

# **The Fiscal Year Ended February 2022**

(From March 1, 2021 to February 28, 2022)

# **Financial Results Briefing**

April 19, 2022

**Warabeya Nichiyo Holdings Co., Ltd.**  
(2918; Tokyo Stock Exchange, Prime Market)



## **GROUP PHILOSOPHY**

We will contribute to the healthy and enjoyable eating habits of our customers by providing a sense of safety and peace of mind in addition to valuable products and services.

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## **MANAGEMENT PHILOSOPHY**

We will pursue the highest level of customer satisfaction and promote innovation.

We will strive to be a company that society can trust by committing to compliance standards and conducting our business in a highly transparent manner.

We will strive to be an eco-friendly company at which our employees can obtain personal growth and job satisfaction.

- **Overview of Financial Results for FY2/22**
- **Financial Forecast for FY2/23**
- **Establishing a Business Model that Enables Sustainable Growth**

# Consolidated Financial Results

**Achieved a significant increase in profit, and ordinary profit and profit attributable to owners of parent reached record highs**

(Millions of yen)	FY2/21	FY2/22	FY2/22	YoY	Vs. Forecast
	Result	Forecast	Result		
Net sales	<b>194,309</b> 100.0%	<b>192,000</b> 100.0%	<b>192,326</b> 100.0%	(1,983) (1.0)%	+326 +0.2%
Operating profit	<b>3,332</b> 1.7%	<b>4,500</b> 2.3%	<b>4,441</b> 2.3%	+1,109 +33.3%	(58) (1.3)%
Ordinary profit	<b>3,710</b> 1.9%	<b>5,300</b> 2.8%	<b>5,035</b> 2.6%	+1,324 +35.7%	(264) (5.0)%
Profit before income taxes	<b>2,001</b> 1.0%	<b>4,850</b> 2.5%	<b>4,731</b> 2.5%	+2,729 +136.3%	(118) (2.4)%
Profit (attributable to owners of parent)	<b>682</b> 0.4%	<b>3,200</b> 1.7%	<b>3,264</b> 1.7%	+2,581 +378.1%	+64 +2.0%
EPS (yen)	<b>39.04</b>	<b>183.30</b>	<b>186.98</b>	+147.94	+3.68
ROE (%)	<b>1.5</b>	<b>7.0</b>	<b>7.1</b>	+5.6%pt	+0.1%pt

\*Net sales to Profit -- Upper: Amount; Lower: Sales ratio, percentage change

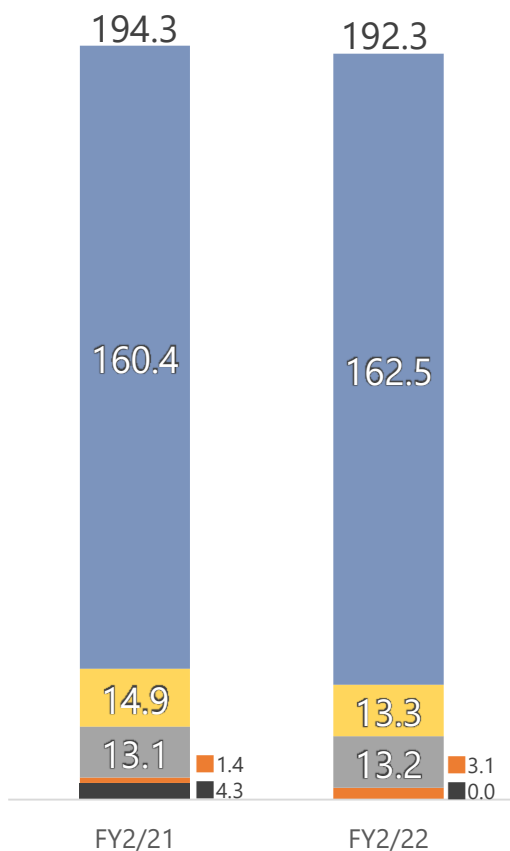
\*Forecasts: Figures of forecasts were announced on October 7, 2021.

# Net Sales by segment

## Sales of Food Products Business (overseas) increased

- Net sales of the segments, excluding other businesses, increased by ¥2.2 billion year on year -

(Billions of yen)



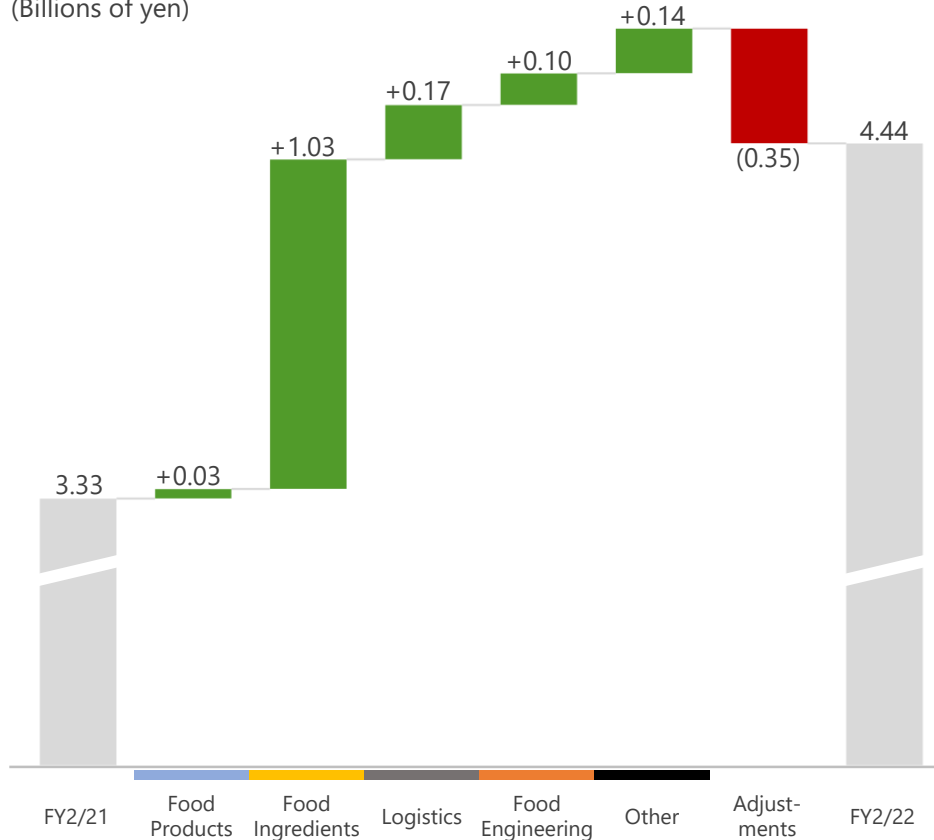
(Millions of yen)	FY2/21	FY2/22	YoY	Main factors
Food Products Business	160,417	162,502	+2,084 +1.3%	Overseas (+¥2.4 billion YoY) Increase due to expansion of production capacity and transient demand  Domestic (-¥0.3 billion YoY) (-) Decrease in bento meal boxes (+) Sushi on a recovery trend (+) Growth areas - Baked sweets - Standing pouch (Seven Premium)
Food Ingredients Business	14,994	13,393	(1,600) (10.7)%	Decrease in volume of processed marine products
Logistics Business	13,121	13,260	+138 +1.1%	Increase in volume of the joint delivery business
Food Engineering Business	1,473	3,132	+1,659 +112.7%	Increase in large projects
Subtotal	190,005	192,288	+2,282	
Other Businesses	4,303	38	(4,265) (99.1)%	Withdrawal from Temporary Staffing and Contracting Business
Total	194,309	192,326	(1,983) (1.0)%	

\*YoY -- Upper: Change in amount; Lower: Percentage change

# Operating profit by segment

## Improved and increased in all segments

(Billions of yen)



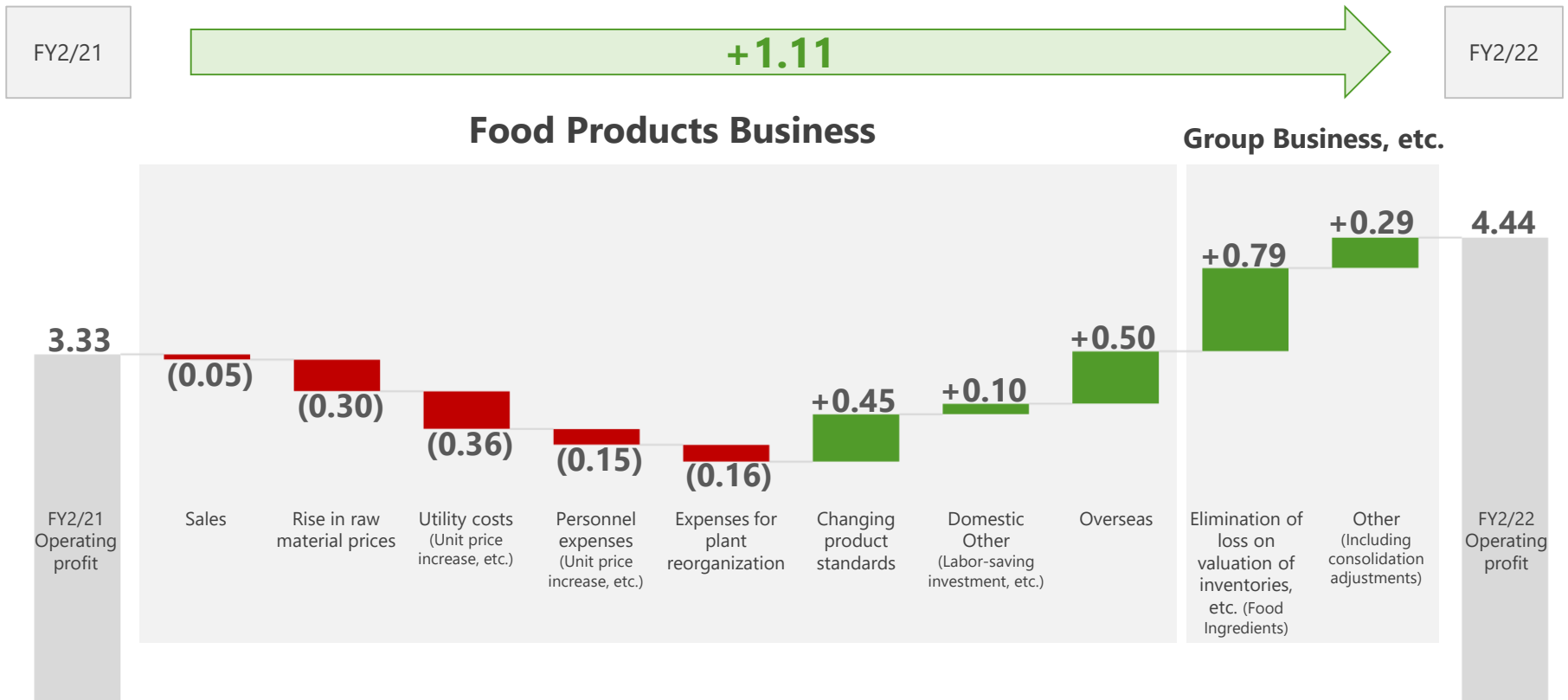
(Millions of yen)	FY2/21	FY2/22	YoY
Food Products Business	4,261	4,289	+27 +0.7%
Food Ingredients Business	(757)	271	+1,028 -
Logistics Business	447	615	+167 +37.5%
Food Engineering Business	(12)	85	+97 -
Other Businesses	(277)	(138)	+139 -
Adjustments (Inter-segment transactions)	(330)	(681)	(351) -
Total	3,332	4,441	+1,109 +33.3%

\*YoY -- Upper: Change in amount; Lower: Percentage change

# Operating profit: Analysis of changes

The impact of rising raw material and utility costs became apparent despite the increase in profit in each business.

(Billions of yen)



Profit growth was sluggish in the second half (YoY change and difference)

	(YoY) 1H											
	+0.28	-	+0.05	+0.16	+0.04	+0.25	+0.05	+0.23	+0.61	+0.32	+1.98	
	(0.33)	(0.30)	(0.41)	(0.31)	(0.20)	+0.20	+0.05	+0.27	+0.18	(0.03)	(0.87)	
Difference	(0.61)	(0.30)	(0.46)	(0.47)	(0.24)	(0.05)	0.00	+0.04	(0.43)	(0.34)	(2.86)	

\*Difference = Change in the second half minus the change in the first half

# Difference from financial forecast

**Generally in line with forecast, but the increase in utility costs was more than expected**

## Breakdown of Differences

(Billions of yen)

Net sales		Operating profit	
+0.32		(0.05)	
Food Products Business	(0.27)	Food Products Business	(0.20)
Domestic	(1.00)	Domestic	(0.37)
Overseas	+0.70	(Mainly)	
		changing product standards	(0.10)
		Unit price increase in utility costs	(0.21)
Food Ingredients Business	+0.26	Overseas	+0.17
Logistics Business	(0.07)	Food Ingredients Business	+0.06
Food Engineering Business	+0.36	Logistics Business	+0.01
		Food Engineering Business	+0.07



# Non-operating profit / expenses and extraordinary income/losses

(Millions of yen, %)	FY2/21		FY2/22		YoY change	
	Amount	Sales ratio	Amount	Sales ratio	Amount	Percentage change
Operating profit	3,332	1.7	4,441	2.3	+1,109	+33.3
Non-operating income	780	0.4	1,122	0.6	+342	+43.9
Non-operating expenses	401	0.2	529	0.3	+127	+31.9
Ordinary profit	3,710	1.9	5,035	2.6	+1,324	+35.7
Extraordinary income	61	0.0	-	-	(61)	-
Extraordinary losses	1,770	0.9	303	0.2	(1,466)	(82.8)
Profit before income taxes	2,001	1.0	4,731	2.5	+2,729	+136.3
Total income taxes	1,241	0.6	1,329	0.7	+88	+7.1
Profit (loss) attributable to non-controlling interests	77	0.0	137	0.1	+59	+76.5
Profit (attributable to owners of parent)	682	0.4	3,264	1.7	+2,581	+378.1

## Non-operating profit/expenses

YoY  
+¥0.21 billion

Non-operating income

COVID-19-related subsidies (U.S.) ¥0.32 billion

## Extraordinary income/losses

YoY  
+¥1.40 billion

Impairment loss

FY2/21: ¥1.67 billion  
(Iwate Plant: ¥1.15 billion, Nichiyō Fresh: ¥0.29 billion)  
FY2/22: ¥0.30 billion (Iwate Plant: ¥0.30 billion)

## Income tax expense ratio

FY2/22 28.1%

Impact of consolidated tax payments (¥0.13 billion decrease in tax burden)

# Balance Sheets and Statements of Cash Flows

## Consolidated Balance Sheets

(Millions of yen)	End-FY2/21	End-FY2/22	Change		End-FY2/21	End-FY2/22	Change
Current assets	29,433	29,467	+34	Current liabilities	23,539	21,539	(1,999)
Non-current assets	52,840	52,716	(123)	Non-current liabilities	14,361	12,744	(1,617)
(Property, plant and equipment)	44,477	44,376	(101)	(Total long- and short-term interest-bearing debt)	11,213	9,315	(1,898)
(Intangible assets)	677	445	(231)	Total liabilities	37,900	34,283	(3,617)
(Investments and other assets)	7,685	7,895	+209	(Retained earnings)	28,693	31,253	+2,559
				Total net assets	44,372	47,901	+3,528
Total assets	82,273	82,184	(88)	Total liabilities and net assets	82,273	82,184	(88)

## Consolidated Statements of Cash Flows

(Millions of yen)	FY2/21	FY2/22
(Depreciation)	4,812	5,178
Cash flows from operating activities	8,338	8,106
(Acquisition of tangible and intangible fixed assets)	(5,454)	(3,825)
Cash flows from investing activities	(5,226)	(3,963)
Cash flows from financing activities	(1,922)	(3,546)
Cash and cash equivalents at the end of period	8,946	9,671

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# Consolidated financial forecast for FY2/23

## Operating profit rose slightly despite an increase in sales, largely due to rising costs.

- Net sales increased only ¥1.6 billion due to the adoption of the revenue recognition standard, but increased ¥4.5 billion under the previous standard -

(Millions of yen)	FY2/22	FY2/23	YoY
	Result	Forecast	
Net sales	<b>192,326</b> 100.0%	<b>194,000</b> 100.0%	+1,673 +0.9%
Operating profit	<b>4,441</b> 2.3%	<b>4,500</b> 2.3%	+58 +1.3%
Ordinary profit	<b>5,035</b> 2.6%	<b>4,750</b> 2.4%	(285) (5.7)%
Profit before income taxes	<b>4,731</b> 2.5%	<b>4,800</b> 2.5%	+68 +1.5%
Profit (attributable to owners of parent)	<b>3,264</b> 1.7%	<b>3,000</b> 1.5%	(264) (8.1)%
EPS (yen)	<b>186.98</b>	<b>171.78</b>	(15.2)

\*Results, forecast -- Upper: Amount; Lower: Sales ratio      YoY -- Upper: Change in amount; Lower: Percentage change

\*Financial forecast for FY2/23 is based on the accounting standard for revenue recognition.

# Semi-annual, Revenue Recognition Impact

## Semi-annual financial forecast

(Millions of yen)	1H			2H		
	FY2/22	FY2/23	YoY	FY2/22	FY2/23	YoY
	Result	Forecast		Result	Forecast	
Net sales	<b>95,980</b> 100.0%	<b>96,700</b> 100.0%	+719 +0.7%	<b>96,346</b> 100.0%	<b>97,300</b> 100.0%	+953 +1.0%
Operating profit	<b>3,192</b> 3.3%	<b>2,600</b> 2.7%	(592) (18.6)%	<b>1,248</b> 1.3%	<b>1,900</b> 2.0%	+651 +52.2%
Ordinary profit	<b>3,928</b> 4.1%	<b>2,750</b> 2.8%	(1,178) (30.0)%	<b>1,106</b> 1.1%	<b>2,000</b> 2.1%	+893 +80.7%
Profit before income taxes	<b>3,645</b> 3.8%	<b>2,920</b> 3.0%	(725) (19.9)%	<b>1,085</b> 1.1%	<b>1,880</b> 1.9%	+794 +73.1%
Profit (attributable to owners of parent)	<b>2,435</b> 2.5%	<b>1,750</b> 1.8%	(685) (28.1)%	<b>829</b> 0.9%	<b>1,250</b> 1.3%	+420 +50.7%

\*Results, Forecast -- Upper: Amount; Lower: Sales ratio      YoY -- Upper: Change in amount; Lower: Percentage change

\*Financial forecast for FY2/23 is based on the accounting standard for revenue recognition.

## Amount affected by the adoption of the accounting standard for revenue recognition

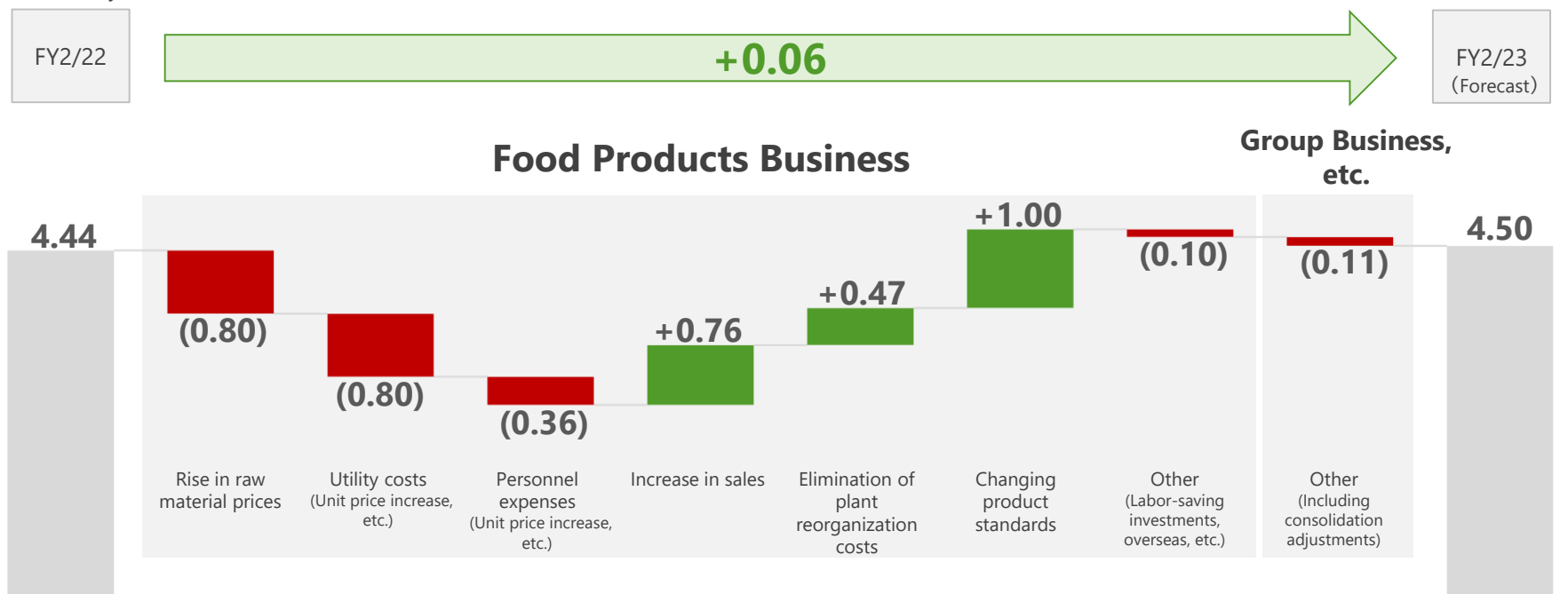
(Millions of yen)	1H			2H			Full year		
	FY2/22 Results	FY2/23 Forecast	YoY	FY2/22 Results	FY2/23 Forecast	YoY	FY2/22 Results	FY2/23 Forecast	YoY
Impact of revenue recognition on net sales	-	(1,350)	-	-	(1,550)	-	-	(2,900)	-
Net sales based on the previous standard	95,980	98,050	+2,069	96,346	98,850	+2,503	192,326	196,900	+4,573

Reference: Most of net sales affected by the adoption of the accounting standard for revenue recognition are offset by cost of sales. There is no impact on operating profit.

# Operating profit forecast: Analysis of changes

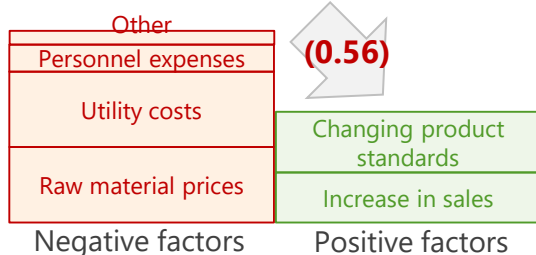
## Food Products Business incorporates cost increases

(Billions of yen)

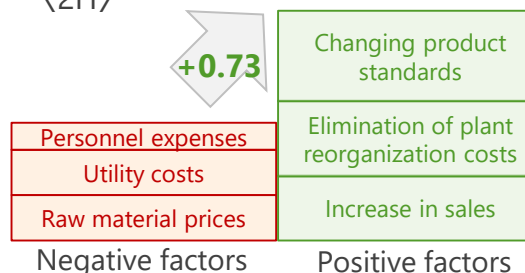


### Food Products Business

&lt;1H&gt;



&lt;2H&gt;



- **Overview of Financial Results for FY2/22**
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# Internal challenges for growth and mid-term strategy

## Changes in the external environment

- Changes in competitive structure in the ready-to-eat market (competition with take-out, food delivery services, etc.)
- Changes in lifestyles in the With Corona Era
- Changes in Seven-Eleven's product policy and strengthening of overseas development
- Rising raw materials costs, personnel expenses, and logistics costs

## Internal challenges for growth

- Sustainable growth in net sales
- Further improvement of product development capability and production technology capability
- Response to increase in production costs
- Profitability improvement in businesses other than Food Products
- Strengthening group governance

## Medium-term strategy for sustainable growth


- ▶ Expanding profits and pursuing consumer demand in domestic Food Products Business
- ▶ Profitability improvement in Group Business
- ▶ Expansion of overseas Food Products Business (accelerated mainly in the U.S.)



# Domestic Food Products Business: Expansion of profits

## (1) Plant closures have calmed down

### Until now



Oct. 2019	Iruma Plant (production transferred to neighboring plants in the Company)
Feb. 2020	Tochigi Plant (production transferred to neighboring plants in the Company)
May. 2021	Settsu Plant (production transferred to neighboring plants in the Company)
Mar. 2022	Niigata Plant (business transfer to another company)

#### Purpose of Plant Reorganization

- Expanding profits by closing plants for the future
- Improving the operation rates and efficiency at plants to which production has been transferred
- Selecting and concentrating resources in anticipation of future changes in the product mix

### In the future

- ✓ Plant reorganization accompanying plant closures has calmed down
- ✓ Focusing on reorganizing the production system

## (2) Maintaining and improving margins

### Changing product standards

- ✓ Increasing value of products by changing materials and manufacturing
- ✓ Development of products with consideration to manufacturing efficiency

### Rigorous cost controlling and cost-reduction initiatives

- ✓ Appropriate and proper understanding of costs and reflecting in prices by improving product attractiveness
- ✓ Promoting the introduction of labor-saving machinery with cost effectiveness in mind

#### Labor-saving investments that produce good results

Investment amount  
in three years

**¥0.82** billion

(Labor-saving machinery investment from  
FY2/20 to FY2/22)

Annual effect of labor  
cost reduction

**¥0.25** billion

Labor-saving  
machinery introduced  
(in part)



Automated Guided Vehicle (AGV)



Medium-sized dish  
transfer machine

# Domestic Food Products Business: Pursuit of consumer demand

## (1) Development of new products

### Accelerating the development of long-fresh products

#### ✓ Chilled rice products (Examples of product introduction)



Rice Bowl  
with Chicken & Cheese

Pursuing the best ratio of food  
ingredients with volume in  
mind as a chicken cuisine



Tenshin-han  
(crab omelet on rice)

Thick fluffy egg, plenty of starchy  
sauce, and a special container that  
emphasizes appearance.

#### Collaboration product



Supervised by Kakiyasu.  
Rice Bowl, Beef, Egg & Tofu



Supervised by Loup-de-mer.  
Rice Bowl with Beef Curry Sauce  
(launched in April 2022)

### Focus on growth areas

#### ✓ Standing pouch

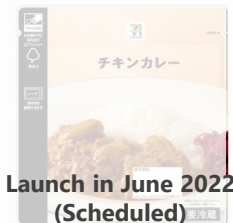
##### Seven Premium



A little luxury,  
authentic taste for  
adults



Authentic ethnic  
Rich spice like a  
specialty restaurant



A reasonably priced dish  
Recommended for  
children, and taste that  
suits everyone

#### ✓ Baked sweets Production started in fall of 2021



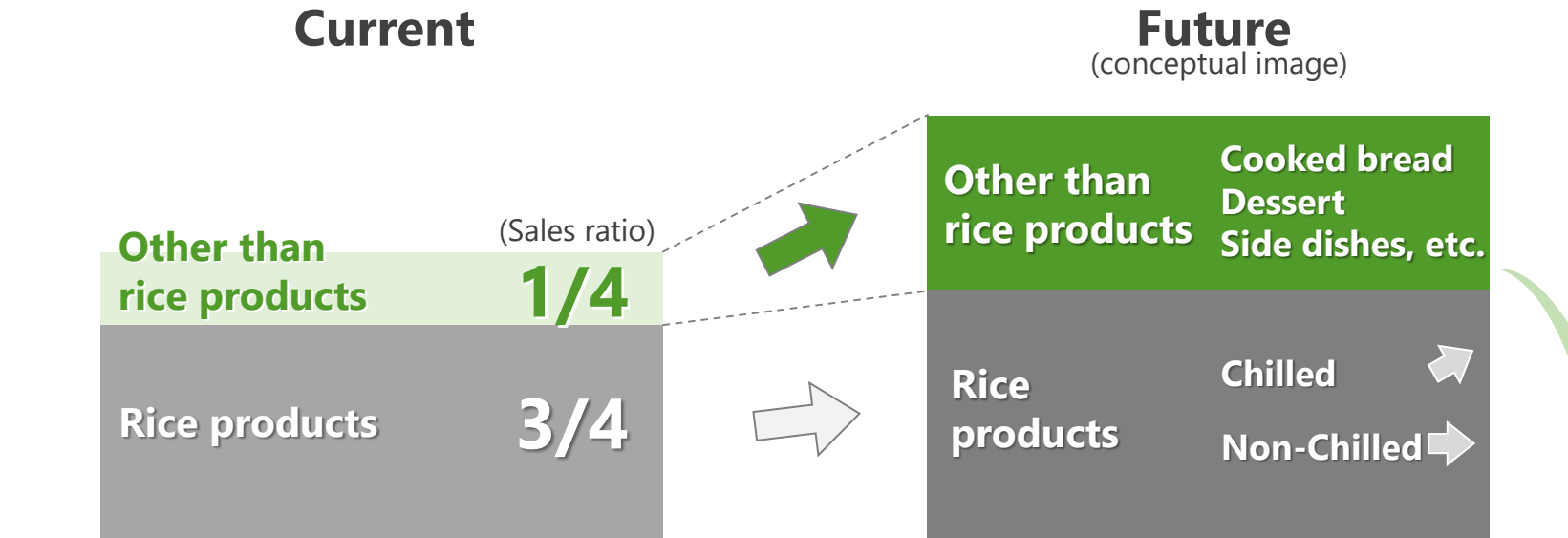
Fluffy Castella



Rich-Egg Castella

# Domestic Food Products Business: Pursuit of consumer demand

## (2) Reform of sales portfolio



**Strengthening production systems  
for chilled rice products and desserts**

**Entry into new product categories**  
(Aggressive M&A after assessing synergies)

# Profitability improvement in Group Business

## Selection and concentration based on market needs

**Food Ingredients:** Expansion of Processing Business in Japan and overseas

**Logistics:** Expansion of Home Delivery Business and improvement of delivery efficiency

Growing food processing  
Nichiyo Fresh Co., Ltd.



Home Delivery Business  
Trust K Porter Co., Ltd.

Support for packages in three temperature ranges (room temperature, refrigerated, and frozen) utilizing the Group's know-how

Transporting approximately 3,000 packages per day with approximately 150 vehicles, mainly for home delivery services for online supermarkets, etc.

**K. トラスト・K.ポーター**  
(Established in May 2021)

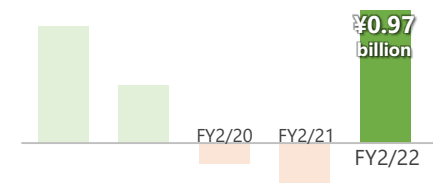


FY2/22

All businesses in Group Business returned to operating profitability  
(Food Ingredients, Logistics, and Food Engineering)

Completion of withdrawal from Human Resources Business (June 2021)

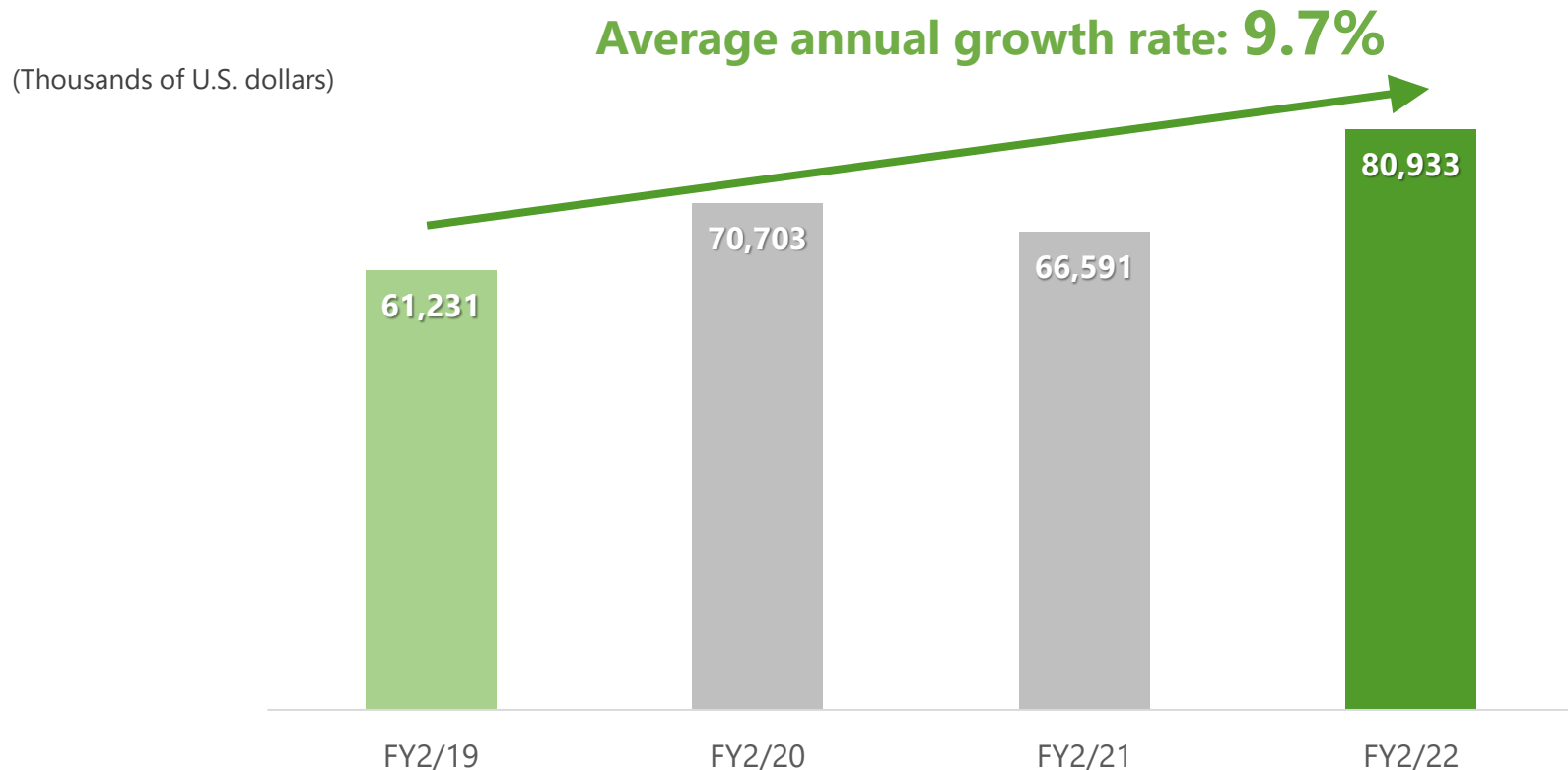
Recovery in operating profit



\*Simple aggregate of operating profit from Food Ingredients, Logistics, and Food Engineering businesses

# Expansion of overseas Food Products Business

## Growing U.S. business



Texas	24,225	31,362	30,360	35,453
USA (Hawaii)	37,006	39,341	36,231	45,480

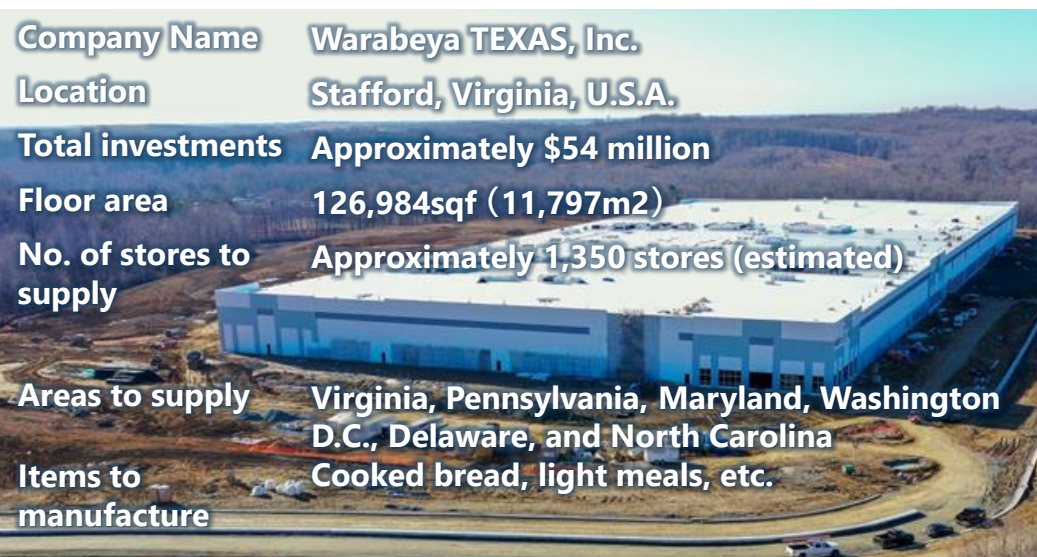
# Expansion of overseas Food Products Business

## Business expansion into the East Coast area of the U.S.

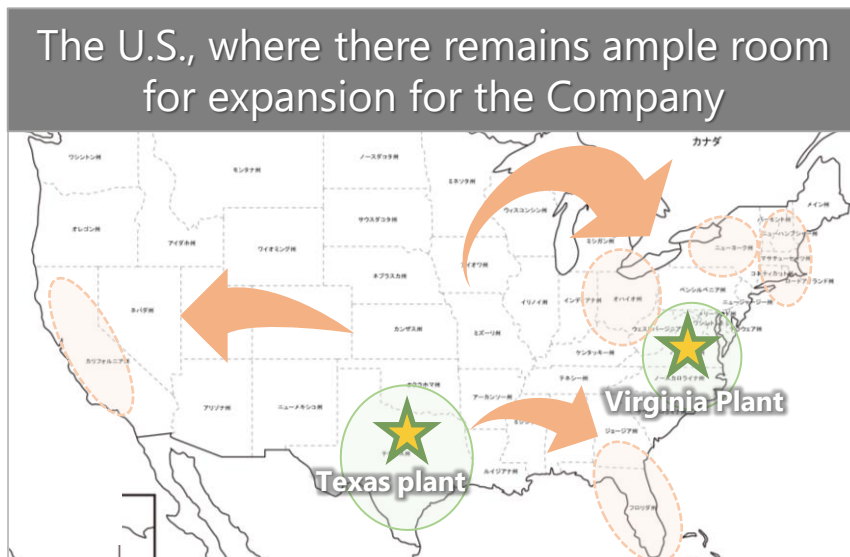
Preparations are underway to begin operations in 2023,  
as originally planned

## Change in the total amount of investment

- ✓ Reason: Impact of price hikes in construction materials and other reasons
- ✓ Amount: Approximately \$54 million (original: approximately \$44 million)



Full view of the new plant building where construction is progressing (as of February 2022)  
Note: The building includes parts other than the Company.





# Sustainability

## Promotion of sustainability management

### Promotion organization

- ✓ December 2021:  
Establishment of the Sustainability Committee
- ✓ March 2022:  
Establishment of the Sustainability Promotion Office

### Materiality

- ✓ Work in progress to identify the key challenge: "materiality"
- ✓ Planned to establish Key Goal Indicator (KGI) and Key Performance Indicator (KPI)



Kagawa Plant with solar panels covering the entire roof

### Initiatives to reduce CO2 emissions

Roadmap for CO2 emission reduction under development (Warabeya Nichiyo Foods)

- Energy conservation (installation and renewal of facilities, etc.)
- Energy creation (solar power, etc.)
- Renewable energy procurement

Collaboration with the Seven & i Group (as a member of the supply chain)



# Medium-term Business Plan

## Medium-term Business Plan (Net sales / Operating profit)

(Billions of yen)	FY2/22	FY2/23	FY2/24	FY2/25
Announced in April 2021	198.0 / 4.5	201.0 / 5.5	207.5 / 6.5	
Announced this time	192.3 / 4.4 (Result)	194.0 / 4.5	202.0 / 5.3	210.0 / 6.8

## Main points of changes (comparison with the announcement in April 2021)

### Net sales

- ✓ Changing sales composition portfolio
- ✓ Expansion of overseas Food Products Business (new Virginia Plant)

### Operating profit

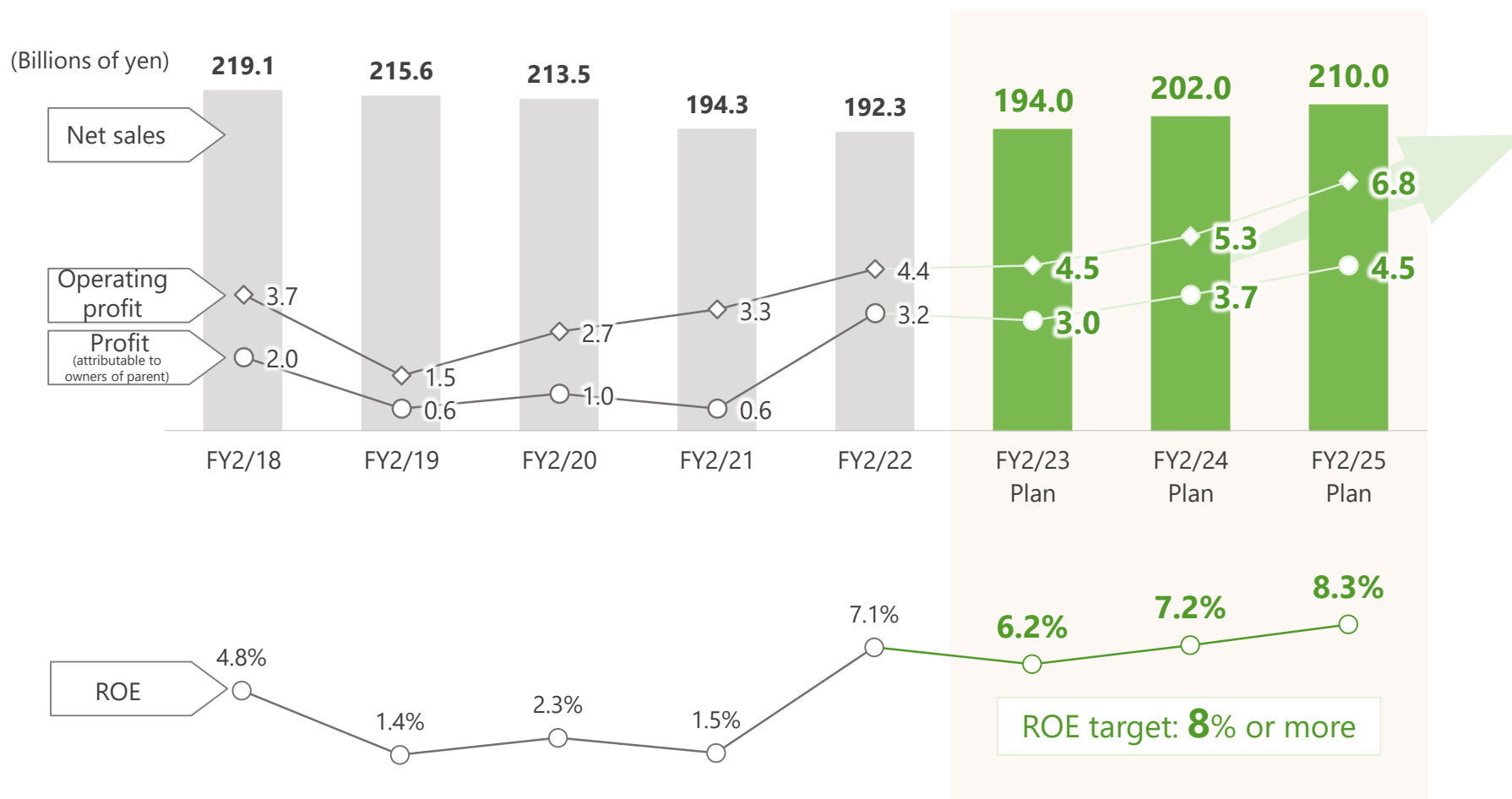
- ✓ Increase in costs such as raw material costs, utility costs, and personnel expenses
- ✓ Contribution to profits from overseas Food Products Business (new Virginia Plant)

Total capital investment over three years  
Expected to exceed ¥25 billion

- ◇ New Virginia Plant
- ◇ Production lines for growth/new categories
- ◇ Automation and efficiency
- ◇ Environment and renewal

# Medium-term Business Plan

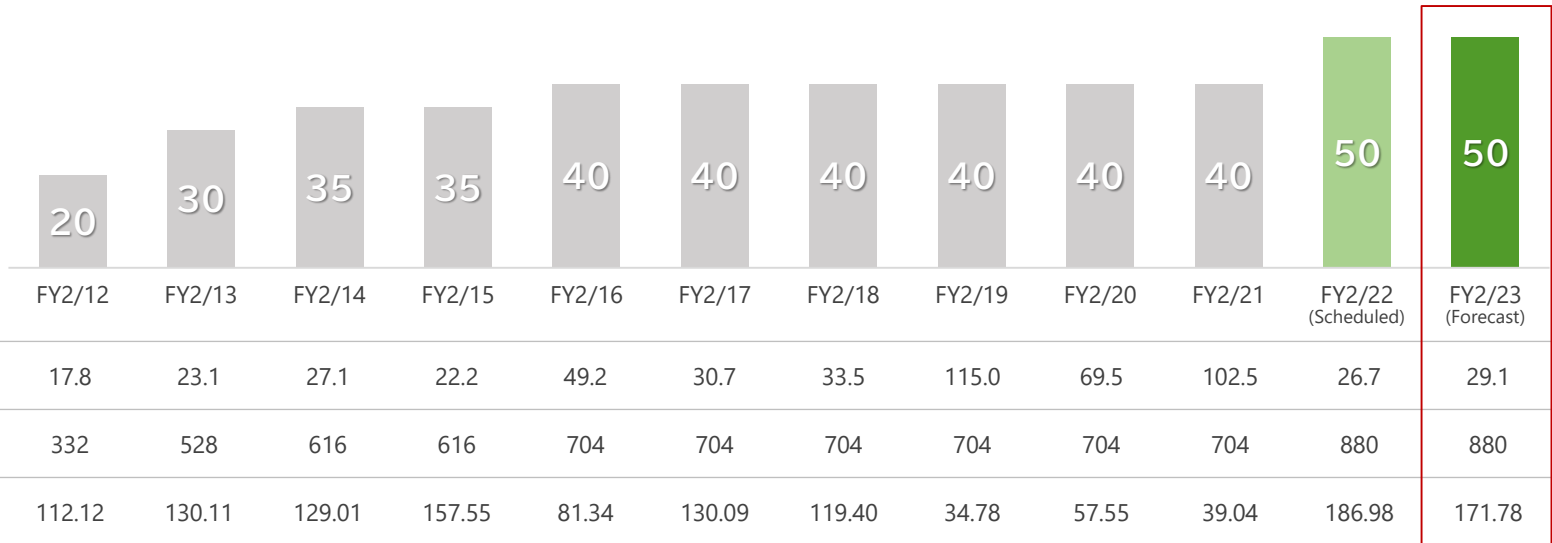
**Aiming for 50% higher profits through domestic growth and profit contribution from new U.S. plant**  
(FY2/22 vs. FY2/25)



# Shareholder return

## Dividends

Annual (year-end)  
dividends  
(Per share, yen)



### Basic policy on dividends

The Company will pay dividends with a target consolidated dividend payout ratio of 25%, taking into consideration consolidated financial results, internal reserves for future investment in business expansion, and other factors.

### Abolishment of Shareholder Benefit Plan

From the perspective of how the fair return of profits should be based on the principle of shareholder equality in the Corporate Governance Code, the Company has deemed that enhancement of the direct return of profits through dividends is more appropriate and has accordingly abolished the shareholder benefit plan.  
(Such plan has been abolished upon the presentation to shareholders as of the end of February 2022)

This document contains “forward-looking statements” based on the Company’s plans, forecast, business strategies and policies at the time of preparation.

These statements include the Company’s managerial judgments and assumptions made based on information available before its announcement, and actual results may differ materially from those anticipated in the statements due to changes in various factors.

Therefore, the Company undertakes no obligation to guarantee that these “forward-looking statements” including earnings forecast described in this document will be valid in the future.

The logo for Warabeya Nichiyo HLDGS. features the company name in a green, italicized sans-serif font. Above the 'W' is a stylized orange and yellow swoosh. The word 'HLDGS.' is in a smaller, grey, all-caps sans-serif font.

**Warabeya Nichiyo** *HLDGS.*

**Warabeya Nichiyo Holdings Co., Ltd.**