

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2019 (Based on Japanese GAAP)

May 9, 2019

Company name: NICHIIHA CORPORATION
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 7943 URL <https://www.nichiha.co.jp>
 Representative: PRESIDENT TATSUO YAMANAKA
 Inquiries: DIRECTOR SENIOR EXECUTIVE KAZUSHI TONOI TEL 052-220-5111
 OFFICER
 Scheduled date of ordinary general meeting of shareholders: June 25, 2019
 Scheduled date to file Securities Report: June 26, 2019
 Scheduled date to commence dividend payments: June 26, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2019	119,160	2.6	12,720	(3.9)	13,137	(4.8)	9,915	(11.1)
Year ended March 31, 2018	116,144	(1.8)	13,232	3.1	13,796	5.2	11,151	16.2

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	268.13	267.61	11.8	9.9	10.7
Year ended March 31, 2018	301.60	301.01	14.6	10.8	11.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	136,068	87,404	64.5	2,374.08
As of March 31, 2018	129,605	80,497	62.5	2,189.71

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	12,973	(3,595)	(4,553)	32,525
Year ended March 31, 2018	11,103	(5,700)	(4,350)	27,786

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	—	27.50	—	33.50	61.00	2,255	20.2	3.0
Year ended March 31, 2019	—	28.00	—	28.00	56.00	2,071	20.9	2.5
Year ending March 31, 2020 (Forecast)	—	30.00	—	30.00	60.00		20.2	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2019	61,500	8.7	6,500	19.6	6,600	15.4	5,100	21.4	137.90
Full year	128,000	7.4	14,500	14.0	14,800	12.7	11,000	10.9	297.44

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: Yes

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2019	37,324,264 shares	As of March 31, 2018	37,324,264 shares
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Number of treasury shares at the end of the period

As of March 31, 2019	341,495 shares	As of March 31, 2018	349,927 shares
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Average number of shares during the period

Year ended March 31, 2019	36,981,024 shares	Year ended March 31, 2018	36,974,340 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	27,786	33,172
Notes and accounts receivable - trade	27,612	29,200
Merchandise and finished goods	11,803	12,525
Work in process	1,918	2,343
Raw materials and supplies	3,019	3,230
Other	1,056	921
Allowance for doubtful accounts	(46)	(49)
Total current assets	73,150	81,343
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,929	42,000
Accumulated depreciation	(29,019)	(29,864)
Buildings and structures, net	12,909	12,135
Machinery, equipment and vehicles	90,706	92,413
Accumulated depreciation	(80,686)	(82,483)
Machinery, equipment and vehicles, net	10,020	9,930
Tools, furniture and fixtures	5,741	5,887
Accumulated depreciation	(5,367)	(5,534)
Tools, furniture and fixtures, net	373	353
Land	20,381	20,380
Leased assets	559	456
Accumulated depreciation	(355)	(184)
Leased assets, net	204	271
Construction in progress	372	294
Total property, plant and equipment	44,262	43,366
Intangible assets		
Leased assets	35	57
Software	1,704	1,306
Other	245	231
Total intangible assets	1,986	1,595
Investments and other assets		
Investment securities	6,306	5,728
Deferred tax assets	2,180	2,458
Retirement benefit asset	246	233
Other	1,496	1,366
Allowance for doubtful accounts	(23)	(24)
Total investments and other assets	10,205	9,762
Total non-current assets	56,454	54,725
Total assets	129,605	136,068

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,450	14,905
Short-term loans payable	280	210
Current portion of long-term loans payable	5,064	2,553
Lease obligations	129	116
Accrued expenses	5,693	5,995
Income taxes payable	1,786	1,898
Provision for bonuses	1,347	1,481
Provision for bonuses for directors (and other officers)	103	104
Provision for product warranties	489	595
Other	3,034	3,689
Total current liabilities	32,379	31,551
Non-current liabilities		
Long-term loans payable	12,969	13,416
Lease obligations	129	239
Deferred tax liabilities	439	379
Provision for retirement benefits for directors (and other officers)	161	162
Provision for product warranties	1,349	1,154
Retirement benefit liability	1,491	1,565
Other	187	195
Total non-current liabilities	16,728	17,113
Total liabilities	49,108	48,664
Net assets		
Shareholders' equity		
Capital stock	8,136	8,136
Capital surplus	10,927	10,933
Retained earnings	59,776	67,417
Treasury shares	(326)	(319)
Total shareholders' equity	78,513	86,167
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,567	2,162
Foreign currency translation adjustment	277	(237)
Remeasurements of defined benefit plans	(394)	(292)
Total accumulated other comprehensive income	2,449	1,632
Share acquisition rights	103	112
Non-controlling interests	(569)	(507)
Total net assets	80,497	87,404
Total liabilities and net assets	129,605	136,068

Consolidated statements of income and consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	116,144	119,160
Cost of sales	69,564	71,524
Gross profit	46,579	47,635
Selling, general and administrative expenses		
Freightage and packing expenses	14,599	15,664
Advertising and promotion expenses	1,816	1,684
Provision of allowance for doubtful accounts	6	2
Salaries and allowances and welfare expenses	7,634	7,637
Provision for bonuses	452	543
Provision for bonuses for directors (and other officers)	103	105
Retirement benefit expenses	285	280
Provision for retirement benefits for directors (and other officers)	25	26
Depreciation	794	810
Experiment and research expenses	1,300	1,253
Provision for product warranties	267	398
Other	6,060	6,506
Total selling, general and administrative expenses	33,347	34,914
Operating profit	13,232	12,720
Non-operating income		
Interest income	51	124
Dividend income	154	155
Real estate rent	88	89
Foreign exchange gains	—	64
Insurance income	202	51
Other	364	115
Total non-operating income	861	600
Non-operating expenses		
Interest expenses	161	137
Foreign exchange losses	87	—
Other	47	46
Total non-operating expenses	296	183
Ordinary profit	13,796	13,137

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Extraordinary income		
Gain on sales of non-current assets	7	8
Gain on sales of investment securities	3	—
Total extraordinary income	11	8
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	100	72
Impairment loss	147	—
Other	1	—
Total extraordinary losses	249	72
Profit before income taxes	13,558	13,073
Income taxes - current	3,340	3,323
Income taxes - deferred	(1,013)	(229)
Total income taxes	2,326	3,093
Profit	11,231	9,979
Profit attributable to		
Profit attributable to owners of parent	11,151	9,915
Profit attributable to non-controlling interests	80	63
Other comprehensive income		
Valuation difference on available-for-sale securities	561	(405)
Foreign currency translation adjustment	(120)	(516)
Remeasurements of defined benefit plans, net of tax	180	102
Total other comprehensive income	621	(818)
Comprehensive income	11,853	9,160
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,774	9,098
Comprehensive income attributable to non-controlling interests	78	62

Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,136	10,925	50,787	(325)	69,523
Changes of items during period					
Dividends of surplus			(2,162)		(2,162)
Profit attributable to owners of parent			11,151		11,151
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		2		2	5
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2	8,988	(1)	8,989
Balance at end of current period	8,136	10,927	59,776	(326)	78,513

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,006	395	(575)	1,826	75	(648)	70,777
Changes of items during period							
Dividends of surplus							(2,162)
Profit attributable to owners of parent							11,151
Purchase of treasury shares							(4)
Disposal of treasury shares							5
Net changes of items other than shareholders' equity	561	(118)	180	623	27	78	730
Total changes of items during period	561	(118)	180	623	27	78	9,719
Balance at end of current period	2,567	277	(394)	2,449	103	(569)	80,497

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,136	10,927	59,776	(326)	78,513
Changes of items during period					
Dividends of surplus			(2,274)		(2,274)
Profit attributable to owners of parent			9,915		9,915
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		5		8	14
Net changes of items other than shareholders' equity					
Total changes of items during period	—	5	7,641	6	7,654
Balance at end of current period	8,136	10,933	67,417	(319)	86,167

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,567	277	(394)	2,449	103	(569)	80,497
Changes of items during period							
Dividends of surplus							(2,274)
Profit attributable to owners of parent							9,915
Purchase of treasury shares							(1)
Disposal of treasury shares							14
Net changes of items other than shareholders' equity	(405)	(514)	102	(817)	8	62	(746)
Total changes of items during period	(405)	(514)	102	(817)	8	62	6,907
Balance at end of current period	2,162	(237)	(292)	1,632	112	(507)	87,404

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	13,558	13,073
Depreciation	5,489	4,846
Impairment loss	147	—
Increase (decrease) in provision for product warranties	(286)	(88)
Increase (decrease) in retirement benefit liability	69	220
Interest and dividend income	(206)	(279)
Interest expenses	161	137
Foreign exchange losses (gains)	68	(47)
Loss on retirement of non-current assets	100	72
Decrease (increase) in notes and accounts receivable - trade	(191)	(1,651)
Decrease (increase) in inventories	(3,158)	(1,516)
Increase (decrease) in notes and accounts payable - trade	(529)	510
Other, net	(359)	715
Subtotal	14,863	15,993
Interest and dividend income received	197	268
Interest expenses paid	(165)	(141)
Income taxes paid	(3,791)	(3,148)
Income taxes refund	—	1
Net cash provided by (used in) operating activities	11,103	12,973
Cash flows from investing activities		
Payments into time deposits	—	(668)
Purchase of property, plant and equipment	(5,461)	(2,946)
Proceeds from sales of property, plant and equipment	10	9
Purchase of intangible assets	(272)	(62)
Purchase of investment securities	(0)	(1)
Proceeds from sales of investment securities	6	0
Other, net	16	73
Net cash provided by (used in) investing activities	(5,700)	(3,595)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	130	(70)
Proceeds from long-term loans payable	3,000	3,000
Repayments of long-term loans payable	(5,166)	(5,064)
Repayments of lease obligations	(146)	(143)
Cash dividends paid	(2,162)	(2,274)
Other, net	(4)	(1)
Net cash provided by (used in) financing activities	(4,350)	(4,553)
Effect of exchange rate change on cash and cash equivalents	(119)	(85)
Net increase (decrease) in cash and cash equivalents	932	4,738
Cash and cash equivalents at beginning of period	26,854	27,786
Cash and cash equivalents at end of period	27,786	32,525