

Summary of Consolidated Financial Statements for the First Half of the Fiscal Year Ending February 29, 2016

[Prepared under Japanese GAAP, (UNAUDITED)]

October 2, 2015

Name of listed company: WARABEYA NICHIO 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 filing the quarterly securities report: October 5, 2015
Scheduled date of payment of dividends: –
Supplementary documents for this summary of quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first half of the year ending February 29, 2016

(March 1, 2015 – August 31, 2015)

(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	%
First half ended August 31, 2015	108,430	4.9	2,386	(13.0)	2,677	(11.3)	1,890	6.4
First half ended August 31, 2014	103,407	9.7	2,744	(0.7)	3,019	3.5	1,776	2.1

(Note) Comprehensive income: First half ended August 31, 2015: ¥1,960 million (up 10.1%)
First half ended August 31, 2014: ¥1,779 million (down 3.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half ended August 31, 2015	107.47	–
First half ended August 31, 2014	100.88	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of August 31, 2015	85,387	42,072	49.3
As of February 28, 2015	77,117	41,210	53.4

(Reference) Equity capital: As of August 31, 2015: ¥42,072 million
As of February 28, 2015: ¥41,210 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2015	–	0.00	–	35.00	35.00
Year ending February 29, 2016	–	0.00			
Year ending February 29, 2016 (forecast)			–	40.00	40.00

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

3. Consolidated financial forecasts for the fiscal year ending February 29, 2016

(March 1, 2015 – February 29, 2016)

(Percentage figures show changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	211,500	4.9	2,900	(29.9)	3,200	(28.9)	2,050	(26.1)	116.51

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

* 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) Application of specified accounting methods for the preparation of quarterly consolidated financial statements: None

(3) 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

(4) Number of outstanding shares (common stock):

1) Number of shares outstanding (including treasury stock)	As of August 31, 2015	17,625,660 shares	As of February 28, 2015	17,625,660 shares
2) Number of treasury stock	As of August 31, 2015	87,926 shares	As of February 28, 2015	11,326 shares
3) Average number of shares outstanding in each period	First half ended August 31, 2015	17,594,565 shares	First half ended August 31, 2014	17,614,420 shares

* Status of execution of the quarterly review of financial statements:

This quarterly financial summary is not subject to the quarterly review procedure based on the Financial Instruments and Exchange Act. As of the time of disclosure, this review procedure for quarterly financial statements had not been completed.

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

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. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of February 28, 2015	As of August 31, 2015
Assets		
Current assets		
Cash and deposits	8,846	8,447
Notes and accounts receivable - trade	17,403	22,845
Merchandise and finished goods	2,985	2,055
Raw materials and supplies	867	1,074
Other	2,634	2,710
Allowance for doubtful accounts	(129)	(129)
Total current assets	32,607	37,005
Fixed assets		
Tangible fixed assets		
Buildings and structures	43,718	44,791
Accumulated depreciation	(26,350)	(27,075)
Buildings and structures, net	17,367	17,716
Machinery, equipment and vehicles	18,550	19,648
Accumulated depreciation	(13,371)	(13,402)
Machinery, equipment and vehicles, net	5,179	6,245
Land	12,382	12,382
Construction in progress	514	167
Other	7,978	10,573
Accumulated depreciation	(3,885)	(4,090)
Other, net	4,093	6,482
Total tangible fixed assets	39,537	42,994
Intangible assets		
Other	580	644
Total intangible assets	580	644
Investments and other assets		
Other	4,393	4,746
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	4,391	4,743
Total fixed assets	44,509	48,382
Total assets	77,117	85,387

	(Millions of Yen)	
	As of February 28, 2015	As of August 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,978	13,006
Short-term loans payable	100	-
Current portion of long-term loans payable	1,120	890
Accounts payable - other	9,174	9,846
Accrued income taxes	968	890
Provision for bonuses	860	904
Provision for directors' bonuses	-	53
Other	2,851	5,408
Total current liabilities	26,053	31,000
Long-term liabilities		
Long-term loans payable	3,200	2,834
Net defined benefit liability	2,167	2,572
Provision for director stock options	-	24
Asset retirement obligations	1,011	1,056
Other	3,474	5,827
Total long-term liabilities	9,853	12,314
Total liabilities	35,906	43,314
Net assets		
Shareholders' equity		
Common stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	24,704	25,743
Treasury stock	(17)	(263)
Total shareholders' equity	40,881	41,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	213
Deferred gains or losses on hedges	18	18
Foreign currency translation adjustment	138	156
Remeasurements of defined benefit plans	5	10
Total accumulated other comprehensive income	329	398
Total net assets	41,210	42,072
Total liabilities and net assets	77,117	85,387

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly consolidated statements of income

(Millions of Yen)

	First half ended August 31, 2014	First half ended August 31, 2015
Net sales	103,407	108,430
Cost of sales	87,964	93,054
Gross profit	15,443	15,376
Selling, general and administrative expenses	12,698	12,989
Operating income	2,744	2,386
Non-operating income		
Interest income	5	6
Dividends income	192	293
Rent income	109	94
Other	136	49
Total non-operating income	444	443
Non-operating expenses		
Interest expenses	50	45
Loss on retirement of fixed assets	23	26
Cost of lease revenue	78	67
Other	17	14
Total non-operating expenses	169	153
Ordinary income	3,019	2,677
Extraordinary losses		
Impairment loss	—	132
Total extraordinary losses	—	132
Income before income taxes	3,019	2,545
Current income taxes	1,340	942
Deferred income taxes	(98)	(287)
Total income taxes	1,242	654
Income before minority interests	1,776	1,890
Net income	1,776	1,890

Quarterly consolidated statements of comprehensive income

(Millions of Yen)

	First half ended August 31, 2014	First half ended August 31, 2015
Income before minority interests	1,776	1,890
Other comprehensive income		
Valuation difference on available-for-sale securities	22	47
Deferred gains or losses on hedges	12	0
Foreign currency translation adjustment	(31)	17
Remeasurements of defined benefit plans, net of tax	—	4
Total other comprehensive income	3	69
Comprehensive income	1,779	1,960
(Breakdown of comprehensive income)		
Parent company portion of comprehensive income	1,779	1,960

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	First half ended August 31, 2014	First half ended August 31, 2015
Cash flows from operating activities		
Net income before income taxes	3,019	2,545
Depreciation and amortization	2,147	2,269
Impairment loss	–	132
Increase (decrease) in provision for bonuses	54	43
Interest and dividend income	(198)	(299)
Interest expenses	50	45
Loss on retirement of fixed assets	23	26
Decrease (increase) in notes and accounts receivable - trade	(5,212)	(5,438)
Decrease (increase) in inventories	860	723
Increase (decrease) in notes and accounts payable - trade	3,745	2,025
Increase (decrease) in accounts payable - other	2,675	525
Other	869	1,506
Subtotal	8,035	4,104
Interest and dividend income received	198	299
Interest expenses paid	(51)	(45)
Income taxes paid	(929)	(996)
Net cash provided by (used in) operating activities	7,252	3,361
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,499)	(1,722)
Purchase of intangible assets	(57)	(106)
Other	139	354
Net cash provided by (used in) investing activities	(1,417)	(1,474)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	(100)
Repayment of long-term loans payable	(625)	(594)
Repayments of lease obligations	(581)	(734)
Purchase of treasury shares of subsidiaries	(0)	(245)
Cash dividends paid	(616)	(614)
Other	(0)	–
Net cash provided by (used in) financing activities	(1,922)	(2,290)
Effect of exchange rate change on cash and cash equivalents	(13)	4
Net increase (decrease) in cash and cash equivalents	3,898	(398)
Cash and cash equivalents at the beginning of period	6,711	8,846
Cash and cash equivalents at the end of period	10,610	8,447

(4) Segment information, etc.

[Business segment information]

I. First half ended August 31, 2014 (March 1, 2014 – August 31, 2014)

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 financial statements (Note 3*)
	Food Products Business	Food Ingredients Business	Logistics Business	Total				
Net sales								
Sales to external customers	80,174	12,728	6,403	99,307	4,099	103,407	–	103,407
Intersegment sales and transfers	0	934	1,704	2,639	10,019	12,658	(12,658)	–
Total	80,174	13,663	8,108	101,946	14,119	116,065	(12,658)	103,407
Segment income (loss)	2,027	168	189	2,385	465	2,851	(106)	2,744

- Notes: 1. The “Other” column indicates businesses not included in the reportable segments, such as the sales of food production facilities, temporary staffing, and outsourcing of operations.
2. The adjustment of (106) million yen under the item of “Segment income” is an elimination of intersegment transactions.
3. Segment income is adjusted to reflect operating income as recorded on the quarterly consolidated statements of income.

II. First half ended August 31, 2015 (March 1, 2015 – August 31, 2015)

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 financial statements (Note 3*)
	Food Products Business	Food Ingredients Business	Logistics Business	Total				
Net sales								
Sales to external customers	83,917	13,042	7,029	103,988	4,442	108,430	–	108,430
Intersegment sales and transfers	–	1,168	1,733	2,902	9,663	12,565	(12,565)	–
Total	83,917	14,211	8,762	106,891	14,105	120,996	(12,565)	108,430
Segment income (loss)	1,609	274	87	1,971	550	2,522	(135)	2,386

- Notes: 1. The “Other” column indicates businesses not included in the reportable segments, such as the sales of food production facilities, temporary staffing, and outsourcing of operations.
2. The adjustment of (135) million yen under the item of “Segment income” is an elimination of intersegment transactions.
3. Segment income is adjusted to reflect operating income as recorded on the quarterly consolidated statements of income.