

# Summary of Consolidated Financial Statements for the Fiscal Year Ended February 28, 2014

[Prepared under Japanese GAAP, UNAUDITED]

April 11, 2014

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: Hidetoshi Imokawa, President  
 Contact: Masana Moriura, Managing Director, Administrative Management Headquarters  
 TEL: +81-42-345-3131  
 Scheduled date of the annual general meeting of shareholders: May 22, 2014  
 Scheduled date of payment of dividends: May 23, 2014  
 Scheduled date of filing the annual securities report: May 23, 2014  
 Supplementary documents for this summary of financial statements: 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 28, 2014 (March 1, 2013– February 28, 2014)

### (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 28, 2014	186,531	6.6	3,718	(5.1)	3,957	(3.8)	2,272	5.1
Year ended February 28, 2013	175,048	7.1	3,918	(4.3)	4,114	(0.8)	2,162	16.1

(Note) Comprehensive income: Year ended February 28, 2014: ¥2,433 million (up 9.3%)

Year ended February 28, 2013: ¥2,227 million (up 18.5%)

	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 28, 2014	129.01	—	6.0	5.8	2.0
Year ended February 28, 2013	130.11	—	6.1	6.4	2.2

(Reference) Equity in earnings of affiliates: Year ended February 28, 2014: ¥ – million, Year ended February 28, 2013: ¥ – 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, 2014	71,104	38,848	54.6	2,205.51
As of February 28, 2013	65,941	36,943	56.0	2,097.33

(Reference) Equity capital: As of February 28, 2014: ¥38,848 million, As of February 28, 2013: ¥36,943 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, 2014	5,749	(3,280)	(1,788)	6,711
Year ended February 28, 2013	6,572	(3,065)	860	5,999

## 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, 2013	—	0.00	—	30.00	30.00	528	23.1	1.5
Year ended February 28, 2014	—	0.00	—	35.00	35.00	616	27.1	1.6
Year ended February 28, 2015 (forecast)	—	0.00	—	35.00	35.00		25.2	

(Notes) Breakdown of FY2/14 year-end dividend: ordinary dividend ¥30.00 per share, commemorative dividend ¥5.00 per share (commemorative dividend to mark the Company's 50th anniversary)

Breakdown of FY2/15 year-end dividend (forecast): ordinary dividend ¥35.00 per share

3. Consolidated financial forecast for the fiscal year ending February 28, 2015 (March 1, 2014 – February 28, 2015)

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

	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
First six months	103,000	9.3	3,000	8.6	3,100	6.3	1,850	6.3	105.03
Full year	204,000	9.4	4,400	18.3	4,500	13.7	2,450	7.8	139.09

\* Notes

(1) Significant changes to 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:

Yes

4) Restatement of revisions

None

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

1) Number of shares outstanding (including treasury stock)

As of February 28, 2014	17,625,660 shares	As of February 28, 2013	17,625,660 shares
As of February 28, 2014	11,226 shares	As of February 28, 2013	11,026 shares
Year ended February 28, 2014	17,614,495 shares	Year ended February 28, 2013	16,623,008 shares

2) Number of treasury stock:

3) Average number of shares outstanding in each period

(References) Overview of non-consolidated business results

Non-consolidated financial results for the year ended February 28, 2014 (March 1, 2013– February 28, 2014)

(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 28, 2014	141,082	7.4	1,309	(3.6)	1,783	(4.6)	1,097	(0.3)
Year ended February 28, 2013	131,368	7.8	1,359	(37.0)	1,869	(25.1)	1,100	(21.1)

	Net income per share (Yen)	Diluted net income per share (Yen)
Year ended February 28, 2014	62.28	—
Year ended February 28, 2013	66.20	—

(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, 2014	56,339	32,089	57.0	1,821.80
As of February 28, 2013	53,353	31,463	59.0	1,786.22

(Reference) Equity capital: As of February 28, 2014: ¥32,089 million, As of February 28, 2013: ¥31,463 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, 2013	As of February 28, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	5,999	6,711
Notes and accounts receivable—trade	14,339	15,712
Merchandise and finished goods	2,807	3,178
Raw materials and supplies	749	902
Deferred tax assets	429	504
Other	1,796	2,095
Allowance for doubtful accounts	(83)	(60)
Total current assets	26,037	29,044
Fixed assets		
Tangible fixed assets		
Buildings and structures	39,202	41,362
Accumulated depreciation	(23,561)	(24,680)
Buildings and structures, net	15,641	16,682
Machinery, equipment and vehicles	15,887	17,238
Accumulated depreciation	(11,808)	(12,473)
Machinery, equipment and vehicles, net	4,079	4,765
Land	12,505	12,382
Lease assets	3,509	5,040
Accumulated depreciation	(1,176)	(1,855)
Lease assets, net	2,333	3,184
Construction in progress	987	545
Other	1,330	1,377
Accumulated depreciation	(1,171)	(1,170)
Other, net	159	207
Total tangible fixed assets	35,706	37,768
Intangible assets		
Lease assets	4	17
Other	498	331
Total intangible assets	503	348
Investments and other assets		
Investment securities	346	435
Long-term loans receivable	129	93
Guarantee deposits	1,158	1,165
Deferred tax assets	1,249	1,282
Other	813	969
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	3,693	3,942
Total fixed assets	39,904	42,059
Total assets	65,941	71,104

(Millions of Yen)

	As of February 28, 2013	As of February 28, 2014
Liabilities		
Current liabilities		
Notes and accounts payable—trade	8,435	9,005
Short-term debt	100	100
Current portion of long-term debt	1,294	1,244
Lease obligations	651	944
Accounts payable—other	5,761	7,044
Accrued income taxes	747	962
Provision for bonuses	738	767
Others	1,548	1,962
Total current liabilities	19,276	22,031
Long-term liabilities		
Long-term debt	4,745	4,320
Lease obligations	2,049	2,815
Provision for retirement benefits	1,976	2,023
Asset retirement obligations	784	965
Others	164	99
Total long-term liabilities	9,720	10,223
Total liabilities	28,997	32,255
Net assets		
Shareholders' equity		
Common stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	20,802	22,546
Treasury stock	(16)	(17)
Total shareholders' equity	36,979	38,722
Accumulated other comprehensive income		
Unrealized gain on securities	46	105
Deferred gains or losses on hedges	13	(9)
Foreign currency translation adjustment	(94)	30
Total accumulated other comprehensive income	(35)	126
Total net assets	36,943	38,848
Total liabilities and net assets	65,941	71,104

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated statements of income

	(Millions of Yen)	
	Year ended February 28, 2013	Year ended February 28, 2014
Net sales	175,048	186,531
Cost of sales	149,558	159,928
Gross profit	25,490	26,603
Selling, general and administrative expenses		
Haulage expenses	9,303	10,087
Salaries, allowances and bonuses	4,340	4,634
Provision for bonuses	289	306
Depreciation	289	287
Rent expenses	773	817
Others	6,575	6,750
Total selling, general and administrative expenses	21,572	22,884
Operating income	3,918	3,718
Non-operating income		
Interest income	12	13
Dividends income	218	234
Rent income	163	174
Others	197	264
Total non-operating income	591	686
Non-operating expenses		
Interest expenses	129	108
Loss on retirement of fixed assets	71	165
Cost of lease revenue	96	108
Others	98	64
Total non-operating expenses	394	447
Ordinary income	4,114	3,957
Extraordinary losses		
Loss on sales of fixed assets	97	—
loss on warehouse closure	253	—
Impairment loss	—	89
Total extraordinary losses	351	89
Income before income taxes	3,763	3,867
Current income taxes	1,611	1,733
Deferred income taxes	(10)	(138)
Total income taxes	1,600	1,595
Income before minority interests	2,162	2,272
Net income	2,162	2,272

Consolidated statements of comprehensive income

	(Millions of Yen)	
	Year ended February 28, 2013	Year ended February 28, 2014
Income before minority interests	2,162	2,272
Other comprehensive income		
Unrealized gain on securities	31	58
Deferred gains or losses on hedges	(19)	(22)
Foreign currency translation adjustment	52	125
Total other comprehensive income	64	161
Comprehensive income	2,227	2,433
(Breakdown of Comprehensive income)		
Parent company portion of comprehensive income	2,227	2,433

(3) Consolidated Statements of Changes in Shareholders' Equity

Year ended February 28, 2013

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	7,285	7,379	18,971	(16)	33,620
Changes of items during the period					
Issuance of new shares	764	764	—	—	1,528
Dividends from surplus	—	—	(332)	—	(332)
Net income	—	—	2,162	—	2,162
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	764	764	1,830	(0)	3,358
Balance at the end of current period	8,049	8,143	20,802	(16)	36,979

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	15	32	(147)	(99)	33,521
Changes of items during the period					
Issuance of new shares	—	—	—	—	1,528
Dividends from surplus	—	—	—	—	(332)
Net income	—	—	—	—	2,162
Purchase of treasury stock	—	—	—	—	(0)
Net changes of items other than shareholders' equity	31	(19)	52	64	64
Total changes of items during the period	31	(19)	52	64	3,422
Balance at the end of current period	46	13	(94)	(35)	36,943

Year ended February 28, 2014

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	8,049	8,143	20,802	(16)	36,979
Changes of items during the period					
Dividends from surplus	—	—	(528)	—	(528)
Net income	—	—	2,272	—	2,272
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,744	(0)	1,743
Balance at the end of current period	8,049	8,143	22,546	(17)	38,722

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	46	13	(94)	(35)	36,943
Changes of items during the period					
Dividends from surplus	—	—	—	—	(528)
Net income	—	—	—	—	2,272
Purchase of treasury stock	—	—	—	—	(0)
Net changes of items other than shareholders' equity	58	(22)	125	161	161
Total changes of items during the period	58	(22)	125	161	1,905
Balance at the end of current period	105	(9)	30	126	38,848



(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended February 28, 2013	Year ended February 28, 2014
Cash flows from operating activities		
Income before income taxes	3,763	3,867
Depreciation and amortization	3,678	3,854
Impairment loss	—	89
Increase (decrease) in allowance for doubtful accounts	(20)	(23)
Increase (decrease) in provision for bonuses	36	29
Increase (decrease) in provision for retirement benefits	56	46
Interest and dividends income	(230)	(247)
Interest expenses	129	108
Loss on retirement of fixed assets	71	165
loss on warehouse closure	253	—
Decrease (increase) in notes and accounts receivable—trade	(84)	(1,347)
Decrease (increase) in inventories	215	(514)
Increase (decrease) in notes and accounts payable—trade	502	551
Increase (decrease) in accounts payable—other	(36)	702
Other	525	(105)
Subtotal	8,860	7,178
Interest and dividends income received	230	247
Interest expenses paid	(130)	(110)
Income taxes paid	(2,388)	(1,566)
Net cash provided by (used in) operating activities	6,572	5,749
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,744)	(2,957)
Proceeds from sales of tangible fixed assets	15	111
Purchase of intangible assets	(49)	(73)
Purchase of investment securities	(10)	(10)
Payments of loans receivable	(751)	(1,053)
Collection of loans receivable	860	851
Purchase of stocks of subsidiaries and affiliates	(12)	—
Payments for investments in capital of subsidiaries and affiliates	(337)	(147)
Other	(37)	(0)
Net cash provided by (used in) investing activities	(3,065)	(3,280)

(Millions of Yen)

	Year ended February 28, 2013	Year ended February 28, 2014
Cash flows by financing activities		
Net increase (decrease) in short-term debt	100	—
Proceeds from long-term debt	1,840	840
Repayment of long-term debt	(1,658)	(1,316)
Proceeds from issuance of common stock	1,528	—
Repayments of lease obligations	(617)	(783)
Cash dividends paid	(332)	(527)
Other	(0)	(0)
Net cash provided by (used in) financing activities	860	(1,788)
Effect of exchange rate change on cash and cash equivalents	12	32
Net increase (decrease) in cash and cash equivalents	4,379	712
Cash and cash equivalents at the beginning of period	1,619	5,999
Cash and cash equivalents at the end of period	5,999	6,711

(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.

(Changes to depreciation method)

Following revisions to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries adopted a new depreciation method for tangible fixed assets purchased after March 1, 2013, effective from the fiscal year under review.

The new method, which is based on the revised Corporation Tax Act, has increased segment profits by ¥90 million in the Food Products Business in the fiscal year under review. The impact on the Company’s other business segments is minimal.

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

Year ended February 28, 2013

(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	133,661	23,340	11,742	168,744	6,304	175,048	—	175,048
Intersegment sales and transfers	0	1,410	2,469	3,880	10,847	14,728	(14,728)	—
Total	133,661	24,751	14,212	172,624	17,152	189,776	(14,728)	175,048
Segment income (loss)	2,932	387	209	3,529	296	3,826	91	3,918
Segment assets	59,416	6,971	3,127	69,516	4,912	74,428	(8,487)	65,941
Other								
Depreciation and amortization	3,711	100	70	3,883	15	3,898	(220)	3,678
Increase in tangible fixed assets and intangible fixed assets	3,552	51	102	3,706	27	3,733	(232)	3,501

- 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 91 million Yen under the item of “Segment income” is an elimination of intersegment transactions. The adjustment of (8,487) million Yen under the item of “Segment assets” is an elimination of intersegment transactions. The adjustment of (232) 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 28, 2014

(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	144,282	23,548	12,607	180,439	6,092	186,531	—	186,531
Intersegment sales and transfers	0	1,546	2,848	4,395	14,563	18,958	(18,958)	—
Total	144,282	25,095	15,456	184,834	20,656	205,490	(18,958)	186,531
Segment income (loss)	2,970	237	127	3,335	508	3,844	(125)	3,718
Segment assets	63,905	7,621	3,315	74,842	5,551	80,394	(9,290)	71,104
Other								
Depreciation and amortization	3,891	95	78	4,065	24	4,089	(235)	3,854
Increase in tangible fixed assets and intangible fixed assets	6,299	77	137	6,514	60	6,575	(486)	6,088

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 (125) million Yen under the item of “Segment income” is an elimination of intersegment transactions.

The adjustment of (9,290) million Yen under the item of “Segment assets” is an elimination of intersegment transactions.

The adjustment of (486) 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.