



Watahan & Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2022

November 18, 2021

Event Summary

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[Venue Size]	
[Participants]	
[Number of Speakers]	1 Isamu Nohara President & CEO

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Presentation

Nohara: I'm Nohara, President and CEO of Watahan & Co., Ltd. I would now like to begin the presentation of Watahan's financial results for the second quarter of the fiscal year ending March 31, 2022.

Today's presentation will begin with an overview of the company, followed by a summary of the second quarter results, then our forecast for the fiscal year ending March 31, 2022, and finally the medium-term management plan.

会社概要

	商号	縮半ホールディングス株式会社
	設立	1949年2月（創業1598年）
	上場区分	東証一部（プライム市場予定）
	代表取締役社長	野原 勇
	資本金	1,026百万円
	連結売上高	1,147億円（2021年3月期 実績）
	従業員数	連結5,084名（平均臨時雇用者数3,535名含む）



4

First, an overview of the company. There are no changes in the organization of Watahan, but, starting from the next fiscal year, the listing category on the Tokyo Stock Exchange is scheduled to change, from the current First Section to the Prime Market.

The group as a whole is organized as follows: Watahan & Co., Ltd. is the heart, Watahan Partners Co., Ltd., handles purchasing and product development, and under it are 3 businesses or segments: retail, construction and trading.

I would now like to give an outline of our financial results for the second quarter.

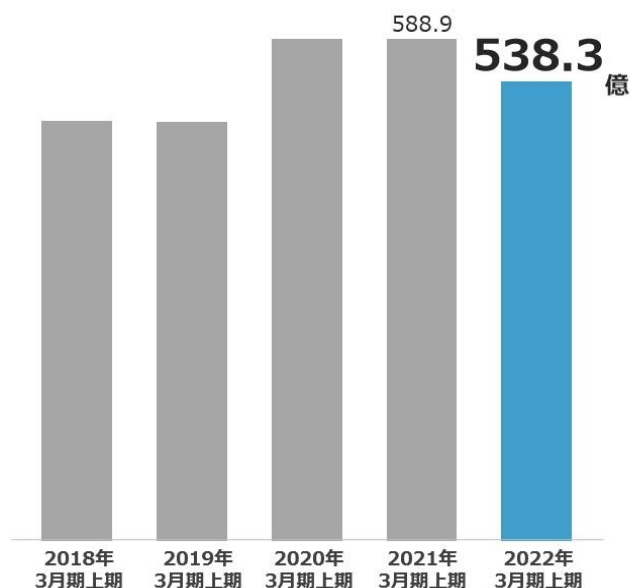
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2022年3月期 第2四半期実績

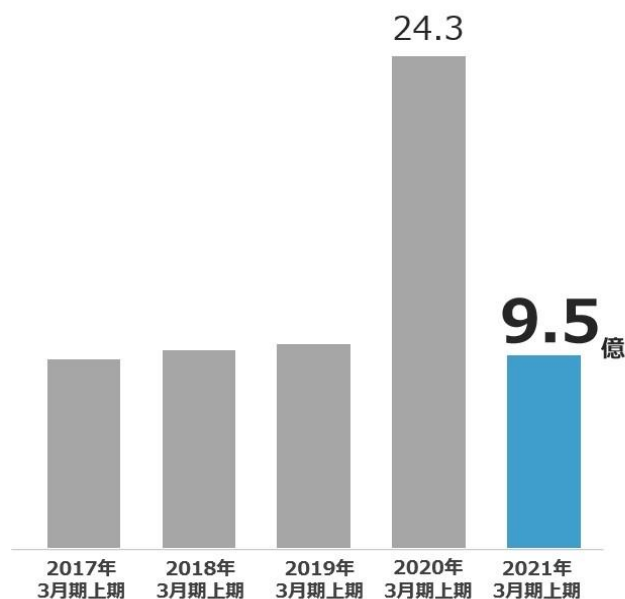


売上高
8.6%減

6

Actual results for the second quarter of the fiscal year ending March 31, 2022 were JPY53.83 billion, a decrease of 8.6% in terms of net sales.

2022年3月期 第2四半期実績



経常利益
前々期並み

7

Ordinary income was JPY950 million, down significantly from the JPY2.43 billion of the previous coronavirus-impacted year, but on par with the year before.

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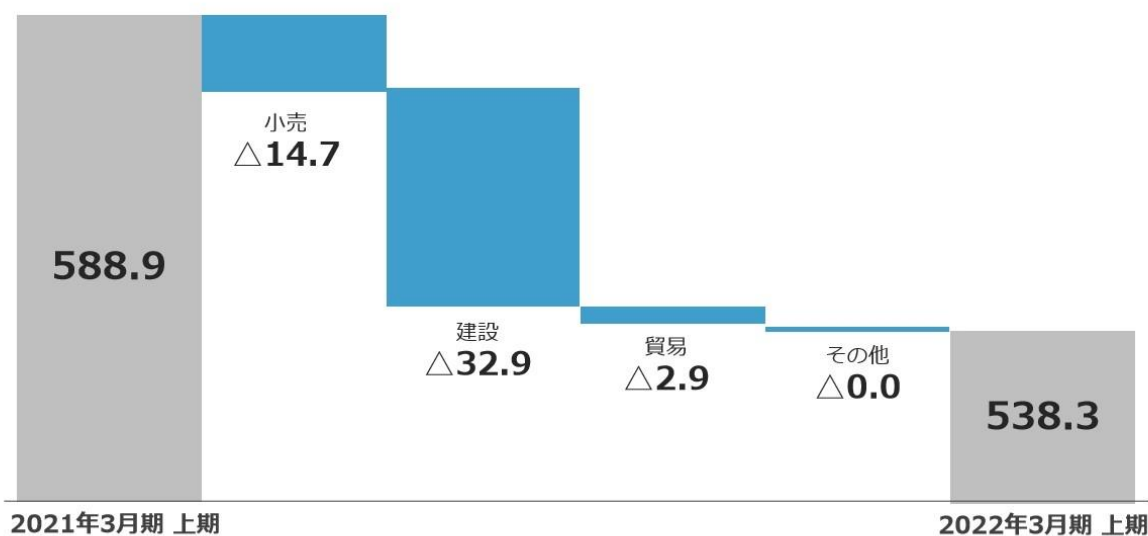
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セグメント別 売上（前年同期比）

（億円）

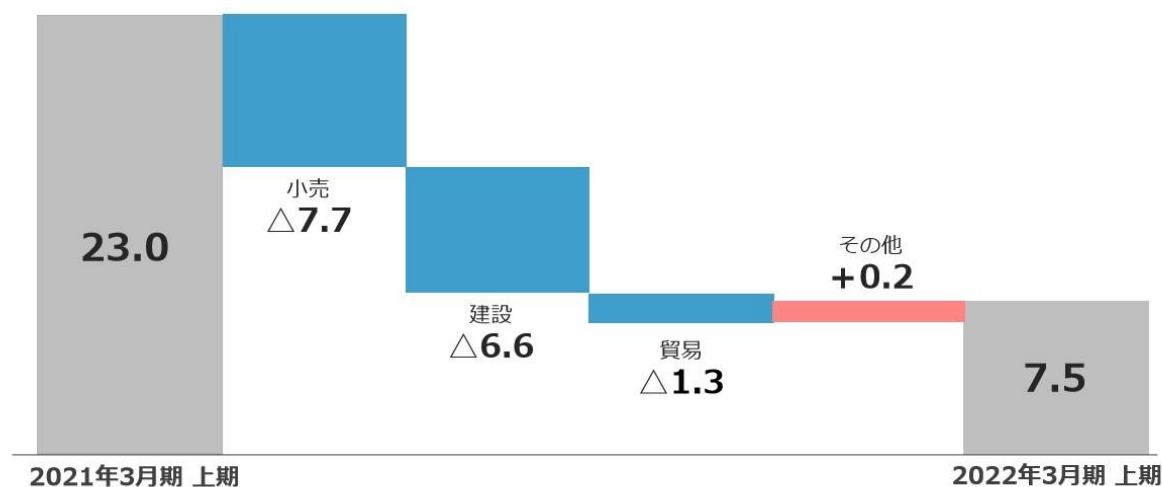


8

Compared to last year, sales by segment were down JPY1.47 billion in the retail business, down JPY3.29 billion in the construction business, and down JPY290 million in the trading business.

セグメント別 営業利益（前年同期比）

（億円）



9

Operating income was also down by JPY770 million in the retail business, JPY660 million in the construction business, and JPY130 million in the trading business.

Now let's move on to the business results by segment.

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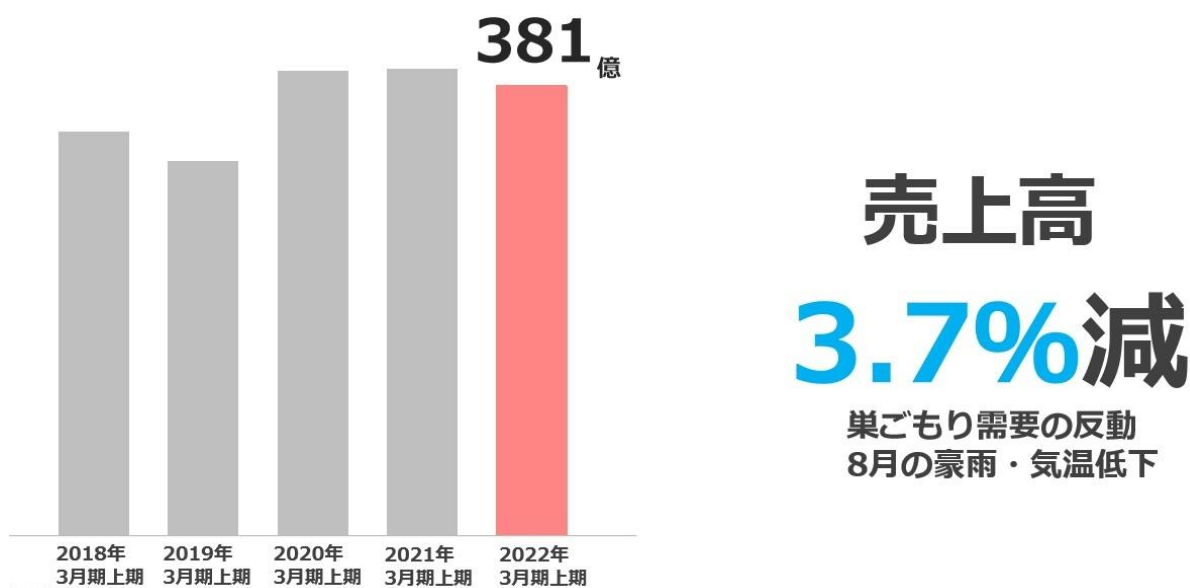
通期の施策

- 1 店舗改装・新規出店を継続して推進
- 2 物流の効率化を実施
- 3 中心市街地型店舗の開発を実施

12

First of all, in retail, our policy for the full year is to continue the promotion of store remodeling and new store openings. We've also set out to optimize our logistics operations and, thirdly, to develop stores in city centers.

小売事業 2022年3月期 上期実績



13

As a result of these initiatives, net sales in retail for the first half of the year were JPY38.1 billion. Sales were down 3.7% from the previous year due to a slowdown in stay-at-home demand and to the effects of heavy rains and cooler temperatures in August.

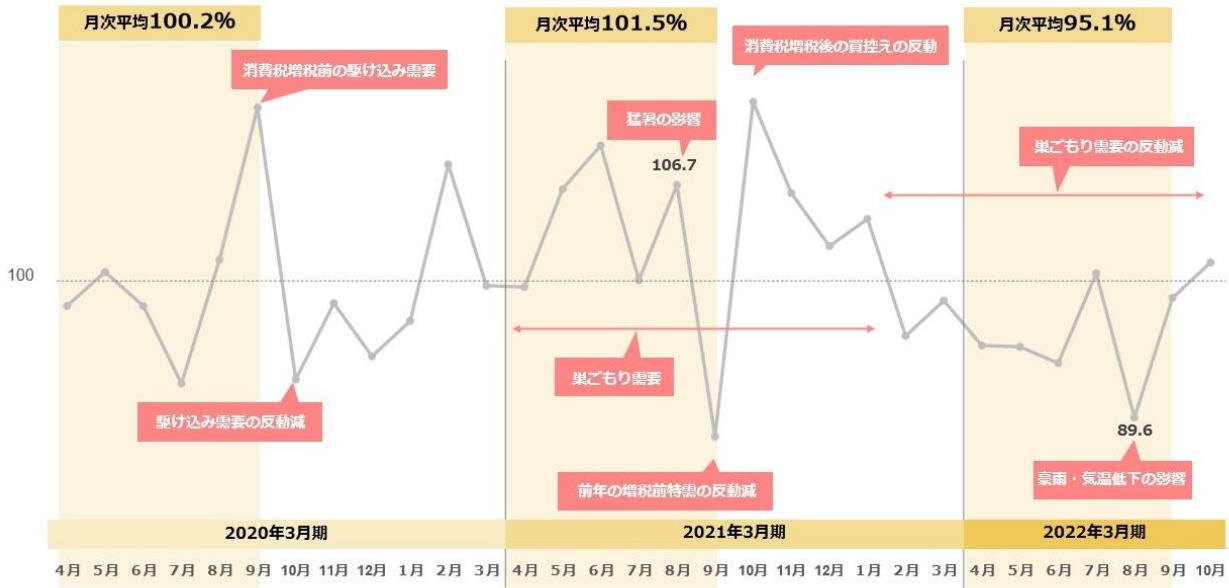
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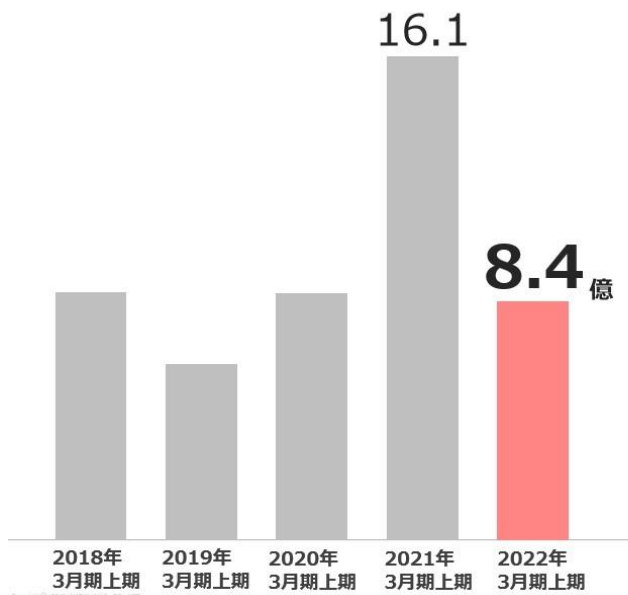
月次推移



14

Actually, when we zoom in on the monthly trend, the slowdown of stay-at-home demand was noticeable from April to June, a gradual rebound started in July, but heavy rains and lower temperatures in August had a huge negative impact. So, if you look at the monthly average, sales have dropped by about 5% compared to last year and the year before.

小売事業 2022年3月期 上期実績



15

Segment income for the first half of the year was on par with results of the second preceding year, which is favorable considering that year had an exceptional spike in demand due to the consumption tax hike.

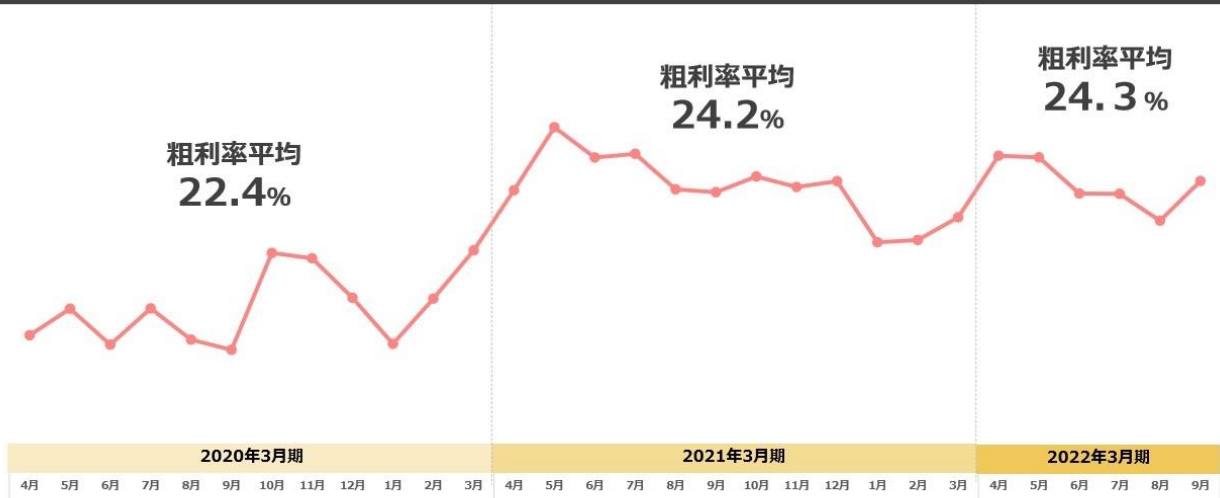
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コロナ禍でも粗利率が順調に伸びている



16

If you look at the profit margin, you can see that until the second preceding year, the average profit margin was 22.4%, but last year, the profit margin rose to 24.2% during the height of the pandemic.

We believe this was mainly due to the increase in the proportion of B-rank and C-rank products in sales. However, profit margin for the first half of the current fiscal year is now at 24.3%, exceeding the 24.2% of the heavily coronavirus-impacted previous year.

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物流の効率化を実施

パッキング・検品機能集約等、青果センターの機能拡大



The biggest reason for this increase in profit margin is the optimization of our logistics operations. We have greatly reduced costs by doing everything from packing to inspection in-house in our produce centers in Nagano and Matsumoto, and then using our own logistical capabilities to deliver products.

物流の効率化を実施

市場からの直接仕入を拡大



When it comes to fresh fish, we've expanded the direct purchase from markets. We've added routes to Numazu and Toyama, and in the future, we will expand further to include Fukui. That way, we are building a network that allows us to sell expensive fresh products at a lower price.

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店舗改装・新規出店を継続して推進

富士河口湖店・八田店のスーパーセンター化



Keeping up with the previous fiscal year, we've continued to promote store remodeling.

店舗改装・新規出店を継続して推進

千曲・中野・箕輪店に医薬品売場を導入



The Fuji Kawaguchiko and Hatta stores have been converted into Supercenters and, in cooperation with our new subsidiary Hoshiman, we have introduced a sales floor for pharmaceuticals in 3 Supercenters, the Chikuma, Nakano, and Minowa stores.

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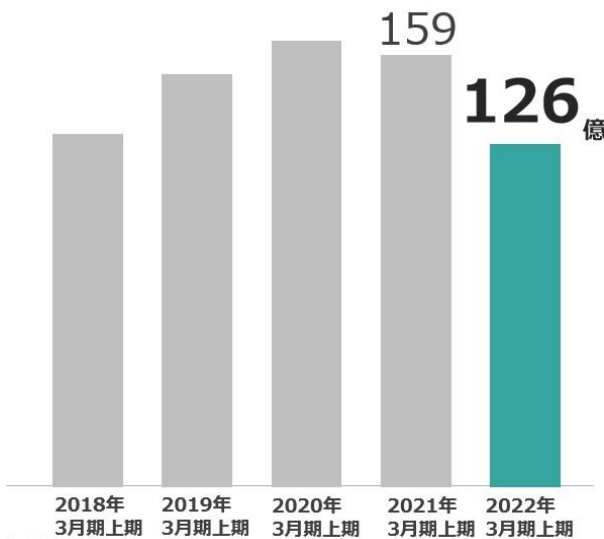
通期の施策

1 事業体系の見直しを実施

22

Next is the construction business, where since last year we have reviewed our business structure.

建設事業 2022年3月期 上期実績



売上高
20.7%減

23

Sales were down 20.7% to JPY12.6 billion.

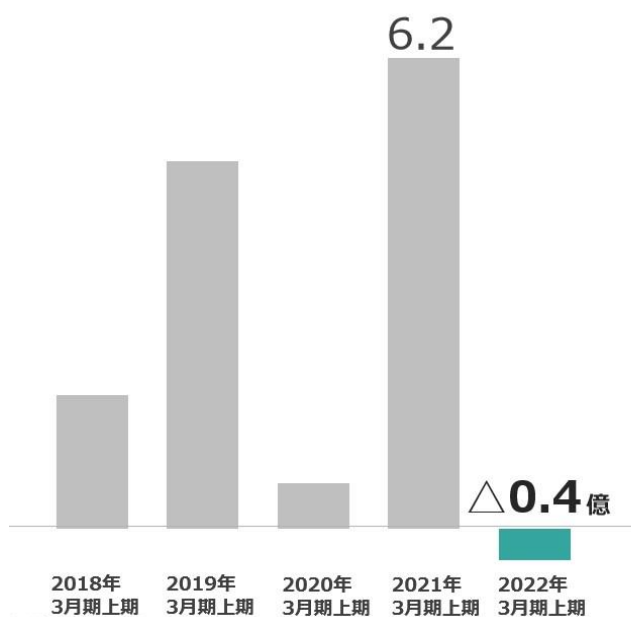
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建設事業 2022年3月期 上期実績



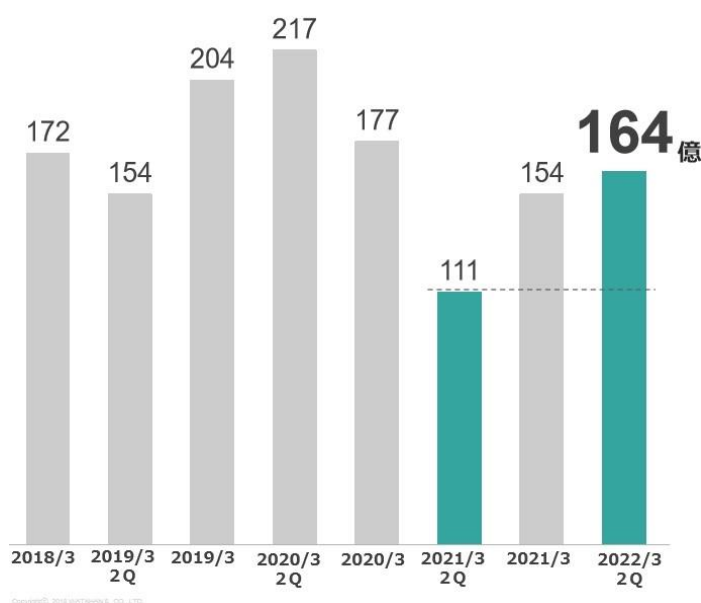
セグメント利益

新型コロナの影響による
前期の受注減少が影響

24

Segment income recorded a loss of JPY40 million due to a significant decrease in orders received amidst the coronavirus crisis.

建設事業 受注残高推移



受注残高
前年同四半期時点より
47%増

25

The situation is different for the order backlog. It was only JPY11.1 billion in the second quarter of FY2021 and is now recovering at JPY16.4 billion. We expect this number to grow even more in the second half of the year.

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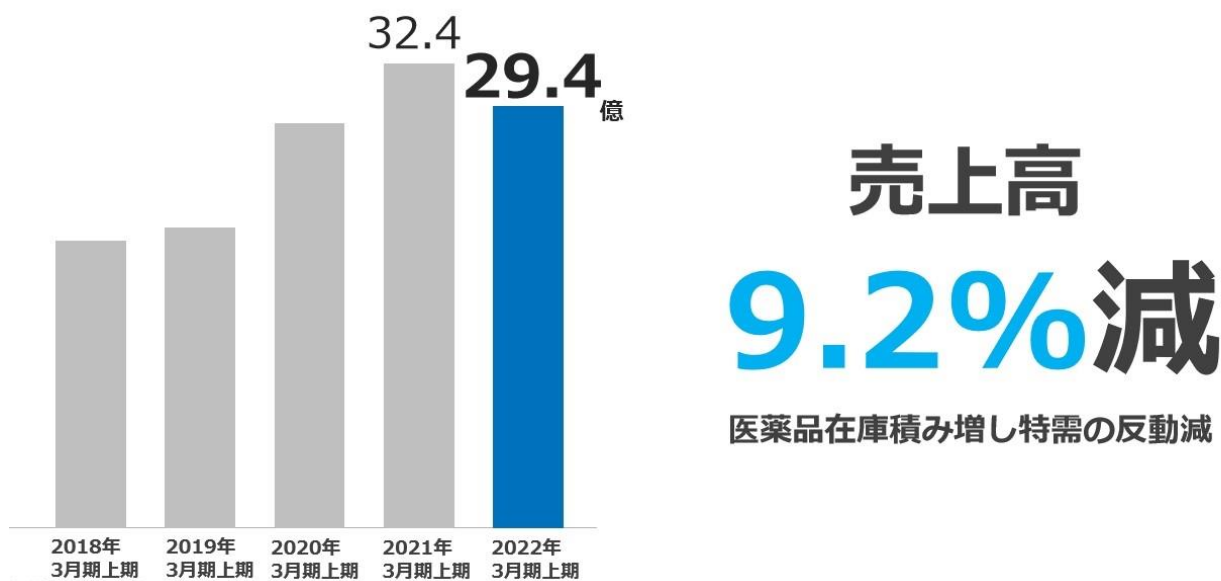
通期の施策

1 食品分野への進出

27

In trading, we had set to expand into food products as our policy for this fiscal year.

貿易事業 2022年3月期 上期実績



28

In the first half of the year, we expected a decline in pharmaceuticals due a downward reaction to exceptional demand from our customers during the height of the coronavirus. Sales decreased by 9.2% to JPY2.94 billion, close to what we predicted.

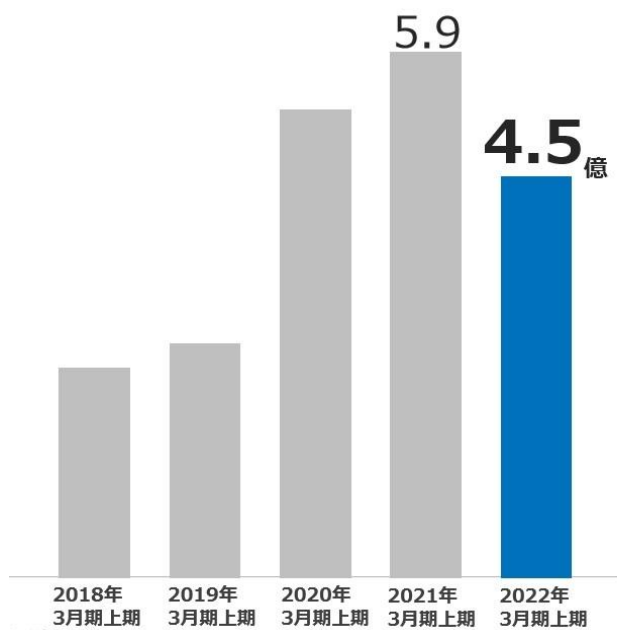
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貿易事業 2022年3月期 上期実績



セグメント利益 23.6%減

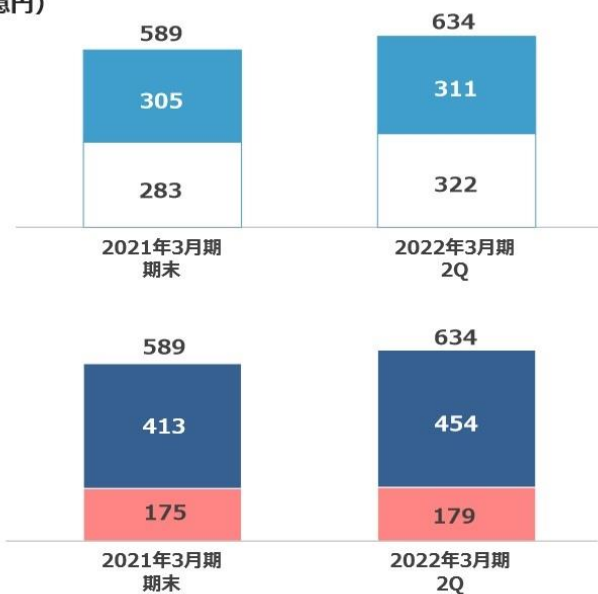
医薬品在庫積み増し特需の反動減

29

Segment income was also within expectations at JPY450 million, down 23.6%.

連結 貸借対照表

(億円)



流動資産 +5.9億円

- ・受取手形及び売掛金の減少
- ・原材料及び貯蔵品、仕掛品の増加

固定資産 +39.2億円

- ・M&Aによる土地・建物の増加

負債合計 +40.7億円

- ・支払手形及び買掛金の減少
- ・借入金が増加

純資産 +4.4億円

- ・当期純利益の増加
- ・配当金の支払

31

As for the consolidated financial statements, total assets increased from JPY58.9 billion to JPY63.4 billion from the end of FY2021 to the second quarter of FY2022. This is explained by an increase in fixed assets after Yume House Inc.'s acquisition in September and the consolidation of its land and buildings.

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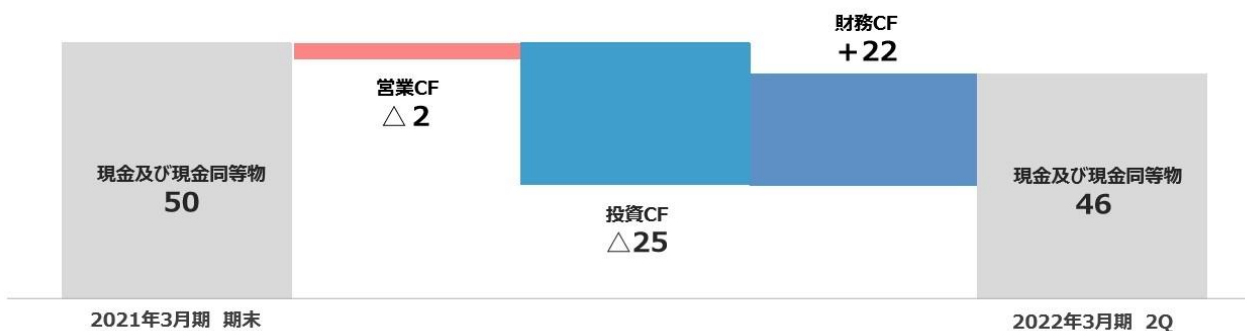
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連結 C F 計算書

営業 C F $\Delta 2.5$ 億円	投資 C F $\Delta 25.5$ 億円	財務 C F +22.7 億円
<ul style="list-style-type: none"> ・税金等調整前当期純利益の増加 +10.3 億円 ・減価償却費・のれん償却費等 + 7.3 億円 ・売上債権の減少 +24.4 億円 ・仕入債務の減少 $\Delta 16.0$ 億円 ・未払消費税等の減少 $\Delta 19.4$ 億円 ・法人税等の支払 $\Delta 7.3$ 億円 	<ul style="list-style-type: none"> ・固定資産の取得による支出 (店舗改装・新店・レジの入替等) $\Delta 16.9$ 億円 ・M & A による支出 $\Delta 9.9$ 億円 	<ul style="list-style-type: none"> ・借入金の増加 + 22.7 億円

(億円)



32

As for cash flow, there was a large payment of consumption tax accrued last year, which resulted in a negative operating cash flow of JPY250 million. We also remodeled stores, replaced cash registers, and increased expenditures for M&A, resulting in a negative investment cash flow of JPY2.5 billion.

Since most of the investment cash flow was financed by loans, the financial cash flow was positive at JPY2.2 billion.

I will now report on our progress in each segment for the fiscal year ended March 31, 2022.

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2022年3月期 方針



2022年3月期
方針

次の中期経営計画に向けた 積極的な投資の実施



Our policy for the fiscal year ending March 31, 2022 was to aggressively invest in anticipation of the next mid-term management plan.

次の成長に向けた体制整備

様々な設備投資を実施



物流整備

店舗改装・新規出店

工場統合・FA化

M&A

総投資額 **32** 億

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35

To this end, and in line with our policy during the first half of the fiscal year, we intend to keep carrying out capital expenditures. We will continue to work on improving logistics, remodeling stores and opening new ones.

Then, in March, the integration of steel plants. We also plan to invest in M&A. Overall, we plan to invest a total of JPY3.2 billion.

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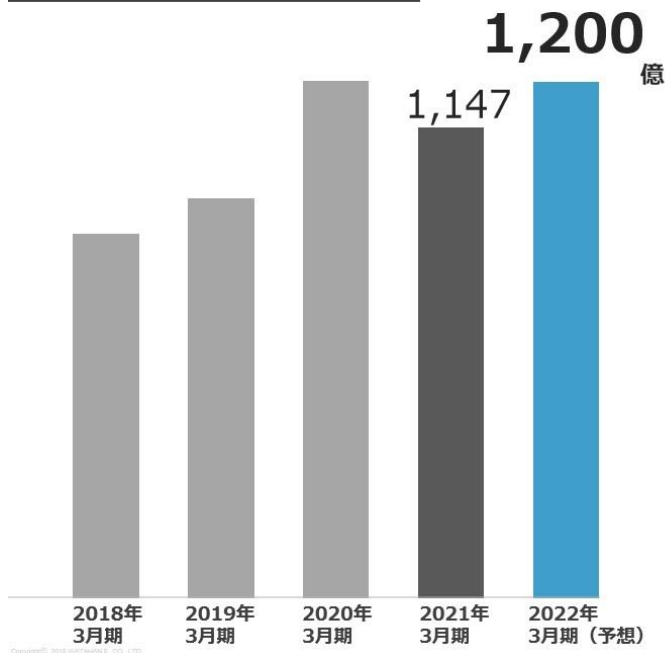
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2022年3月期 予想

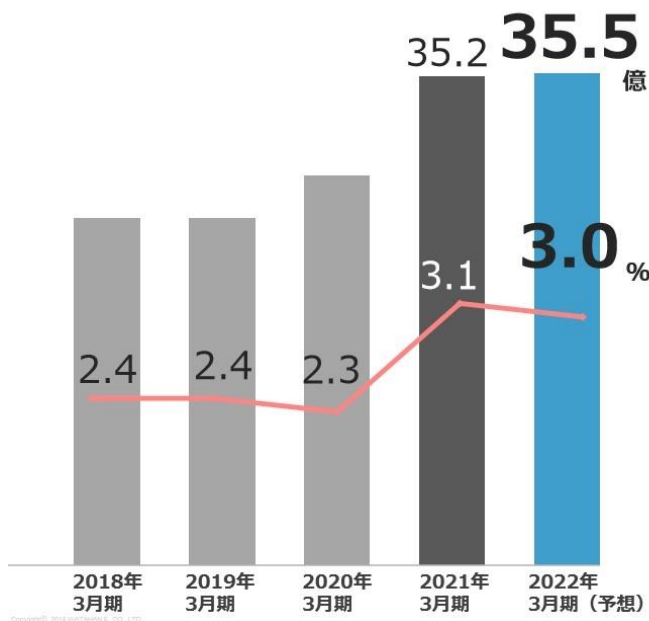


売上高
4.5%増
期初予想に変更なし

36

As a result, there is no change to the initial forecast, with a planned JPY120 billion in net sales, up 4.5% YoY.

2022年3月期 予想



経常利益
0.6%増
期初予想に変更なし

37

Ordinary income is also expected to increase by 0.6% to JPY3.55 billion.

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物流の効率化を実施

飯田に物流倉庫を新設



By segment, in the retail business, we plan to open a new distribution warehouse in Iida.

物流の効率化を実施

首都圏での家具家電配送・取付けサービスの開始



In addition, we've started a service of delivery and installation of furniture and home appliances in the Tokyo metropolitan area in October.

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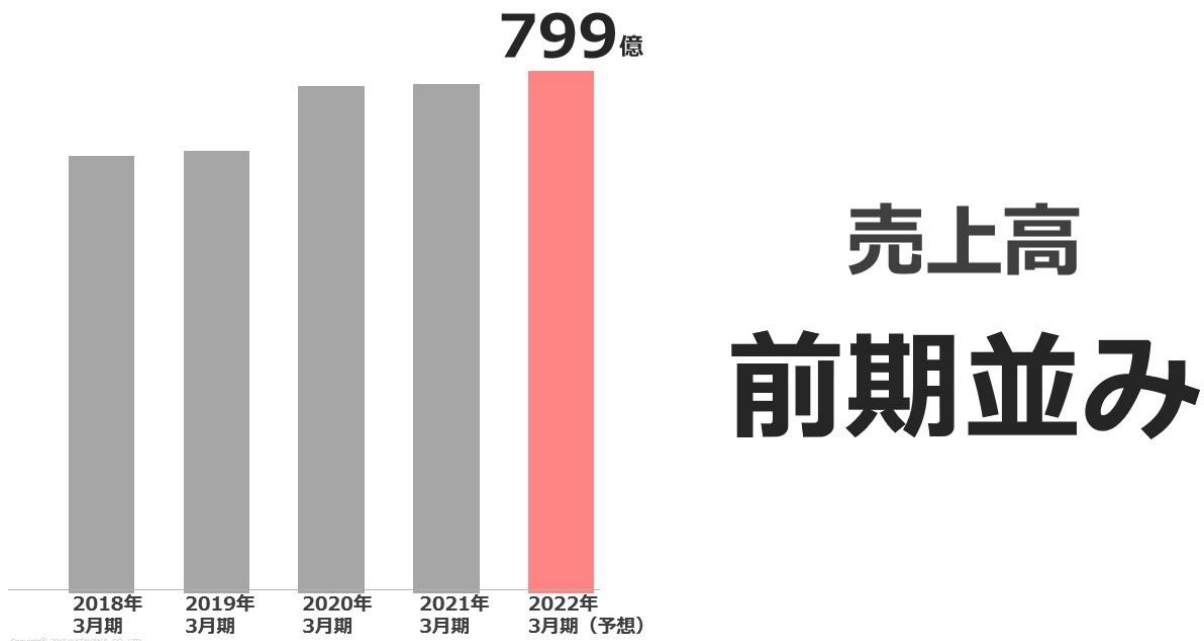
中心市街地型店舗の開発を実施

綿半スーパーセンター権堂店オープン予定



We are also planning to open a Watahan Supercenter in Gondo in the center of Nagano next April.

小売事業 予想



42

Sales in the retail business are expected to reach JPY79.9 billion, on a par with the previous fiscal year.

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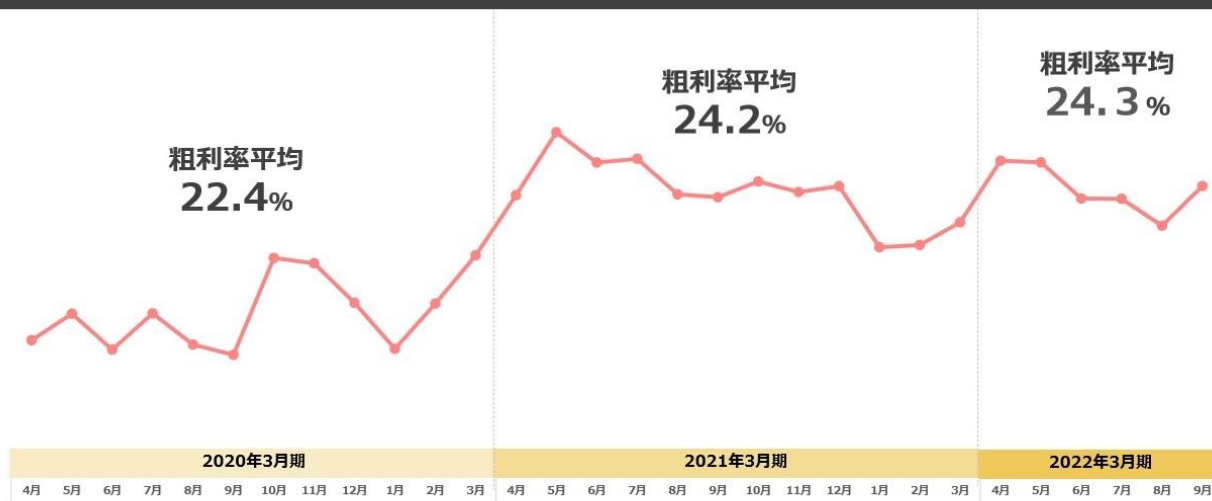
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既存店 粗利率の推移

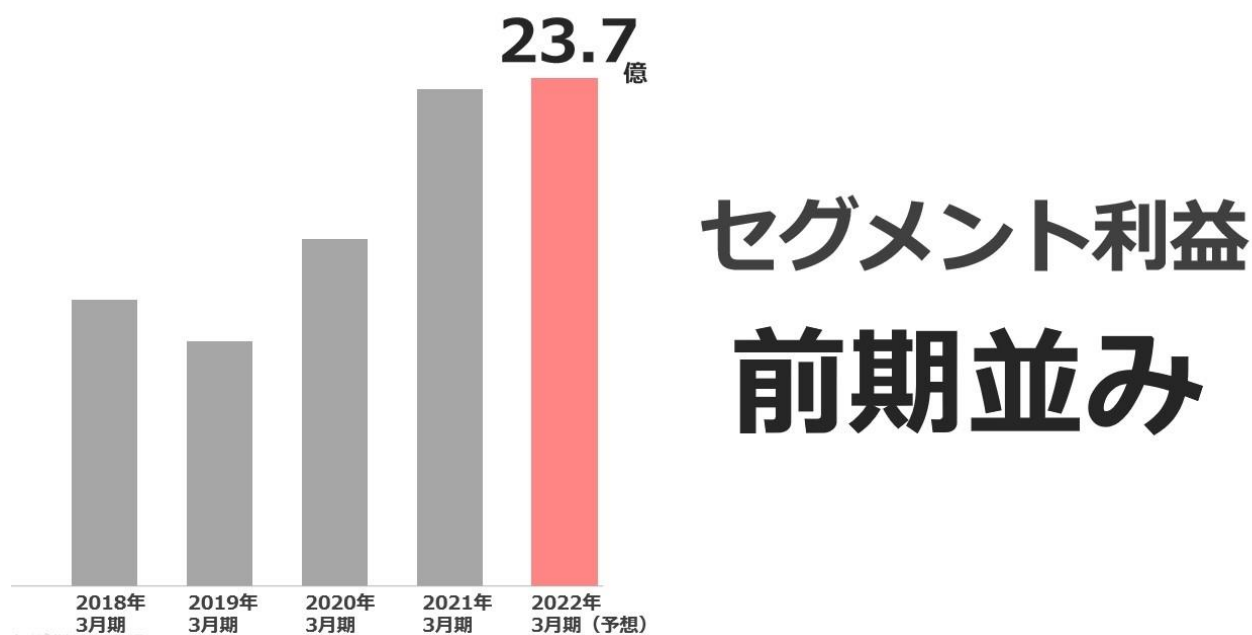
コロナ禍でも粗利率が順調に伸びている



43

And the gross profit margin is also growing steadily even in the context of the pandemic.

小売事業 予想



44

Segment income is also expected to be on par with the previous year, recovering from the negative results of the first half of the year.

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事業体系の見直しを実施

工場の統合を実施



鉄骨分野のFA化をさらに加速

46

Next is construction. In the construction business, we will integrate factories and further accelerate automation to enable us to handle next year's order backlog.

事業体系の見直しを実施

木造住宅分野を追加



第4の柱として注力

47

We are also focusing on establishing the wood-frame housing business as the fourth pillar of the Group, and with Yume House joining us in September this year, we plan to grow significantly in this area as well.

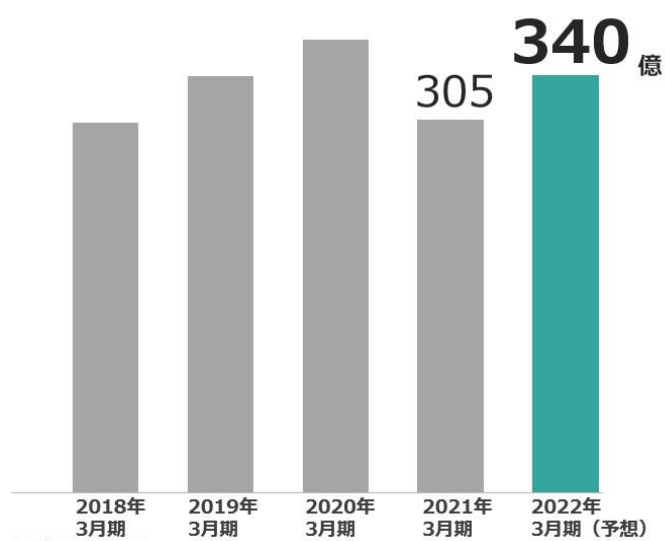
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建設事業 予想

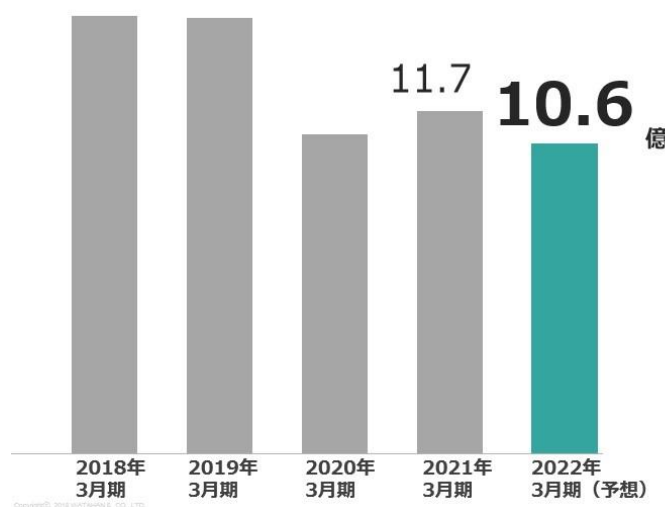


売上高
11.5%増

48

We expect net sales in construction to grow by 11.5%.

建設事業 予想



セグメント利益
7.7%減

49

However, taking into account the fact that the order backlog was originally small, segment profit is expected to decrease by 7.7% to JPY1.06 billion.

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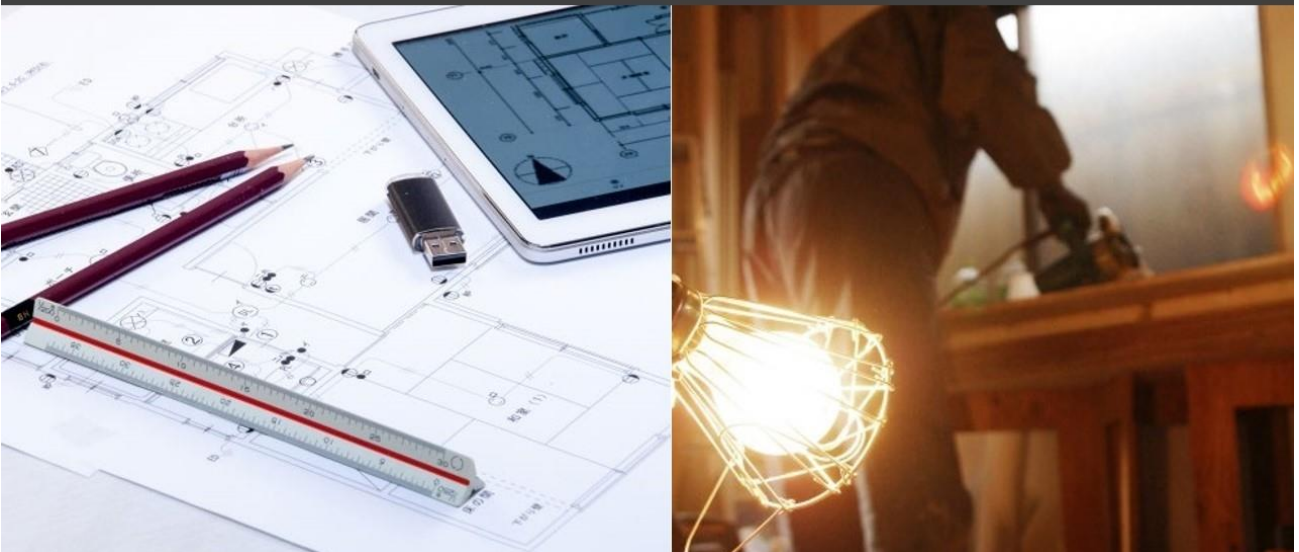
山林の育成から製材・乾燥・プレカット・施工まで全ての工程を自社で実施



In order to make these estimates reality, we've started carrying out all processes in-house since September, from cultivating mountain forests to sawing, drying, pre-cutting, and construction. Due to the demand shock that occurred just before in the wood industry, the factory's operating rate is currently 1.5 times higher than usual, which is very positive for us.

マイナス材料

資材価格高騰・資材納期長期化・物件の見直し発生リスク有



However, the price of materials like steel frames has risen significantly, and delivery time is now much longer. We're also concerned about potential cost increases, and potential property revisions by our customer base, which we are currently seeing as negative factors of risk.

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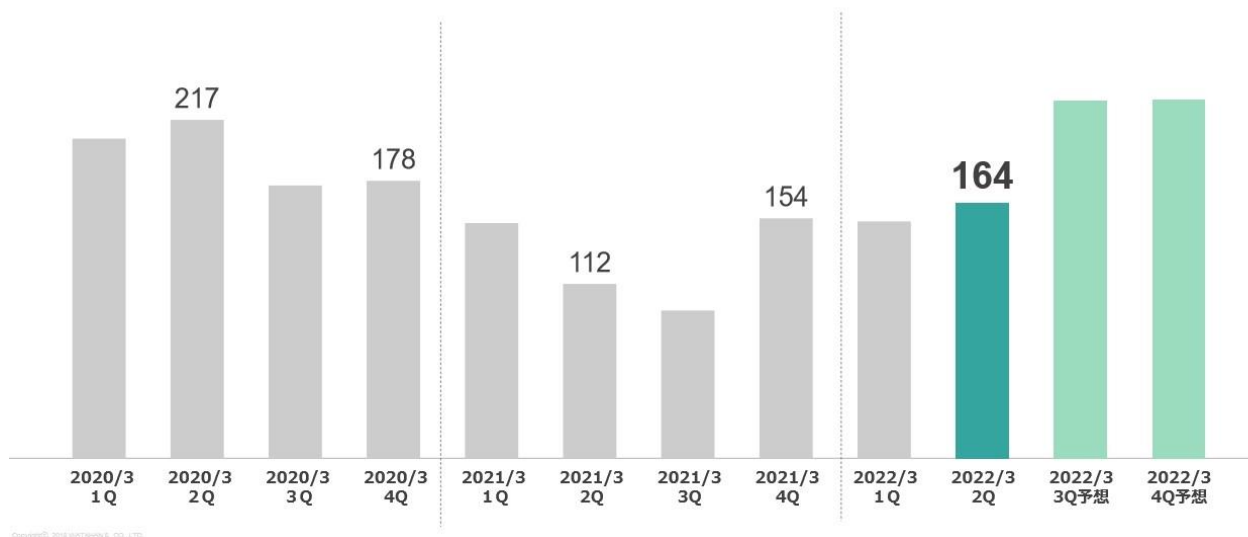
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受注残高推移

今期 3Q・4Qにかけて受注残が伸長



52

However, we expect the order backlog to grow significantly in the third and fourth quarters of the current fiscal year, so even if those properties do not generate sales during the current fiscal year, we expect significant growth in construction in the first half of the next fiscal year.

貿易事業

食品分野にも進出



Finally, in trading, we've started our expansion into food products, but it will still take some time to see results.

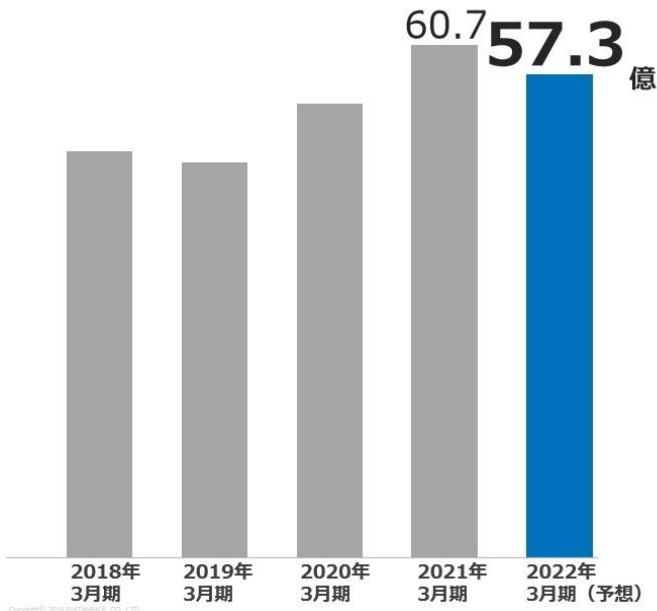
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貿易事業 予想

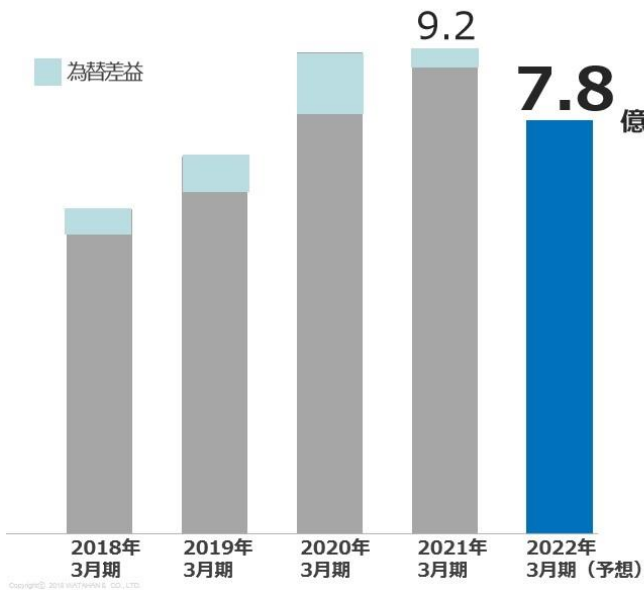


売上高
5.7%減

55

Sales are expected to decrease by 5.7% from the previous year to JPY5.73 billion.

貿易事業 予想



セグメント利益
15.3%減

56

We are forecasting a 15.3% decrease in segment income to reach JPY780 million, as we've read that a positive contribution of foreign exchange rates should not be anticipated this fiscal year.

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中期経営計画

安定・成長性のある事業構造を創り上げる

売上高 目標値
(2022年 3月期)

1,200億円

経常利益 目標値
(2022年 3月期)

32億円



Lastly, this fiscal year is the final year of our mid-term management plan. We plan on achieving our targets of JPY120 billion for net sales and of JPY3.2 billion for ordinary income for the third year of the plan.

Originally, the management policy outlined in our mid-term management plan was to create a business structure with stable growth potential, so we initially set our target for the ordinary income margin at 2.7%. However, we plan to achieve 3% this fiscal year, evidence of our commitment to achieving stable growth.

This concludes the financial results briefing for the fiscal year ending in March 2022.

Thank you for your attention today.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
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