment buying, the total amount of consideration received from customers was previously recognized as revenue. However, as a result of judging the role in providing goods or services to customers (whether the Company is a principal or an agent), the Company has changed the method of revenue recognition, in which it recognizes revenue in the net amount after subtracting the amount paid to suppliers from the total amount. The said revenue is recorded as operating revenue.

ii) Revenue recognition relating to the Company's point program

The Company offers the YAOKO card royalty program for customers. Card members are awarded points according to the purchased amount and receive shopping certificates worth ¥500 for every 500 points they earn. Previously, in order to provide for the use of points given to customers, the amount expected to be used in the future in accordance with the program was recorded as provision for point card certificates and the provision was deducted from net sales. However, it was changed to the method of identifying awarded points as performance obligations and allocating the transaction price based on the stand-alone selling price calculated in consideration of the points that are expected to expire in the future.

iii) Revenue recognition relating to gift certificates

Unused gift certificates issued by the Company were previously recorded as revenue after a certain period of time, while provision for loss on future collection of gift certificates was recorded in order to provide for the future use. However, it was changed to the method of identifying revenue when the probability becomes extremely low for customers to exercise their rights. The former method of recording the said revenue as non-operating income was changed to the method of recording it as operating revenue.

The Company has implemented the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment as provided for in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying new accounting policies prior to the beginning of the first quarter of the fiscal year under review is added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year under review and new accounting policies have been applied to the balance from the beginning of the said period.

As a result, for the three months ended June 30, 2020, total revenue decreased by ¥1,224 million, net sales decreased by ¥1,504 million, cost of sales decreased by ¥1,219 million, operating revenue increased by ¥279 million, operating income decreased by ¥5 million, non-operating income decreased by ¥6 million, non-operating expenses decreased by ¥4 million, ordinary income and income before income taxes both decreased by ¥8 million. Balance of retained earnings at the beginning of the fiscal year under review decreased by ¥36 million.

In accordance with the transitional treatment as provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has made no reclassification for the previous fiscal year by using the new presentation method.