

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)

October 7, 2022

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 Hideo Tsuji
 Inquiries: Director, Senior Managing Executive Officer Naoshi Asano TEL 03-5363-7010
 Scheduled date to file Quarterly Securities Report: October 11, 2022
 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, 2022 (from March 1, 2022 to August 31, 2022)

(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, 2022	97,858	2.0	3,376	5.7	3,058	(22.1)	1,606	(34.0)
Six months ended August 31, 2021	95,980	(0.6)	3,192	164.9	3,928	155.8	2,435	–

(Note) Comprehensive income: Six months ended August 31, 2022: ¥3,091 million [1.0%]
 Six months ended August 31, 2021: ¥3,061 million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2022	91.99		–	
Six months ended August 31, 2021	139.51		–	

(Note) The Company started to adopt the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 March 31, 2020), etc. at the beginning of the first quarter of the consolidated fiscal year under review. The figures for the second quarter of the fiscal year ending February 28, 2023 are those after the application of the said accounting standard, etc.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of August 31, 2022	91,156		50,589		54.4	
As of February 28, 2022	82,184		47,901		57.9	

(Reference) Equity capital: As of August 31, 2022: ¥49,578 million
 As of February 28, 2022: ¥47,564 million

(Note) The Company started to adopt the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 March 31, 2020), etc. at the beginning of the first quarter of the consolidated fiscal year under review. The figures for the second quarter of the fiscal year ending February 28, 2023 are those after the application of the said accounting standard, etc.

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, 2022	–	0.00	–	50.00	50.00
Year ending February 28, 2023	–	0.00	–	50.00	50.00
Year ending February 28, 2023 (Forecast)	–	–	–	50.00	50.00

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

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(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	195,000	1.4	4,800	8.1	4,600	(8.6)	2,600	(20.4)	148.88

(Note) 1. Revisions to the most recently announced financial forecasts: Yes

2. The Company started to adopt the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 March 31, 2020), etc. at the beginning of the first quarter of the consolidated fiscal year under review. The above forecasts for consolidated financial results reflect figures compiled after the application of the said accounting standard, etc.

4. Notes

(1) Changes in significant subsidiaries during the six months ended August 31, 2022
(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: Yes

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, 2022	17,625,660 shares	As of February 28, 2022	17,625,660 shares
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Number of treasury shares at the end of the period

As of August 31, 2022	161,364 shares	As of February 28, 2022	161,323 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, 2022	17,464,313 shares	Six months ended August 31, 2021	17,456,110 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, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	9,671	14,056
Notes and accounts receivable - trade	15,427	18,297
Merchandise and finished goods	1,256	1,823
Raw materials and supplies	1,607	1,650
Other	1,505	1,394
Allowance for doubtful accounts	–	(0)
Total current assets	29,467	37,223
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,349	56,413
Accumulated depreciation	(33,153)	(34,134)
Buildings and structures, net	22,196	22,279
Machinery, equipment and vehicles	19,383	20,007
Accumulated depreciation	(15,223)	(15,600)
Machinery, equipment and vehicles, net	4,160	4,406
Land	11,913	11,889
Construction in progress	440	1,661
Other	13,231	12,416
Accumulated depreciation	(7,565)	(6,975)
Other, net	5,665	5,441
Total property, plant and equipment	44,376	45,678
Intangible assets		
Goodwill	73	28
Other	372	310
Total intangible assets	445	339
Investments and other assets		
Other	8,016	8,033
Allowance for doubtful accounts	(121)	(118)
Total investments and other assets	7,895	7,915
Total non-current assets	52,716	53,933
Total assets	82,184	91,156

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,251	10,291
Current portion of long-term borrowings	628	958
Accounts payable - other	7,668	7,751
Income taxes payable	349	977
Provision for bonuses	1,194	1,175
Provision for bonuses for directors (and other officers)	–	54
Other	2,447	2,533
Total current liabilities	21,539	23,741
Non-current liabilities		
Long-term borrowings	1,995	5,760
Lease obligations	4,857	4,745
Retirement benefit liability	3,972	4,020
Provision for Directors stock-based rewards	188	210
Asset retirement obligations	1,419	1,429
Other	310	657
Total non-current liabilities	12,744	16,825
Total liabilities	34,283	40,567
Net assets		
Shareholders' equity		
Share capital	8,049	8,049
Capital surplus	8,100	8,100
Retained earnings	31,253	31,979
Treasury shares	(334)	(335)
Total shareholders' equity	47,068	47,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	216	204
Deferred gains or losses on hedges	0	4
Foreign currency translation adjustment	393	1,656
Remeasurements of defined benefit plans	(113)	(81)
Total accumulated other comprehensive income	496	1,784
Non-controlling interests	336	1,011
Total net assets	47,901	50,589
Total liabilities and net assets	82,184	91,156

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

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Net sales	95,980	97,858
Cost of sales	78,919	80,241
Gross profit	17,060	17,617
Selling, general and administrative expenses	13,867	14,241
Operating profit	3,192	3,376
Non-operating income		
Interest income	3	3
Dividend income	275	280
Rental income	101	98
Share of profit of entities accounted for using equity method	78	–
Other	470	116
Total non-operating income	928	499
Non-operating expenses		
Interest expenses	45	81
Loss on retirement of non-current assets	24	13
Rental costs	81	86
Share of loss of entities accounted for using equity method	–	486
Other	41	149
Total non-operating expenses	193	816
Ordinary profit	3,928	3,058
Extraordinary income		
Gain on sale of businesses	–	500
Total extraordinary income	–	500
Extraordinary losses		
Impairment losses	283	661
Total extraordinary losses	283	661
Profit before income taxes	3,645	2,896
Income taxes - current	721	1,235
Income taxes - deferred	390	(25)
Total income taxes	1,111	1,209
Profit	2,534	1,687
Profit attributable to non-controlling interests	99	80
Profit attributable to owners of parent	2,435	1,606

Consolidated statements of comprehensive income

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	2,534	1,687
Other comprehensive income		
Valuation difference on available-for-sale securities	50	(11)
Deferred gains or losses on hedges	(1)	4
Foreign currency translation adjustment	358	1,204
Remeasurements of defined benefit plans, net of tax	27	32
Share of other comprehensive income of entities accounted for using equity method	92	174
Total other comprehensive income	527	1,404
Comprehensive income	3,061	3,091
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,941	2,894
Comprehensive income attributable to non-controlling interests	120	196

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,645	2,896
Depreciation	2,409	2,340
Impairment losses	283	661
Increase (decrease) in allowance for doubtful accounts	(13)	(2)
Increase (decrease) in provision for bonuses	(62)	(19)
Interest and dividend income	(278)	(284)
Interest expenses	45	81
Share of loss (profit) of entities accounted for using equity method	(78)	486
Loss on retirement of non-current assets	24	13
Decrease (increase) in trade receivables	(1,519)	(2,785)
Decrease (increase) in inventories	576	(589)
Increase (decrease) in trade payables	671	982
Increase (decrease) in accounts payable - other	(1,124)	35
Other, net	(920)	458
Subtotal	3,659	4,275
Interest and dividends received	278	284
Interest paid	(46)	(34)
Income taxes paid	(916)	(483)
Net cash provided by (used in) operating activities	2,974	4,041
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,813)	(2,452)
Proceeds from sale of property, plant and equipment	122	2
Purchase of intangible assets	(19)	(20)
Other, net	(386)	(782)
Net cash provided by (used in) investing activities	(2,096)	(3,252)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	3,450
Repayments of long-term borrowings	(308)	(330)
Repayments of lease obligations	(1,159)	(989)
Dividends paid	(704)	(880)
Other, net	(23)	477
Net cash provided by (used in) financing activities	(2,195)	1,728
Effect of exchange rate change on cash and cash equivalents	87	1,035
Net increase (decrease) in cash and cash equivalents	(1,230)	3,553
Cash and cash equivalents at beginning of period	8,946	9,671
Cash and cash equivalents at end of period	7,716	13,225

(4) Segment information, etc.

[Segment information]

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

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 Production Businesses	Food Materials Businesses	Logistics Businesses	Food Plant and Equipment, Design and Development Businesses	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.

II. Six months ended August 31, 2022 (from March 1, 2022 to August 31, 2022)

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 Production Businesses	Food Materials Businesses	Logistics Businesses	Food Plant and Equipment, Design and Development Businesses	Total		
Net sales							
Sales to external customers	85,390	5,762	6,505	201	97,858	–	97,858
Intersegment sales and transfers	–	153	2,464	12	2,630	(2,630)	–
Total	85,390	5,915	8,969	213	100,488	(2,630)	97,858
Segment profit (loss)	3,389	36	353	(50)	3,729	(353)	3,376

- Notes: 1. The adjustment of (353) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 523 million yen, as well as corporate expenses of (876) 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. Matters regarding changes in reportable segments

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be applied from the beginning of the first quarter under review, and the account processing method regarding revenue recognition was changed, so the method of measuring segment profit (loss) was changed accordingly.

As a result of this change, net sales of the Food Materials Businesses for the second quarter under review decreased 987 million yen, net sales of the Logistics Businesses were down 6 million yen, and net sales of the Food Plant and Equipment, Design and Development Businesses declined 124 million yen compared to the previous method. This will not affect the segment profit or loss.

[Revenue Recognition]

Revenue from contracts with customers

Six months ended August 31, 2022 (from March 1, 2022 to August 31, 2022)

(Millions of Yen)

	Reportable segments					Total
	Food Production Businesses	Food Materials Businesses	Logistics Businesses	Food Plant and Equipment, Design and Development Businesses	Total	
Japan	79,389	5,761	6,505	177	91,833	91,833
U.S.	6,000	–	–	–	6,000	6,000
Other	–	0	–	24	25	25
Revenue from contracts with customers	85,390	5,762	6,505	201	97,858	97,858
Other revenue	–	–	–	–	–	–
Sales to external customers	85,390	5,762	6,505	201	97,858	97,858