

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 Three Months Ended May 31, 2019 (Based on Japanese GAAP)

July 4, 2019

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: July 5, 2019
 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 three months ended May 31, 2019 (from March 1, 2019 to May 31, 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 | % |
| Three months ended May 31, 2019 | 54,284 | (0.3) | 1,115 | (0.1) | 1,089 | (2.8) | 703 | (1.8) |
| Three months ended May 31, 2018 | 54,461 | 0.2 | 1,116 | (30.3) | 1,120 | (30.5) | 716 | (33.8) |

(Note) Comprehensive income: Three months ended May 31, 2019: ¥639 million [23.5%]
 Three months ended May 31, 2018: ¥517 million [(46.9)%]

| | Earnings per share | Diluted earnings per share |
|---------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Three months ended May 31, 2019 | 40.06 | – |
| Three months ended May 31, 2018 | 40.85 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of May 31, 2019 | 86,881 | 44,181 | 50.7 |
| As of February 28, 2019 | 84,635 | 44,242 | 52.1 |

(Reference) Equity capital: As of May 31, 2019: ¥44,048 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 | – | – | – | – | – |
| Year ending February 29, 2020 (Forecast) | – | 0.00 | – | 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 |
| Six months ending August 31, 2019 | 112,000 | 0.4 | 1,600 | (5.6) | 1,860 | (7.5) | 590 | (34.5) | 33.61 |
| Full year | 219,500 | 1.8 | 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 three months ended May 31, 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: No
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 May 31, 2019 | : | 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 May 31, 2019 | : | 72,882 shares | As of February 28, 2019 | : | 74,162 shares |
|--------------------|---|---------------|-------------------------|---|---------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | | | |
|---------------------------------|---|-------------------|---------------------------------|---|-------------------|
| Three months ended May 31, 2019 | : | 17,551,519 shares | Three months ended May 31, 2018 | : | 17,534,638 shares |
|---------------------------------|---|-------------------|---------------------------------|---|-------------------|

(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:

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 May 31, 2019 |
|--|-------------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,057 | 3,828 |
| Notes and accounts receivable - trade | 17,403 | 19,345 |
| Merchandise and finished goods | 3,810 | 4,739 |
| Raw materials and supplies | 947 | 1,023 |
| Other | 1,959 | 1,368 |
| Allowance for doubtful accounts | (0) | (0) |
| Total current assets | 27,178 | 30,305 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 54,002 | 54,064 |
| Accumulated depreciation | (31,118) | (31,558) |
| Buildings and structures, net | 22,884 | 22,506 |
| Machinery, equipment and vehicles | 19,373 | 19,442 |
| Accumulated depreciation | (15,094) | (15,331) |
| Machinery, equipment and vehicles, net | 4,279 | 4,110 |
| Land | 12,603 | 12,603 |
| Construction in progress | 1,217 | 1,245 |
| Other | 16,668 | 16,433 |
| Accumulated depreciation | (8,028) | (8,148) |
| Other, net | 8,639 | 8,285 |
| Total property, plant and equipment | 49,625 | 48,751 |
| Intangible assets | | |
| Goodwill | 352 | 329 |
| Other | 759 | 727 |
| Total intangible assets | 1,112 | 1,056 |
| Investments and other assets | | |
| Other | 6,723 | 6,771 |
| Allowance for doubtful accounts | (2) | (2) |
| Total investments and other assets | 6,720 | 6,768 |
| Total non-current assets | 57,457 | 56,576 |
| Total assets | 84,635 | 86,881 |

(Millions of Yen)

| | As of February 28, 2019 | As of May 31, 2019 |
|---|-------------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 9,608 | 10,724 |
| Short-term loans payable | — | 1,200 |
| Current portion of long-term loans payable | 646 | 666 |
| Accounts payable - other | 8,472 | 8,252 |
| Income taxes payable | 268 | 178 |
| Provision for bonuses | 1,323 | 2,006 |
| Provision for directors' bonuses | — | 28 |
| Other | 4,167 | 4,298 |
| Total current liabilities | 24,487 | 27,356 |
| Non-current liabilities | | |
| Long-term loans payable | 2,442 | 2,275 |
| Lease obligations | 8,434 | 7,992 |
| Net defined benefit liability | 3,377 | 3,414 |
| Provision for Directors stock-based rewards | 85 | 89 |
| Asset retirement obligations | 1,451 | 1,457 |
| Other | 115 | 114 |
| Total non-current liabilities | 15,906 | 15,343 |
| Total liabilities | 40,393 | 42,700 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,049 | 8,049 |
| Capital surplus | 8,100 | 8,100 |
| Retained earnings | 28,254 | 28,253 |
| Treasury shares | (217) | (213) |
| Total shareholders' equity | 44,186 | 44,189 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 175 | 96 |
| Deferred gains or losses on hedges | (0) | (0) |
| Foreign currency translation adjustment | (39) | (40) |
| Remeasurements of defined benefit plans | (202) | (196) |
| Total accumulated other comprehensive income | (66) | (141) |
| Non-controlling interests | 121 | 133 |
| Total net assets | 44,242 | 44,181 |
| Total liabilities and net assets | 84,635 | 86,881 |

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

(Millions of Yen)

| | Three months ended May 31, 2018 | Three months ended May 31, 2019 |
|--|------------------------------------|------------------------------------|
| Net sales | 54,461 | 54,284 |
| Cost of sales | 46,170 | 45,740 |
| Gross profit | 8,290 | 8,544 |
| Selling, general and administrative expenses | 7,174 | 7,428 |
| Operating profit | 1,116 | 1,115 |
| Non-operating income | | |
| Interest income | 3 | 3 |
| Dividend income | 2 | 2 |
| Rent income | 42 | 40 |
| Other | 37 | 8 |
| Total non-operating income | 84 | 54 |
| Non-operating expenses | | |
| Interest expenses | 32 | 31 |
| Cost of lease revenue | 32 | 32 |
| Other | 16 | 17 |
| Total non-operating expenses | 80 | 80 |
| Ordinary profit | 1,120 | 1,089 |
| Profit before income taxes | 1,120 | 1,089 |
| Income taxes - current | 553 | 456 |
| Income taxes - deferred | (160) | (81) |
| Total income taxes | 393 | 374 |
| Profit | 726 | 714 |
| Profit attributable to non-controlling interests | 10 | 11 |
| Profit attributable to owners of parent | 716 | 703 |

Consolidated statements of comprehensive income

(Millions of Yen)

| | Three months ended May 31, 2018 | Three months ended May 31, 2019 |
|--|------------------------------------|------------------------------------|
| Profit | 726 | 714 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 23 | (79) |
| Deferred gains or losses on hedges | 3 | (0) |
| Foreign currency translation adjustment | (239) | (0) |
| Remeasurements of defined benefit plans, net of tax | 4 | 5 |
| Total other comprehensive income | (208) | (75) |
| Comprehensive income | 517 | 639 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 519 | 628 |
| Comprehensive income attributable to non-controlling interests | (1) | 11 |

(3) Segment information, etc.

[Segment information]

I. Three months ended May 31, 2018 (from March 1, 2018 to May 31, 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 | 44,487 | 4,305 | 3,747 | 613 | 1,307 | 54,461 | – | 54,461 |
| Intersegment sales and transfers | – | 730 | 1,100 | 3,283 | 1,986 | 7,100 | (7,100) | – |
| Total | 44,487 | 5,035 | 4,847 | 3,897 | 3,293 | 61,562 | (7,100) | 54,461 |
| Segment profit | 960 | 39 | 115 | 121 | 79 | 1,316 | (199) | 1,116 |

Notes: 1. The adjustment of (199) million yen under the item of “Segment profit” includes an elimination of intersegment transactions of (35) million yen, as well as corporate expenses of (163) 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.

II. Three months ended May 31, 2019 (from March 1, 2019 to May 31, 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 | 44,669 | 3,965 | 3,537 | 690 | 1,420 | 54,284 | – | 54,284 |
| Intersegment sales and transfers | – | 670 | 1,150 | 675 | 1,873 | 4,371 | (4,371) | – |
| Total | 44,669 | 4,636 | 4,688 | 1,366 | 3,294 | 58,655 | (4,371) | 54,284 |
| Segment profit (loss) | 1,182 | 14 | (71) | (5) | 58 | 1,179 | (63) | 1,115 |

Notes: 1. The adjustment of (63) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 99 million yen, as well as corporate expenses of (162) 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. Matters related to changes in reportable segments, etc.

From the three months ended August 31, 2018, the Food Engineering Business and the Temporary Staffing and Contracting Business, which were previously classified as “Other,” have been classified as reportable segments, as their quantitative materiality has increased. As a result, the figures for the three months ended May 31, 2018, have been reclassified to reflect this change in reportable segments.