

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2018 (Based on Japanese GAAP)

January 11, 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: January 11, 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 nine months ended November 30, 2018 (from March 1, 2018 to November 30, 2018)

(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, 2018	164,657	(1.0)	1,661	(57.8)	1,963	(54.1)	816	(68.1)
Nine months ended November 30, 2017	166,338	2.2	3,939	(3.6)	4,281	(1.0)	2,559	15.5

(Note) Comprehensive income: Nine months ended November 30, 2018: ¥909 million [(63.1)%]
 Nine months ended November 30, 2017: ¥2,462 million [21.2%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2018	46.52	–
Nine months ended November 30, 2017	145.97	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2018	89,237	44,768	50.0
As of February 28, 2018	86,888	44,286	51.0

(Reference) Equity capital: As of November 30, 2018: ¥44,609 million
 As of February 28, 2018: ¥44,286 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, 2018	–	0.00	–	40.00	40.00
Year ending February 28, 2019	–	0.00	–	–	–
Year ending February 28, 2019 (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 28, 2019 (from March 1, 2018 to February 28, 2019)

(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	217,700	(0.6)	1,500	(59.8)	1,750	(56.5)	580	(72.3)	33.05

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

* Notes

- (1) Changes in significant subsidiaries during the nine months ended November 30, 2018
(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 November 30, 2018	:	17,625,660 shares	As of February 28, 2018	:	17,625,660 shares
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Number of treasury shares at the end of the period

As of November 30, 2018	:	74,162 shares	As of February 28, 2018	:	91,022 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, 2018	:	17,545,558 shares	Nine months ended November 30, 2017	:	17,536,421 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, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	5,203	3,205
Notes and accounts receivable - trade	18,339	19,302
Merchandise and finished goods	3,341	4,176
Raw materials and supplies	916	1,092
Other	3,149	3,203
Allowance for doubtful accounts	(0)	(0)
Total current assets	30,952	30,980
Non-current assets		
Property, plant and equipment		
Buildings and structures	49,304	55,164
Accumulated depreciation	(30,766)	(32,120)
Buildings and structures, net	18,538	23,044
Machinery, equipment and vehicles	18,350	19,319
Accumulated depreciation	(14,609)	(14,971)
Machinery, equipment and vehicles, net	3,740	4,348
Land	13,182	13,164
Construction in progress	3,558	1,401
Other	16,265	16,832
Accumulated depreciation	(6,456)	(7,577)
Other, net	9,809	9,254
Total property, plant and equipment	48,830	51,213
Intangible assets		
Goodwill	—	385
Other	904	795
Total intangible assets	904	1,180
Investments and other assets		
Other	6,740	6,643
Allowance for doubtful accounts	(538)	(780)
Total investments and other assets	6,202	5,862
Total non-current assets	55,936	58,257
Total assets	86,888	89,237

(Millions of Yen)

	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,310	11,434
Current portion of long-term loans payable	586	586
Accounts payable - other	9,257	9,168
Income taxes payable	629	279
Provision for bonuses	1,258	1,985
Provision for directors' bonuses	—	20
Other	4,011	5,455
Total current liabilities	26,053	28,931
Non-current liabilities		
Long-term loans payable	2,289	1,849
Lease obligations	9,257	8,859
Net defined benefit liability	3,075	3,178
Asset retirement obligations	1,390	1,456
Provision for Directors stock-based rewards	117	79
Provision for loss on guarantees of subsidiaries and associates	242	—
Other	175	115
Total non-current liabilities	16,548	15,538
Total liabilities	42,602	44,469
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	28,247	28,460
Treasury shares	(271)	(217)
Total shareholders' equity	44,169	44,436
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	183
Deferred gains or losses on hedges	(2)	1
Foreign currency translation adjustment	24	47
Remeasurements of defined benefit plans	(72)	(59)
Total accumulated other comprehensive income	116	172
Non-controlling interests	—	158
Total net assets	44,286	44,768
Total liabilities and net assets	86,888	89,237

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

(Millions of Yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Net sales	166,338	164,657
Cost of sales	141,689	141,192
Gross profit	24,649	23,465
Selling, general and administrative expenses	20,709	21,803
Operating profit	3,939	1,661
Non-operating income		
Interest income	7	12
Dividend income	347	338
Rent income	125	124
Other	112	76
Total non-operating income	593	552
Non-operating expenses		
Interest expenses	82	98
Loss on retirement of non-current assets	61	40
Cost of lease revenue	92	94
Other	15	16
Total non-operating expenses	252	250
Ordinary profit	4,281	1,963
Extraordinary income		
Gain on sales of non-current assets	—	126
Total extraordinary income	—	126
Extraordinary losses		
Impairment loss	420	747
Provision of allowance for doubtful accounts for subsidiaries and associates	185	—
Total extraordinary losses	606	747
Profit before income taxes	3,675	1,341
Income taxes - current	1,717	844
Income taxes - deferred	(602)	(356)
Total income taxes	1,115	488
Profit	2,559	853
Profit attributable to non-controlling interests	—	37
Profit attributable to owners of parent	2,559	816

Consolidated statements of comprehensive income

(Millions of Yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Profit	2,559	853
Other comprehensive income		
Valuation difference on available-for-sale securities	15	17
Deferred gains or losses on hedges	1	3
Foreign currency translation adjustment	(114)	22
Remeasurements of defined benefit plans, net of tax	(0)	12
Total other comprehensive income	(97)	56
Comprehensive income	2,462	909
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,462	872
Comprehensive income attributable to non-controlling interests	—	37

(3) Segment information, etc.

[Segment information]

I. Nine months ended November 30, 2017 (from March 1, 2017 to November 30, 2017)

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	130,940	19,170	11,135	1,235	3,855	166,338	–	166,338
Intersegment sales and transfers	–	2,027	3,043	5,525	5,700	16,296	(16,296)	–
Total	130,940	21,198	14,179	6,761	9,556	182,635	(16,296)	166,338
Segment profit (loss)	3,432	390	106	225	252	4,406	(467)	3,939

Notes: 1. The adjustment of (467) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of (17) million yen, as well as corporate expenses of (449) 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 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 loss related to the Kushiro Plant booked in the nine months ended November 30, 2017 is 420 million yen.

II. 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 (loss)	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 (loss)” 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 in the scope of consolidation in the three months ended May 31, 2018.

3. 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 nine months ended November 30, 2017, have been reclassified to reflect this change in reportable segments.