

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 22, 2020

Company name: NAGATANEN HOLDINGS CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 2899 URL <http://www.nagatanen-hd.co.jp/>
 Representative: Representative Director and President Taijiro Nagatani
 Executive Officer
 Inquiries: General Accounting & Finance Division Teru Eguchi TEL 03-3432-2511
 Scheduled date of ordinary general meeting of shareholders: June 26, 2020
 Scheduled date to file Securities Report: June 29, 2020
 Scheduled date to commence dividend payments: June 29, 2020
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2020	105,063	0.3	3,422	45.2	3,138	27.1	1,149	8.6
Year ended March 31, 2019	104,746	5.7	2,357	(36.0)	2,468	(22.5)	1,058	(36.2)

	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, 2020	64.59	—	3.7	3.6	3.3
Year ended March 31, 2019	59.03	—	3.3	2.8	2.3

(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, 2020	86,391	32,292	36.0	1,758.74
As of March 31, 2019	87,943	32,800	36.1	1,773.90

(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, 2020	7,522	(4,294)	(3,071)	7,862
Year ended March 31, 2019	3,942	(2,635)	(1,959)	7,703

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, 2019	—	7.75	—	15.50	—	554	52.5	1.7
Year ended March 31, 2020	—	15.50	—	15.50	31.00	551	48.0	1.8
Year ending March 31, 2021 (Forecast)	—	15.50	—	15.50	31.00		32.2	

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	107,000	1.8	3,500	2.3	3,200	2.0	1,700	48.0	96.16

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

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, 2020	19,138,703 shares	As of March 31, 2019	19,138,703 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	1,461,211 shares	As of March 31, 2019	1,250,854 shares
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Average number of shares during the period

Year ended March 31, 2020	17,802,335 shares	Year ended March 31, 2019	17,934,987 shares
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Consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	7,711	7,870
Notes and accounts receivable - trade	13,810	14,316
Merchandise and finished goods	6,549	5,137
Work in process	1,307	1,403
Raw materials and supplies	5,388	5,073
Other	1,484	1,693
Allowance for doubtful accounts	(54)	(94)
Total current assets	36,197	35,400
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,339	18,564
Accumulated depreciation	(11,843)	(12,197)
Buildings and structures, net	6,496	6,367
Machinery, equipment and vehicles	26,697	27,407
Accumulated depreciation	(17,825)	(18,363)
Machinery, equipment and vehicles, net	8,872	9,043
Land	11,099	11,135
Leased assets	1,914	2,295
Accumulated depreciation	(986)	(1,203)
Leased assets, net	927	1,092
Construction in progress	369	1,225
Other	2,473	2,568
Accumulated depreciation	(1,956)	(2,026)
Other, net	516	541
Total property, plant and equipment	28,282	29,406
Intangible assets		
Goodwill	12,681	11,701
Other	284	285
Total intangible assets	12,965	11,986
Investments and other assets		
Investment securities	7,540	6,227
Investments in capital of subsidiaries and associates	201	190
Deferred tax assets	1,107	1,166
Deferred tax assets for land revaluation	—	239
Retirement benefit asset	156	163
Other	1,579	1,695
Allowance for doubtful accounts	(87)	(84)
Total investments and other assets	10,498	9,598
Total non-current assets	51,746	50,991
Total assets	87,943	86,391

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,013	5,982
Electronically recorded obligations - operating	2,839	2,801
Short-term borrowings	7,458	8,600
Lease obligations	298	261
Income taxes payable	867	682
Provision for bonuses	625	637
Accounts payable - other	4,988	5,285
Other	1,946	3,681
Total current liabilities	26,038	27,934
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	15,340	12,547
Lease obligations	761	991
Deferred tax liabilities	880	594
Deferred tax liabilities for land revaluation	334	334
Provision for retirement benefits for directors (and other officers)	86	92
Retirement benefit liability	220	237
Asset retirement obligations	246	261
Other	1,235	1,105
Total non-current liabilities	29,104	26,164
Total liabilities	55,143	54,098
Net assets		
Shareholders' equity		
Share capital	3,502	3,502
Capital surplus	6,197	6,197
Retained earnings	26,000	26,599
Treasury shares	(2,353)	(2,804)
Total shareholders' equity	33,348	33,495
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,911	1,057
Revaluation reserve for land	(3,394)	(3,154)
Foreign currency translation adjustment	(148)	(203)
Remeasurements of defined benefit plans	14	(104)
Total accumulated other comprehensive income	(1,616)	(2,405)
Non-controlling interests	1,068	1,202
Total net assets	32,800	32,292
Total liabilities and net assets	87,943	86,391

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	104,746	105,063
Cost of sales	63,506	63,391
Gross profit	41,240	41,672
Selling, general and administrative expenses		
Freight and packing costs	4,225	4,243
Advertising expenses	2,554	2,504
Promotion expenses	13,282	13,028
Salaries and bonuses	7,073	7,070
Provision for bonuses	350	343
Provision for retirement benefits for directors (and other officers)	27	24
Provision of allowance for doubtful accounts	0	23
Retirement benefit expenses	260	204
Depreciation	500	527
Other	10,608	10,281
Total selling, general and administrative expenses	38,882	38,249
Operating profit	2,357	3,422
Non-operating income		
Interest income	18	13
Dividend income	127	169
Foreign exchange gains	307	—
Other	162	195
Total non-operating income	615	378
Non-operating expenses		
Interest expenses	249	259
Foreign exchange losses	—	252
Loss on retirement of non-current assets	98	71
Share of loss of entities accounted for using equity method	8	8
Other	147	69
Total non-operating expenses	504	662
Ordinary profit	2,468	3,138

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Extraordinary income		
Gain on sales of non-current assets	268	—
Gain on sales of investment securities	5	—
Subsidy income	18	—
Total extraordinary income	293	—
Extraordinary losses		
Impairment loss	327	346
Loss on disaster	14	—
Loss on valuation of investments in capital of subsidiaries and associates	—	88
Loss on valuation of shares of subsidiaries	37	—
Loss on store closings	25	4
Loss on valuation of membership	—	6
Bad debts written off	—	27
Loss on valuation of inventories	104	—
Retirement benefits for directors (and other officers)	—	6
Compensation for damage	—	30
Total extraordinary losses	509	509
Profit before income taxes	2,252	2,628
Income taxes - current	1,225	1,303
Income taxes - deferred	(66)	30
Total income taxes	1,159	1,334
Profit	1,093	1,294
Profit attributable to non-controlling interests	34	144
Profit attributable to owners of parent	1,058	1,149

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	1,093	1,294
Other comprehensive income		
Valuation difference on available-for-sale securities	(433)	(854)
Revaluation reserve for land	—	239
Foreign currency translation adjustment	(800)	(70)
Remeasurements of defined benefit plans, net of tax	(29)	(119)
Share of other comprehensive income of entities accounted for using equity method	1	2
Total other comprehensive income	(1,261)	(801)
Comprehensive income	(168)	493
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(184)	361
Comprehensive income attributable to non-controlling interests	16	132

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,502	6,197	25,444	(2,053)	33,092
Changes during period					
Dividends of surplus			(556)		(556)
Profit attributable to owners of parent			1,058		1,058
Purchase of treasury shares				(300)	(300)
Disposal of treasury shares		0		0	0
Change in scope of consolidation					—
Reversal of revaluation reserve for land			53		53
Net changes in items other than shareholders' equity					—
Total changes during period	—	0	556	(300)	256
Balance at end of period	3,502	6,197	26,000	(2,353)	33,348

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,345	(3,340)	631	43	(320)	1,052	33,824
Changes during period							
Dividends of surplus							(556)
Profit attributable to owners of parent							1,058
Purchase of treasury shares							(300)
Disposal of treasury shares							0
Change in scope of consolidation							—
Reversal of revaluation reserve for land							53
Net changes in items other than shareholders' equity	(433)	(53)	(780)	(29)	(1,296)	16	(1,280)
Total changes during period	(433)	(53)	(780)	(29)	(1,296)	16	(1,024)
Balance at end of period	1,911	(3,394)	(148)	14	(1,616)	1,068	32,800

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,502	6,197	26,000	(2,353)	33,348
Changes during period					
Dividends of surplus			(554)		(554)
Profit attributable to owners of parent			1,149		1,149
Purchase of treasury shares				(451)	(451)
Disposal of treasury shares		0		0	0
Change in scope of consolidation			3		3
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity					—
Total changes during period	—	0	598	(451)	147
Balance at end of period	3,502	6,197	26,599	(2,804)	33,495

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,911	(3,394)	(148)	14	(1,616)	1,068	32,800
Changes during period							
Dividends of surplus							(554)
Profit attributable to owners of parent							1,149
Purchase of treasury shares							(451)
Disposal of treasury shares							0
Change in scope of consolidation							3
Reversal of revaluation reserve for land							—
Net changes in items other than shareholders' equity	(854)	239	(55)	(119)	(788)	133	(654)
Total changes during period	(854)	239	(55)	(119)	(788)	133	(507)
Balance at end of period	1,057	(3,154)	(203)	(104)	(2,405)	1,202	32,292

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,252	2,628
Depreciation	2,624	2,940
Impairment loss	327	346
Amortization of goodwill	885	876
Depreciation and amortization on other	51	46
Increase (decrease) in allowance for doubtful accounts	17	37
Increase (decrease) in provision for bonuses	16	12
Increase (decrease) in provision for retirement benefits for directors (and other officers)	17	6
Increase (decrease) in retirement benefit liability	(137)	10
Interest and dividend income	(145)	(182)
Interest expenses	249	259
Share of loss (profit) of entities accounted for using equity method	8	8
Loss (gain) on sales and retirement of property, plant and equipment	(132)	69
Loss (gain) on sales of investment securities	(6)	(3)
Loss (gain) on valuation of investment securities	0	0
Loss on valuation of investments to subsidiaries and associates	—	88
Loss on valuation of shares of subsidiaries and associates	37	—
Subsidy income	(18)	—
Other non-operating expenses (income)	(255)	192
Decrease (increase) in trade receivables	168	(543)
Decrease (increase) in inventories	(1,158)	1,573
Increase (decrease) in trade payables	521	(1,031)
Increase (decrease) in accounts payable - other, and accrued expenses	(830)	468
Increase (decrease) in accrued consumption taxes	(226)	111
Increase/decrease in other assets/liabilities	672	(991)
Subtotal	4,940	6,927
Interest and dividends received	150	183
Proceeds from compensation for expropriation	—	1,549
Interest paid	(215)	(252)
Income taxes paid	(1,123)	(1,238)
Income taxes refund	190	353
Net cash provided by (used in) operating activities	3,942	7,522

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Payments into time deposits	(24)	(24)
Proceeds from withdrawal of time deposits	24	24
Purchase of property, plant and equipment and intangible assets	(3,162)	(4,289)
Proceeds from sales of property, plant and equipment	512	31
Purchase of investment securities	(18)	(14)
Proceeds from sales of investment securities	15	6
Purchase of shares of subsidiaries	(76)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(23)	—
Collection of short-term loans receivable	12	15
Collection of long-term loans receivable	107	—
Proceeds from cancellation of insurance funds	0	0
Payments of guarantee deposits	(121)	(68)
Proceeds from refund of guarantee deposits	97	46
Subsidies received	80	—
Other, net	(58)	(22)
Net cash provided by (used in) investing activities	(2,635)	(4,294)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	388	1,071
Proceeds from long-term borrowings	1,527	64
Repayments of long-term borrowings	(2,674)	(2,779)
Repayments of finance lease obligations	(345)	(422)
Net decrease (increase) in treasury shares	(300)	(451)
Dividends paid	(555)	(553)
Net cash provided by (used in) financing activities	(1,959)	(3,071)
Effect of exchange rate change on cash and cash equivalents	(117)	0
Net increase (decrease) in cash and cash equivalents	(769)	158
Cash and cash equivalents at beginning of period	8,473	7,703
Cash and cash equivalents at end of period	7,703	7,862