

# Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2019 (Based on Japanese GAAP)

January 9, 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 to file Quarterly Securities Report: January 10, 2020  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the nine months ended November 30, 2019 (from March 1, 2019 to November 30, 2019)

#### (1) Consolidated operating results (cumulative)

(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	%
Nine months ended November 30, 2019	161,914	(1.7)	2,962	78.3	3,081	56.9	1,254	53.6
Nine months ended November 30, 2018	164,657	(1.0)	1,661	(57.8)	1,963	(54.1)	816	(68.1)

(Note) Comprehensive income: Nine months ended November 30, 2019: ¥1,190 million [30.9%]  
 Nine months ended November 30, 2018: ¥909 million [(63.1) %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2019	71.45	–
Nine months ended November 30, 2018	46.52	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2019	87,233	44,717	51.1
As of February 28, 2019	84,635	44,242	52.1

(Reference) Equity capital: As of November 30, 2019: ¥44,533 million  
 As of February 28, 2019: ¥44,120 million

### 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2019	–	0.00	–	40.00	40.00
Year ending February 29, 2020	–	0.00	–	–	–
Year ending February 29, 2020 (Forecast)	–	–	–	40.00	40.00

(Note) Revisions to the most recently announced dividends forecasts: None

### 3. Forecast of consolidated financial results for the year ending February 29, 2020 (from March 1, 2019 to February 29, 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
Full year	214,000	(0.8)	2,500	63.8	2,700	52.8	700	14.7	39.88

(Note) Revisions to the most recently announced financial forecasts: None

\* Notes

- (1) Changes in significant subsidiaries during the nine months ended November 30, 2019  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No  
Newly consolidated: – Excluded: –
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of November 30, 2019	17,625,660 shares	As of February 28, 2019	17,625,660 shares
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Number of treasury shares at the end of the period

As of November 30, 2019	72,882 shares	As of February 28, 2019	74,162 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2019	17,552,357 shares	Nine months ended November 30, 2018	17,545,558 shares
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(Note) The Company has established a BIP Trust. Shares of the Company held by the trust are included in treasury shares.

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

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

(Caution regarding forward-looking statements and others)

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.

## Quarterly consolidated financial statements

### (1) Consolidated balance sheets

(Millions of Yen)

	As of February 28, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	3,057	8,357
Notes and accounts receivable - trade	17,403	18,806
Merchandise and finished goods	3,810	4,094
Raw materials and supplies	947	1,093
Other	1,959	1,361
Allowance for doubtful accounts	(0)	(0)
Total current assets	27,178	33,713
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,002	52,158
Accumulated depreciation	(31,118)	(31,658)
Buildings and structures, net	22,884	20,499
Machinery, equipment and vehicles	19,373	18,876
Accumulated depreciation	(15,094)	(15,150)
Machinery, equipment and vehicles, net	4,279	3,726
Land	12,603	12,318
Construction in progress	1,217	1,537
Other	16,668	15,459
Accumulated depreciation	(8,028)	(8,121)
Other, net	8,639	7,338
Total property, plant and equipment	49,625	45,420
Intangible assets		
Goodwill	352	274
Other	759	692
Total intangible assets	1,112	967
Investments and other assets		
Other	6,723	7,312
Allowance for doubtful accounts	(2)	(180)
Total investments and other assets	6,720	7,132
Total non-current assets	57,457	53,519
Total assets	84,635	87,233

(Millions of Yen)

	As of February 28, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,608	10,744
Current portion of long-term loans payable	646	364
Accounts payable - other	8,472	9,429
Income taxes payable	268	1,089
Provision for bonuses	1,323	2,045
Provision for directors' bonuses	—	60
Other	4,167	4,564
Total current liabilities	24,487	28,299
Non-current liabilities		
Long-term loans payable	2,442	1,693
Lease obligations	8,434	7,009
Net defined benefit liability	3,377	3,771
Provision for Directors stock-based rewards	85	106
Asset retirement obligations	1,451	1,512
Other	115	122
Total non-current liabilities	15,906	14,216
Total liabilities	40,393	42,515
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,100	8,100
Retained earnings	28,254	28,800
Treasury shares	(217)	(213)
Total shareholders' equity	44,186	44,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	175	127
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustment	(39)	(147)
Remeasurements of defined benefit plans	(202)	(185)
Total accumulated other comprehensive income	(66)	(202)
Non-controlling interests	121	183
Total net assets	44,242	44,717
Total liabilities and net assets	84,635	87,233

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

(Millions of Yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Net sales	164,657	161,914
Cost of sales	141,192	136,437
Gross profit	23,465	25,477
Selling, general and administrative expenses	21,803	22,514
Operating profit	1,661	2,962
Non-operating income		
Interest income	12	12
Dividend income	338	310
Rent income	124	121
Other	76	36
Total non-operating income	552	480
Non-operating expenses		
Interest expenses	98	84
Loss on retirement of non-current assets	40	86
Cost of lease revenue	94	95
Other	16	94
Total non-operating expenses	250	362
Ordinary profit	1,963	3,081
Extraordinary income		
Gain on sales of non-current assets	126	–
Total extraordinary income	126	–
Extraordinary losses		
Impairment loss	747	674
Total extraordinary losses	747	674
Profit before income taxes	1,341	2,406
Income taxes - current	844	1,421
Income taxes - deferred	(356)	(347)
Total income taxes	488	1,073
Profit	853	1,332
Profit attributable to non-controlling interests	37	78
Profit attributable to owners of parent	816	1,254

## Consolidated statements of comprehensive income

(Millions of Yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Profit	853	1,332
Other comprehensive income		
Valuation difference on available-for-sale securities	17	(48)
Deferred gains or losses on hedges	3	2
Foreign currency translation adjustment	22	(113)
Remeasurements of defined benefit plans, net of tax	12	17
Total other comprehensive income	56	(141)
Comprehensive income	909	1,190
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	872	1,118
Comprehensive income attributable to non-controlling interests	37	72

### (3) Segment information, etc.

[Segment information]

I. Nine months ended November 30, 2018 (from March 1, 2018 to November 30, 2018)

1. Sales and profits or losses by reportable segments

(Millions of Yen)

	Reportable segments						Adjustment (Note 1)	Carried on quarterly 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	134,121	13,570	10,988	1,794	4,183	164,657	–	164,657
Intersegment sales and transfers	–	2,164	3,373	10,316	5,929	21,783	(21,783)	–
Total	134,121	15,734	14,361	12,110	10,113	186,441	(21,783)	164,657
Segment profit	1,469	112	24	384	244	2,236	(575)	1,661

Notes: 1. The adjustment of (575) million yen under the item of “Segment profit” includes an elimination of intersegment transactions of (129) million yen, as well as corporate expenses of (445) million yen, which are not allocated to the reportable segments.

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

2. Information regarding impairment losses on non-current assets, goodwill, etc. by reportable segment

(Significant impairment losses related to non-current assets)

In the Food Products Business, the Company has marked down the book value of some business assets owned by Warabeya Nichiyo Co., Ltd. to a level deemed recoverable, as the assets are idle, and non-current assets owned by the Kushiro Plant to a level deemed recoverable, as the profitability of the assets has declined. This writedown has been booked as an impairment loss under extraordinary losses. The impairment losses related to the business assets owned by Warabeya Nichiyo Co., Ltd. and non-current assets owned by the Kushiro Plant booked in the nine months ended November 30, 2018 are 698 million yen and 48 million yen, respectively.

(Material changes in goodwill amounts)

In the nine months ended November 30, 2018, the Company booked goodwill of 385 million yen in the Food Products Business related to the inclusion of the subsidiary Prime Deli Corporation (current WARABEYA TEXAS, INC.) in the scope of consolidation in the three months ended May 31, 2018.

II. Nine months ended November 30, 2019 (from March 1, 2019 to November 30, 2019)

1. Sales and profits or losses by reportable segments

(Millions of Yen)

	Reportable segments						Adjustment (Note 1)	Carried on quarterly 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	133,371	12,151	10,486	1,360	4,544	161,914	–	161,914
Intersegment sales and transfers	–	1,919	3,499	2,805	5,237	13,461	(13,461)	–
Total	133,371	14,070	13,986	4,165	9,782	175,376	(13,461)	161,914
Segment profit (loss)	3,291	(73)	89	(214)	127	3,220	(257)	2,962

Notes: 1. The adjustment of (257) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 254 million yen, as well as corporate expenses of (512) million yen, which are not allocated to the reportable segments.

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

2. Information regarding impairment losses on non-current assets, goodwill, etc. by reportable segment  
(Significant impairment losses related to non-current assets)

In the Food Products Business, the Company has marked down the book value of non-current assets of certain plants operated by Warabeya Nichiyo Co., Ltd. to a level deemed recoverable as the profitability of those assets has declined. This writedown has been booked as an impairment loss under extraordinary losses. The impairment loss related to non-current assets of certain plants operated by Warabeya Nichiyo Co., Ltd. booked in the nine months ended November 30, 2019 is 656 million yen.