

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2023 (Based on Japanese GAAP)

October 6, 2023

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 10, 2023
 Scheduled date to commence dividend payments: November 15, 2023
 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, 2023 (from March 1, 2023 to August 31, 2023)

(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, 2023	103,011	5.3	4,491	33.0	4,862	59.0	2,758	71.7
Six months ended August 31, 2022	97,858	2.0	3,376	5.7	3,058	(22.1)	1,606	(34.0)

(Note) Comprehensive income: Six months ended August 31, 2023: ¥3,695 million [19.5%]
 Six months ended August 31, 2022: ¥3,091 million [1.0%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2023	157.95		-	
Six months ended August 31, 2022	91.99		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2023	99,214	54,014	53.3
As of February 28, 2023	92,684	51,529	54.5

(Reference) Equity capital: As of August 31, 2023: ¥52,893 million
 As of February 28, 2023: ¥50,497 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, 2023	-	0.00	-	65.00	65.00
Year ending February 29, 2024	-	45.00	-	-	-
Year ending February 29, 2024 (Forecast)	-	-	-	45.00	90.00

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

3. Forecast of consolidated financial results for the year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

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	208,000	7.0	6,300	26.4	6,750	45.8	4,000	42.3	229.04

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

4. Notes

(1) Changes in significant subsidiaries during the six months ended August 31, 2023

(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: Yes
 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, 2023	17,625,660 shares	As of February 28, 2023	17,625,660 shares
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Number of treasury shares at the end of the period

As of August 31, 2023	161,442 shares	As of February 28, 2023	161,364 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, 2023	17,464,257 shares	Six months ended August 31, 2022	17,464,313 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, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	11,189	9,574
Accounts receivable - trade	15,879	19,133
Merchandise and finished goods	1,921	1,801
Raw materials and supplies	1,713	1,618
Other	1,640	2,559
Allowance for doubtful accounts	(0)	(0)
Total current assets	32,344	34,689
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,632	58,656
Accumulated depreciation	(35,005)	(35,988)
Buildings and structures, net	22,626	22,667
Machinery, equipment and vehicles	20,135	20,540
Accumulated depreciation	(15,531)	(16,076)
Machinery, equipment and vehicles, net	4,603	4,464
Land	11,827	11,866
Construction in progress	4,578	8,471
Other	14,451	13,577
Accumulated depreciation	(6,777)	(6,561)
Other, net	7,673	7,015
Total property, plant and equipment	51,310	54,486
Intangible assets		
Other	314	860
Total intangible assets	314	860
Investments and other assets		
Other	8,828	9,292
Allowance for doubtful accounts	(114)	(114)
Total investments and other assets	8,714	9,178
Total non-current assets	60,339	64,525
Total assets	92,684	99,214

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,486	10,340
Current portion of long-term borrowings	940	862
Accounts payable - other	8,146	8,153
Income taxes payable	660	1,104
Provision for bonuses	1,334	1,448
Provision for bonuses for directors (and other officers)	–	69
Other	2,510	3,098
Total current liabilities	22,079	25,076
Non-current liabilities		
Long-term borrowings	5,608	6,915
Lease liabilities	6,952	6,947
Retirement benefit liability	4,058	4,117
Provision for Directors stock-based rewards	228	248
Asset retirement obligations	1,440	1,450
Other	785	443
Total non-current liabilities	19,074	20,124
Total liabilities	41,154	45,200
Net assets		
Shareholders' equity		
Share capital	8,049	8,049
Capital surplus	8,100	8,100
Retained earnings	33,183	34,796
Treasury shares	(335)	(335)
Total shareholders' equity	48,998	50,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	242	235
Deferred gains or losses on hedges	2	10
Foreign currency translation adjustment	1,304	2,069
Remeasurements of defined benefit plans	(50)	(32)
Total accumulated other comprehensive income	1,499	2,282
Non-controlling interests	1,031	1,120
Total net assets	51,529	54,014
Total liabilities and net assets	92,684	99,214

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

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	97,858	103,011
Cost of sales	80,241	83,338
Gross profit	17,617	19,672
Selling, general and administrative expenses	14,241	15,180
Operating profit	3,376	4,491
Non-operating income		
Interest income	3	6
Dividend income	280	283
Rental income	98	111
Share of profit of entities accounted for using equity method	–	47
Other	116	176
Total non-operating income	499	626
Non-operating expenses		
Interest expenses	81	59
Loss on retirement of non-current assets	13	33
Rental costs	86	86
Share of loss of entities accounted for using equity method	486	–
Other	149	76
Total non-operating expenses	816	255
Ordinary profit	3,058	4,862
Extraordinary income		
Gain on sale of businesses	500	–
Total extraordinary income	500	–
Extraordinary losses		
Impairment losses	661	687
Total extraordinary losses	661	687
Profit before income taxes	2,896	4,174
Income taxes - current	1,235	1,273
Income taxes - deferred	(25)	83
Total income taxes	1,209	1,356
Profit	1,687	2,818
Profit attributable to non-controlling interests	80	59
Profit attributable to owners of parent	1,606	2,758

Consolidated statements of comprehensive income

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Profit	1,687	2,818
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	(6)
Deferred gains or losses on hedges	4	7
Foreign currency translation adjustment	1,204	785
Remeasurements of defined benefit plans, net of tax	32	17
Share of other comprehensive income of entities accounted for using equity method	174	73
Total other comprehensive income	1,404	876
Comprehensive income	3,091	3,695
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,894	3,541
Comprehensive income attributable to non-controlling interests	196	154

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,896	4,174
Depreciation	2,340	2,283
Impairment losses	661	687
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Increase (decrease) in provision for bonuses	(19)	113
Interest and dividend income	(284)	(289)
Interest expenses	81	59
Share of loss (profit) of entities accounted for using equity method	486	(47)
Loss on retirement of non-current assets	13	33
Decrease (increase) in trade receivables	(2,785)	(3,205)
Decrease (increase) in inventories	(589)	235
Increase (decrease) in trade payables	982	1,824
Increase (decrease) in accounts payable - other	35	869
Other, net	458	913
Subtotal	4,275	7,651
Interest and dividends received	284	292
Interest paid	(34)	(57)
Income taxes paid	(483)	(1,368)
Net cash provided by (used in) operating activities	4,041	6,517
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,452)	(6,183)
Proceeds from sale of property, plant and equipment	2	50
Purchase of intangible assets	(20)	(611)
Other, net	(782)	(393)
Net cash provided by (used in) investing activities	(3,252)	(7,138)
Cash flows from financing activities		
Proceeds from long-term borrowings	3,450	1,304
Repayments of long-term borrowings	(330)	(475)
Repayments of lease liabilities	(989)	(953)
Dividends paid	(880)	(1,143)
Other, net	477	(65)
Net cash provided by (used in) financing activities	1,728	(1,333)
Effect of exchange rate change on cash and cash equivalents	1,035	339
Net increase (decrease) in cash and cash equivalents	3,553	(1,614)
Cash and cash equivalents at beginning of period	9,671	11,189
Cash and cash equivalents at end of period	13,225	9,574

(4) Segment information, etc.

[Segment information]

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

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	Total				
Net sales								
Sales to external customers	85,390	5,762	6,505	97,657	201	97,858	–	97,858
Intersegment sales and transfers	–	153	2,464	2,618	12	2,630	(2,630)	–
Total	85,390	5,915	8,969	100,275	213	100,488	(2,630)	97,858
Segment profit (loss)	3,389	36	353	3,779	(50)	3,729	(353)	3,376

Notes: 1. The classification “Other” is the segment of businesses not included in the reportable segments, and includes Food Plant and Equipment, Design and Development Business.

2. 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.

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, 2023 (from March 1, 2023 to August 31, 2023)

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 Production Businesses	Food Materials Businesses	Logistics Businesses	Total				
Net sales								
Sales to external customers	90,487	5,973	6,507	102,968	43	103,011	–	103,011
Intersegment sales and transfers	–	166	2,601	2,768	–	2,768	(2,768)	–
Total	90,487	6,140	9,108	105,736	43	105,779	(2,768)	103,011
Segment profit (loss)	4,328	163	419	4,911	(24)	4,886	(394)	4,491

Notes: 1. The classification “Other” is the segment of businesses not included in the reportable segments, and includes Food Plant and Equipment, Design and Development Business.

2. The adjustment of (394) million yen under the item of “Segment profit (loss)” includes an elimination of intersegment transactions of 44 million yen, as well as corporate expenses of (439) 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 of the current fiscal year, the Food Plant and Equipment, Design and Development Businesses, which was previously a reportable segment, has become insignificant, and is therefore listed in “Other.”

The segment information for the six months of the fiscal year ended February 28, 2023 has been restated to reflect the reportable segments adopted in the six months of the fiscal year ending February 29, 2024.

(Revenue Recognition)

1. Revenue from contracts with customers

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

(Millions of Yen)

	Reportable segments				Other (Note)	Total
	Food Production Businesses	Food Materials Businesses	Logistics Businesses	Total		
Japan	79,389	5,761	6,505	91,656	177	91,833
U.S.	6,000	–	–	6,000	–	6,000
Other	–	0	–	0	24	25
Revenue from contracts with customers	85,390	5,762	6,505	97,657	201	97,858
Other revenue	–	–	–	–	–	–
Sales to external customers	85,390	5,762	6,505	97,657	201	97,858

Note: The classification “Other” is the segment of businesses not included in the reportable segments, and includes Food Plant and Equipment, Design and Development Business.

Six months ended August 31, 2023 (from March 1, 2023 to August 31, 2023)

(Millions of Yen)

	Reportable segments				Other (Note)	Total
	Food Production Businesses	Food Materials Businesses	Logistics Businesses	Total		
Japan	84,067	5,969	6,507	96,544	43	96,587
U.S.	6,394	–	–	6,394	–	6,394
Other	25	4	–	29	–	29
Revenue from contracts with customers	90,487	5,973	6,507	102,968	43	103,011
Other revenue	–	–	–	–	–	–
Sales to external customers	90,487	5,973	6,507	102,968	43	103,011

Note: The classification “Other” is the segment of businesses not included in the reportable segments, and includes Food Plant and Equipment, Design and Development Business.

2. Matters regarding changes in reportable segments

From the first quarter of the current fiscal year, the Food Plant and Equipment, Design and Development Businesses, which was previously a reportable segment, has become insignificant, and is therefore listed in “Other.”

The segment information for the six months of the fiscal year ended February 28, 2023 has been restated to reflect the reportable segments adopted in the six months of the fiscal year ending February 29, 2024.