

Summary of Consolidated Financial Statements for the Fiscal Year Ended February 28, 2018

[Prepared under Japanese GAAP, (UNAUDITED)]

April 13, 2018

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 24, 2018
Scheduled date of payment of dividends: May 25, 2018
Scheduled date of filing the annual securities report: May 25, 2018
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, 2018 (March 1, 2017 – February 28, 2018)

(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, 2018	219,103	2.2	3,731	(9.0)	4,023	(6.5)	2,093	(8.2)
Year ended February 28, 2017	214,305	2.5	4,099	32.8	4,304	29.0	2,281	59.7

(Note) Comprehensive income: Year ended February 28, 2018: ¥1,824 million (down 22.4%)
Year ended February 28, 2017: ¥2,350 million (up 65.9%)

	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, 2018	119.40	—	4.8	4.7	1.7
Year ended February 28, 2017	130.09	—	5.4	5.3	1.9

(Reference) Equity in earnings of affiliates: Year ended February 28, 2018: ¥ – million
Year ended February 28, 2017: ¥ – 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, 2018	86,888	44,286	51.0	2,525.63
As of February 28, 2017	83,877	43,176	51.5	2,461.86

(Reference) Equity capital: As of February 28, 2018: ¥44,286 million
As of February 28, 2017: ¥43,176 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 period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended February 28, 2018	8,082	(9,151)	(4,564)	5,203
Year ended February 28, 2017	8,770	(2,719)	(1,628)	10,937

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, 2017	—	0.00	—	40.00	40.00	704	30.7	1.7
Year ended February 28, 2018	—	0.00	—	40.00	40.00	704	33.5	1.6
Year ending February 28, 2019 (forecast)	—	0.00	—	40.00	40.00		32.6	

(Note) Total dividends for the fiscal year ended February 28, 2017 and the fiscal year ended February 28, 2018, 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, 2019

(March 1, 2018 – February 28, 2019)

(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	113,600	1.2	3,000	(6.6)	3,200	(10.5)	1,775	(17.3)	101.23
Full year	224,600	2.5	4,000	7.2	4,150	3.1	2,150	2.7	122.61

* 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.: None

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 shares)	As of February 28, 2018	17,625,660 shares	As of February 28, 2017	17,625,660 shares
2) Number of treasury shares	As of February 28, 2018	91,022 shares	As of February 28, 2017	87,350 shares
3) Average number of shares outstanding in each period	Year ended February 28, 2018	17,535,982 shares	Year ended February 28, 2017	17,538,163 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, 2018 (March 1, 2017 – February 28, 2018)

(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, 2018	1,840	(97.8)	885	(57.6)	951	(63.4)	784	(86.7)
Year ended February 28, 2017	84,674	(46.8)	2,087	132.4	2,600	66.0	5,905	320.0

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended February 28, 2018	44.73	–
Year ended February 28, 2017	336.71	–

(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, 2018	41,623	38,749	93.1	2,209.90
As of February 28, 2017	43,320	38,676	89.3	2,205.24

(Reference) Equity capital: As of February 28, 2018: ¥38,749 million

As of February 28, 2017: ¥38,676 million

(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, 2018.

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

* Explanation of appropriate use of forecasts of financial results, 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.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of February 28, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	10,937	5,203
Notes and accounts receivable - trade	18,039	18,339
Merchandise and finished goods	3,404	3,341
Raw materials and supplies	805	916
Deferred tax assets	608	719
Other	2,748	2,430
Allowance for doubtful accounts	(226)	(0)
Total current assets	36,316	30,952
Non-current assets		
Property, plant and equipment		
Buildings and structures	46,999	49,304
Accumulated depreciation	(29,396)	(30,766)
Buildings and structures, net	17,602	18,538
Machinery, equipment and vehicles	18,760	18,350
Accumulated depreciation	(14,201)	(14,609)
Machinery, equipment and vehicles, net	4,559	3,740
Land	12,315	13,182
Leased assets	11,063	14,810
Accumulated depreciation	(4,386)	(5,249)
Lease assets, net	6,677	9,560
Construction in progress	63	3,558
Other	1,446	1,455
Accumulated depreciation	(1,237)	(1,207)
Other, net	209	248
Total property, plant and equipment	41,427	48,830
Intangible assets		
Leased assets	7	2
Other	912	901
Total intangible assets	920	904
Investments and other assets		
Investment securities	527	549
Long-term loans receivable	279	587
Net defined benefit asset	218	358
Guarantee deposits	1,174	1,609
Deferred tax assets	2,166	2,245
Other	964	1,389
Allowance for doubtful accounts	(116)	(538)
Total investments and other assets	5,213	6,202
Total non-current assets	47,561	55,936
Total assets	83,877	86,888

(Millions of Yen)

	As of February 28, 2017	As of February 28, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,380	10,310
Current portion of long-term loans payable	1,498	586
Lease obligations	1,994	2,575
Accounts payable - other	9,961	9,257
Income taxes payable	475	629
Provision for bonuses	1,160	1,258
Other	1,189	1,436
Total current liabilities	26,660	26,053
Non-current liabilities		
Long-term loans payable	2,875	2,289
Lease obligations	6,362	9,257
Net defined benefit liability	2,826	3,075
Provision for Directors stock-based rewards	78	117
Provision for loss on business of subsidiaries and associates	51	—
Provision for loss on guarantees of subsidiaries and associates	444	242
Asset retirement obligations	1,202	1,390
Other	199	175
Total non-current liabilities	14,040	16,548
Total liabilities	40,700	42,602
Net assets		
Shareholders' equity		
Capital stock	8,049	8,049
Capital surplus	8,143	8,143
Retained earnings	26,858	28,247
Treasury shares	(261)	(271)
Total shareholders' equity	42,791	44,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	166
Deferred gains or losses on hedges	(1)	(2)
Foreign currency translation adjustment	137	24
Remeasurements of defined benefit plans	88	(72)
Total accumulated other comprehensive income	385	116
Total net assets	43,176	44,286
Total liabilities and net assets	83,877	86,888

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated statements of income

	(Millions of Yen)	
	Year ended February 28, 2017	Year ended February 28, 2018
Net sales	214,305	219,103
Cost of sales	183,645	187,622
Gross profit	30,659	31,480
Selling, general and administrative expenses		
Haulage expenses	11,847	12,213
Salaries, allowances and bonuses	5,548	5,856
Provision for bonuses	442	485
Depreciation	311	465
Rent expenses	897	963
Other	7,512	7,764
Total selling, general and administrative expenses	26,560	27,748
Operating income	4,099	3,731
Non-operating income		
Interest income	10	9
Dividend income	323	349
Rent income	162	168
Other	149	161
Total non-operating income	647	689
Non-operating expenses		
Interest expenses	94	114
Loss on retirement of non-current assets	112	111
Cost of lease revenue	121	124
Other	113	48
Total non-operating expenses	442	398
Ordinary income	4,304	4,023
Extraordinary losses		
Impairment loss	—	444
Provision of allowance for doubtful accounts for subsidiaries and associates	264	308
Provision for loss on guarantees of subsidiaries and associates	444	242
Total extraordinary losses	708	995
Profit before income taxes	3,595	3,027
Income taxes - current	1,448	1,043
Income taxes - deferred	(134)	(109)
Total income taxes	1,314	933
Profit	2,281	2,093
Profit attributable to owners of parent	2,281	2,093

Consolidated statements of comprehensive income

	(Millions of Yen)	
	Year ended February 28, 2017	Year ended February 28, 2018
Profit	2,281	2,093
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	5
Deferred gains or losses on hedges	55	(0)
Foreign currency translation adjustment	(1)	(112)
Remeasurements of defined benefit plans, net of tax	17	(160)
Total other comprehensive income	68	(269)
Comprehensive income	2,350	1,824
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	2,350	1,824

(3) Consolidated Statements of Changes in Shareholders' Equity

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
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
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

Year ended February 28, 2018

(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	26,858	(261)	42,791
Changes of items during the period					
Dividends from surplus	—	—	(704)	—	(704)
Profit attributable to owners of parent	—	—	2,093	—	2,093
Purchase of treasury shares	—	—	—	(14)	(14)
Disposal of treasury shares	—	—	—	3	3
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,389	(10)	1,378
Balance at the end of current period	8,049	8,143	28,247	(271)	44,169

	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	161	(1)	137	88	385	43,176
Changes of items during the period						
Dividends from surplus	—	—	—	—	—	(704)
Profit attributable to owners of parent	—	—	—	—	—	2,093
Purchase of treasury shares	—	—	—	—	—	(14)
Disposal of treasury shares	—	—	—	—	—	3
Net changes of items other than shareholders' equity	5	(0)	(112)	(160)	(269)	(269)
Total changes of items during the period	5	(0)	(112)	(160)	(269)	1,109
Balance at the end of current period	166	(2)	24	(72)	116	44,286

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended February 28, 2017	Year ended February 28, 2018
Cash flows from operating activities		
Profit before income taxes	3,595	3,027
Depreciation	4,797	5,082
Impairment loss	–	444
Increase (decrease) in allowance for doubtful accounts	318	195
Increase (decrease) in provision for loss on business of subsidiaries and associates	(53)	(51)
Increase (decrease) in provision for loss on guarantees of subsidiaries and associates	444	242
Increase (decrease) in provision for bonuses	250	98
Increase (decrease) in net defined benefit liability	340	(47)
Interest and dividend income	(334)	(359)
Interest expenses	94	114
Loss on retirement of non-current assets	112	111
Decrease (increase) in notes and accounts receivable - trade	(689)	(305)
Decrease (increase) in inventories	(760)	(36)
Increase (decrease) in notes and accounts payable - trade	438	(67)
Increase (decrease) in accounts payable - other	616	(1,109)
Other	585	1,394
Subtotal	9,757	8,733
Interest and dividend income received	334	359
Interest expenses paid	(94)	(115)
Income taxes paid	(1,226)	(894)
Net cash provided by (used in) operating activities	8,770	8,082
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,089)	(7,722)
Purchase of intangible assets	(405)	(249)
Payments of loans receivable	(822)	(831)
Collection of loans receivable	763	1,005
Other	(165)	(1,353)
Net cash provided by (used in) investing activities	(2,719)	(9,151)
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	(686)	(1,498)
Repayments of lease obligations	(2,000)	(2,351)
Purchase of treasury shares	(0)	(14)
Cash dividends paid	(704)	(704)
Other	3	3
Net cash provided by (used in) financing activities	(1,628)	(4,564)
Effect of exchange rate change on cash and cash equivalents	20	(100)
Net increase (decrease) in cash and cash equivalents	4,443	(5,733)
Cash and cash equivalents at the beginning of period	6,493	10,937
Cash and cash equivalents at the end of period	10,937	5,203

(Segment information)

[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, bread products and side dishes
Food Ingredients Business: Procurement, processing and sales of food ingredients
Logistics Business: Sorting and delivery of food products and ingredients

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, 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	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. 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.

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” includes elimination of intersegment transactions of (317) million yen and depreciation of 3 million yen related to Companywide assets not allocated to reportable segments.

The adjustment of (394) million yen under the item “Increase in property, plant and equipment and intangible 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.

Year ended February 28, 2018

(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	173,119	24,473	14,721	212,314	6,788	219,103	–	219,103
Intersegment sales and transfers	–	2,689	4,159	6,849	14,501	21,350	(21,350)	–
Total	173,119	27,163	18,881	219,164	21,289	240,454	(21,350)	219,103
Segment income (loss)	3,207	443	122	3,773	535	4,308	(576)	3,731
Segment assets	67,255	7,511	6,799	81,566	8,564	90,131	(3,242)	86,888
Other								
Depreciation	5,008	121	202	5,333	24	5,357	(274)	5,082
Increase in property, plant and equipment and intangible assets	11,170	396	2,683	14,249	160	14,410	(1,353)	13,056

Notes: 1. The “Other” column indicates businesses not included in the reporting segments, such as sales of food processing machines, etc., temporary staffing, and contracting business.

2. The adjustment of (576) million yen under the item “Segment income (loss)” includes elimination of intersegment transactions of 28 million yen and Companywide expenses of (605) million yen not allocated to reportable segments.

The adjustment of (3,242) million yen under the item “Segment assets” includes elimination of intersegment transactions of (29,161) million yen and Companywide assets of 25,918 million yen not allocated to reportable segments.

The adjustment of (274) million yen under the item “Depreciation” includes elimination of intersegment transactions of (323) million yen and depreciation of 49 million yen related to Companywide assets not allocated to reportable segments.

The adjustment of (1,353) million yen under the item “Increase in property, plant and equipment and intangible assets” includes elimination of intersegment transactions of (1,353) million yen.

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