

Translation

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Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 (Japanese GAAP)

August 12, 2020

Company name: DELICA FOODS HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3392

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Date of release of quarterly securities report: August 14, 2020

Starting date of dividend payments: —

Preparation of explanatory materials on quarterly financial results: No

Information meetings arranged related to quarterly financial results: No

(Amounts are rounded to the nearest million)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020

(1) Consolidated Operating Results (% figures denote year-on-year change) Total trading transactions)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Three months ended June 30, 2020	5,459	△45.0	△1,058	—	△755	—	△600	—
Three months ended June 30, 2019	9,930	4.7	207	17.1	223	11.9	138	28.1

(Note) Comprehensive income: Three months ended June 30, 2020: △562million yen(—%)
Three months ended June 30 2019: 122million yen(4.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2020	△40.72	—
Three months ended Jun. 30, 2019	9.41	—

(Note) The company conducted a 2 for 1 common stock split effective on September 1, 2019. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Diluted net income per share for the three months ended June 30, 2020 is not presented because there were no potential shares with dilutive effects

(2) Consolidated financial position

	Total assets	Net assets	Shareholders equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	22,451	7,386	32.9
As of Mar. 31, 2020	21,873	8,023	36.7

(Reference) Shareholders equity (million yen): As of Jun. 30, 2020 : 7,386 As of Mar. 31, 2020 : 8,023

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2020	Yen —	Yen —	Yen —	Yen 5.00	Yen 5.00
Fiscal year ending Mar. 31, 2021	—				
Fiscal year ending Mar. 31, 2021 (forecast)		—	—	—	—

(Note) Revisions to the most recently announced dividend forecast: None

(Note) The amount of dividends for the fiscal year ending March 31, 2021 has not yet been determined since it is difficult to forecast financial results for the fiscal year at this point.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 April 1, 2020 March 31, 2021

The consolidated projected operations results during fiscal year ending March 2021 is on hold, since it is difficult to forecast the impact of the spread of novel coronavirus infections (COVID-19) at this point. The results will be disclosed promptly when a rational estimation becomes available.

(Note) Revisions to the most recently announced earnings forecast: None

※ Notes

(1) Changes in material subsidiaries during the first quarter ended June 2020 : No.

(Changes in special subsidiaries accompanying with a change in the scope of consolidation)

Inclusion — (Company name:) Exclusion — (Company name:)

(2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements : Yes

(3) Changes in accounting policies and accounting estimates, and correction and restatement

(i) Changes in accounting policies accompanying with revisions in the accounting standards, etc. : No

(ii) Changes in accounting policies other than the above item (i) : Yes.

(iii) Changes in the accounting estimates : No

(iv) Correction and restatement : No

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at the end of fiscal year (Including common stock for treasury)

First Quarter ended June 2020	14,872,000	FY Ended March	14,872,000
(ii) Number of treasury stocks at the end of fiscal year	First Quarter ended June 2020	118,484	FY Ended March 2020
			118,484
(iii) The average number of shares during the first quarter	First Quarter ended June 2020	14,753,516	First Quarter ended June 2019
			14,746,943

(Note) The company conducted a 2 for 1 common stock split effective on September 1, 2019. The average number of shares outstanding for the three months ended June 30, 2019 has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

*The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

***Explanation of Appropriate Use of Performance Projections and Other Items Requiring Special Description**

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors.

Please refer to Explanation of Projections of Consolidated Operating Results on page 6 of this report (the attached document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

For more information or question, please contact us to pr-and-ir@delica.co.jp

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the fiscal year under review, economic activities in Japan stagnated due to the spread of the new coronavirus infection, causing national and local governments to declare a state of emergency and people to exercise self-restraint in going out and traveling nationwide. The economic outlook remained extremely uncertain mainly due to concerns about the impact of second and third waves even after the declaration was lifted.

In the food-related industry to which the Group belongs, uncertainty about the future has increased mainly due to a decline in earnings in the food-service industry caused by self-restraint in going out and travelling and a continued increase in closures and suspensions of business.

Under these circumstances, the Group has given top priority to ensuring the safety of its employees and business partners, and has taken thorough measures against the new coronavirus infection. These include ensuring internal ventilation and the wearing of masks, checking the physical condition of all employees and visitors, keeping social distance such as seat intervals, and recommending telecommuting and staggered commuting.

In the Group's mainstay fruit and vegetable wholesaling business, the food-service industry to which our customers belong has gradually recovered from suspensions of business after the lifting of the declaration of a state of emergency. However, the recovery of customer traffic was limited, and the Group's sales volume declined significantly due to successive large-scale closures and withdrawals.

Recognizing these changes in the business environment, the Group has begun direct sales of fruits and vegetables to consumers. We strengthened our sales division and launched proposals that capitalize the Group's strengths, including the development of drive-through vegetable stores, vegetable box sales at large-scale mass retailers, and the supply of fruits and vegetables to other retail stores like supermarkets. Although these initiatives did not make a significant contribution to the Group's earnings during the first quarter of the fiscal year under review, we will continue to develop new businesses and accumulate know-how so as to make the initiatives a major source of earnings.

As a result, net sales for the first quarter of the fiscal year under review were 5,459 million yen (45.0% decrease from the same quarter of the previous fiscal year).

We made intensive cost reduction efforts including the temporary scaled back operations at some plants and reduction of overtime work expenses due to more efficient operations. However, the impact of the decrease in net sales was significant, with operating loss of 1,058 million yen (compared with operating profit of 207 million yen for the same period of the previous fiscal year), ordinary loss of 755 million yen (compared with ordinary profit of 223 million yen for the same period of the previous fiscal year), and loss attributable to owners of parent of 600 million yen (compared with profit attributable to owners of parent of 138 million yen).

(2) Explanation of Financial Position

(Assets)

Current assets increased 3.6% from the end of the previous fiscal year to 8,671 million yen. This was mainly due to an increase of 954 million yen in cash and deposits, against a decrease of 762 million yen in Accounts receivable trade.

Non-current assets increased 2.1% from the end of the previous fiscal year to 13,779 million yen. This was mainly due to increases of 150 million yen in deferred tax assets, 86 million yen in leased assets, and 61 million yen in investment securities, against a decrease of 79 million yen in buildings and structures.

As a result, total assets increased 2.6% from the end of the previous fiscal year to 22,451 million yen.

(Liabilities)

Current liabilities increased 29.5% from the end of the previous fiscal year to 6,246 million yen. This was mainly due to an increase of 1,940 million yen in short-term borrowings, against decreases of 261 million yen in Accounts payable and 159 million yen in Accounts payable trade.

Non-current liabilities decreased 2.3% from the end of the previous fiscal year to 8,818 million yen. This was mainly due to a decrease of 291 million yen in long-term borrowings, against an increase of 82 million yen in lease obligations.

As a result, total liabilities increased 8.8% from the end of the previous fiscal year to 15,065 million yen.

(Net assets)

Total net assets decreased 7.9% from the end of the previous fiscal year to 7,386 million yen. This was mainly due to a decrease of 674 million yen in retained earnings, against an increase of 39 million yen in valuation difference on available for sale securities.

(3) Explanation of Consolidated Forecast and Other Forward looking Statements

The forecast for consolidated business results for the fiscal year under review is still undetermined because the spread of the new coronavirus infection affects the Group as a whole and it is difficult to make a reasonable forecast at this time. We will announce a forecast as soon as it becomes possible.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit : thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	End of this consolidated first quarter (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	4,276,968	5,231,533
Accounts receivable trade	3,638,084	2,875,291
Merchandise and finished goods	160,999	133,610
Work in process	10,437	8,023
Raw materials and supplies	60,485	62,635
Other	229,057	363,199
Allowance for doubtful accounts	△2,948	△2,442
Total current assets	8,373,083	8,671,852
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,463,057	6,383,989
Land	3,639,663	3,639,663
Other, net	2,198,447	2,354,134
Total property, plant and equipment	12,301,168	12,377,788
Intangible assets		
Other	67,356	66,065
Total intangible assets	67,356	66,065
Investments and other assets		
Other	1,133,335	1,339,009
Allowance for doubtful accounts	△1,519	△3,249
Total investments and other assets	1,131,816	1,335,760
Total non-current assets	13,500,342	13,779,614
Total assets	21,873,425	22,451,466

(Unit : thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2020)	End of this consolidated first quarter (As of June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable trade	1,632,816	1,473,516
Short-term borrowings	260,000	2,200,000
Current portion of long term borrowings	1,071,141	1,084,490
Income taxes payable	113,330	14,256
Accounts payable	1,424,905	1,163,643
Provision for bonuses	119,329	32,068
Other	203,492	278,920
Total current liabilities	4,825,017	6,246,895
Non-current liabilities		
Long-term borrowings	8,303,440	8,012,007
Net defined benefit liability	135,230	139,137
Asset retirement obligations	261,624	261,973
Other	325,085	405,043
Total non-current liabilities	9,025,380	8,818,162
Total liabilities	13,850,397	15,065,058
Net assets		
Shareholders' equity		
Share capital	1,377,113	1,377,113
Capital surplus	2,167,666	2,167,666
Retained earnings	4,447,991	3,773,470
Treasury shares	△27,025	△27,025
Total shareholders' equity	7,965,745	7,291,225
Accumulated other comprehensive income		
Valuation difference on available for sale securities	51,866	91,121
Remeasurements of defined benefit plans	5,415	4,061
Total accumulated other comprehensive income	57,281	95,182
Total net assets	8,023,027	7,386,408
Total liabilities and net assets	21,873,425	22,451,466

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Three month Period)

(Unit : thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019-Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020-Jun. 30, 2020)
Net sales	9,930,446	5,459,812
Cost of sales	7,583,254	4,707,355
Gross profit	2,347,192	752,456
Selling, general and administrative expenses	2,140,091	1,810,543
Operating profit (loss)	207,101	△1,058,086
Non-operating income		
Interest income	576	557
Dividend income	2,036	1,393
Gain on sale of goods	5,133	1,670
Rent income	8,858	10,140
Subsidy income	1,520	297,047
Other	8,458	8,909
Total non-operating income	26,582	319,719
Non-operating expenses		
Interest expenses	7,357	7,973
Loss on valuation of interest swaps	2,854	—
Depreciation of inactive non-current assets	—	8,757
Other	53	622
Total non-operating expenses	10,265	17,353
Ordinary profit (loss)	223,418	△755,719
Extraordinary income		
Gain on sales of non-current assets	—	135
Total extraordinary income	—	135
Extraordinary losses		
Loss on retirement of non-current assets	6,958	179
Loss on sales of non-current assets	—	697
Real estate acquisition tax	2,325	—
Operation suspension related costs	—	5,895
Other	—	119
Total extraordinary losses	9,283	6,891
Profit before income taxes(loss)	214,134	△762,475
Income taxes	75,309	△161,722
Profit(loss)	138,825	△600,752
Profit attributable to owners of parent(loss)	138,825	△600,752

Quarterly Consolidated Statement of Comprehensive Income
(For the Three month Period)

(Unit : thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019-Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020-Jun. 30, 2020)
Profit(loss)	138,825	△600,752
Other comprehensive income		
Valuation difference on available for sale securities	△18,053	39,254
Remeasurements of defined benefit plans, net of tax	1,573	△1,353
Total other comprehensive income	△16,480	37,900
Comprehensive income	122,345	△562,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	122,345	△562,852
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders Equity)

The first quarter of the fiscal year under review (from April 1, 2020 to June 30, 2020)

Not applicable.

(Application of special accounting methods for presenting quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company calculates tax expenses by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year including the first quarter of the fiscal year under review.

However, in cases where it would be significantly unreasonable to calculate tax expenses using the estimated effective tax rate, the Company uses the statutory tax rate.

(Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

The Company and its consolidated subsidiaries had adopted the declining-balance method for property, plant and equipment (except for leased assets) (buildings (other than facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 were depreciated by the straight-line method). However, they changed their depreciation method to the straight-line method from the first quarter of the fiscal year under review.

In line with the establishment of capital investment plans in the medium-term management plan, the Group has investigated the status of use of the property, plant and equipment of the Company and its consolidated subsidiaries. It has also reviewed the depreciation method for property, plant and equipment. This has been done from the perspective of appropriate periodic accounting of profit and loss. As a result, we observed no rapid obsolescence either technologically or economically in terms of the past use of production equipment, and confirmed stable operation over the useful life of production equipment. The Group expects that production equipment will continue to be stably operated over the long term and stably contribute to earnings, and concluded that the change from the declining-balance method to the straight-line method would more appropriately reflect the economic realities.

As a result of this change, gross profit for the first quarter of the fiscal year under review increased 24,999 thousand yen, operating loss decreased 35,099 thousand yen, and ordinary loss and loss before income taxes decreased 36,749 thousand yen compared with the figures that would have been posted under the previous method.

(Additional Information)

(Accounting estimates regarding the spread of the new coronavirus infection)

In the previous fiscal year, accounting estimates were reflected in the accounting treatment on the assumption that the spread of the new coronavirus infection would affect the Group's business results until at least June 2020. On the other hand, in the first quarter of the fiscal year under review, a moderate recovery in business results can be expected from the third quarter of the fiscal year under review. However, accounting estimates are reflected in the accounting treatment on the assumption that it will be difficult to recover to the level before the spread of the infection during the fiscal year under review.

3. Other

(1) Quarterly earnings trends

FY2021(consolidated)

(Unit : thousands of yen)

	1st quarter	2nd quarter	3rd quarter	4th quarter
Net sales	5,459,812			
Operating profit(loss)	△ 1,058,086			
Ordinary profit(loss)	△ 755,719			
Profit attributable to non-controlling interests(loss)	△ 600,752			
Net income per share(loss)	△40.72yen			
Total assets	22,451,466			
Net assets	7,386,408			
Net assets per share	500.65yen			

FY2020(consolidated)

(Unit : thousands of yen)

	1st quarter	2nd quarter	3rd quarter	4th quarter
Net sales	9,930,446	10,498,653	10,591,518	9,392,771
Operating profit(loss)	207,101	134,900	293,566	△ 63,889
Ordinary profit(loss)	223,418	149,988	308,577	△ 40,335
Profit attributable to non-controlling interests(loss)	138,825	95,047	199,193	△ 72,254
Net income per share(loss)	9.41yen	6.44yen	13.50yen	△4.90yen
Total assets	20,477,643	21,309,815	21,757,501	21,873,425
Net assets	7,851,774	7,972,009	8,167,653	8,023,027
Net assets per share	532.44yen	540.35yen	553.61yen	543.80yen

(Note) The company conducted a 2 for 1 common stock split effective on September 1, 2019. Net income per share and net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Sales by department

	FY2020 1st quarter		FY2021 1st quarter		Increase or decrease	Increase or decrease
	(Apr. 1, 2019-Jun. 30, 2019)		(Apr. 1, 2020-Jun. 30, 2020)			
	Amount (thousands of yen)	Composition ratio(%)	Amount (thousands of yen)	Composition ratio(%)	(thousands of yen)	(%)
Cut vegetables	4,261,754	42.9	2,647,648	48.5	△ 1,614,105	△ 37.9
Hall vegetables	4,444,911	44.8	2,183,010	40.0	△ 2,261,901	△ 50.9
Other	1,223,780	12.3	629,153	11.5	△ 594,627	△ 48.6
Total	9,930,446	100.0	5,459,812	100.0	△ 4,470,634	△ 45.0