

# Translation

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## Summary of Consolidated Financial Results for the Six Months Ended August 31, 2018 (Based on Japanese GAAP)

October 5, 2018

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: October 9, 2018  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the six months ended August 31, 2018 (from March 1, 2018 to August 31, 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	%
Six months ended August 31, 2018	111,575	(0.6)	1,694	(47.2)	2,011	(43.8)	900	(58.1)
Six months ended August 31, 2017	112,300	2.4	3,211	6.1	3,576	8.8	2,147	30.6

(Note) Comprehensive income: Six months ended August 31, 2018: ¥846 million [(57.8)%]  
 Six months ended August 31, 2017: ¥2,006 million [41.9%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2018	51.33	–
Six months ended August 31, 2017	122.44	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2018	91,953	44,704	48.5
As of February 28, 2018	86,888	44,286	51.0

(Reference) Equity capital: As of August 31, 2018: ¥44,563 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 six months ended August 31, 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 August 31, 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 August 31, 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)

Six months ended August 31, 2018	17,542,619 shares	Six months ended August 31, 2017	17,537,291 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:

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 August 31, 2018
Assets		
Current assets		
Cash and deposits	5,203	4,588
Notes and accounts receivable - trade	18,339	21,184
Merchandise and finished goods	3,341	4,086
Raw materials and supplies	916	1,171
Other	3,149	2,900
Allowance for doubtful accounts	(0)	(0)
Total current assets	30,952	33,932
Non-current assets		
Property, plant and equipment		
Buildings and structures	49,304	54,461
Accumulated depreciation	(30,766)	(31,654)
Buildings and structures, net	18,538	22,807
Machinery, equipment and vehicles	18,350	19,257
Accumulated depreciation	(14,609)	(14,841)
Machinery, equipment and vehicles, net	3,740	4,416
Land	13,182	13,142
Construction in progress	3,558	1,353
Other	16,265	16,379
Accumulated depreciation	(6,456)	(7,147)
Other, net	9,809	9,231
Total property, plant and equipment	48,830	50,952
Intangible assets		
Goodwill	—	398
Other	904	816
Total intangible assets	904	1,214
Investments and other assets		
Other	6,740	6,634
Allowance for doubtful accounts	(538)	(780)
Total investments and other assets	6,202	5,854
Total non-current assets	55,936	58,021
Total assets	86,888	91,953

(Millions of Yen)

	As of February 28, 2018	As of August 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,310	12,288
Current portion of long-term loans payable	586	586
Accounts payable - other	9,257	10,341
Income taxes payable	629	656
Provision for bonuses	1,258	1,302
Provision for directors' bonuses	–	13
Other	4,011	6,321
Total current liabilities	26,053	31,510
Non-current liabilities		
Long-term loans payable	2,289	1,995
Lease obligations	9,257	8,949
Net defined benefit liability	3,075	3,151
Asset retirement obligations	1,390	1,447
Provision for Directors stock-based rewards	117	75
Provision for loss on guarantees of subsidiaries and associates	242	–
Other	175	118
Total non-current liabilities	16,548	15,737
Total liabilities	42,602	47,248
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	28,247	28,544
Treasury shares	(271)	(217)
Total shareholders' equity	44,169	44,520
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	162
Deferred gains or losses on hedges	(2)	1
Foreign currency translation adjustment	24	(56)
Remeasurements of defined benefit plans	(72)	(63)
Total accumulated other comprehensive income	116	43
Non-controlling interests	–	140
Total net assets	44,286	44,704
Total liabilities and net assets	86,888	91,953

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

(Millions of Yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Net sales	112,300	111,575
Cost of sales	95,200	95,187
Gross profit	17,099	16,387
Selling, general and administrative expenses	13,887	14,692
Operating profit	3,211	1,694
Non-operating income		
Interest income	5	7
Dividend income	345	336
Rent income	83	83
Other	98	55
Total non-operating income	532	484
Non-operating expenses		
Interest expenses	53	66
Loss on retirement of non-current assets	41	22
Cost of lease revenue	60	64
Other	11	14
Total non-operating expenses	167	167
Ordinary profit	3,576	2,011
Extraordinary income		
Gain on sales of non-current assets	–	126
Total extraordinary income	–	126
Extraordinary losses		
Impairment loss	377	706
Provision of allowance for doubtful accounts for subsidiaries and associates	185	–
Total extraordinary losses	562	706
Profit before income taxes	3,013	1,431
Income taxes - current	1,217	779
Income taxes - deferred	(350)	(273)
Total income taxes	866	506
Profit	2,147	924
Profit attributable to non-controlling interests	–	24
Profit attributable to owners of parent	2,147	900

## Consolidated statements of comprehensive income

(Millions of Yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Profit	2,147	924
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(4)
Deferred gains or losses on hedges	1	4
Foreign currency translation adjustment	(142)	(86)
Remeasurements of defined benefit plans, net of tax	5	8
Total other comprehensive income	(140)	(78)
Comprehensive income	2,006	846
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,006	826
Comprehensive income attributable to non-controlling interests	—	19

### (3) Consolidated statements of cash flows

(Millions of Yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Cash flows from operating activities		
Profit before income taxes	3,013	1,431
Depreciation	2,471	2,643
Impairment loss	377	706
Increase (decrease) in allowance for doubtful accounts	661	242
Increase (decrease) in provision for loss on business of subsidiaries and associates	(51)	–
Increase (decrease) in provision for loss on guarantees of subsidiaries and associates	(444)	(242)
Increase (decrease) in provision for bonuses	62	43
Interest and dividend income	(350)	(344)
Interest expenses	53	66
Loss (gain) on sales of property, plant and equipment	0	(126)
Loss on retirement of non-current assets	41	22
Decrease (increase) in notes and accounts receivable - trade	(3,682)	(2,738)
Decrease (increase) in inventories	693	(976)
Increase (decrease) in notes and accounts payable - trade	2,226	1,801
Increase (decrease) in accounts payable - other	792	1,036
Other, net	105	493
Subtotal	5,971	4,059
Interest and dividend income received	350	344
Interest expenses paid	(53)	(66)
Income taxes paid	(473)	(688)
Net cash provided by (used in) operating activities	5,794	3,648
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,899)	(1,581)
Purchase of intangible assets	(172)	(51)
Payments of loans receivable	(77)	(784)
Collection of loans receivable	38	33
Payments into time deposits	–	(614)
Other, net	(545)	183
Net cash provided by (used in) investing activities	(4,656)	(2,814)
Cash flows from financing activities		
Repayments of long-term loans payable	(377)	(293)
Repayments of lease obligations	(1,098)	(1,355)
Purchase of treasury shares	(14)	(0)
Cash dividends paid	(703)	(704)
Other, net	3	(11)
Net cash provided by (used in) financing activities	(2,190)	(2,365)
Effect of exchange rate change on cash and cash equivalents	(120)	(23)
Net increase (decrease) in cash and cash equivalents	(1,172)	(1,554)
Cash and cash equivalents at beginning of period	10,937	5,203
Increase in cash and cash equivalents from newly consolidated subsidiary	–	325
Cash and cash equivalents at end of period	9,764	3,974

#### (4) Segment information, etc.

[Segment information]

##### I. Six months ended August 31, 2017 (from March 1, 2017 to August 31, 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	88,257	13,092	7,532	870	2,547	112,300	–	112,300
Intersegment sales and transfers	–	1,339	1,972	3,460	3,762	10,535	(10,535)	–
Total	88,257	14,432	9,504	4,330	6,309	122,835	(10,535)	112,300
Segment profit (loss)	2,855	272	57	143	181	3,510	(299)	3,211

Notes: 1. The adjustment of (299) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of (6) million yen, as well as corporate expenses of (293) 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 six months ended August 31, 2017 is 377 million yen.

##### II. Six months ended August 31, 2018 (from March 1, 2018 to August 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	91,040	9,034	7,431	1,371	2,698	111,575	–	111,575
Intersegment sales and transfers	–	1,487	2,257	8,472	4,104	16,322	(16,322)	–
Total	91,040	10,521	9,688	9,843	6,802	127,897	(16,322)	111,575
Segment profit (loss)	1,509	84	48	345	183	2,171	(477)	1,694

Notes: 1. The adjustment of (477) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of (170) million yen, as well as corporate expenses of (306) 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. This writedown has been booked as an impairment loss under extraordinary losses. The impairment loss related to the business assets owned by Warabeya Nichiyo Co., Ltd. booked in the six months ended August 31, 2018 is 706 million yen.



(Material changes in goodwill amounts)

In the six months ended August 31, 2018, the Company booked goodwill of 398 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.

As of August 31, 2018, the Food Engineering Business and the Temporary Staffing and Contracting Business, which were previously classified as “Other,” will be classified as reportable segments, as their quantitative materiality has increased. As a result, the figures for the six months ended August 31, 2017, have been reclassified to reflect this change in reportable segments.