

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2021 (Based on Japanese GAAP)

October 7, 2021

Company name: WARABEYA NICHIO HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2918 URL <https://www.warabeya.co.jp/ja/index.html>
 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 14, 2021
 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, 2021 (from March 1, 2021 to August 31, 2021)

(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, 2021	95,980	(0.6)	3,192	164.9	3,928	155.8	2,435	–
Six months ended August 31, 2020	96,591	(12.0)	1,205	(39.0)	1,535	(27.5)	(247)	–

(Note) Comprehensive income: Six months ended August 31, 2021: ¥3,061 million [–%]
 Six months ended August 31, 2020: ¥(189) million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2021	139.51		–	
Six months ended August 31, 2020	(14.14)		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of August 31, 2021	82,361		46,705		56.4	
As of February 28, 2021	82,273		44,372		53.7	

(Reference) Equity capital: As of August 31, 2021: ¥46,418 million
 As of February 28, 2021: ¥44,164 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 28, 2021	–	0.00	–	40.00	40.00
Year ending February 28, 2022	–	0.00	–	–	–
Year ending February 28, 2022 (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, 2022 (from March 1, 2021 to February 28, 2022)

(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	(1.2)	4,500	35.1	5,300	42.8	3,200	368.7	183.30

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

* Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2021
 (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, 2021	17,625,660 shares	As of February 28, 2021	17,625,660 shares
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Number of treasury shares at the end of the period

As of August 31, 2021	166,573 shares	As of February 28, 2021	172,298 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, 2021	17,456,110 shares	Six months ended August 31, 2020	17,522,793 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 quarterly review conducted by certified public accountants or an audit corporation.
- * 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, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	8,946	7,716
Notes and accounts receivable - trade	16,101	17,640
Merchandise and finished goods	1,975	1,207
Raw materials and supplies	901	1,091
Other	1,508	1,882
Allowance for doubtful accounts	(0)	(25)
Total current assets	29,433	29,511
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,157	54,455
Accumulated depreciation	(33,304)	(31,845)
Buildings and structures, net	22,852	22,609
Machinery, equipment and vehicles	18,497	18,379
Accumulated depreciation	(15,080)	(14,925)
Machinery, equipment and vehicles, net	3,417	3,453
Land	11,890	11,885
Construction in progress	38	500
Other	14,821	13,563
Accumulated depreciation	(8,542)	(7,619)
Other, net	6,278	5,944
Total property, plant and equipment	44,477	44,393
Intangible assets		
Goodwill	153	117
Other	523	427
Total intangible assets	677	544
Investments and other assets		
Other	7,852	8,038
Allowance for doubtful accounts	(166)	(127)
Total investments and other assets	7,685	7,911
Total non-current assets	52,840	52,849
Total assets	82,273	82,361

(Millions of Yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,195	9,882
Current portion of long-term borrowings	607	615
Accounts payable - other	8,251	7,053
Income taxes payable	812	621
Provision for bonuses	1,252	1,190
Provision for bonuses for directors (and other officers)	–	54
Other	3,419	3,027
Total current liabilities	23,539	22,445
Non-current liabilities		
Long-term borrowings	2,806	2,248
Lease obligations	5,640	5,190
Retirement benefit liability	4,148	3,926
Provision for Directors stock-based rewards	179	179
Asset retirement obligations	1,411	1,437
Other	176	226
Total non-current liabilities	14,361	13,209
Total liabilities	37,900	35,655
Net assets		
Shareholders' equity		
Share capital	8,049	8,049
Capital surplus	8,100	8,100
Retained earnings	28,693	30,424
Treasury shares	(367)	(349)
Total shareholders' equity	44,475	46,224
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	116	166
Deferred gains or losses on hedges	1	(0)
Foreign currency translation adjustment	(262)	167
Remeasurements of defined benefit plans	(166)	(139)
Total accumulated other comprehensive income	(311)	194
Non-controlling interests	208	287
Total net assets	44,372	46,705
Total liabilities and net assets	82,273	82,361

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

(Millions of Yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Net sales	96,591	95,980
Cost of sales	81,524	78,919
Gross profit	15,066	17,060
Selling, general and administrative expenses	13,861	13,867
Operating profit	1,205	3,192
Non-operating income		
Interest income	4	3
Dividend income	310	275
Rental income	90	101
Insurance claim income	27	46
Gain on forgiveness of debts	–	313
Share of profit of entities accounted for using equity method	59	78
Other	26	110
Total non-operating income	518	928
Non-operating expenses		
Interest expenses	57	45
Loss on retirement of non-current assets	13	24
Rental costs	66	81
Other	50	41
Total non-operating expenses	188	193
Ordinary profit	1,535	3,928
Extraordinary income		
Gain on sales of non-current assets	61	–
Total extraordinary income	61	–
Extraordinary losses		
Impairment loss	1,157	283
Total extraordinary losses	1,157	283
Profit before income taxes	440	3,645
Income taxes - current	608	721
Income taxes - deferred	32	390
Total income taxes	641	1,111
Profit (loss)	(200)	2,534
Profit attributable to non-controlling interests	46	99
Profit (loss) attributable to owners of parent	(247)	2,435

Consolidated statements of comprehensive income

(Millions of Yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Profit (loss)	(200)	2,534
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	50
Deferred gains or losses on hedges	(3)	(1)
Foreign currency translation adjustment	39	358
Remeasurements of defined benefit plans, net of tax	17	27
Share of other comprehensive income of entities accounted for using equity method	(22)	92
Total other comprehensive income	11	527
Comprehensive income	(189)	3,061
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(231)	2,941
Comprehensive income attributable to non-controlling interests	42	120

(3) Consolidated statements of cash flows

(Millions of Yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	440	3,645
Depreciation	2,407	2,409
Impairment loss	1,157	283
Increase (decrease) in allowance for doubtful accounts	21	(13)
Increase (decrease) in provision for bonuses	(28)	(62)
Interest and dividend income	(315)	(278)
Interest expenses	57	45
Share of loss (profit) of entities accounted for using equity method	(59)	(78)
Loss (gain) on sales of property, plant and equipment	(61)	(18)
Loss on retirement of non-current assets	13	24
Gain on forgiveness of debt	–	(313)
Decrease (increase) in trade receivables	(916)	(1,519)
Decrease (increase) in inventories	671	576
Increase (decrease) in trade payables	50	671
Increase (decrease) in accounts payable - other	(2,264)	(1,124)
Other, net	145	(588)
Subtotal	1,317	3,659
Interest and dividends received	315	278
Interest paid	(56)	(46)
Income taxes paid	(573)	(916)
Net cash provided by (used in) operating activities	1,003	2,974
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,598)	(1,813)
Proceeds from sales of property, plant and equipment	291	122
Purchase of intangible assets	(106)	(19)
Proceeds from withdrawal of time deposits	215	–
Other, net	(170)	(386)
Net cash provided by (used in) investing activities	(2,368)	(2,096)
Cash flows from financing activities		
Proceeds from long-term borrowings	2,046	–
Repayments of long-term borrowings	(243)	(308)
Repayments of lease obligations	(1,256)	(1,159)
Purchase of treasury shares	(153)	–
Dividends paid	(704)	(704)
Other, net	(36)	(23)
Net cash provided by (used in) financing activities	(348)	(2,195)
Effect of exchange rate change on cash and cash equivalents	(27)	87
Net increase (decrease) in cash and cash equivalents	(1,741)	(1,230)
Cash and cash equivalents at beginning of period	7,902	8,946
Cash and cash equivalents at end of period	6,161	7,716

(4) Segment information, etc.

[Segment information]

I. 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					Other (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Food Products Business	Food Ingredients Business	Logistics Business	Food Engineering Business	Total				
Net sales									
Sales to external customers	79,817	7,395	6,506	653	94,372	2,218	96,591	–	96,591
Intersegment sales and transfers	–	1,167	2,375	1,713	5,256	2,706	7,962	(7,962)	–
Total	79,817	8,562	8,882	2,366	99,628	4,924	104,553	(7,962)	96,591
Segment profit (loss)	2,094	(658)	140	(17)	1,558	(140)	1,418	(212)	1,205

Notes: 1. The classification “Other” is the segment of businesses not included in the reportable segments, and includes Temporary Staffing and Contracting Business.

2. 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.

3. 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.

II. Six months ended August 31, 2021 (from March 1, 2021 to August 31, 2021)

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	Food Engineering Business	Total				
Net sales									
Sales to external customers	81,730	6,898	6,724	588	95,942	38	95,980	–	95,980
Intersegment sales and transfers	–	1,325	2,471	70	3,867	961	4,828	(4,828)	–
Total	81,730	8,224	9,196	658	99,809	999	100,809	(4,828)	95,980
Segment profit (loss)	3,155	106	358	(42)	3,577	(138)	3,438	(245)	3,192

Notes: 1. The classification “Other” is the segment of businesses not included in the reportable segments, and includes Temporary Staffing and Contracting Business.

2. The adjustment of (245) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 303 million yen, as well as corporate expenses of (549) million yen, which are not allocated to the reportable segments.

3. Segment profit (loss) is adjusted to reflect operating profit as recorded on the quarterly consolidated statements of income.
2. Matters regarding changes in reportable segments
From the first quarter ended May 31, 2021, the Temporary Staffing and Contracting Business, which was previously a reportable segment, has become insignificant due to the Company's withdrawal from this business, and is therefore listed in "Other."

The segment information for the six months ended August 31, 2020 has been restated to reflect the reportable segments adopted in the six months ended August 31, 2021.