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Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]



November 10, 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
 Contact: Kamiike Masanobu, Managing Director and Chief Director of Business Management
 Phone: +81-49-246-7000
 Scheduled date of filing quarterly securities report: November 10, 2020
 Scheduled date of commencing dividend payments: December 4, 2020
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 1, 2020 to September 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	%
Six months ended September 30, 2020	258,456	14.7	15,827	45.6	15,744	46.0	10,685	49.2
September 30, 2019	225,293	4.4	10,868	0.2	10,787	1.4	7,161	3.1

(Note) Comprehensive income: Six months ended September 30, 2020: ¥10,832 million [49.8 %]

Six months ended September 30, 2019: ¥7,231 million [3.1 %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	275.16	258.57
September 30, 2019	184.44	177.98

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	245,201	113,472	46.3	2,921.98
As of March 31, 2020	244,511	104,037	42.5	2,679.23

(Reference) Equity: As of September 30, 2020: ¥113,472 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	-	32.50			
Fiscal year ending March 31, 2021 (Forecast)			-	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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	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 six months ended September 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):

September 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:

September 30, 2020: 1,179,648 shares

March 31, 2020: 1,182,501 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 38,832,266 shares

Six months ended September 30, 2019: 38,830,386 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 Six Months Ended September 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 September 30, 2020
Assets		
Current assets		
Cash and bank deposits	24,338	21,894
Accounts receivable—trade	6,710	6,611
Securities	-	3,000
Merchandise and finished products	7,806	7,984
Raw materials and supplies	246	274
Other	8,960	8,731
Total current assets	48,062	48,497
Non-current assets		
Tangible fixed assets		
Buildings and structures (net)	67,784	67,681
Land	71,533	71,570
Other (net)	19,989	20,445
Total tangible fixed assets	159,307	159,697
Intangible fixed assets		
Goodwill	2,031	1,523
Other	7,826	7,628
Total intangible fixed assets	9,857	9,151
Investments and other assets		
Deferred tax assets	6,820	6,655
Guarantee deposits paid	18,023	18,743
Other	2,399	2,421
Total investments and other assets	27,244	27,821
Total non-current assets	196,409	196,670
Deferred assets	39	34
Total assets	244,511	245,201

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable—trade	30,975	28,481
Current portion of long-term loans payable	8,974	7,958
Income taxes payable	4,164	5,526
Provision for bonuses for employees	2,550	3,086
Provision for loss on future collection of gift certificates	41	-
Provision for point card certificates	1,752	-
Other	13,620	11,872
Total current liabilities	62,079	56,926
Long-term liabilities		
Bonds payable	15,062	15,055
Long-term loans payable	42,077	38,420
Deferred tax liabilities	1,121	1,073
Deferred tax liabilities on revaluation	34	34
Provision for retirement benefits for directors	197	222
Provision for retirement benefits for executive officers	29	30
Provision for stock compensation for employees	1,767	1,749
Provision for stock compensation for directors	158	168
Liability for retirement benefits	4,101	4,235
Asset retirement obligations	4,188	4,447
Other	9,654	9,367
Total long-term liabilities	78,394	74,803
Total liabilities	140,473	131,729
Net assets		
Shareholders' equity		
Common stock	4,199	4,199
Capital surplus	5,361	5,361
Retained earnings	101,925	111,199
Treasury stock	(3,128)	(3,114)
Total shareholders' equity	108,358	117,645
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	166	231
Revaluation reserve for land	(3,534)	(3,534)
Remeasurements of defined benefit plans	(952)	(869)
Total accumulated other comprehensive income	(4,320)	(4,173)
Total net assets	104,037	113,472
Total liabilities and net assets	244,511	245,201

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

(Millions of Yen)

	Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)
Net sales	216,368	248,013
Cost of sales	160,520	184,410
Gross profit	55,847	63,603
Operating revenue	8,925	10,443
Operating gross profit	64,772	74,046
Selling, general and administrative expenses	53,904	58,219
Operating income	10,868	15,827
Non-operating income		
Interest income	50	48
Dividend income	4	4
Subsidy income	133	103
Other	42	38
Total non-operating income	229	195
Non-operating expenses		
Interest expenses	289	271
Other	21	6
Total non-operating expenses	310	277
Ordinary income	10,787	15,744
Extraordinary income		
Penalty income on lease contracts	-	72
Total extraordinary income	-	72
Extraordinary losses		
Loss on disposal of fixed assets	28	14
Loss on impairment	-	14
Total extraordinary losses	28	29
Income before income taxes	10,758	15,787
Income taxes - current	3,554	5,032
Income taxes - deferred	42	69
Total income taxes	3,596	5,102
Net income	7,161	10,685
Net income attributable to owners of parent	7,161	10,685

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)
Net income	7,161	10,685
Other comprehensive income		
Unrealized gains on available-for-sale securities	2	64
Remeasurements of defined benefit plans	67	83
Total other comprehensive income	69	147
Comprehensive income	7,231	10,832
Comprehensive income attributable to		
Owners of parent	7,231	10,832

(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, 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 provision 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 is added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year and new accounting policies have been applied to the balance from the beginning of the said period.

As a result, for the six months ended September 30, 2020, total revenue decreased by ¥2,440 million, net sales decreased by ¥3,046 million, cost of sales decreased by ¥2,463 million, operating revenue increased by ¥606 million, operating income increased by ¥23 million, non-operating income decreased by ¥13 million, non-operating expenses decreased by ¥8 million, ordinary income and income before taxes both increased by ¥17 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.