

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



August 11, 2020

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: August 12, 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.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2020	16,037	(21.3)	796	(53.8)	818	(56.0)	432	(65.5)
June 30, 2019	20,390	0.9	1,726	(15.1)	1,860	(16.8)	1,256	(16.4)

(Note) Comprehensive income: Three months ended June 30, 2020: ¥855 million [(3.4)%]
 Three months ended June 30, 2019: ¥885 million [(28.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	21.60	-
June 30, 2019	62.70	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2020	85,744	58,005	67.6	2,892.83
As of March 31, 2020	88,318	58,111	65.7	2,897.55

(Reference) Equity: As of June 30, 2020: ¥57,962 million
 As of March 31, 2020: ¥58,056 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen -	Yen 0.00	Yen -	Yen 48.00	Yen 48.00
Fiscal year ending March 31, 2021	-	-	-	-	-
Fiscal year ending March 31, 2021 (Forecast)	-	-	-	-	-

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

The forecast of the dividend for the fiscal year ending March 31, 2021 has not been made as it is difficult to reasonably calculate the dividend at the moment due to unforeseeable impact of the economic stagnation caused by the pandemic of Coronavirus disease (COVID-19). The forecast of the dividend will be disclosed immediately when it becomes available.

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.)

	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
First half	35,518	(17.4)	1,776	(60.8)	1,950	(58.5)	1,212	(63.9)	60.51
Full year	80,449	(7.3)	6,436	(29.2)	6,757	(28.5)	4,370	(29.8)	218.13

(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):

June 30, 2020: 22,066,160 shares

March 31, 2020: 22,066,160 shares

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

June 30, 2020: 2,029,706 shares

March 31, 2020: 2,029,667 shares

3) Average number of shares during the period:

Three months ended June 30, 2020: 20,036,486 shares

Three months ended June 30, 2019: 20,036,535 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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020), the Japanese economy the situation was extremely difficult at Employment, economy, social life, corporate activities in the influence due to the spread of the new coronavirus (Covid-19) infection.

In the business environment in which our Group operates, sales have decreased significantly by request to refrain from going out to the spread of the new coronavirus infection or request to shorten business hours in the food service industry. In the distribution industry, although there was an increase in food demand for domestic consumption by refrain from going out, the business environment continued to be harsh for reasons including a serious personnel shortage and rising distribution costs, while a persistent consumer trend to restrain spending continued.

Net sales of commercial refrigerators and freezers decreased by 23.1% year on year to ¥4,401 million mainly due to there was little demand for new stores and replacements, and sales of general-purpose commercial refrigerators and freezers decreased significantly a growing number. For customers are switching to the take-out business due to the effects of refraining from going out, we focused on proposing products that protect food safety, such as blast chillers that quickly cool food after cooking.

Net sales of refrigerated and freezer showcases decreased by 23.3% year on year to ¥6,214 million mainly due to there were few new supermarket openings, the refurbishment plan for food supermarkets that are required to continue operations in the situation where Covid-19 infection has been spread, also due to a decrease in showcase sales of overseas, despite the sales of FE clean water generator were favorable.

Net sales of large-scale food processing equipment decreased by 35.8% year on year to ¥625 million mainly due to many delays in completion and postponement of plans which was affected by the spread of Covid-19 infection although demanded mainly by food manufacturers.

Net sales of large-scale panel refrigerators decreased by 18.6% year on year to ¥1,756 million. Although Sales to food processing plants were strong, but sales to supermarket processing centers decreased.

Net sales of small-scale panel refrigerators increased by 27.6% year on year to ¥952 million mainly due to a decrease in orders for panel refrigeration equipment for commercial kitchens and supermarkets.

Net sales from services decreased by 1.7% year on year to ¥2,086 million mainly due to maintenance sales for supermarkets increased, but maintenance sales for restaurants and tunnel freezers declined.

At the manufacturing department, we responded flexibly at both Shiga and Okayama plants for minimize the impact of the spread of Covid-19 infection, such as reviewing production plans, adjusting the working days, and transferring some parts. We continued to improve productivity and 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 three months ended June 30, 2020, net sales decreased by 21.3% year on year to ¥16,037 million. Due to in addition to the significant decrease in sales, the depreciation cost of the new headquarter and in a full change of commercial refrigerator and freezer models increased, operating profit decreased by 15.1% year on year to ¥1,726 million, ordinary profit decreased by 16.8% year on year to ¥1,860 million, and profit attributable to owners of parent decreased by 16.4% year on year to ¥1,256 million.

(2) Explanation of Financial Position

(Current assets)

Current assets as of the end of the first quarter of the fiscal year under review decreased by ¥3,201 million to ¥55,777 million (¥58,978 million at the end of the previous fiscal year). This is mainly attributable to a decrease in Notes and accounts receivable - trade.

(Non-current assets)

Non-current assets as of the end of the first quarter of the fiscal year under review increased by ¥627 million to ¥29,967 million (¥29,339 million at the end of the previous fiscal year). This is mainly attributable to a decrease in Investment securities of investments and other assets.

(Current liabilities)

Current liabilities as of the end of the first quarter of the fiscal year under review decreased by ¥2,437 million to ¥26,051 million (¥28,489 million at the end of the previous fiscal year). This is mainly attributable to a decrease in Trade notes and accounts payable and income taxes payable.

(Non-current liabilities)

Non-current liabilities as of the end of the first quarter of the fiscal year under review decreased by ¥29 million to ¥1,688 million (¥1,717 million at the end of the previous fiscal year). This is mainly attributable to a decrease in Part of asset retirement obligation recorded as current liability.

(Net assets)

Net assets as of the end of the first quarter of the fiscal year under review decreased by ¥106 million to ¥58,005 million (¥58,111 million at the end of the previous fiscal year). This is mainly attributable to an increase in retained earnings.

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

For the financial results forecasts for the six months ending September 30, 2020 and the fiscal year ending March 31, 2021, no revisions have been made to the projected figures announced on June 30, 2020.

It may fluctuate depending on the spread of Covid-19 infection diseases and the situation of convergence for the timing of Covid-19 infection is still uncertain, and the environment surrounding the Company, including the restaurant industry, is expected to remain uncertain even after the new coronavirus infection is resolved.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	31,696	30,406
Notes and accounts receivable - trade	19,358	15,362
Electronically recorded monetary claims - operating	2,241	3,127
Merchandise and finished goods	2,265	1,898
Work in process	1,558	3,016
Raw materials and supplies	2,031	2,020
Other	873	1,017
Allowance for doubtful accounts	(1,046)	(1,072)
Total current assets	58,978	55,777
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,411	8,297
Machinery and vehicles, net	1,784	1,730
Land	6,731	6,714
Construction in progress	803	1,128
Other, net	730	694
Total property, plant and equipment	18,461	18,564
Intangible assets	416	417
Investments and other assets		
Investment securities	6,813	7,433
Deferred tax asset	382	281
Other	3,324	3,331
Allowance for doubtful accounts	(59)	(61)
Total investments and other assets	10,461	10,985
Total non-current assets	29,339	29,967
Total assets	88,318	85,744
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,656	17,697
Short-term borrowings	125	122
Income taxes payable	1,655	597
Provision for bonuses	1,586	2,184
Provision for product warranties	380	369
Provision for loss on construction contracts	120	97
Asset retirement obligations	-	40
Other	4,963	4,942
Total current liabilities	28,489	26,051
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	1,034	1,043
Provision for contingent loss	238	238
Retirement benefit liability	311	312
Asset retirement obligations	120	80
Other	12	12
Total non-current liabilities	1,717	1,688
Total liabilities	30,206	27,739

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	2,760	2,760
Capital surplus	3,168	3,168
Retained earnings	52,321	51,792
Treasury shares	(3,214)	(3,214)
Total shareholders' equity	55,035	54,506
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,076	3,517
Foreign currency translation adjustment	122	70
Remeasurements of defined benefit plans	(177)	(133)
Total accumulated other comprehensive income	3,020	3,455
Non-controlling interests	54	42
Total net assets	58,111	58,005
Total liabilities and net assets	88,318	85,744

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	20,390	16,037
Cost of sales	15,365	11,997
Gross profit	5,024	4,040
Selling, general and administrative expenses	3,298	3,243
Operating profit	1,726	796
Non-operating income		
Interest income	3	7
Dividend income	34	32
Rental income from buildings	25	25
Insurance claim and dividend income	6	1
Reversal of allowance for doubtful accounts	66	-
Other	104	96
Total non-operating income	240	162
Non-operating expenses		
Interest expenses	0	1
Compensation expenses	5	6
Foreign exchange losses	70	96
Other	30	36
Total non-operating expenses	106	140
Ordinary profit	1,860	818
Profit before income taxes	1,860	818
Income taxes - current	724	504
Income taxes - deferred	(115)	(115)
Total income taxes	608	389
Profit	1,252	429
Loss attributable to non-controlling interests	(3)	(3)
Profit attributable to owners of parent	1,256	432

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Profit	1,252	429
Other comprehensive income		
Valuation difference on available-for-sale securities	(373)	441
Foreign currency translation adjustment	(9)	(60)
Remeasurements of defined benefit plans, net of tax	16	44
Total other comprehensive income	(366)	425
Comprehensive income	885	855
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	893	867
Comprehensive income attributable to non-controlling interests	(8)	(11)

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.

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.
October 17, 2019	NIHON DENKI-KIKI CO., LTD.	¥388 million	A lawsuit filed against a joint venture comprised of four companies including the Company, with the plaintiff seeking payment for construction contracts. The Company asserts that the construction work claimed is not within the scope of work managed by the Company, and the case is currently pending in the Osaka District Court.