

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2020 (Based on Japanese GAAP)

October 6, 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: October 7, 2020
 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, 2020 (from March 1, 2020 to August 31, 2020)

(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, 2020	96,591	(12.0)	1,205	(39.0)	1,535	(27.5)	(247)	–
Six months ended August 31, 2019	109,816	(1.6)	1,974	16.5	2,118	5.3	674	(25.1)

(Note) Comprehensive income: Six months ended August 31, 2020: ¥(189) million [– %]
 Six months ended August 31, 2019: ¥538 million [(36.4)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2020	(14.14)		–	
Six months ended August 31, 2019	38.40		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of August 31, 2020	82,937		43,593		52.3	
As of February 29, 2020	86,078		44,523		51.5	

(Reference) Equity capital: As of August 31, 2020: ¥43,406 million
 As of February 29, 2020: ¥44,342 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 29, 2020	–	0.00	–	40.00	40.00
Year ending February 28, 2021	–	0.00	–	40.00	40.00
Year ending February 28, 2021 (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, 2021 (from March 1, 2020 to February 28, 2021)

(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	192,000	(10.1)	2,200	(19.2)	2,550	(8.1)	300	(70.3)	17.15

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

* Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2020
(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, 2020	17,625,660 shares	As of February 29, 2020	17,625,660 shares
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Number of treasury shares at the end of the period

As of August 31, 2020	172,298 shares	As of February 29, 2020	72,998 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, 2020	17,522,793 shares	Six months ended August 31, 2019	17,552,149 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 review.

* 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 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	8,121	6,161
Notes and accounts receivable - trade	17,857	18,768
Merchandise and finished goods	3,626	3,007
Raw materials and supplies	981	935
Other	1,979	1,410
Allowance for doubtful accounts	(0)	(27)
Total current assets	32,566	30,255
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,744	52,666
Accumulated depreciation	(32,313)	(33,054)
Buildings and structures, net	20,431	19,611
Machinery, equipment and vehicles	19,002	18,764
Accumulated depreciation	(15,159)	(15,477)
Machinery, equipment and vehicles, net	3,843	3,286
Land	12,231	11,921
Construction in progress	1,839	3,131
Other	15,382	14,441
Accumulated depreciation	(8,055)	(7,946)
Other, net	7,326	6,494
Total property, plant and equipment	45,673	44,446
Intangible assets		
Goodwill	255	205
Other	681	655
Total intangible assets	936	861
Investments and other assets		
Other	7,068	7,533
Allowance for doubtful accounts	(165)	(159)
Total investments and other assets	6,903	7,373
Total non-current assets	53,512	52,681
Total assets	86,078	82,937

(Millions of Yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,304	10,349
Current portion of long-term borrowings	364	605
Accounts payable - other	10,655	8,064
Income taxes payable	622	517
Provision for bonuses	1,331	1,302
Provision for bonuses for directors (and other officers)	–	2
Other	4,156	3,730
Total current liabilities	27,433	24,573
Non-current liabilities		
Long-term borrowings	1,602	3,110
Lease obligations	6,936	6,072
Retirement benefit liability	3,768	3,834
Provision for Directors stock-based rewards	114	149
Asset retirement obligations	1,574	1,469
Other	126	132
Total non-current liabilities	14,121	14,769
Total liabilities	41,555	39,343
Net assets		
Shareholders' equity		
Share capital	8,049	8,049
Capital surplus	8,100	8,100
Retained earnings	28,560	27,762
Treasury shares	(213)	(367)
Total shareholders' equity	44,496	43,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	90	71
Deferred gains or losses on hedges	1	(2)
Foreign currency translation adjustment	(89)	(68)
Remeasurements of defined benefit plans	(156)	(138)
Total accumulated other comprehensive income	(154)	(138)
Non-controlling interests	181	187
Total net assets	44,523	43,593
Total liabilities and net assets	86,078	82,937

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

(Millions of Yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Net sales	109,816	96,591
Cost of sales	92,614	81,524
Gross profit	17,202	15,066
Selling, general and administrative expenses	15,227	13,861
Operating profit	1,974	1,205
Non-operating income		
Interest income	6	4
Dividend income	308	310
Rental income	80	90
Share of profit of entities accounted for using equity method	–	59
Other	23	53
Total non-operating income	418	518
Non-operating expenses		
Interest expenses	59	57
Loss on retirement of non-current assets	59	13
Rental cost	64	66
Other	91	50
Total non-operating expenses	274	188
Ordinary profit	2,118	1,535
Extraordinary income		
Gain on sales of non-current assets	–	61
Total extraordinary income	–	61
Extraordinary losses		
Impairment loss	664	1,157
Total extraordinary losses	664	1,157
Profit before income taxes	1,454	440
Income taxes - current	816	608
Income taxes - deferred	(84)	32
Total income taxes	732	641
Profit (loss)	721	(200)
Profit attributable to non-controlling interests	47	46
Profit (loss) attributable to owners of parent	674	(247)

Consolidated statements of comprehensive income

(Millions of Yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit (loss)	721	(200)
Other comprehensive income		
Valuation difference on available-for-sale securities	(76)	(18)
Deferred gains or losses on hedges	(0)	(3)
Foreign currency translation adjustment	(118)	16
Remeasurements of defined benefit plans, net of tax	11	17
Total other comprehensive income	(183)	11
Comprehensive income	538	(189)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	496	(231)
Comprehensive income attributable to non-controlling interests	41	42

(3) Consolidated statements of cash flows

(Millions of Yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Profit before income taxes	1,454	440
Depreciation	2,738	2,407
Impairment loss	664	1,157
Increase (decrease) in allowance for doubtful accounts	201	21
Increase (decrease) in provision for bonuses	35	(28)
Interest and dividend income	(314)	(315)
Interest expenses	59	57
Share of loss (profit) of entities accounted for using equity method	–	(59)
Loss (gain) on sales of property, plant and equipment	38	(61)
Loss on retirement of non-current assets	59	13
Decrease (increase) in trade receivables	(3,937)	(916)
Decrease (increase) in inventories	(143)	671
Increase (decrease) in trade payables	2,154	50
Increase (decrease) in accounts payable - other	1,970	(2,264)
Other, net	1,011	145
Subtotal	5,991	1,317
Interest and dividends received	314	315
Interest paid	(60)	(56)
Income taxes paid	(123)	(573)
Net cash provided by (used in) operating activities	6,122	1,003
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,219)	(2,598)
Proceeds from sales of property, plant and equipment	1,399	291
Purchase of intangible assets	(87)	(106)
Payments into time deposits	(439)	–
Proceeds from withdrawal of time deposits	600	215
Other, net	4	(170)
Net cash provided by (used in) investing activities	258	(2,368)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	2,046
Repayments of long-term borrowings	(940)	(243)
Repayments of lease obligations	(1,383)	(1,256)
Purchase of treasury shares	(0)	(153)
Dividends paid	(704)	(704)
Other, net	(10)	(36)
Net cash provided by (used in) financing activities	(3,039)	(348)
Effect of exchange rate change on cash and cash equivalents	(24)	(27)
Net increase (decrease) in cash and cash equivalents	3,316	(1,741)
Cash and cash equivalents at beginning of period	2,439	7,902
Cash and cash equivalents at end of period	5,756	6,161

(4) Segment information, etc.

[Segment information]

I. Six months ended August 31, 2019 (from March 1, 2019 to August 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	90,243	8,428	7,031	1,172	2,940	109,816	–	109,816
Intersegment sales and transfers	–	1,292	2,322	2,155	3,576	9,346	(9,346)	–
Total	90,243	9,721	9,354	3,328	6,516	119,163	(9,346)	109,816
Segment profit (loss)	2,366	(87)	3	(189)	63	2,155	(180)	1,974

Notes: 1. The adjustment of (180) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 166 million yen, as well as corporate expenses of (347) 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 six months ended August 31, 2019 is 646 million yen.

II. Six months ended August 31, 2020 (from March 1, 2020 to August 31, 2020)

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	79,817	7,395	6,506	653	2,218	96,591	–	96,591
Intersegment sales and transfers	–	1,167	2,375	1,713	2,706	7,962	(7,962)	–
Total	79,817	8,562	8,882	2,366	4,924	104,553	(7,962)	96,591
Segment profit (loss)	2,094	(658)	140	(17)	(140)	1,418	(212)	1,205

Notes: 1. The adjustment of (212) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 134 million yen, as well as corporate expenses of (347) 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 six months ended August 31, 2020 is 810 million yen.

In the Food Ingredients Business, the Company has marked down the book value of non-current assets of plants operated by Nichiyo Fresh 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 plants operated by Nichiyo Fresh Co., Ltd. booked in the six months ended August 31, 2020 is 346 million yen.