



Watahan & Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

November 22, 2022

Event Summary

[Company Name]	Watahan & Co., Ltd.	
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[Participants]		
[Number of Speakers]	1	
	Isamu Nohara	President & CEO

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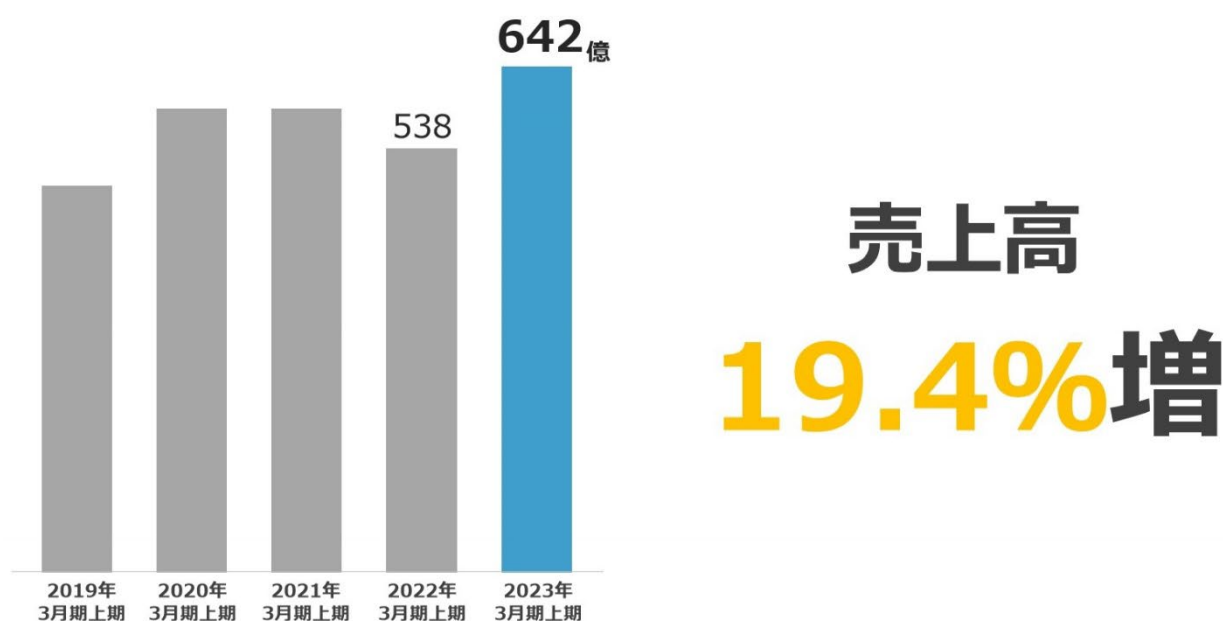


Presentation

Nohara: My name is Nohara, President and CEO of Watahan & Co., Ltd. I would now like to begin the Q2 Financial Results Briefing for the Fiscal Year Ending March 2023.

I will first discuss the overview of Q2 financial results, then the full year forecast for the fiscal year ending March 31, 2023, and finally, the medium-term management plan.

2023年3月期 第2四半期実績



5

First, an overview of Q2 financial results. Net sales were JPY64.2 billion, up 19.4% from JPY53.8 billion in the same period last year.

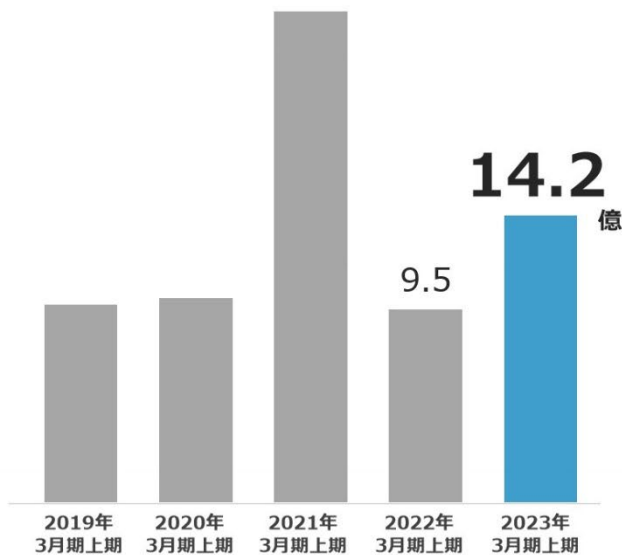
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2023年3月期 第2四半期実績



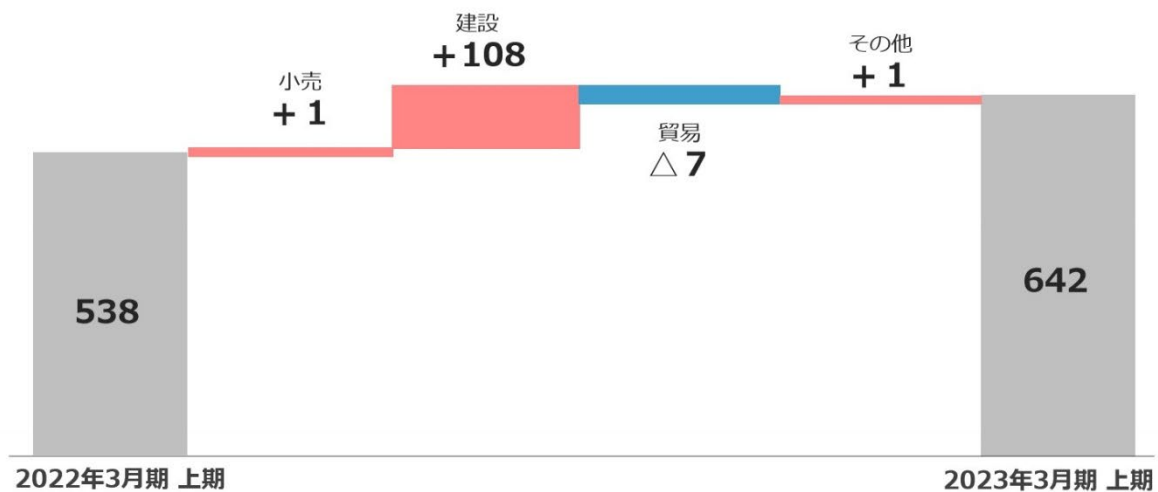
経常利益
48.5%増

6

Profit was also up 48.5% to JPY1.42 billion compared to JPY950 million in the previous year.

セグメント別 売上（前年同期比）

(億円)



7

The total sales by segment increased from JPY53.8 billion to JPY64.2 billion, but the retail and trading businesses were almost the same YoY, while the construction business made a breakthrough, adding JPY10.8 billion.

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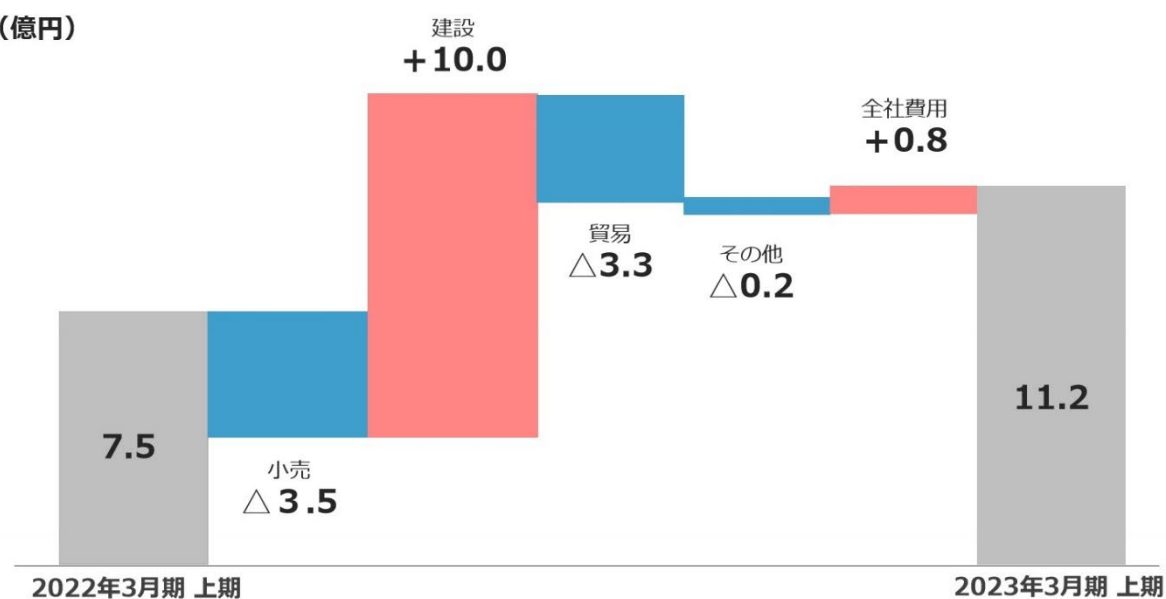
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セグメント別 営業利益（前年同期比）

(億円)



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On a profit basis, the retail business and the trading business posted a decrease of JPY350 million and JPY330 million, respectively, while the construction business posted an increase of JPY1 billion, making up for the negative results in the other segments.

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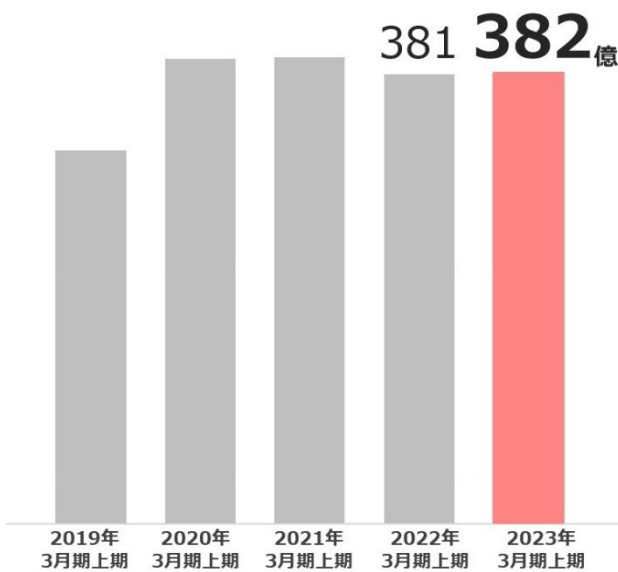


通期の施策

- 1 店舗改装・新規出店・新業態の開発を継続して推進
- 2 流通網の拡大
- 3 SPA化の推進

11

小売事業 2023年3月期 上期実績



売上高
前期並み

12

I will now explain per segment performance.

First, in the retail business, our full year targets for this fiscal year are store remodeling, new store openings, development of new business categories, expansion of the distribution network, and promotion of SPA, but sales ended the year at JPY38.2 billion, about the same as the previous year.

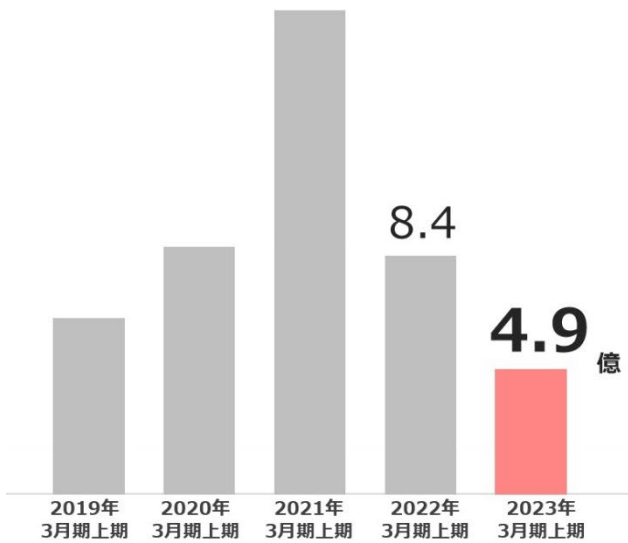
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小売事業 2023年3月期 上期実績



セグメント利益

41.8%減

新店出店コスト
電力料値上げの影響

13

Segment income, on the other hand, was JPY490 million, down 41.8% YoY, due to the cost of opening two new stores and the impact of electricity cost hikes.

店舗改装・新規出店・新業態の開発を継続して推進

8月 綿半スーパーセンター上田店オープン



東信地区へ初出店した 綿半グループ最大級のスーパーセンター

14

In August, we opened the Watanah Super Center Ueda Store, our first super center in the Toshin region of Nagano Prefecture.

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店舗改装・新規出店・新業態の開発を継続して推進

9月 綿半スーパーセンター権堂店オープン



綿半グループ初となる中心市街地型店舗

15

Additionally, in September, the Group's first store in a central city location opened in central Nagano as the Watahan Super Center Gondo Store.

流通網の拡大

仕入拠点の拡大



16

In expanding our distribution network, we have further expanded our fresh fish procurement bases and now procure fish from six bases, including Niigata and Kagawa.

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流通網の拡大

コールドチェーンの構築



In addition to fresh fish, we are building our own cold chain for vegetables and fruits this fiscal year to create a new fresh distribution network.

SPA化の推進

綿半ファームグループ入り



We would also like to bring Watahan Farm Co., Ltd. into the Group for butchery, starting with pig farming, and then to expand into various other businesses.

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南信州産カーネーションの産地直送販売開始



We have also begun selling carnations produced in Minami Shinshu through our own distribution network, a system that allows us to sell them, while keeping them fresh in the cold chain.

建設事業



通期の施策

- 1 鉄骨分野のFA化をさらに加速
- 2 木の加工・流通網の構築
- 3 木を使った商品開発の推進

21

Continuing the construction business.

In the construction business, we have set the further acceleration of factory automation in the steel frame field, the construction of a wood processing and distribution network, and the promotion of product development using wood as our full year measures.

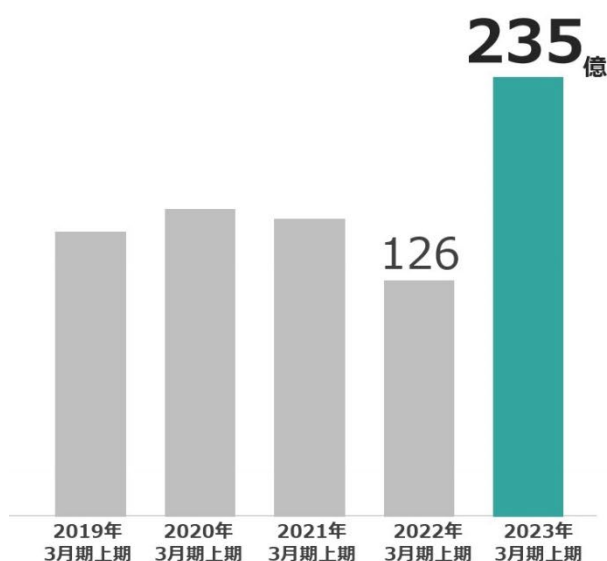
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建設事業 2023年3月期 上期実績



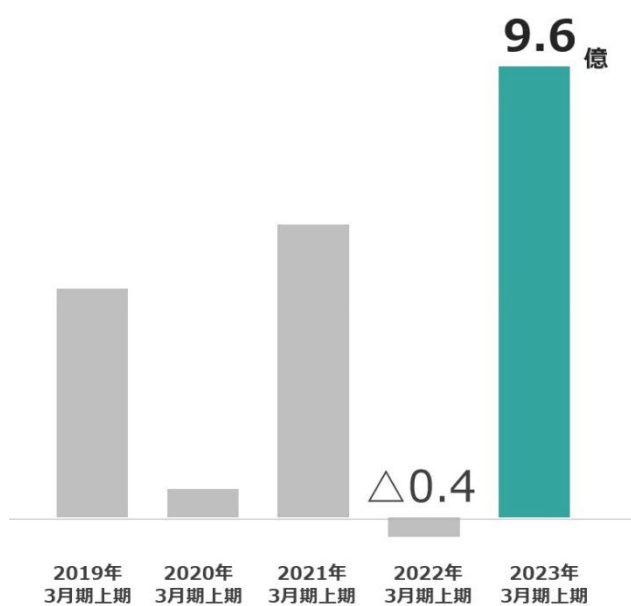
売上高
86.2%増

工事が順調に進捗

22

As for net sales, the previous year's JPY12.6 billion has significantly increased to JPY23.5 billion, and sales were up 86.2% YoY.

建設事業 2022年3月期 上期実績



セグメント利益
大幅増

工事が順調に進捗

23

Segment income has also grown significantly along with sales, and the previous year's loss of JPY40 million was converted to a profit of JPY960 million this fiscal year.

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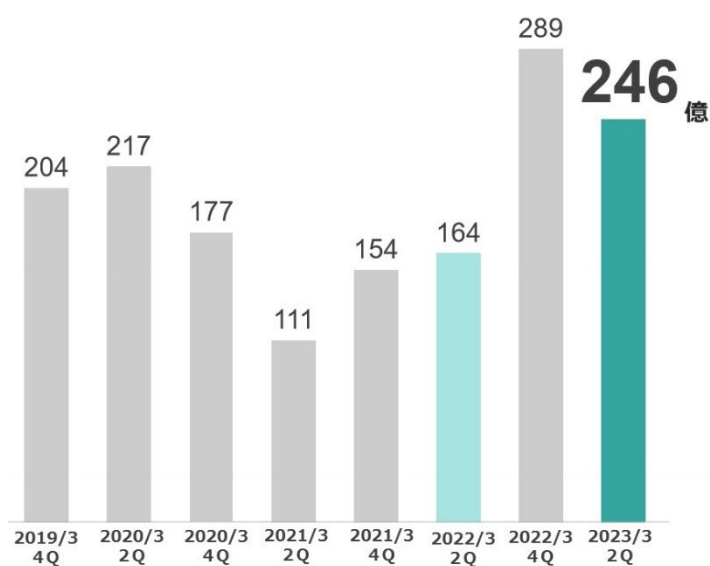


鉄骨分野のFA化をさらに加速

4月 新飯田工場 稼働開始



建設事業 受注残高推移



受注残高
前期比
50%増

25

This is due to the Iida plant starting operations in April, and the utilization rate of this plant has increased. At the same time, the environment for orders is robust, with the order backlog increasing 50%, from JPY16.4 billion in the previous year to JPY24.6 billion.

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通期の施策

1 食品分野への進出

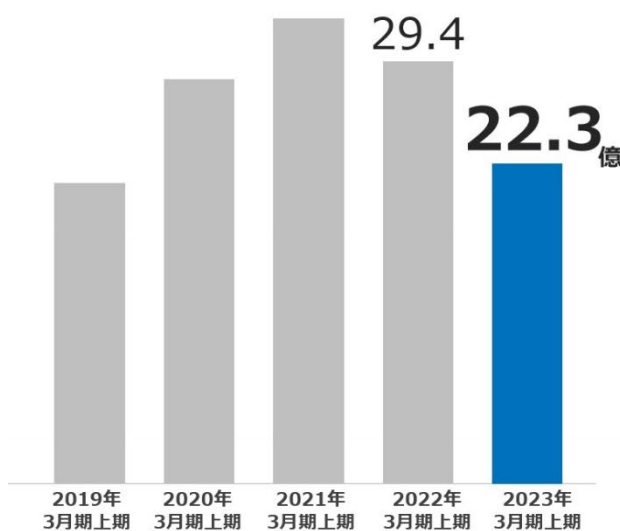
2 肥料・飼料分野の拡大

27

Next is the trading business.

In the trading business, we are expanding into the food sector and then into the fertilizer and feed sectors.

貿易事業 2023年3月期 上期実績



売上高
24.2%減

前期との納入時期のずれ
計画通りの進捗

28

Originally, we had assumed a YoY decline in sales, and we have made progress as planned, with sales of JPY2.23 billion, which is 24.2% less than the previous year.

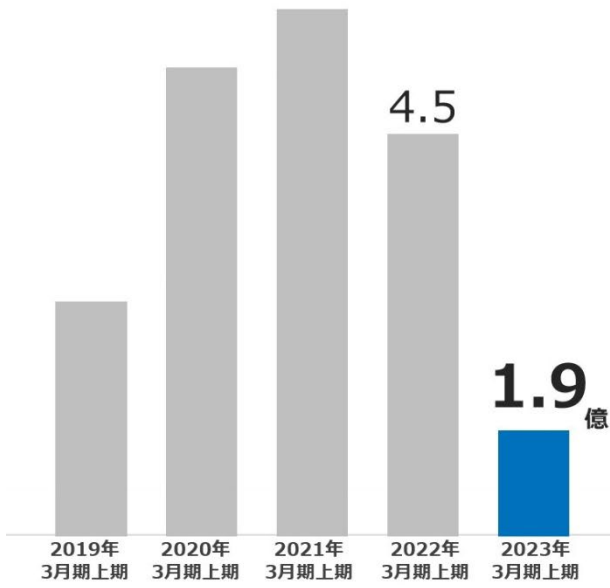
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貿易事業 2023年3月期 上期実績



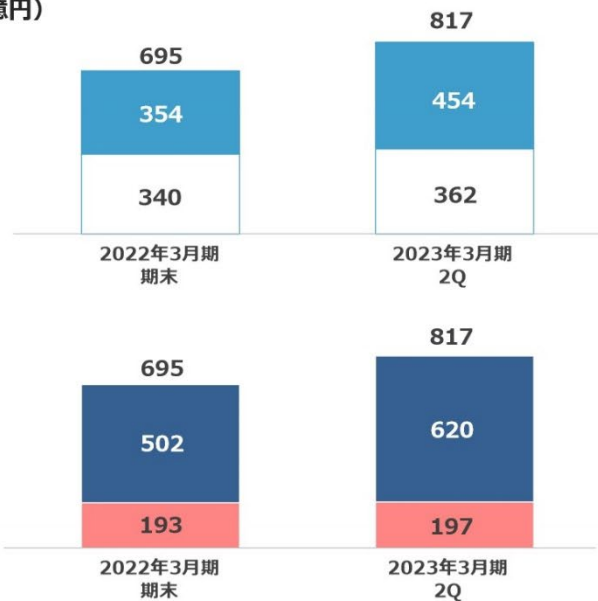
セグメント利益
73.7%減
前期との納入時期のずれ
計画通りの進捗

29

Segment income decreased 73.7% to JPY190 million from JPY450 million YoY. Basically, the trading business is currently progressing as planned due to the timing of deliveries and other factors.

連結 貸借対照表

(億円)



・建設事業の工事進捗による仕入債務・売上債権の増加
・新店2店舗分と貿易の在庫増加により、総資産が大幅増

流動資産 +100億円

- ・受取手形、売掛金及び契約資産の増加
- ・商品及び製品の増加
- ・原材料及び貯蔵品、仕掛品の増加

固定資産 +22億円

- ・M&Aによる土地・建物の増加

負債合計 +118億円

- ・短期借入金の増加
- ・支払手形及び買掛金の増加

純資産 +4億円

- ・当期純利益の増加
- ・配当金の支払

31

Next, I will present the consolidated financial statements.

This fiscal year, the balance sheet has been affected by the strong construction progress in the construction business, as mentioned earlier, and the opening of two new stores.

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Current assets increased by JPY10 billion. In addition, fixed assets increased by JPY2.2 billion due to the opening of new stores.

Total liabilities were plus JPY11.8 billion, which was due to an increase in short-term borrowings and an increase in notes and accounts payable.

連結 CF 計算書

- ・建設事業の工事進捗による売上債権の増加
- ・新店 2 店舗分と貿易の在庫増加により、棚卸資産が大幅増

営業CF △11億円	投資CF △28億円	財務CF +38億円
<ul style="list-style-type: none"> ・売上債権の増加 △56億円 ・棚卸資産の増加 △33億円 ・仕入債務の増加 +44億円 ・税金等調整前当期純利益の増加 +13億円 ・減価償却、のれん償却 +10億円 	<ul style="list-style-type: none"> ・固定資産の取得による支出 (新店出店・飯田工場) △22億円 ・M & Aによる支出 △7億円 	<ul style="list-style-type: none"> ・資金調達 (短期) +58億円 ・借入金の減少 △20億円

(億円)



32

Looking at the consolidated cash flow, there was an increase in notes and accounts receivable trade due to the construction progress in the construction business, as mentioned earlier, and an increase in inventories for the two new stores, resulting in a negative cash flow of roughly JPY1.1 billion.

There were also investments in two new stores and a factory, so cash flow from investments was negative JPY2.8 billion. As you can see in this statement, this is being covered by financing from financial cash flow, which we expect to be eliminated at the end of the fiscal year.

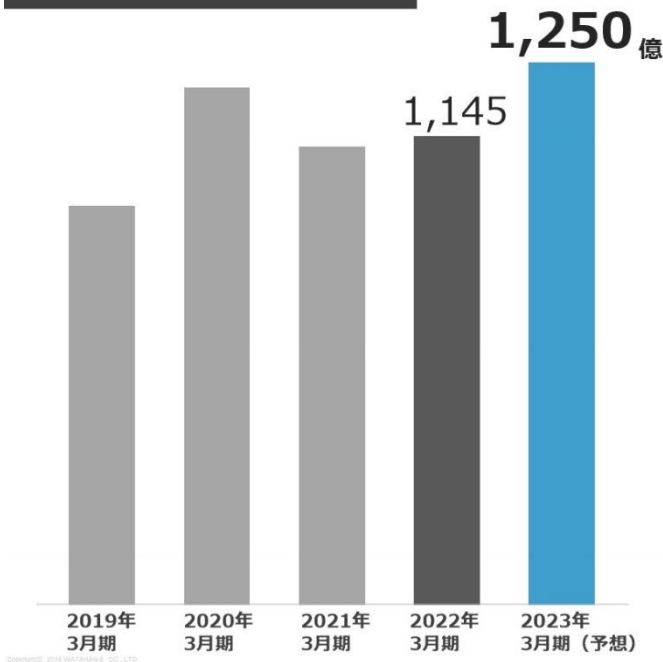
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2023年3月期 予想



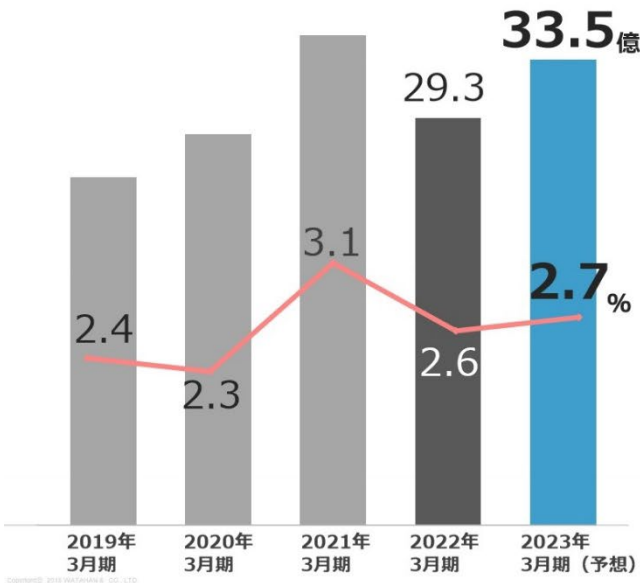
売上高
9.2%増

34

Next, I will present our forecast for the fiscal year ending March 31, 2023.

For the fiscal year ending March 31, 2023, we project net sales of JPY125 billion, up 9.2% YoY.

2023年3月期 予想



経常利益
14.1%増

35

Ordinary income is projected to increase by 14.1% to JPY3.35 billion.

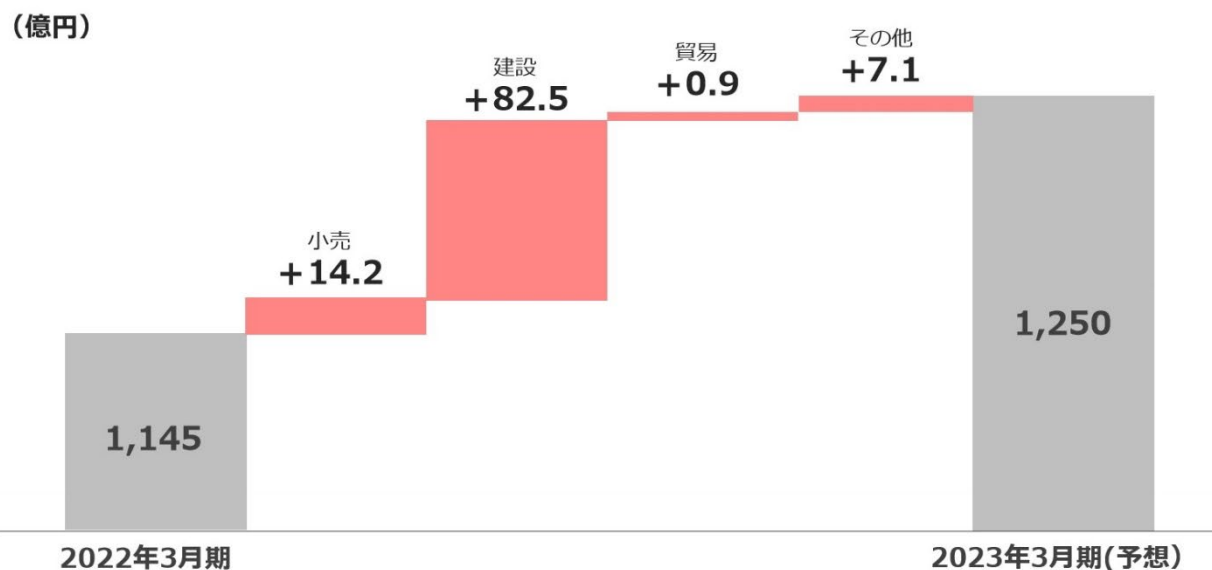
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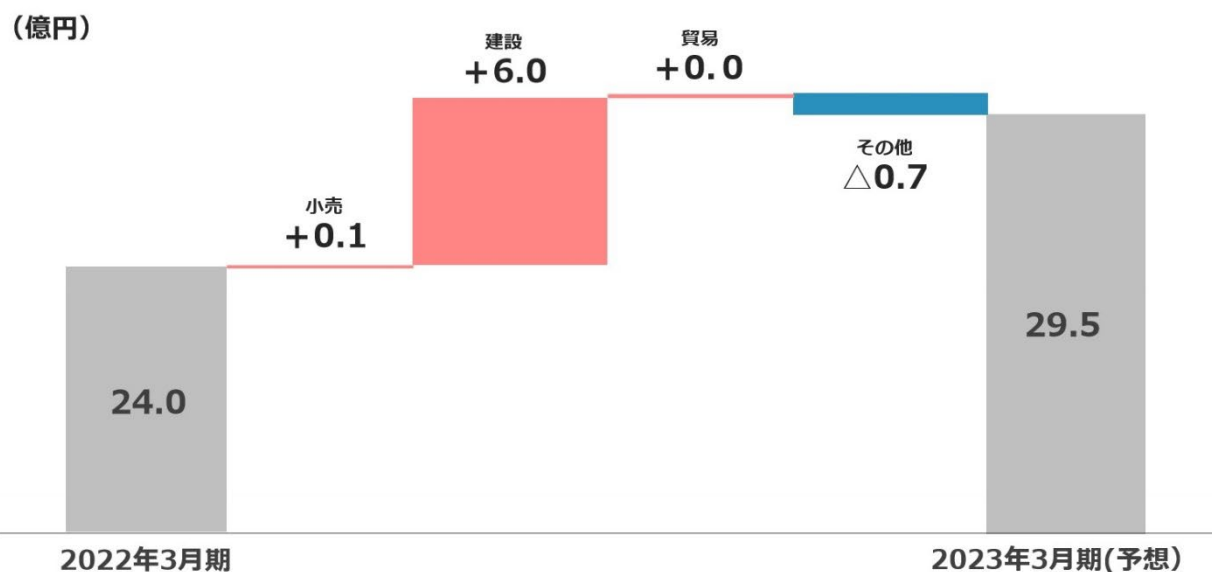
セグメント別 売上増減要因



36

The factors behind the increase and decrease in sales by segment are expected to be JPY125 billion, with retail business adding JPY1.42 billion due to the opening of new stores, construction business adding JPY8.25 billion, and trading adding JPY0.09 billion.

セグメント別 利益増減要因



37

As for profits by segment, the retail business increased slightly due to the opening of new stores, which covered the expenses. The trading business is basically unchanged from the previous year, but the construction business is expected to add JPY600 million to the final forecast of JPY2.95 billion.

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通期の施策

1 店舗改装・新規出店・新業態の開発を継続して推進

2 流通網の拡大

40

This is the progress by segment. First, in the retail business, we will continue to promote store remodeling, new store openings, and the development of new business categories in H2 of the fiscal year. We will continue to expand our distribution network as well.

店舗改装・新規出店・新業態の開発を継続して推進

各店舗へ医薬品売場順次導入



We have already sequentially introduced pharmaceutical sales in about three stores in H1, and we plan to continue and expand this in H2.

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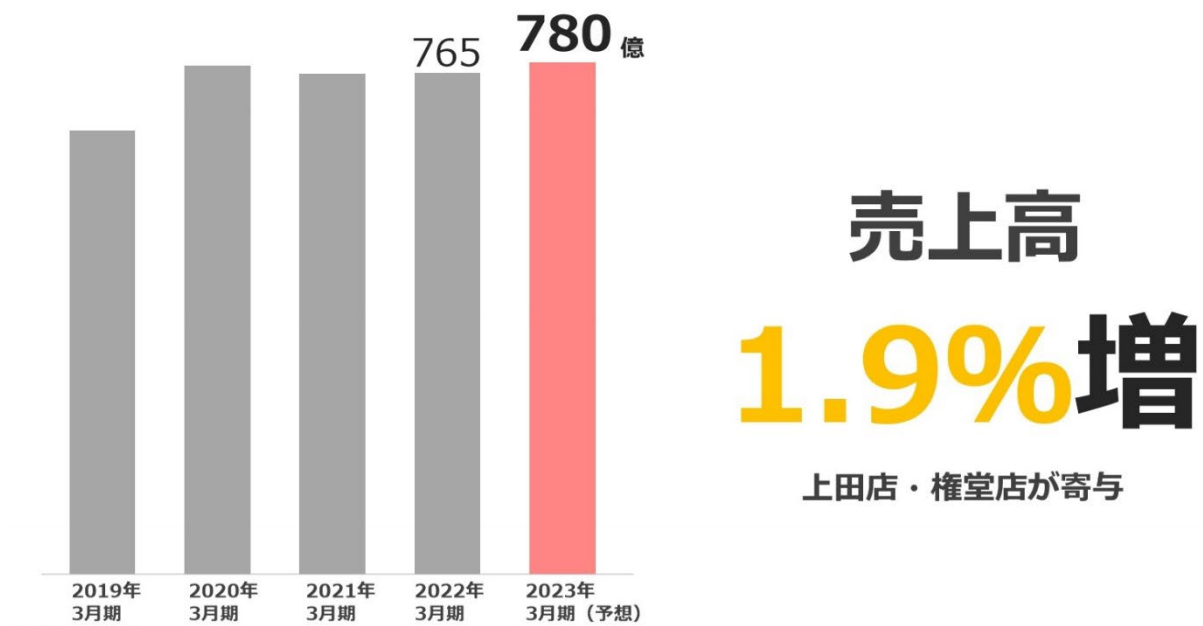
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飯田市に物流センター設置



A new distribution center is currently under construction in Iida City and is scheduled to begin operations in March.

小売事業 予想



43

As a result, net sales in the retail business are projected to total JPY78 billion.

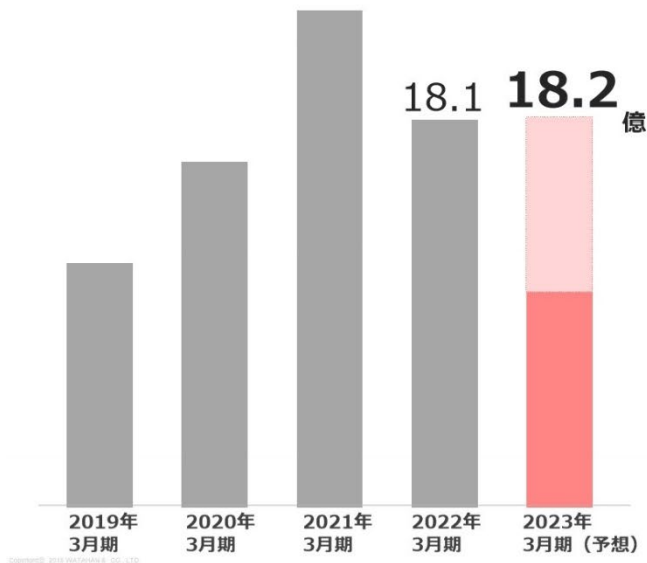
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小売事業 予想

■ 下振れ要素 (電力料の増加)



セグメント利益 前期並み

44

Segment profit is expected to be at the same level as the previous year in the initial plan, but electricity prices are currently increasing significantly, and we believe this trend could be a factor in the decline in profit.

建設事業



通期の施策

- 1 鉄骨分野のFA化をさらに加速
- 2 木の加工・流通網の構築
- 3 木を使った商品開発の推進

46

Continuing the construction business.

The construction business has the following objectives: factory automation in the steel frame field, processing and distribution of wood, and development of products made from wood.

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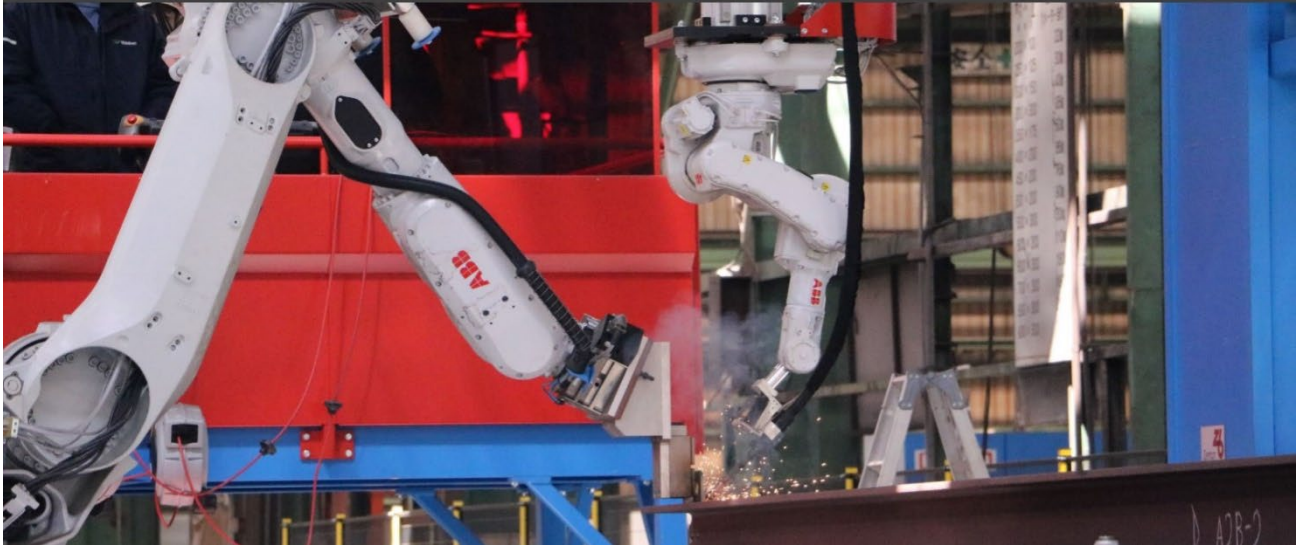
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19

鉄骨分野のFA化をさらに加速

加工能力の向上と効率化による収益性の向上



Further factory automation will continue in H2 to further expand the increase in processing capacity at the Niida plant, which began new operations in April.

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地場産の木材を加工・流通



木を使った商品開発の推進

木製倉庫等の建設を実施



We are also promoting the processing and distribution of locally produced lumber. As part of this trend, our first wooden warehouse project was completed this fiscal year, and we intend to continue to promote new businesses, including wooden warehouses.

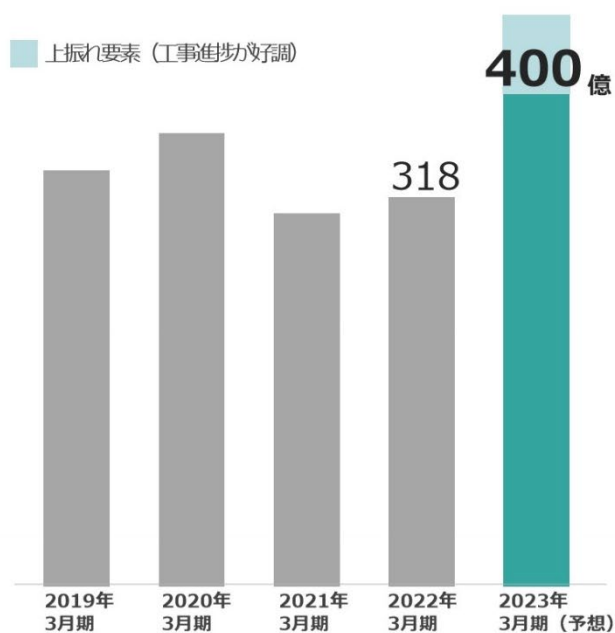
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建設事業 予想

■ 上振れ要素 (工事進捗好調)



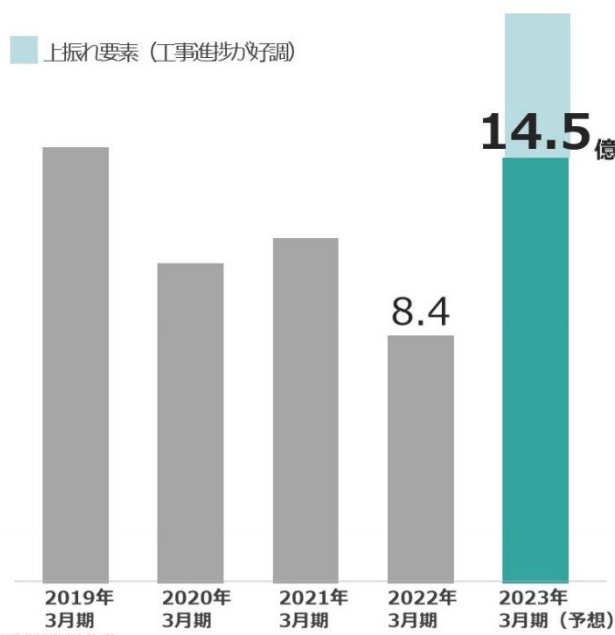
売上高
25.9%増
工事が順調に進捗

50

As a result, the construction business is currently planning sales of JPY40 billion, up 25.9% from the previous year's JPY31.8 billion, but we believe there is an upside here because construction progress is currently moving smoothly.

建設事業 予想

■ 上振れ要素 (工事進捗好調)



セグメント利益
71.5%増
工事が順調に進捗

51

Segment income is also projected to be JPY1.45 billion, up 71.5% from JPY840 million in the previous year. As with sales, there are upside factors here as well since construction work is progressing smoothly. We expect the final target to be the same as the plan at the beginning of the fiscal year.

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通期の施策

1 食品分野への進出

2 肥料・飼料分野の拡大

53

Finally, the trading business.

The trading business is expanding into the food field and into the fertilizer and feed fields to develop new natural raw materials.

食品分野への進出

新たな天然原料の開拓



Although it was difficult for quite a while to go abroad due to the impact of COVID-19, we are now resuming business trips to South America and Europe and are beginning to make progress in developing new natural raw materials.

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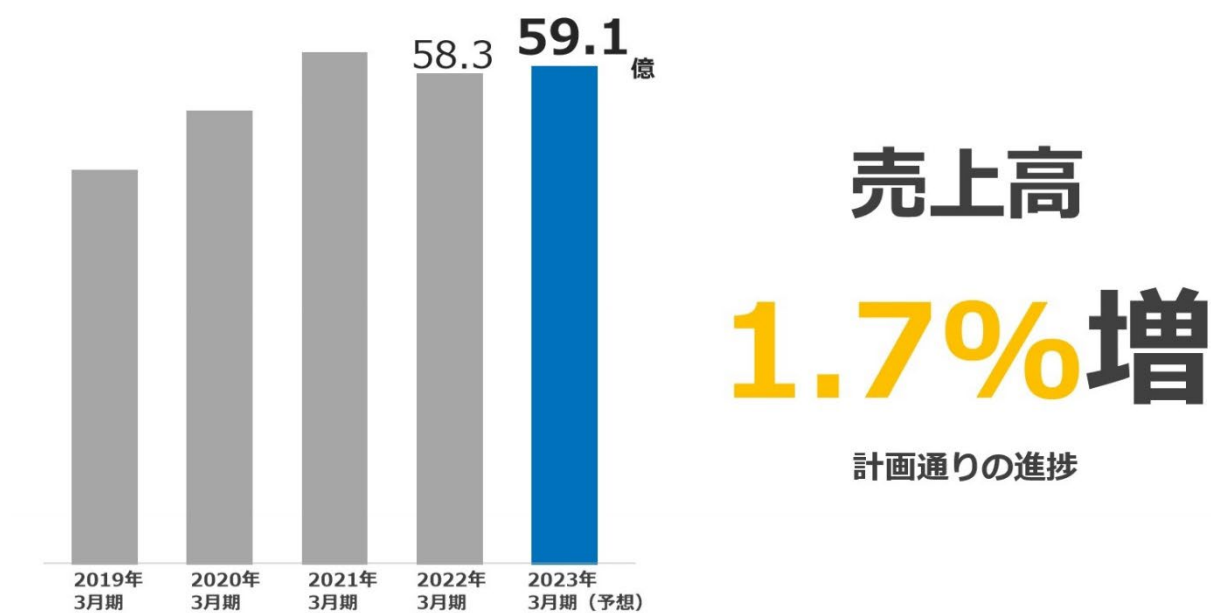
肥料・飼料分野の拡大

天然肥料・飼料の拡大



We are now planning for the next fiscal year, expanding the field of natural raw materials to include not only food products but also fertilizers and feeds.

貿易事業 予想



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As for sales in the trading business, we plan to maintain the same level as the previous year, with net sales of JPY5.91 billion, an increase of 1.7%.

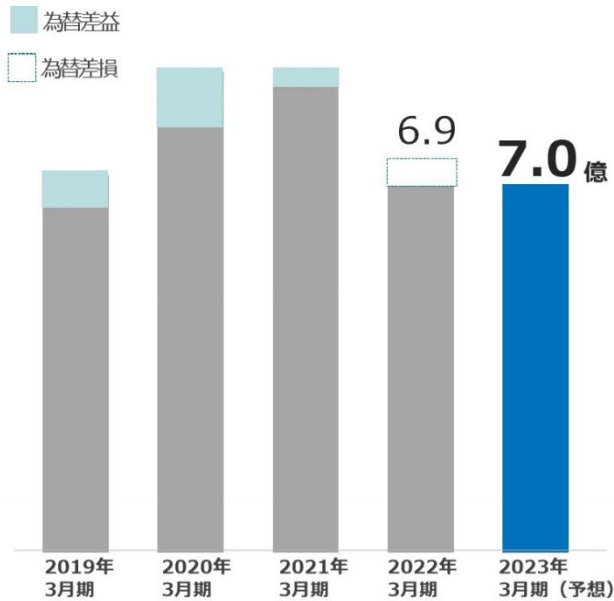
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貿易事業 予想



セグメント利益 0.3%増

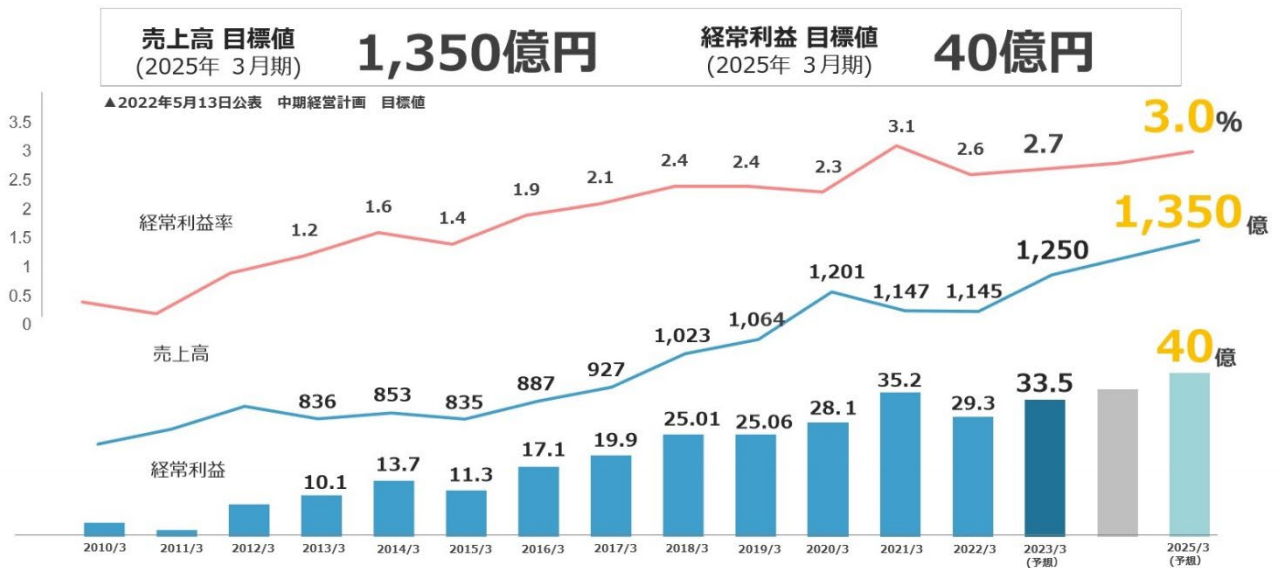
計画通りの進捗

57

Segment income is also up 0.3% to JPY700 million, basically in line with the current plan, despite the severe fluctuations in foreign exchange rates.

中期経営計画

地域に寄り添い 地域と共に新しい価値を創造する



Last but not least, our medium-term management plan is to stay close to the community and create new values together with the community, and we are targeting net sales of JPY135 billion and ordinary income of JPY4 billion for the fiscal year ending March 31, 2025. We expect the sales to be close to the medium-term targets at the end of the current fiscal year.

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This concludes the explanation of the Q2 Financial Results Briefing for the Fiscal Year Ending March 2023.

[END]

Document Notes

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