

Consolidated Financial Results for the Nine Months Ended December 31, 2018 [Japanese GAAP]



February 7, 2019

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: February 13, 2019
 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 Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2018	65,793	0.8	7,377	8.5	7,648	6.5	5,175	20.4
December 31, 2017	65,264	11.0	6,800	9.8	7,180	10.9	4,300	(1.4)

(Note) Comprehensive income: Nine months ended December 31, 2018: ¥4,119 million [(26.6)%]

Nine months ended December 31, 2017: ¥5,611 million [21.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	258.31	-
December 31, 2017	214.63	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	84,014	52,218	62.1	2,604.82
As of March 31, 2018	83,677	48,901	58.4	2,438.94

(Reference) Equity: As of December 31, 2018: ¥52,191 million

As of March 31, 2018: ¥48,868 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	-	0.00	-	40.00	40.00
Fiscal year ending March 31, 2019	-	0.00			
Fiscal year ending March 31, 2019 (Forecast)			-	40.00	40.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	85,746	(0.6)	9,243	6.8	9,233	2.9	6,155	8.3	307.20

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

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: - (Company name: -)

Exclusion: - (Company name: -)

(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: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

December 31, 2018: 22,066,160 shares

March 31, 2018: 22,066,160 shares

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

December 31, 2018: 2,029,601 shares

March 31, 2018: 2,029,421 shares

3) Average number of shares during the period:

Nine months ended December 31, 2018: 20,036,636 shares

Nine months ended December 31, 2017: 20,036,930 shares

* These quarterly financial results are outside the scope of quarterly review conducted by certified public accountants and an audit corporation.

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

Financial results forecasts and other forward-looking statements herein are based on information currently available and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the nine months ended December 31, 2018, the Japanese economy remained on a moderate recovery path thanks to such factors as improvements in the employment and income environments. Meanwhile, future prospects remained uncertain, as sustainability of the economic recovery showed a sign of slowdown due to cost increase owing to a rise in material and labor expenses and personnel shortage.

In the business environment in which our Group operates, harsh business conditions persist in the restaurant industry due mainly to a rise in labor expense, although sales remained solid in fast food and family restaurant businesses, owing to higher spending per customer as a result of efforts such as price revision and campaigns. In the distribution industry, the business environment continued to be harsh for reasons including intensified competition with other business sectors, serious personnel shortage and rising material prices, in addition to a strong consumer orientation toward low prices.

Net sales of commercial refrigerators and freezers decreased by 4.0% year on year mainly due to a decrease in sales of general purpose refrigerators and freezers for convenience stores, despite robust sales of new ice machines and medicinal refrigerators for dispensing pharmacies thanks to enhanced product lineup.

Net sales of refrigerated and freezer showcases decreased by 0.5% year on year. This was primarily due to completion of remodeling due to integration of convenience stores, despite the continued new openings of drug stores with strengthened sales of foods that were received favorably.

Net sales of large-scale food processing equipment increased by 5.9% year on year due to continued demand for replacement and new introduction of tunnel freezers mainly for food manufacturers.

Net sales of large-scale panel refrigerators increased by 11.1% year on year as large-scale orders including those from food factories and low-temperature distribution centers continued to be favorable on the backdrop of personnel shortage and a rise in labor expense.

Net sales of small-scale panel refrigerators decreased by 7.7% year on year as orders for panel refrigerators used in back rooms of convenience stores, etc. decreased.

Net sales from services increased by 8.4% year on year mainly due to a higher maintenance demand and an increase in sales attributable to maintenance contracts with convenience stores, etc.

At the manufacturing department, the Company undertook initiatives to improve production efficiency by introducing the automation of a single operation and the image recognition system to monitor the quality in the production processes, etc. at its Shiga and Okayama factories. In addition, the Company continued to undertake initiatives to reduce fixed costs and purchasing costs in order to offset higher costs, such as a sharp increase in the prices of raw materials and import products, as well as transportation costs.

As a result, for the nine months ended December 31, 2018, net sales increased by 0.8% year on year to ¥65,793 million. Operating profit increased by 8.5% year on year to ¥7,377 million, ordinary profit increased by 6.5% year on year to ¥7,648 million, and profit attributable to owners of parent increased by 20.4% year on year to ¥5,175 million.

(2) Explanation of Financial Position

(Current assets)

Current assets as of the end of the third quarter of the fiscal year under review increased by ¥175 million to ¥60,148 million (¥59,972 million at the end of the previous fiscal year). This is mainly attributable to an increase in work in process.

(Non-current assets)

Non-current assets as of the end of the third quarter of the fiscal year under review increased by ¥162 million to ¥23,866 million (¥23,704 million at the end of the previous fiscal year). This is mainly attributable to an increase in construction in progress included in “other” under property, plant and equipment.

(Current liabilities)

Current liabilities as of the end of the third quarter of the fiscal year under review decreased by ¥2,623 million to ¥30,077 million (¥32,701 million at the end of the previous fiscal year). This is mainly attributable to a decrease in income taxes payable.

(Non-current liabilities)

Non-current liabilities as of the end of the third quarter of the fiscal year under review decreased by ¥355 million to ¥1,718 million (¥2,074 million at the end of the previous fiscal year). This is mainly attributable to a decrease in deferred tax liabilities included in “other.”

(Net assets)

Net assets as of the end of the third quarter of the fiscal year under review increased by ¥3,317 million to ¥52,218 million (¥48,901 million at the end of the previous fiscal year). This is mainly attributable to an increase in retained earnings due to the recording of profit attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

For the financial results forecasts for the fiscal year ending March 31, 2019, no revisions have been made to the projected figures announced on May 28, 2018.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	31,870,525	32,013,575
Notes and accounts receivable - trade	22,040,842	20,841,645
Merchandise and finished goods	2,172,702	2,159,928
Work in process	2,248,959	2,999,672
Raw materials and supplies	1,909,033	2,120,430
Other	1,026,115	1,206,016
Allowance for doubtful accounts	(1,295,261)	(1,193,196)
Total current assets	59,972,918	60,148,073
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,802,974	3,891,434
Land	5,008,260	5,256,991
Other, net	3,154,530	3,916,103
Total property, plant and equipment	11,965,765	13,064,529
Intangible assets	273,105	384,425
Investments and other assets		
Investment securities	9,059,098	7,545,033
Other	2,418,163	2,883,983
Allowance for doubtful accounts	(11,765)	(11,166)
Total investments and other assets	11,465,496	10,417,850
Total non-current assets	23,704,367	23,866,805
Total assets	83,677,286	84,014,878

(Thousand yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,476,888	22,250,439
Short-term loans payable	711,215	333,192
Income taxes payable	2,082,013	749,537
Provision for bonuses	1,436,049	1,150,269
Provision for product warranties	369,167	380,501
Provision for loss on construction contracts	534,234	110,372
Other	6,092,170	5,103,580
Total current liabilities	32,701,738	30,077,893
Non-current liabilities		
Provision for directors' retirement benefits	820,766	861,493
Provision for contingent loss	288,383	273,805
Net defined benefit liability	16,808	-
Asset retirement obligations	101,516	102,314
Other	846,963	481,121
Total non-current liabilities	2,074,439	1,718,735
Total liabilities	34,776,178	31,796,628
Net assets		
Shareholders' equity		
Capital stock	2,760,192	2,760,192
Capital surplus	3,168,379	3,168,379
Retained earnings	41,242,790	45,617,052
Treasury shares	(3,213,394)	(3,214,328)
Total shareholders' equity	43,957,968	48,331,295
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,870,266	3,775,598
Foreign currency translation adjustment	65,057	90,938
Remeasurements of defined benefit plans	(24,814)	(6,203)
Total accumulated other comprehensive income	4,910,509	3,860,333
Non-controlling interests	32,630	26,620
Total net assets	48,901,107	52,218,249
Total liabilities and net assets	83,677,286	84,014,878

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Net sales	65,264,155	65,793,492
Cost of sales	48,675,069	48,399,481
Gross profit	16,589,085	17,394,010
Selling, general and administrative expenses	9,788,911	10,016,957
Operating profit	6,800,174	7,377,053
Non-operating income		
Interest income	6,608	7,891
Dividend income	73,587	75,760
House rent income	71,384	73,965
Insurance and dividend income	89,348	20,192
Foreign exchange gains	55,818	27,587
Other	138,088	136,706
Total non-operating income	434,836	342,104
Non-operating expenses		
Interest expenses	15,184	10,593
Compensation expenses	13,222	17,389
Loss on retirement of non-current assets	1,366	16,396
Other	24,539	26,669
Total non-operating expenses	54,311	71,049
Ordinary profit	7,180,699	7,648,108
Extraordinary losses		
Provision for contingent loss	408,383	-
Contingent loss expense	26,764	-
Total extraordinary losses	435,148	-
Profit before income taxes	6,745,550	7,648,108
Income taxes - current	2,491,935	2,357,149
Income taxes - deferred	(36,812)	129,513
Total income taxes	2,455,122	2,486,663
Profit	4,290,428	5,161,445
Loss attributable to non-controlling interests	(10,055)	(14,286)
Profit attributable to owners of parent	4,300,483	5,175,731

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Profit	4,290,428	5,161,445
Other comprehensive income		
Valuation difference on available-for-sale securities	1,229,307	(1,094,668)
Foreign currency translation adjustment	(20,116)	34,157
Remeasurements of defined benefit plans, net of tax	112,030	18,611
Total other comprehensive income	1,321,220	(1,041,899)
Comprehensive income	5,611,649	4,119,545
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,622,955	4,125,555
Comprehensive income attributable to non-controlling interests	(11,305)	(6,009)

3. Others

Significant litigation matters, etc.

The following lawsuits, etc. against the Company or a joint venture comprised of four companies including the Company are pending in the Osaka District Court or the Tokyo District Court.

Lawsuit Filing Date	Plaintiff	Claimed Amount	Lawsuit Overview
August 10, 2017	Daiichi-tec Co., Ltd.	¥740 million	A lawsuit filed against the Company, with the plaintiff seeking payment for contracts regarding specific construction work of a joint venture comprised of four companies including the Company. The Company asserts that there is no basis for any such claim, and the case is currently pending in the Osaka District Court.
August 15, 2017	Newwell Co., Ltd.	¥243 million	A lawsuit filed against a joint venture comprised of four companies including the Company, with the plaintiff seeking payment for sales charges. The Company asserts that the goods covered under the sales charges are not within the scope of those managed by the Company, and the case is currently pending in the Tokyo District Court.
November 1, 2017	Nakariki Co., Ltd.	¥171 million	A lawsuit filed against the Company, with the plaintiff seeking payment for specific construction work. The Company asserts that there is no basis for any such claim, and the case is currently pending in the Tokyo District Court.