

Summary of Consolidated Financial Statements for the Fiscal Year Ended February 28, 2017

[Prepared under Japanese GAAP, (UNAUDITED)]

April 14, 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/>
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Scheduled date of the annual general meeting of shareholders: May 25, 2017
Scheduled date of payment of dividends: May 26, 2017
Scheduled date of filing the annual securities report: May 26, 2017
Supplementary documents for this summary of financial statements results: Yes
Financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended February 28, 2017 (March 1, 2016 – February 28, 2017)

(1) Consolidated operating results

(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	%
Year ended February 28, 2017	214,305	2.5	4,099	32.8	4,304	29.0	2,281	59.7
Year ended February 29, 2016	209,147	3.7	3,088	(25.4)	3,336	(25.9)	1,428	(48.5)

(Note) Comprehensive income: Year ended February 28, 2017: ¥2,350 million (up 65.9%)
Year ended February 29, 2016: ¥1,416 million (down 52.4%)

	Profit per share	Diluted profit per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended February 28, 2017	130.09	—	5.4	5.3	1.9
Year ended February 29, 2016	81.34	—	3.5	4.3	1.5

(Reference) Equity in earnings of affiliates: Year ended February 28, 2017: ¥ – million
Year ended February 29, 2016: ¥ – million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of February 28, 2017	83,877	43,176	51.5	2,461.86
As of February 29, 2016	77,334	41,529	53.7	2,368.00

(Reference) Equity capital: As of February 28, 2017: ¥43,176 million
As of February 29, 2016: ¥41,529 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended February 28, 2017	8,770	(2,719)	(1,628)	10,937
Year ended February 29, 2016	5,677	(4,431)	(3,602)	6,493

2. Dividends

	Dividends per share					Total dividends (annual)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended February 29, 2016	—	0.00	—	40.00	40.00	704	49.2	1.7
Year ended February 28, 2017	—	0.00	—	40.00	40.00	704	30.7	1.7
Year ending February 28, 2018 (forecast)	—	0.00	—	40.00	40.00		28.1	

(Note) Total dividends for the fiscal year ended February 29, 2016 and the fiscal year ended February 28, 2017, respectively, include dividends of ¥3 million paid for shares of the Company held in the Board Incentive Plan (BIP) Trust.

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		Profit per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First six months	113,700	3.7	3,400	12.3	3,550	8.0	2,350	42.9	133.99
Full year	221,000	3.1	4,600	12.2	4,700	9.2	2,500	9.6	142.55

* Notes

(1) Significant changes in subsidiaries during the term

(Transfers of specific subsidiaries with changes in the scope of consolidation): Yes

Newly consolidated: – Excluded: 2 WARABEYA TOKAI CO., LTD.
WARABEYA HOKKAIDO CO., LTD.

(2) Changes in accounting policies, accounting estimates and restatement of revisions

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1: None

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding (including treasury shares)	As of February 28, 2017	17,625,660 shares	As of February 29, 2016	17,625,660 shares
2) Number of treasury shares	As of February 28, 2017	87,350 shares	As of February 29, 2016	87,946 shares
3) Average number of shares outstanding in each period	Year ended February 28, 2017	17,538,163 shares	Year ended February 29, 2016	17,566,301 shares

(Note) The Company has established a BIP Trust. Shares of the Company held by the trust are included in treasury shares.

(References) Overview of non-consolidated business results

1. Non-consolidated financial results for the year ended February 28, 2017 (March 1, 2016– February 28, 2017)

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended February 28, 2017	84,674	(46.8)	2,087	132.4	2,600	66.0	5,905	320.0
Year ended February 29, 2016	159,155	4.5	898	(52.2)	1,566	(36.2)	1,405	(14.5)

	Profit per share	Diluted profit per share
	Yen	Yen
Year ended February 28, 2017	336.71	—
Year ended February 29, 2016	80.03	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of February 28, 2017	43,320	38,676	89.3	2,205.24
As of February 29, 2016	61,605	33,481	54.3	1,909.13

(Reference) Equity capital: As of February 28, 2017: ¥38,676 million

As of February 29, 2016: ¥33,481 million

(Note) Note: The Company adopted a holding company structure on September 1, 2016, resulting in a significant year-on-year change in non-consolidated earnings for the fiscal year ended February 28, 2017.

* This financial summary document is outside the scope of audit.

* Explanation of appropriate use of forecasts of financial results, other important items:

Effective September 1, 2016, the Company changed its name from WARABEYA NICHIO CO., LTD. to WARABEYA NICHIO HOLDINGS CO., LTD.

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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of February 29, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	6,493	10,937
Notes and accounts receivable - trade	17,357	18,039
Merchandise and finished goods	2,554	3,404
Raw materials and supplies	936	805
Deferred tax assets	580	608
Other	2,335	2,748
Allowance for doubtful accounts	(22)	(226)
Total current assets	30,235	36,316
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,297	46,999
Accumulated depreciation	(27,923)	(29,396)
Buildings and structures, net	17,374	17,602
Machinery, equipment and vehicles	18,967	18,760
Accumulated depreciation	(13,636)	(14,201)
Machinery, equipment and vehicles, net	5,331	4,559
Land	12,332	12,315
Leased assets	9,227	11,063
Accumulated depreciation	(3,324)	(4,386)
Lease assets, net	5,902	6,677
Construction in progress	176	63
Other	1,475	1,446
Accumulated depreciation	(1,246)	(1,237)
Other, net	229	209
Total property, plant and equipment	41,345	41,427
Intangible assets		
Leased assets	12	7
Other	676	912
Total intangible assets	689	920
Investments and other assets		
Investment securities	533	527
Long-term loans receivable	206	279
Net defined benefit asset	251	218
Guarantee deposits	1,168	1,174
Deferred tax assets	2,104	2,166
Other	802	964
Allowance for doubtful accounts	(2)	(116)
Total investments and other assets	5,064	5,213
Total non-current assets	47,099	47,561
Total assets	77,334	83,877

	(Millions of Yen)	
	As of February 29, 2016	As of February 28, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,943	10,380
Short-term loans payable	100	–
Current portion of long-term loans payable	630	1,498
Lease obligations	1,712	1,994
Accounts payable - other	8,630	9,961
Income taxes payable	361	475
Provision for bonuses	909	1,160
Other	1,135	1,189
Total current liabilities	23,423	26,660
Non-current liabilities		
Long-term loans payable	2,569	2,875
Lease obligations	5,873	6,362
Net defined benefit liability	2,514	2,826
Provision for directors' stock options	34	78
Provision for loss on business of subsidiaries and associates	105	51
Provision for loss on guarantees of subsidiaries and associates	–	444
Asset retirement obligations	1,184	1,202
Other	99	199
Total non-current liabilities	12,381	14,040
Total liabilities	35,805	40,700
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	25,281	26,858
Treasury shares	(263)	(261)
Total shareholders' equity	41,212	42,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	163	161
Deferred gains or losses on hedges	(57)	(1)
Foreign currency translation adjustment	139	137
Remeasurements of defined benefit plans	71	88
Total accumulated other comprehensive income	317	385
Total net assets	41,529	43,176
Total liabilities and net assets	77,334	83,877

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated statements of income

(Millions of Yen)

	Year ended February 29, 2016	Year ended February 28, 2017
Net sales	209,147	214,305
Cost of sales	180,640	183,645
Gross profit	28,506	30,659
Selling, general and administrative expenses		
Haulage expenses	11,527	11,847
Salaries, allowances and bonuses	5,049	5,548
Provision for bonuses	349	442
Depreciation	268	311
Rent expenses	858	897
Other	7,366	7,512
Total selling, general and administrative expenses	25,418	26,560
Operating income	3,088	4,099
Non-operating income		
Interest income	11	10
Dividend income	297	323
Rent income	192	162
Reversal of allowance for doubtful accounts	79	—
Other	99	149
Total non-operating income	680	647
Non-operating expenses		
Interest expenses	92	94
Loss on retirement of non-current assets	57	112
Cost of lease revenue	157	121
Provision for loss on business of subsidiaries and associates	78	—
Other	46	113
Total non-operating expenses	432	442
Ordinary income	3,336	4,304
Extraordinary income		
Subsidy income	300	—
Total extraordinary income	300	□—
Extraordinary losses		
Impairment loss	1,821	—
Provision of allowance for doubtful accounts for subsidiaries and associates	—	264
Provision for loss on guarantees of subsidiaries and associates	—	444
Total extraordinary losses	1,821	708
Profit before income taxes	1,814	3,595
Income taxes - current	1,052	1,448
Income taxes - deferred	(667)	(134)
Total income taxes	385	1,314
Profit	1,428	2,281
Profit attributable to owners of parent	1,428	2,281

Consolidated statements of comprehensive income

	(Millions of Yen)	
	Year ended February 29, 2016	Year ended February 28, 2017
Profit	1,428	2,281
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(1)
Deferred gains or losses on hedges	(75)	55
Foreign currency translation adjustment	0	(1)
Remeasurements of defined benefit plans, net of tax	66	17
Total other comprehensive income	(12)	68
Comprehensive income	1,416	2,350
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	1,416	2,350

(3) Consolidated Statements of Changes in Shareholders' Equity

Year ended February 29, 2016

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	8,049	8,143	24,704	(17)	40,881
Cumulative effects of changes in accounting policies	—	—	(235)	—	(235)
Restated balance	8,049	8,143	24,469	(17)	40,645
Changes of items during the period					
Dividends from surplus	—	—	(616)	—	(616)
Profit attributable to owners of parent	—	—	1,428	—	1,428
Purchase of treasury shares	—	—	—	(245)	(245)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	812	(245)	566
Balance at the end of current period	8,049	8,143	25,281	(263)	41,212

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	166	18	138	5	329	41,210
Cumulative effects of changes in accounting policies	—	—	—	—	—	(235)
Restated balance	166	18	138	5	329	40,974
Changes of items during the period						
Dividends from surplus	—	—	—	—	—	(616)
Profit attributable to owners of parent	—	—	—	—	—	1,428
Purchase of treasury shares	—	—	—	—	—	(245)
Net changes of items other than shareholders' equity	(3)	(75)	0	66	(12)	(12)
Total changes of items during the period	(3)	(75)	0	66	(12)	554
Balance at the end of current period	163	(57)	139	71	317	41,529

Year ended February 28, 2017

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	8,049	8,143	25,281	(263)	41,212
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	8,049	8,143	25,281	(263)	41,212
Changes of items during the period					
Dividends from surplus	—	—	(704)	—	(704)
Profit attributable to owners of parent	—	—	2,281	—	2,281
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	—	—	2	2
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,577	2	1,579
Balance at the end of current period	8,049	8,143	26,858	(261)	42,791

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	163	(57)	139	71	317	41,529
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance	163	(57)	139	71	317	41,529
Changes of items during the period						
Dividends from surplus	—	—	—	—	—	(704)
Profit attributable to owners of parent	—	—	—	—	—	2,281
Purchase of treasury shares	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	2
Net changes of items other than shareholders' equity	(1)	55	(1)	17	68	68
Total changes of items during the period	(1)	55	(1)	17	68	1,647
Balance at the end of current period	161	(1)	137	88	385	43,176

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended February 29, 2016	Year ended February 28, 2017
Cash flows from operating activities		
Profit before income taxes	1,814	3,595
Depreciation and amortization	4,838	4,797
Impairment loss	1,821	–
Increase (decrease) in allowance for doubtful accounts	(106)	318
Increase (decrease) in provision for loss on business of subsidiaries and associates	105	(53)
Increase (decrease) in provision for loss on guarantees of subsidiaries and associates	–	444
Increase (decrease) in provision for bonuses	49	250
Increase (decrease) in net defined benefit liability	79	340
Interest and dividend income	(308)	(334)
Interest expenses	92	94
Loss on retirement of non-current assets	57	112
Decrease (increase) in notes and accounts receivable - trade	46	(689)
Decrease (increase) in inventories	361	(760)
Increase (decrease) in notes and accounts payable - trade	(1,034)	438
Increase (decrease) in accounts payable - other	(796)	616
Other	278	585
Subtotal	7,298	9,757
Interest and dividend income received	308	334
Interest expenses paid	(93)	(94)
Income taxes paid	(1,834)	(1,226)
Net cash provided by (used in) operating activities	5,677	8,770
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,370)	(2,089)
Proceeds from sales of property, plant and equipment	4	–
Purchase of intangible assets	(222)	(405)
Payments of loans receivable	(929)	(822)
Collection of loans receivable	1,107	763
Other	(20)	(165)
Net cash provided by (used in) investing activities	(4,431)	(2,719)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	–	(100)
Proceeds from long-term loans payable	–	1,860
Repayment of long-term loans payable	(1,120)	(686)
Repayments of lease obligations	(1,619)	(2,000)
Purchase of treasury shares	(245)	(0)
Cash dividends paid	(616)	(704)
Other	–	3
Net cash provided by (used in) financing activities	(3,602)	(1,628)

WARABEYA NICHIO HOLDINGS CO., LTD. (2918)

Summary of Consolidated Financial Statements for the Fiscal Year Ended February 28, 2017

	(Millions of Yen)	
	Year ended February 29, 2016	Year ended February 28, 2017
Effect of exchange rate change on cash and cash equivalents	3	20
Net increase (decrease) in cash and cash equivalents	(2,352)	4,443
Cash and cash equivalents at the beginning of period	8,846	6,493
Cash and cash equivalents at the end of period	6,493	10,937

(Segment information, etc.)

[Segment information]

1. Overview of the reportable segments

The reporting segments of the Company and its consolidated subsidiaries are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to determine the allocation of business resources to them as well as to evaluate their business performance. These segments are classified into “Food Products Business”, “Food Ingredients Business” and “Logistics Business” according to their products and services, and their main business operations are as follows:

Food Products Business: Manufacturing and sales of cooked food including bento meal boxes, onigiri (rice balls), sushi, dressed breads, and side dishes and noodles

Food Ingredients Business: Procurement, processing and sales of food ingredients

Logistics Business: Sorting and delivery of food products, ingredients and logistics systems

2. Calculation method for the amounts of sales, income/loss, assets/liabilities, and other items by reporting segment

The figures of income of reporting segments are recorded on an operating income basis.

Internal sales and transfers between segments are recorded based on actual market prices.

(Application of Practical Solution on Change in Depreciation Method due to Tax Reform in Fiscal 2016)

As noted in “Changes in accounting policies,” following revisions to the Corporation Tax Act, the Company has adopted the “Practical Solution on Change in Depreciation Method due to Tax Reform in Fiscal 2016” (Accounting Standards Board of Japan (ASBJ), PITF No. 32, June 17, 2016), effective from the fiscal year under review. As a result, the depreciation method for buildings and accompanying facilities and structures purchased on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method. As a result of this change, segment profits increased by ¥58 million in the Food Products Business, ¥0 million in the Food Ingredients Business, and ¥0 million in adjustments, compared with amounts under the previous depreciation method. Please note that the Company’s Group administration costs were incurred prior to adopting the holding company structure. Due to practical issues in calculating those costs, they have been included in the Food Products Business.

3. Information on the amounts of sales, income/loss, assets/liabilities, and other items by reporting segment

Year ended February 29, 2016

(Millions of Yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Carried on consolidated financial statements (Note 3)
	Food Products Business	Food Ingredients Business	Logistics Business	Total				
Net sales								
Sales to external customers	163,665	24,145	14,143	201,954	7,192	209,147	—	209,147
Intersegment sales and transfers	—	2,273	3,566	5,839	15,821	21,661	(21,661)	—
Total	163,665	26,418	17,709	207,794	23,014	230,808	(21,661)	209,147
Segment income (loss)	2,076	461	54	2,592	365	2,957	130	3,088
Segment assets	69,019	7,456	4,776	81,252	4,765	86,017	(8,682)	77,334
Other								
Depreciation and amortization	4,882	88	157	5,128	24	5,152	(314)	4,838
Increase in property, plant and equipment and intangible assets	7,849	182	988	9,020	20	9,040	(396)	8,643

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 130 million yen under the item of “Segment income” is an elimination of intersegment transactions.

The adjustment of (8,682) million yen under the item of “Segment assets” is an elimination of intersegment transactions.

The adjustment of (314) million yen under the item of “Depreciation and amortization” is an elimination of intersegment transactions.

The adjustment of (396) million yen under the item of “Increase in property, plant and equipment and intangible assets” 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 consolidated statements of income.

Year ended February 28, 2017

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	(Millions of Yen) Carried on consolidated financial statements (Note 3)
	Food Products Business	Food Ingredients Business	Logistics Business	Total				
Net sales								
Sales to external customers	168,186	24,341	14,781	207,309	6,995	214,305	—	214,305
Intersegment sales and transfers	—	2,417	3,966	6,384	14,217	20,602	(20,602)	—
Total	168,186	26,758	18,748	213,694	21,213	234,907	(20,602)	214,305
Segment income (loss)	3,167	432	185	3,784	525	4,310	(211)	4,099
Segment assets	63,264	7,810	4,957	76,033	6,434	82,468	1,409	83,877
Other								
Depreciation and amortization	4,801	103	183	5,089	21	5,110	(313)	4,797
Increase in property, plant and equipment and intangible assets	5,601	73	37	5,712	15	5,727	(394)	5,333

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 (211) million yen under the item “Segment income (loss)” includes elimination of intersegment transactions of 56 million yen and Companywide expenses of (268) million yen not allocated to reportable segments.

The adjustment of 1,409 million yen under the item “Segment assets” includes elimination of intersegment transactions of (26,223) million yen and Companywide assets of 27,633 million yen not allocated to reportable segments.

The adjustment of (313) million yen under the item “Depreciation and amortization” includes elimination of intersegment transactions of (317) million yen and depreciation and amortization of 3 million yen related to Companywide assets not allocated to reportable segments.

The adjustment of (394) million yen under the item “property, plant and equipment and intangible fixed assets” includes elimination of intersegment transactions of (394) million yen and increase in Companywide assets not allocated to reportable segments of 0 million yen.

3. Segment income is adjusted to reflect operating income as recorded on the consolidated statements of income.