

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Year Ended February 29, 2020 (Based on Japanese GAAP)

April 10, 2020

Company name: WARABEYA NICHIO HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2918 URL <http://www.warabeya.co.jp/>
 Representative: Representative Director, President Hiroyuki Otomo
 Inquiries: Director, Managing Executive Officer Naoshi Asano TEL 03-5363-7010
 Scheduled date of ordinary general meeting of shareholders: May 28, 2020
 Scheduled date to file Securities Report: May 29, 2020
 Scheduled date to commence dividend payments: May 29, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 29, 2020 (from March 1, 2019 to February 29, 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 February 29, 2020	213,581	(1.0)	2,721	78.3	2,773	57.0	1,010	65.5
Year ended February 28, 2019	215,696	(1.6)	1,526	(59.1)	1,766	(56.1)	610	(70.9)

(Note) Comprehensive income: Year ended February 29, 2020: ¥992 million [118.6%]
 Year ended February 28, 2019: ¥454 million [(75.1) %]

	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 February 29, 2020	57.55	—	2.3	3.2	1.3
Year ended February 28, 2019	34.78	—	1.4	2.1	0.7

(Reference) Equity in earnings of affiliates: Year ended February 29, 2020: ¥— million
 Year ended February 28, 2019: ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2020	86,078	44,523	51.5	2,526.24
As of February 28, 2019	84,635	44,242	52.1	2,513.77

(Reference) Equity capital: As of February 29, 2020: ¥44,342 million
 As of February 28, 2019: ¥44,120 million

(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 February 29, 2020	11,379	(1,349)	(4,556)	7,902
Year ended February 28, 2019	5,974	(5,733)	(3,311)	2,439

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 February 28, 2019	—	0.00	—	40.00	40.00	704	115.0	1.6
Year ended February 29, 2020	—	0.00	—	40.00	40.00	704	69.5	1.6
Year ending February 28, 2021 (Forecast)	—	0.00	—	40.00	40.00		100.3	

(Note) Total cash dividends for the year ended February 28, 2019 and the year ended February 29, 2020, respectively, include dividends of ¥2 million and ¥2 million paid for shares of the Company held by the BIP Trust.

3. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

(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 August 31, 2020	98,000	(10.8)	500	(74.7)	800	(62.2)	(100)	—	(5.70)
Full year	202,000	(5.4)	1,800	(33.9)	2,100	(24.3)	700	(30.7)	39.88

* Notes

(1) Changes in significant subsidiaries during the year ended February 29, 2020

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

Newly consolidated: —

Excluded: —

(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:

No

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 February 29, 2020	17,625,660 shares	As of February 28, 2019	17,625,660 shares
-------------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of February 29, 2020	72,998 shares	As of February 28, 2019	74,162 shares
-------------------------	---------------	-------------------------	---------------

Average number of shares during the period

Year ended February 29, 2020	17,552,448 shares	Year ended February 28, 2019	17,547,023 shares
------------------------------	-------------------	------------------------------	-------------------

(Note) The Company has established a BIP Trust. Shares of the Company held by the trust are included in treasury shares.

(References) Overview of non-consolidated financial results

1. Non-consolidated financial results for the year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

(1) Non-consolidated operating results

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 29, 2020	1,980	(5.5)	785	(30.9)	882	(29.2)	754	55.8
Year ended February 28, 2019	2,094	13.8	1,137	28.5	1,245	31.0	484	(38.2)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended February 29, 2020	42.99	—
Year ended February 28, 2019	27.61	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2020	39,947	38,564	96.5	2,197.06
As of February 28, 2019	40,933	38,593	94.3	2,198.89

(Reference) Equity capital: As of February 29, 2020: ¥38,564 million
As of February 28, 2019: ¥38,593 million

* This financial summary document is outside the scope of audit.

* Explanation of appropriate use of forecasts of financial results, and other important items:

Financial forecasts and other forward-looking statements in this document are based on information available at the time of preparation and on certain assumptions that are deemed to be reasonable. These forward-looking statements are not guarantees of future performance and actual results may differ materially from these forecasts due to a variety of reasons.

(Cancellation of financial results meeting and how to obtain financial results presentation materials)

The Company normally holds a financial results meeting (for institutional investors and analysts) after the announcement of the financial results at the end of the fiscal year. However, as the Japanese government declared a state of emergency due to concerns over further spread of infections of the novel coronavirus disease (COVID-19), the Company decided not to hold the meeting this time.

The financial results presentation materials will be posted on the Company website (<http://www.warabeya.co.jp/en/index.html>).

Consolidated financial statements
(1) Consolidated balance sheets

(Millions of Yen)

	As of February 28, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	3,057	8,121
Notes and accounts receivable - trade	17,403	17,857
Merchandise and finished goods	3,810	3,626
Raw materials and supplies	947	981
Other	1,959	1,979
Allowance for doubtful accounts	(0)	(0)
Total current assets	27,178	32,566
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,002	52,744
Accumulated depreciation	(31,118)	(32,313)
Buildings and structures, net	22,884	20,431
Machinery, equipment and vehicles	19,373	19,002
Accumulated depreciation	(15,094)	(15,159)
Machinery, equipment and vehicles, net	4,279	3,843
Land	12,603	12,231
Leased assets	15,115	13,851
Accumulated depreciation	(6,750)	(6,791)
Leased assets, net	8,365	7,059
Construction in progress	1,217	1,839
Other	1,553	1,530
Accumulated depreciation	(1,278)	(1,263)
Other, net	274	266
Total property, plant and equipment	49,625	45,673
Intangible assets		
Goodwill	352	255
Leased assets	1	2
Other	757	678
Total intangible assets	1,112	936
Investments and other assets		
Investment securities	574	473
Long-term loans receivable	19	12
Retirement benefit asset	455	667
Guarantee deposits	1,523	1,530
Deferred tax assets	3,356	3,452
Other	793	932
Allowance for doubtful accounts	(2)	(165)
Total investments and other assets	6,720	6,903
Total non-current assets	57,457	53,512
Total assets	84,635	86,078

(Millions of Yen)

	As of February 28, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,608	10,304
Current portion of long-term loans payable	646	364
Lease obligations	2,653	2,433
Accounts payable - other	8,472	10,655
Income taxes payable	268	622
Provision for bonuses	1,323	1,331
Other	1,514	1,723
Total current liabilities	24,487	27,433
Non-current liabilities		
Long-term loans payable	2,442	1,602
Lease obligations	8,434	6,936
Retirement benefit liability	3,377	3,768
Provision for Directors stock-based rewards	85	114
Asset retirement obligations	1,451	1,574
Other	115	126
Total non-current liabilities	15,906	14,121
Total liabilities	40,393	41,555
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,100	8,100
Retained earnings	28,254	28,560
Treasury shares	(217)	(213)
Total shareholders' equity	44,186	44,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	175	90
Deferred gains or losses on hedges	(0)	1
Foreign currency translation adjustment	(39)	(89)
Remeasurements of defined benefit plans	(202)	(156)
Total accumulated other comprehensive income	(66)	(154)
Non-controlling interests	121	181
Total net assets	44,242	44,523
Total liabilities and net assets	84,635	86,078

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

(Millions of Yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Net sales	215,696	213,581
Cost of sales	185,411	181,097
Gross profit	30,285	32,483
Selling, general and administrative expenses		
Haulage expenses	12,356	12,526
Salaries, allowances and bonuses	6,364	6,586
Provision for bonuses	526	548
Depreciation	493	567
Rent expenses	1,152	1,174
Other	7,864	8,359
Total selling, general and administrative expenses	28,758	29,762
Operating profit	1,526	2,721
Non-operating income		
Interest income	16	16
Dividend income	341	313
Rent income	164	164
Other	89	69
Total non-operating income	611	563
Non-operating expenses		
Interest expenses	129	109
Cost of lease revenue	125	130
Loss on retirement of non-current assets	87	116
Loss on sales of non-current assets	5	52
Loss on cancellation of leases	11	69
Other	11	32
Total non-operating expenses	370	510
Ordinary profit	1,766	2,773
Extraordinary income		
Gain on sales of non-current assets	126	—
Reversal of allowance for doubtful accounts	535	—
Reversal of provision for loss on guarantees of subsidiaries and associates	242	—
Total extraordinary income	903	—
Extraordinary losses		
Loss on sales of non-current assets	674	—
Impairment loss	1,046	882
Total extraordinary losses	1,721	882
Profit before income taxes	948	1,891
Income taxes - current	617	878
Income taxes - deferred	(310)	(70)
Total income taxes	306	808
Profit	642	1,083
Profit attributable to non-controlling interests	31	72
Profit attributable to owners of parent	610	1,010

Consolidated statements of comprehensive income

(Millions of Yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Profit	642	1,083
Other comprehensive income		
Valuation difference on available-for-sale securities	9	(85)
Deferred gains or losses on hedges	2	1
Foreign currency translation adjustment	(69)	(52)
Remeasurements of defined benefit plans, net of tax	(130)	46
Total other comprehensive income	(187)	(90)
Comprehensive income	454	992
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	426	922
Comprehensive income attributable to non-controlling interests	27	70

(3) Consolidated statements of changes in equity

Fiscal year ended February 28, 2019

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,049	8,143	28,247	(271)	44,169
Changes of items during period					
Dividends of surplus	—	—	(704)	—	(704)
Profit attributable to owners of parent	—	—	610	—	610
Change of scope of consolidation	—	—	101	—	101
Purchase of shares of consolidated subsidiaries	—	(43)	—	—	(43)
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	—	—	54	54
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	(43)	6	54	17
Balance at end of current period	8,049	8,100	28,254	(217)	44,186

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	166	(2)	24	(72)	116	—	44,286
Changes of items during period							
Dividends of surplus	—	—	—	—	—	—	(704)
Profit attributable to owners of parent	—	—	—	—	—	—	610
Change of scope of consolidation	—	—	—	—	—	—	101
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	(43)
Purchase of treasury shares	—	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	—	54
Net changes of items other than shareholders' equity	9	2	(64)	(130)	(182)	121	(60)
Total changes of items during period	9	2	(64)	(130)	(182)	121	(43)
Balance at end of current period	175	(0)	(39)	(202)	(66)	121	44,242

Fiscal year ended February 29, 2020

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,049	8,100	28,254	(217)	44,186
Changes of items during period					
Dividends of surplus	—	—	(704)	—	(704)
Profit attributable to owners of parent	—	—	1,010	—	1,010
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	—	—	4	4
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	305	3	309
Balance at end of current period	8,049	8,100	28,560	(213)	44,496

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	175	(0)	(39)	(202)	(66)	121	44,242
Changes of items during period							
Dividends of surplus	—	—	—	—	—	—	(704)
Profit attributable to owners of parent	—	—	—	—	—	—	1,010
Purchase of treasury shares	—	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	—	4
Net changes of items other than shareholders' equity	(85)	1	(50)	46	(87)	59	(28)
Total changes of items during period	(85)	1	(50)	46	(87)	59	281
Balance at end of current period	90	1	(89)	(156)	(154)	181	44,523

(4) Consolidated statements of cash flows

(Millions of Yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cash flows from operating activities		
Profit before income taxes	948	1,891
Depreciation	5,472	5,802
Impairment loss	1,046	882
Increase (decrease) in allowance for doubtful accounts	(535)	162
Increase (decrease) in provision for loss on guarantees of subsidiaries and associates	(242)	—
Increase (decrease) in provision for bonuses	64	8
Increase (decrease) in retirement benefit liability	182	440
Interest and dividend income	(357)	(329)
Interest expenses	129	109
Loss (gain) on sales of property, plant and equipment	548	52
Loss on retirement of non-current assets	87	116
Decrease (increase) in notes and accounts receivable - trade	1,043	(619)
Decrease (increase) in inventories	(478)	144
Increase (decrease) in notes and accounts payable - trade	(879)	698
Increase (decrease) in accounts payable - other	75	2,071
Other, net	(198)	129
Subtotal	6,908	11,560
Interest and dividend income received	357	329
Interest expenses paid	(130)	(110)
Income taxes paid	(1,161)	(399)
Net cash provided by (used in) operating activities	5,974	11,379
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,736)	(2,871)
Proceeds from sales of property, plant and equipment	148	1,399
Purchase of intangible assets	(121)	(209)
Payments of loans receivable	(837)	(350)
Collection of loans receivable	1,408	332
Payments into time deposits	(618)	(775)
Proceeds from withdrawal of time deposits	—	1,166
Other, net	22	(40)
Net cash provided by (used in) investing activities	(5,733)	(1,349)
Cash flows from financing activities		
Proceeds from long-term loans payable	800	—
Repayments of long-term loans payable	(586)	(1,122)
Repayments of lease obligations	(2,737)	(2,722)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(704)	(704)
Other, net	(82)	(6)
Net cash provided by (used in) financing activities	(3,311)	(4,556)
Effect of exchange rate change on cash and cash equivalents	(18)	(10)
Net increase (decrease) in cash and cash equivalents	(3,089)	5,462
Cash and cash equivalents at beginning of period	5,203	2,439
Increase in cash and cash equivalents from newly consolidated subsidiary	325	—
Cash and cash equivalents at end of period	2,439	7,902

(5) Segment information, etc.

[Segment information]

1. Overview of the reportable segments

The reporting segments of the Company and its consolidated subsidiaries are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to determine the allocation of business resources to them as well as to evaluate their business performance. These segments are classified into “Food Products Business,” “Food Ingredients Business,” “Logistics Business,” “Food Engineering Business” and “Temporary Staffing and Contracting Business” according to their products and services, and their main business operations are as follows.

Food Products Business: Manufacturing and sales of cooked food including bento meal boxes, onigiri rice balls, sushi, bread products and side dishes

Food Ingredients Business: Procurement, processing and sales of food ingredients

Logistics Business: Sorting and delivery of food products and ingredients

Food Engineering Business: Sales of food processing machines, etc.

Temporary Staffing and Contracting Business: Temporary staffing and contracting business

2. Calculation method for the amounts of sales, profits/losses, assets/liabilities, and other items by reporting segment

The figures of profit (loss) of reporting segments are recorded on an operating profit basis.

Internal sales and transfers between segments are recorded based on actual market prices.

3. Information on the amounts of sales, profits/losses, assets/liabilities, and other items by reporting segment

Year ended February 28, 2019

(Millions of Yen)

	Reportable segments						Adjustment (Note 1)	Carried on consolidated statements of income (Note 2)
	Food Products Business	Food Ingredients Business	Logistics Business	Food Engineering Business	Temporary Staffing and Contracting Business	Total		
Net sales								
Sales to external customers	175,858	17,455	14,429	2,390	5,562	215,696	—	215,696
Intersegment sales and transfers	—	2,784	4,474	11,602	7,721	26,582	(26,582)	—
Total	175,858	20,240	18,904	13,992	13,284	242,279	(26,582)	215,696
Segment profit (loss)	1,512	115	(84)	392	268	2,203	(677)	1,526
Segment assets	67,431	7,303	7,179	4,456	1,949	88,319	(3,683)	84,635
Other								
Amortization of goodwill	95	—	—	—	—	95	—	95
Depreciation	5,279	154	364	5	17	5,821	(348)	5,472
Increase in property, plant and equipment and intangible assets	6,871	250	1,305	2	47	8,478	(549)	7,929

Notes: 1. The adjustment of (677) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of (71) million yen, as well as corporate expenses of (606) million yen, which are not allocated to the reportable segments.

The adjustment of (3,683) million yen under the item of “Segment assets” includes an elimination of intersegment transactions of (29,655) million yen, as well as corporate assets of 25,972 million yen, which are not allocated to the reportable segments.

The adjustment of (348) million yen under the item of “Depreciation” includes an elimination of intersegment transactions of (349) million yen and depreciation of 0 million yen related to corporate assets, which are not allocated to the reportable segments.

The adjustment of (549) million yen under the item of “Increase in property, plant and equipment and intangible assets” includes an elimination of intersegment transactions of (549) million yen.

2. Segment profit (loss) is adjusted to reflect operating profit as recorded on the consolidated statements of income.

Year ended February 29, 2020

(Millions of Yen)

	Reportable segments						Adjustment (Note 1)	Carried on consolidated statements of income (Note 2)
	Food Products Business	Food Ingredients Business	Logistics Business	Food Engineering Business	Temporary Staffing and Contracting Business	Total		
Net sales								
Sales to external customers	175,503	16,283	14,000	1,910	5,882	213,581	—	213,581
Intersegment sales and transfers	—	2,559	4,680	5,044	6,863	19,148	(19,148)	—
Total	175,503	18,842	18,681	6,955	12,746	232,729	(19,148)	213,581
Segment profit (loss)	3,136	(216)	216	(149)	140	3,126	(405)	2,721
Segment assets	63,785	7,018	7,257	4,119	2,150	84,332	1,746	86,078
Other								
Amortization of goodwill	92	—	—	—	—	92	—	92
Depreciation	5,556	130	392	24	18	6,123	(320)	5,802
Increase in property, plant and equipment and intangible assets	4,138	20	203	43	61	4,467	(161)	4,305

Notes: 1. The adjustment of (405) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 282 million yen, as well as corporate expenses of (688) million yen, which are not allocated to the reportable segments.

The adjustment of 1,746 million yen under the item of “Segment assets” includes an elimination of intersegment transactions of (23,734) million yen, as well as corporate assets of 25,481 million yen, which are not allocated to the reportable segments.

The adjustment of (320) million yen under the item of “Depreciation” includes an elimination of intersegment transactions of (322) million yen and depreciation of 1 million yen related to corporate assets, which are not allocated to the reportable segments.

The adjustment of (161) million yen under the item of “Increase in property, plant and equipment and intangible assets” includes an elimination of intersegment transactions of (170) million yen, as well as the increase in corporate assets of 8 million yen, which is not allocated to the reportable segments.

2. Segment profit (loss) is adjusted to reflect operating profit as recorded on the consolidated statements of income.