

Summary of Consolidated Financial Statements for the Fiscal Year Ended February 29, 2016

[Prepared under Japanese GAAP, (UNAUDITED)]

April 13, 2016

Name of listed company:	WARABEYA NICHIO CO., LTD.	Listed on:	Tokyo Stock Exchange, 1st Section
Securities code:	2918	URL:	http://www.warabeya.co.jp/
Representative:	Hirofumi Otomo, President		
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Scheduled date of the annual general meeting of shareholders:	May 26, 2016		
Scheduled date of payment of dividends:	May 27, 2016		
Scheduled date of filing the annual securities report:	May 27, 2016		
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 year ended February 29, 2016 (March 1, 2015 – February 29, 2016)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended February 29, 2016	209,147	3.7	3,088	(25.4)	3,336	(25.9)	1,428	(48.5)
Year ended February 28, 2015	201,680	8.1	4,137	11.3	4,502	13.8	2,775	22.1

(Note) Comprehensive income: Year ended February 29, 2016: ¥1,416 million (down 52.4%)
Year ended February 28, 2015: ¥2,973 million (up 22.2%)

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended February 29, 2016	81.34	—	3.5	4.3	1.5
Year ended February 28, 2015	157.55	—	6.9	6.1	2.1

(Reference) Equity in earnings of affiliates: Year ended February 29, 2016: ¥ – million
Year ended February 28, 2015: ¥ – 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 29, 2016	77,334	41,529	53.7	2,368.00
As of February 28, 2015	77,117	41,210	53.4	2,339.60

(Reference) Equity capital: As of February 29, 2016: ¥41,529 million
As of February 28, 2015: ¥41,210 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 29, 2016	5,677	(4,431)	(3,602)	6,493
Year ended February 28, 2015	11,238	(6,061)	(3,064)	8,846

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 28, 2015	—	0.00	—	35.00	35.00	616	22.2	1.5
Year ended February 29, 2016	—	0.00	—	40.00	40.00	704	49.2	1.7
Year ending February 28, 2017 (forecast)	—	0.00	—	40.00	40.00		43.8	

(Note) Total dividends for the fiscal year ended February 29, 2016 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, 2017

(March 1, 2016 – February 28, 2017)

(Percentage figures show changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First six months	111,200	2.6	2,800	17.3	2,900	8.3	1,750	(7.4)	99.78
Full year	217,000	3.8	3,300	6.9	3,400	1.9	1,600	12.0	91.23

* Notes

(1) Significant changes in subsidiaries during the term

(Transfers of specific subsidiaries with changes in the scope of consolidation): None

Newly consolidated: – Excluded: –

(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 29, 2016	17,625,660 shares	As of February 28, 2015	17,625,660 shares
2) Number of treasury shares	As of February 29, 2016	87,946 shares	As of February 28, 2015	11,326 shares
3) Average number of shares outstanding in each period	Year ended February 29, 2016	17,566,301 shares	Year ended February 28, 2015	17,614,396 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 29, 2016 (March 1, 2015– February 29, 2016)

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended February 29, 2016	159,155	4.5	898	(52.2)	1,566	(36.2)	1,405	(14.5)
Year ended February 28, 2015	152,360	8.0	1,876	43.3	2,457	37.8	1,644	49.9

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended February 29, 2016	80.03	–
Year ended February 28, 2015	93.36	–

(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 29, 2016	61,605	33,481	54.3	1,909.13
As of February 28, 2015	60,753	33,177	54.6	1,883.57

(Reference) Equity capital: As of February 29, 2016: ¥33,481 million
As of February 28, 2015: ¥33,177 million

* Statement relating to the execution status of audit procedures:

This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of the said Act were not completed at the time this financial summary was disclosed.

* Explanations and other special notes concerning the appropriate use of business performance forecasts:

The business performance forecasts presented in this document are based on information currently available and certain assumptions considered reasonable by the Company 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 28, 2015	As of February 29, 2016
Assets		
Current assets		
Cash and deposits	8,846	6,493
Notes and accounts receivable - trade	17,403	17,357
Merchandise and finished goods	2,985	2,554
Raw materials and supplies	867	936
Deferred tax assets	449	580
Other	2,184	2,335
Allowance for doubtful accounts	(129)	(22)
Total current assets	32,607	30,235
Fixed assets		
Tangible fixed assets		
Buildings and structures	43,718	45,297
Accumulated depreciation	(26,350)	(27,923)
Buildings and structures, net	17,367	17,374
Machinery, equipment and vehicles	18,550	18,967
Accumulated depreciation	(13,371)	(13,636)
Machinery, equipment and vehicles, net	5,179	5,331
Land	12,382	12,332
Lease assets	6,574	9,227
Accumulated depreciation	(2,674)	(3,324)
Lease assets, net	3,899	5,902
Construction in progress	514	176
Other	1,403	1,475
Accumulated depreciation	(1,210)	(1,246)
Other, net	193	229
Total tangible fixed assets	39,537	41,345
Intangible assets		
Lease assets	13	12
Other	567	676
Total intangible assets	580	689
Investments and other assets		
Investment securities	540	533
Long-term loans receivable	248	206
Net defined benefit asset	206	251
Guarantee deposits	1,173	1,168
Deferred tax assets	1,415	2,104
Other	809	802
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	4,391	5,064
Total fixed assets	44,509	47,099
Total assets	77,117	77,334

(Millions of Yen)

	As of February 28, 2015	As of February 29, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,978	9,943
Short-term loans payable	100	100
Current portion of long-term loans payable	1,120	630
Lease obligations	1,168	1,712
Accounts payable - other	9,174	8,630
Accrued income taxes	968	361
Provision for bonuses	860	909
Other	1,682	1,135
Total current liabilities	26,053	23,423
Long-term liabilities		
Long-term loans payable	3,200	2,569
Lease obligations	3,381	5,873
Net defined benefit liability	2,167	2,514
Provision for director stock options	-	34
Provision for loss on business of subsidiaries and associates	-	105
Asset retirement obligations	1,011	1,184
Other	92	99
Total long-term liabilities	9,853	12,381
Total liabilities	35,906	35,805
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	24,704	25,281
Treasury shares	(17)	(263)
Total shareholders' equity	40,881	41,212
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	163
Deferred gains or losses on hedges	18	(57)
Foreign currency translation adjustment	138	139
Remeasurements of defined benefit plans	5	71
Total accumulated other comprehensive income	329	317
Total net assets	41,210	41,529
Total liabilities and net assets	77,117	77,334

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated statements of income

	(Millions of Yen)	
	Year ended February 28, 2015	Year ended February 29, 2016
Net sales	201,680	209,147
Cost of sales	172,686	180,640
Gross profit	28,994	28,506
Selling, general and administrative expenses		
Haulage expenses	11,197	11,527
Salaries, allowances and bonuses	4,987	5,049
Provision for bonuses	345	349
Depreciation	249	268
Rent expenses	852	858
Other	7,224	7,366
Total selling, general and administrative expenses	24,856	25,418
Operating income	4,137	3,088
Non-operating income		
Interest income	11	11
Dividend income	196	297
Rent income	216	192
Reversal of allowance for doubtful accounts	–	79
Other	266	99
Total non-operating income	689	680
Non-operating expenses		
Interest expenses	96	92
Loss on retirement of fixed assets	50	57
Cost of lease revenue	147	157
Provision for loss on business of subsidiaries and associates	–	78
Other	30	46
Total non-operating expenses	324	432
Ordinary income	4,502	3,336
Extraordinary income		
Subsidy income	84	300
Total extraordinary income	84	300
Extraordinary losses		
Provision of allowance for doubtful accounts for subsidiaries and associates	68	–
Impairment loss	131	1,821
Total extraordinary losses	200	1,821
Income before income taxes	4,386	1,814
Current income taxes	1,755	1,052
Deferred income taxes	(143)	(667)
Total income taxes	1,611	385
Income before minority interests	2,775	1,428
Net income	2,775	1,428

Consolidated statements of comprehensive income

	(Millions of Yen)	
	Year ended February 28, 2015	Year ended February 29, 2016
Income before minority interests	2,775	1,428
Other comprehensive income		
Valuation difference on available-for-sale securities	61	(3)
Deferred gains or losses on hedges	28	(75)
Foreign currency translation adjustment	108	0
Remeasurements of defined benefit plans, net of tax	–	66
Total other comprehensive income	197	(12)
Comprehensive income	2,973	1,416
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	2,973	1,416

(3) Consolidated Statements of Changes in Shareholders' Equity

Year ended February 28, 2015

(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	22,546	(17)	38,722
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	8,049	8,143	22,546	(17)	38,722
Changes of items during the period					
Dividends from surplus	—	—	(616)	—	(616)
Net income	—	—	2,775	—	2,775
Purchase of treasury	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	2,158	(0)	2,158
Balance at the end of current period	8,049	8,143	24,704	(17)	40,881

	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	105	(9)	30	—	126	38,848
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance	105	(9)	30	—	126	38,848
Changes of items during the period						
Dividends from surplus	—	—	—	—	—	(616)
Net income	—	—	—	—	—	2,775
Purchase of treasury shares	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	61	28	108	5	203	203
Total changes of items during the period	61	28	108	5	203	2,361
Balance at the end of current period	166	18	138	5	329	41,210

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)
Net income	–	–	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)
Net income	–	–	–	–	–	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

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended February 28, 2015	Year ended February 29, 2016
Cash flows from operating activities		
Income before income taxes	4,386	1,814
Depreciation and amortization	4,382	4,838
Impairment loss	131	1,821
Increase (decrease) in allowance for doubtful accounts	68	(106)
Increase (decrease) in provision for loss on business of subsidiaries and associates	–	105
Increase (decrease) in provision for bonuses	92	49
Increase (decrease) in net defined benefit liability	152	79
Interest and dividend income	(207)	(308)
Interest expenses	96	92
Loss on retirement of fixed assets	50	57
Decrease (increase) in notes and accounts receivable - trade	(1,668)	46
Decrease (increase) in inventories	236	361
Increase (decrease) in notes and accounts payable - trade	1,964	(1,034)
Increase (decrease) in accounts payable - other	2,674	(796)
Other	419	278
Subtotal	12,780	7,298
Interest and dividend income received	207	308
Interest expenses paid	(97)	(93)
Income taxes paid	(1,651)	(1,834)
Net cash provided by (used in) operating activities	11,238	5,677
Cash flows from investing activities		
Purchase of tangible fixed assets	(5,752)	(4,370)
Proceeds from sales of tangible fixed assets	0	4
Purchase of intangible assets	(391)	(222)
Purchase of investment securities	(10)	(11)
Payments of loans receivable	(1,032)	(929)
Collection of loans receivable	732	1,107
Other	394	(9)
Net cash provided by (used in) investing activities	(6,061)	(4,431)
Cash flows from financing activities		
Repayment of long-term loans payable	(1,244)	(1,120)
Repayments of lease obligations	(1,202)	(1,619)
Purchase of treasury shares	(0)	(245)
Cash dividends paid	(616)	(616)
Other	0	–
Net cash provided by (used in) financing activities	(3,064)	(3,602)

	(Millions of Yen)	
	Year ended February 28, 2015	Year ended February 29, 2016
Effect of exchange rate change on cash and cash equivalents	21	3
Net increase (decrease) in cash and cash equivalents	2,134	(2,352)
Cash and cash equivalents at the beginning of period	6,711	8,846
Cash and cash equivalents at the end of period	8,846	6,493

(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 boxed meals, onigiri (rice balls), sushi, prepared breads, and prepared dishes
Food Ingredients Business: Procurement, processing and sales of foodstuffs
Logistics Business: Food delivery

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.

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

Year ended February 28, 2015

(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	156,409	25,227	12,817	194,454	7,226	201,680	–	201,680
Intersegment sales and transfers	–	1,841	3,497	5,339	14,477	19,816	(19,816)	–
Total	156,409	27,068	16,315	199,794	21,703	221,497	(19,816)	201,680
Segment income (loss)	2,974	320	298	3,593	513	4,106	30	4,137
Segment assets	68,794	8,290	4,487	81,572	4,858	86,430	(9,313)	77,117
Other								
Depreciation and amortization	4,475	77	93	4,646	24	4,671	(288)	4,382
Increase in tangible fixed assets and intangible fixed assets	7,036	136	156	7,329	7	7,336	(395)	6,941

Notes: 1. The “Other” column indicates businesses not included in the reporting segments, such as the sales of food production facilities, temporary staffing, and outsourcing of operations.

2. The adjustment of 30 million yen under the item of “Segment income” is an elimination of intersegment transactions.
The adjustment of (9,313) million yen under the item of “Segment assets” is an elimination of intersegment transactions.

The adjustment of (288) million yen under the item of “Depreciation and amortization” is an elimination of intersegment transactions.

The adjustment of (395) million yen under the item of “Increase in tangible fixed assets and intangible fixed assets” is an elimination of intersegment transactions.

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

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 tangible fixed assets and intangible fixed 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 the sales of food production facilities, temporary staffing, and outsourcing of operations.

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 tangible fixed assets and intangible fixed assets” is an elimination of intersegment transactions.

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