

**Translation**

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

November 11, 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: November 11, 2020

Starting date of dividend payments: —

Preparation of explanatory materials on quarterly financial results: Yes

Information meetings arranged related to quarterly financial results: Yes (For analysts)

(Amounts are rounded to the nearest million)

### 1. Consolidated Financial Results for the Six Months Ended September 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 Six months ended September 30, 2020	14,042	△31.3	△1,354	—	△1,015	—	△776	—
Six months ended September 30, 2019	20,429	5.0	342	45.0	373	35.6	233	58.7

(Note) Comprehensive income: Six months ended June 30, 2020: △720million yen(—%)  
Six months ended June 30 2019: 237million yen(72.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	△52.62	—
Six months ended September 30, 2019	15.86	—

(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 six months ended September 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 Sep. 30, 2020	22,470	7,235	32.2
As of Mar. 31, 2020	21,873	8,023	36.7

(Reference) Shareholders equity (million yen): As of Sep. 30, 2020 : 7,235 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 second quarter ended September 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)	Second Quarter ended September 2020	14,872,000	FY Ended March	14,872,000
(ii) Number of treasury stocks at the end of fiscal year	Second Quarter ended September 2020	108,764	FY Ended March 2020	118,484
(iii) The average number of shares during the first quarter	Second Quarter ended September 2020	14,756,172	Second Quarter ended September 2019	14,748,841

(Note) The company conducted a 2 for 1 common stock split effective on September 1, 2019. The average number of shares outstanding for the six months ended September 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](mailto: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 six months 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 remains extremely uncertain mainly due to concerns about the impact of second and third waves of the spread of the infection, even since the declaration has been lifted.

Looking ahead, although there are moves to restart economic activities, it is unclear when the infection will recede, and difficult conditions are expected to continue.

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, and customer traffic recovered from September onward. However, the Group's sales volume has not fully recovered, owing to the significant impact of large-scale closures and withdrawals.

Recognizing these changes in the business environment, the Group has begun direct sales of fruits and vegetables to consumers (B2C business). In addition to developing 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, the Group also established its own e-commerce website under the VegeMarché brand. In September, the Group also established an associate, "Seikabiyori Laboratory," as a joint venture with an industry peer, thereby creating a system for providing ordinary consumers with a broad range of "safe, delicious, and healthy" fruits and vegetables. These initiatives did not make a significant contribution to the Group's earnings in the first six months of the fiscal year under review, but the Group intends to promote the B2C business alongside existing businesses, so as to make it a major source of future earnings.

As a result, net sales for the first six months of the fiscal year under review were 14,042 million yen (31.3% decrease from the same period 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, these efforts were not enough to cover the impact of the decrease in net sales in the first quarter, which was particularly notable, resulting in operating loss of 1,354 million yen (compared with operating profit of 342 million yen for the same period of the previous fiscal year), ordinary loss of 1,015 million yen (compared with ordinary profit of 373 million yen for the same period of the previous fiscal year), and loss attributable to owners of parent of 776 million yen (compared with profit attributable to owners of parent of 233 million yen) (in the month of September alone, however, the Group recorded ordinary profit of 63 million yen).

### (2) Explanation of Financial Position

#### (Assets)

Current assets increased 2.3% from the end of the previous fiscal year to 8,564 million yen. This was mainly due to an increase of 286 million yen in cash and deposits, against a decrease of 61 million yen in accounts receivable trade.

Non-current assets increased 3.0% from the end of the previous fiscal year to 13,906 million yen. This was mainly due to increases of 236 million yen in deferred tax assets, 213 million yen in leased assets, and 73 million yen in investment securities, against a decrease of 163 million yen in buildings and structures.

As a result, total assets increased 2.7% from the end of the previous fiscal year to 22,470 million yen.

#### (Liabilities)

Current liabilities increased 35.9% from the end of the previous fiscal year to 6,557 million yen. This was mainly due to an increase of 1,940 million yen in short-term borrowings, against a decrease of 290 million yen in accounts payable.

Non-current liabilities decreased 3.9% from the end of the previous fiscal year to 8,677 million yen. This was mainly due to a decrease of 582 million yen in long-term borrowings, against an increase of 221 million yen in lease obligations. As a result, total liabilities increased 10.0% from the end of the previous fiscal year to 15,235 million yen.

(Net assets)

Total net assets decreased 9.8% from the end of the previous fiscal year to 7,235 million yen. This was mainly due to a decrease of 850 million yen in retained earnings.

### (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 second quarter (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	4,276,968	4,563,667
Accounts receivable trade	3,638,084	3,576,398
Merchandise and finished goods	160,999	161,453
Work in process	10,437	10,164
Raw materials and supplies	60,485	85,751
Other	229,057	170,029
Allowance for doubtful accounts	△2,948	△2,759
Total current assets	8,373,083	8,564,704
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,463,057	6,300,033
Land	3,639,663	3,639,663
Other, net	2,198,447	2,471,156
Total property, plant and equipment	12,301,168	12,410,853
Intangible assets		
Other	67,356	63,528
Total intangible assets	67,356	63,528
Investments and other assets		
Other	1,133,335	1,434,893
Allowance for doubtful accounts	△1,519	△3,249
Total investments and other assets	1,131,816	1,431,644
Total non-current assets	13,500,342	13,906,026
Total assets	21,873,425	22,470,731

	(Unit : thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	End of this consolidated second quarter (As of September 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable trade	1,632,816	1,766,144
Short-term borrowings	260,000	2,200,000
Current portion of long term borrowings	1,071,141	1,111,571
Income taxes payable	113,330	13,883
Accounts payable	1,424,905	1,134,705
Provision for bonuses	119,329	80,929
Other	203,492	250,519
Total current liabilities	4,825,017	6,557,754
Non-current liabilities		
Long-term borrowings	8,303,440	7,720,573
Net defined benefit liability	135,230	144,193
Asset retirement obligations	261,624	262,323
Other	325,085	550,773
Total non-current liabilities	9,025,380	8,677,864
Total liabilities	13,850,397	15,235,618
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,377,113	1,377,113
Capital surplus	2,167,666	2,171,446
Retained earnings	4,447,991	3,597,758
Treasury shares	△27,025	△24,808
Total shareholders' equity	7,965,745	7,121,510
Accumulated other comprehensive income		
Valuation difference on available for sale securities	51,866	110,895
Remeasurements of defined benefit plans	5,415	2,707
Total accumulated other comprehensive income	57,281	113,602
Total net assets	8,023,027	7,235,113
Total liabilities and net assets	21,873,425	22,470,731



## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statement of Income

(For the Six month Period)

(Unit : thousands of yen)

	Second six months of FY3/20 (Apr. 1, 2019-Sep. 30, 2019)	Second six months of FY3/21 (Apr. 1, 2020-Sep. 30, 2020)
Net sales	20,429,099	14,042,712
Cost of sales	15,758,574	11,641,559
Gross profit	4,670,524	2,401,153
Selling, general and administrative expenses	4,328,523	3,755,375
Operating profit (loss)	342,001	△1,354,222
Non-operating income		
Interest income	1,164	1,129
Dividend income	3,000	2,383
Gain on sale of goods	9,447	4,203
Rent income	18,175	20,158
Subsidy income	2,420	325,456
Other	14,104	14,155
Total non-operating income	48,313	367,486
Non-operating expenses		
Interest expenses	15,183	16,395
Depreciation of inactive non-current assets	—	8,757
Other		
Total non-operating expenses	16,907	28,600
Ordinary profit (loss)	373,406	△1,015,434
Extraordinary income		
Gain on sales of non-current assets		135
Gain on sale of investment securities	—	136
Total extraordinary income		
Extraordinary losses		
Loss on retirement of non-current assets	6,958	
Loss on devaluation of investment securities	471	—
Real estate acquisition tax		—
Operation suspension related costs	—	6,420
Other		
Total extraordinary losses	13,106	9,252
Profit before income taxes(loss)	360,475	△1,024,415
Income taxes	126,602	△247,950
Profit(loss)	233,872	△776,465
Profit attributable to owners of parent(loss)	233,872	△776,465

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

(Unit : thousands of yen)

	Second six months of FY3/20 (Apr. 1, 2019-Sep. 30, 2019)	Second six months of FY3/21 (Apr. 1, 2020-Sep. 30, 2020)
Profit(loss)	233,872	△776,465
Other comprehensive income		
Valuation difference on available for sale securities	446	59,028
Remeasurements of defined benefit plans, net of tax	3,317	△2,707
Total other comprehensive income	△3,763	56,320
Comprehensive income	237,636	△720,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	237,636	△720,144
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statements of Cash Flow

(Unit : thousands of yen)

	Second six months of FY3/20 (Apr. 1, 2019-Sep. 30, 2019)	Second six months of FY3/21 (Apr. 1, 2020-Sep. 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	360,475	△1,024,415
Depreciation	413,134	436,301
Increase (decrease) in provision	703	△36,859
Increase (decrease) in net defined benefit liability	11,216	5,543
Interest and dividend income	△4,165	△3,512
Subsidy income	△2,420	△325,456
Interest expenses	15,183	16,395
Loss on retirement of non-current assets	6,958	1,195
Loss (gain) on valuation of investment securities	471	—
Real estate acquisition tax	3,819	—
Decrease (increase) in notes and accounts receivable – trade	418,557	59,956
Decrease (increase) in inventories	△43,990	△25,446
Increase (decrease) in notes and accounts payable – trade	△2,373	133,327
Increase (decrease) in accounts payable – other	31,291	△19,906
Other, net	△16,781	94,236
Subtotal	1,192,082	△688,641
Interest and dividend income received	4,155	3,503
Interest expenses paid	△11,380	△18,210
Proceeds from subsidy income	2,420	294,370
Income taxes paid	△127,851	△87,307
Net cash provided by (used in) operating activities	1,059,425	△496,286
Cash flows from investing activities		
Purchase of property, plant and equipment	△1,517,213	△466,431
Purchase of intangible assets	△3,420	△8,074
Purchase of investment securities	△2,682	△4,991
Proceeds from sales of investment securities	—	21,255
Payments of loans receivable	△1,128	△1,093
Payments for lease and guarantee deposits	△1,161	△3,665
Proceeds from maturity of insurance funds	17,274	14
Other, net	5,171	13,112
Net cash provided by (used in) investing activities	△1,503,159	△449,873
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	1,940,000
Increase in short-term loans payable	1,900,000	—
Repayments of long-term loans payable	△564,333	△542,436
Repayments of lease obligations	△58,021	△71,798
Cash dividends paid	△117,634	△73,719
Other, net	△36	—
Net cash provided by (used in) financing activities	1,159,973	1,252,045
Net increase (decrease) in cash and cash equivalents	716,239	305,886
Cash and cash equivalents at beginning of period	2,850,540	3,930,504
Cash and cash equivalents at end of quarter	3,566,779	4,236,390

#### (4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders Equity)

The first six months of the fiscal year under review (from April 1, 2020 to September 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 second 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 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 six months of the fiscal year under review increased 51,676 thousand yen, operating loss decreased 72,377 thousand yen, and ordinary loss and loss before income taxes decreased 74,027 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 second 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	8,582,900		
Operating profit(loss)	△ 1,058,086	△ 296,135		
Ordinary profit(loss)	△ 755,719	△ 259,715		
Profit attributable to non-controlling interests(loss)	△ 600,752	△ 175,712		
Net income per share(loss)	△40.72yen	△11.91yen		
Total assets	22,451,466	22,470,731		
Net assets	7,386,408	7,235,113		
Net assets per share	500.65yen	490.08yen		

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 2nd quarter (Apr. 1, 2019-Sep. 30, 2019)		FY2021 2nd quarter (Apr. 1, 2020-Sep. 30, 2020)		Increase or decrease  (thousands of yen)	Increase or decrease  (%)
	Amount (thousands of yen)	Composition ratio (%)	Amount (thousands of yen)	Composition ratio (%)		
Cut vegetables	8,695,355	42.5	6,520,327	46.4	△ 2,175,028	△ 25.0
Hall vegetables	9,227,203	45.2	5,861,008	41.8	△ 3,366,195	△ 36.5
Other	2,506,540	12.3	1,661,377	11.8	△ 845,163	△ 33.7
Total	20,429,099	100.0	14,042,712	100.0	△ 6,386,386	△ 31.3