

Summary of Consolidated Financial Statements for the First Half of the Fiscal Year Ending February 28, 2018

[Prepared under Japanese GAAP, (UNAUDITED)]

October 5, 2017

Name of listed company: WARABEYA NICHIO HOLDINGS CO., LTD. Listed on: Tokyo Stock Exchange, 1st Section
Securities code: 2918 URL: <http://www.warabeya.co.jp/>
Representative: Hiroyuki Otomo, Representative Director, President
Contact: Naoshi Asano, Director, Managing Executive Officer
TEL: +81-42-345-3131
Scheduled date of filing the quarterly securities report: October 6, 2017
Scheduled date of payment of dividends: –
Supplementary documents for this summary of quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the first half of the fiscal year ending February 28, 2018

(March 1, 2017 – August 31, 2017)

(1) Consolidated operating results (Accumulated)

(Percentage figures show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
First half ended August 31, 2017	112,300	2.4	3,211	6.1	3,576	8.8	2,147	30.6
First half ended August 31, 2016	109,658	1.1	3,027	26.8	3,287	22.8	1,644	(13.0)

(Note) Comprehensive income: First half ended August 31, 2017: ¥2,006 million (up 41.9%)
First half ended August 31, 2016: ¥1,414 million (down 27.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half ended August 31, 2017	122.44	–
First half ended August 31, 2016	93.78	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of August 31, 2017	89,157	44,468	49.9
As of February 28, 2017	83,877	43,176	51.5

(Reference) Equity capital: As of August 31, 2017: ¥44,468 million
As of February 28, 2017: ¥43,176 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2017	–	0.00	–	40.00	40.00
Year ending February 28, 2018	–	0.00			
Year ending February 28, 2018 (forecast)			–	40.00	40.00

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

3. Consolidated financial forecasts for the fiscal year ending February 28, 2018

(March 1, 2017 – February 28, 2018)

(Percentage figures show changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	219,600	2.5	4,150	1.2	4,450	3.4	2,500	9.6	142.56

(Note) Revisions to the most recently announced financial forecasts: Yes

* Notes

(1) Significant changes in subsidiaries during the term

(Transfers of specific subsidiaries with changes in the scope of consolidation): None

Newly consolidated: – Excluded: –

(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements:

None

(3) Changes in accounting policies, accounting estimates and retrospective restatement

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: Yes

4) Retrospective restatement: None

(4) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)	As of August 31, 2017	17,625,660 shares	As of February 28, 2017	17,625,660 shares
2) Number of treasury stock at the end of fiscal year	As of August 31, 2017	91,000 shares	As of February 28, 2017	87,350 shares
3) Average number of shares	First half ended August 31, 2017	17,537,291 shares	First half ended August 31, 2016	17,537,998 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, 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.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of February 28, 2017	As of August 31, 2017
Assets		
Current assets		
Cash and deposits	10,937	9,764
Notes and accounts receivable - trade	18,039	21,714
Merchandise and finished goods	3,404	2,449
Raw materials and supplies	805	1,073
Other	3,356	3,994
Allowance for doubtful accounts	(226)	(412)
Total current assets	36,316	38,584
Non-current assets		
Property, plant and equipment		
Buildings and structures	46,999	47,403
Accumulated depreciation	(29,396)	(30,054)
Buildings and structures, net	17,602	17,349
Machinery, equipment and vehicles	18,760	18,551
Accumulated depreciation	(14,201)	(14,432)
Machinery, equipment and vehicles, net	4,559	4,118
Land	12,315	13,119
Construction in progress	63	1,873
Other	12,510	13,423
Accumulated depreciation	(5,624)	(5,805)
Other, net	6,886	7,618
Total property, plant and equipment	41,427	44,080
Intangible assets		
Other	920	962
Total intangible assets	920	962
Investments and other assets		
Other	5,330	6,121
Allowance for doubtful accounts	(116)	(592)
Total investments and other assets	5,213	5,529
Total non-current assets	47,561	50,572
Total assets	83,877	89,157

	(Millions of Yen)	
	As of February 28, 2017	As of August 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,380	12,602
Current portion of long-term loans payable	1,498	1,414
Accounts payable - other	9,961	10,369
Income taxes payable	475	1,129
Provision for bonuses	1,160	1,223
Provision for directors' bonuses	-	59
Other	3,184	3,890
Total current liabilities	26,660	30,689
Non-current liabilities		
Long-term loans payable	2,875	2,582
Net defined benefit liability	2,826	2,721
Provision for directors' stock-based rewards	78	98
Provision for loss on business of subsidiaries and associates	51	-
Provision for loss on guarantees of subsidiaries and associates	444	-
Asset retirement obligations	1,202	1,162
Other	6,561	7,434
Total non-current liabilities	14,040	13,998
Total liabilities	40,700	44,688
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	26,858	28,301
Treasury shares	(261)	(271)
Total shareholders' equity	42,791	44,223
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	156
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	137	(4)
Remeasurements of defined benefit plans	88	94
Total accumulated other comprehensive income	385	245
Total net assets	43,176	44,468
Total liabilities and net assets	83,877	89,157

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly consolidated statements of income

(Millions of Yen)

	First half ended August 31, 2016	First half ended August 31, 2017
Net sales	109,658	112,300
Cost of sales	92,939	95,200
Gross profit	16,718	17,099
Selling, general and administrative expenses	13,691	13,887
Operating income	3,027	3,211
Non-operating income		
Interest income	5	5
Dividend income	319	345
Rent income	80	83
Other	78	98
Total non-operating income	483	532
Non-operating expenses		
Interest expenses	46	53
Loss on retirement of non-current assets	58	41
Cost of lease revenue	60	60
Other	57	11
Total non-operating expenses	223	167
Ordinary income	3,287	3,576
Extraordinary losses		
Impairment loss	—	377
Provision of allowance for doubtful accounts for subsidiaries and associates	—	185
Provision for loss on business of subsidiaries and associates	450	—
Total extraordinary losses	450	562
Profit before income taxes	2,837	3,013
Income taxes - current	1,327	1,217
Income taxes - deferred	(134)	(350)
Total income taxes	1,193	866
Profit	1,644	2,147
Profit attributable to owners of parent	1,644	2,147

Quarterly consolidated statements of comprehensive income

	(Millions of Yen)	
	First half ended August 31, 2016	First half ended August 31, 2017
Profit	1,644	2,147
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	(4)
Deferred gains or losses on hedges	(16)	1
Foreign currency translation adjustment	(193)	(142)
Remeasurements of defined benefit plans, net of tax	(6)	5
Total other comprehensive income	(230)	(140)
Comprehensive income	1,414	2,006
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	1,414	2,006

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	First half ended August 31, 2016	First half ended August 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,837	3,013
Depreciation	2,320	2,471
Impairment loss	–	377
Increase (decrease) in allowance for doubtful accounts	–	661
Increase (decrease) in provision for loss on business of subsidiaries and associates	450	(51)
Increase (decrease) in provision for loss on guarantees of subsidiaries and associates	–	(444)
Increase (decrease) in provision for bonuses	446	62
Interest and dividend income	(324)	(350)
Interest expenses	46	53
Loss on retirement of non-current assets	58	41
Decrease (increase) in notes and accounts receivable - trade	(3,894)	(3,682)
Decrease (increase) in inventories	(487)	693
Increase (decrease) in notes and accounts payable - trade	1,954	2,226
Increase (decrease) in accounts payable - other	567	792
Other	1,445	105
Subtotal	5,421	5,971
Interest and dividend income received	324	350
Interest expenses paid	(46)	(53)
Income taxes paid	(283)	(473)
Net cash provided by (used in) operating activities	5,415	5,794
Cash flows from investing activities		
Purchase of property, plant and equipment	(843)	(3,899)
Purchase of intangible assets	(334)	(172)
Other	(232)	(584)
Net cash provided by (used in) investing activities	(1,411)	(4,656)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	–
Proceeds from long-term loans payable	960	–
Repayment of long-term loans payable	(386)	(377)
Repayments of lease obligations	(947)	(1,098)
Purchase of treasury shares	(0)	(14)
Cash dividends paid	(703)	(703)
Other	2	3
Net cash provided by (used in) financing activities	(1,175)	(2,190)
Effect of exchange rate change on cash and cash equivalents	(93)	(120)
Net increase (decrease) in cash and cash equivalents	2,736	(1,172)
Cash and cash equivalents at the beginning of period	6,493	10,937
Cash and cash equivalents at the end of period	9,229	9,764

(Segment information, etc.)

[Business segment information]

I. First half ended August 31, 2016 (March 1, 2016 – August 31, 2016)

1. Sales and profits or losses by reportable segments

(Millions of Yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Food Products Business	Food Ingredients Business	Logistics Business	Total				
Net sales								
Sales to external customers	85,820	13,318	7,490	106,628	3,029	109,658	–	109,658
Intersegment sales and transfers	–	1,144	2,034	3,178	7,508	10,686	(10,686)	–
Total	85,820	14,462	9,524	109,807	10,537	120,345	(10,686)	109,658
Segment income (loss)	2,414	232	143	2,790	263	3,054	(27)	3,027

Notes: 1. The “Other” column indicates businesses not included in the reporting segments, such as sales of food processing machines, temporary staffing, and contracting business.
2. The adjustment of (27) million yen under the item of “Segment income” is an elimination of intersegment transactions. Group administrative expenses of the Company are included in “Food Products Business,” as it was not practicable to calculate the expenses that were incurred before the transition to a holding company structure.
3. Segment income is adjusted to reflect operating income as recorded on the quarterly consolidated statements of income.

II. First half ended August 31, 2017 (March 1, 2017 – August 31, 2017)

1. Sales and profits or losses by reportable segments

(Millions of Yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Food Products Business	Food Ingredients Business	Logistics Business	Total				
Net sales								
Sales to external customers	88,257	13,092	7,532	108,882	3,417	112,300	–	112,300
Intersegment sales and transfers	–	1,339	1,972	3,311	7,223	10,535	(10,535)	–
Total	88,257	14,432	9,504	112,194	10,640	122,835	(10,535)	112,300
Segment income (loss)	2,855	272	57	3,185	325	3,510	(299)	3,211

Notes: 1. The “Other” column indicates businesses not included in the reporting segments, such as sales of food processing machines, temporary staffing, and contracting business.
2. The adjustment of (299) million yen under the item of “Segment income” includes an elimination of intersegment transactions of (6) million yen, as well as corporate expenses of (293) million yen, which are not allocated to reportable segments.
3. Segment income is adjusted to reflect operating income 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 first half of the fiscal year under review is 377 million yen.