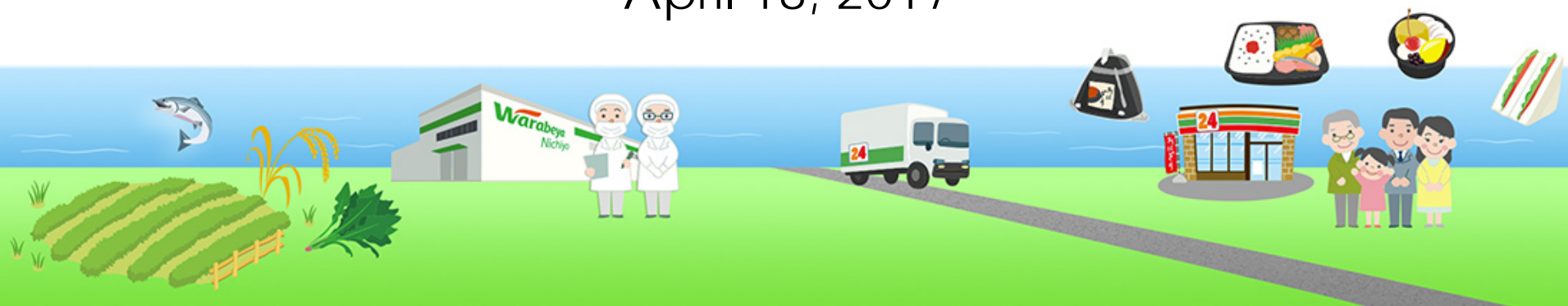




# Fiscal Year Ended February 2017 Results Briefing

WARABEYA NICHIO HOLDINGS CO., LTD.  
(2918)

April 18, 2017



# Overview of Financial Results for FY2/17 and Full-year Forecast for FY2/18 (Consolidated Basis)



# Consolidated financial results for FY2/17

(Millions of yen)

	FY2/16	FY2/17		YoY	Vs. Revised forecast
	Results	Revised forecast (Announced in Oct. 2016)	Results		
Net sales	209,147 (100.0)	215,000 (100.0)	<b>214,305</b> <b>(100.0)</b>	5,158 <2.5>	-694 <-0.3>
Operating income	3,088 (1.5)	3,700 (1.7)	<b>4,099</b> <b>(1.9)</b>	1,011 <32.8>	399 <10.8>
Ordinary income	3,336 (1.6)	3,950 (1.8)	<b>4,304</b> <b>(2.0)</b>	968 <29.0>	354 <9.0>
Profit (attributable to owners of parent)	1,428 (0.7)	1,800 (0.8)	<b>2,281</b> <b>(1.1)</b>	852 <59.7>	481 <26.7>
EPS (Yen) (attributable to owners of parent)	81.34	102.63	<b>130.09</b>	48.75	27.46
ROE (%)	3.5	—	<b>5.4</b>	1.9pt	—

\* For the fiscal year ended February 29, 2016, the Company booked impairment losses of ¥1.8 billion under extraordinary losses.

\* For the fiscal year ended February 28, 2017, the Company booked provision for loss on guarantees of subsidiaries and associates of ¥0.44 billion and provision of allowance for doubtful accounts for subsidiaries and associates of ¥0.26 billion under extraordinary losses.

\* Figures in ( ) show sales ratio, and figures in < > show change (%).

Revised estimates for FY2/17 announced on October 5, 2016.

# Revised forecast (announced on Oct. 5, 2016) and difference factors

(Millions of yen)

	FY2/17		Vs. Forecast
	Revised forecast (Announced in Oct. 2016)	Results	
<b>Net sales</b>	215,000 (100.0)	<b>214,305</b> <b>(100.0)</b>	-694 <-0.3>

[Difference factors]

Food Ingredients Business -712

(Millions of yen)

	FY2/17		Vs. Forecast
	Revised forecast (Announced in Oct. 2016)	Results	
<b>Operating income</b>	3,700 (1.7)	<b>4,099</b> <b>(1.9)</b>	399 <10.8>

[Difference factors]

Food Products Business +321

Decline in heat, light and water expenses +200

Decline in restructuring expenses +70

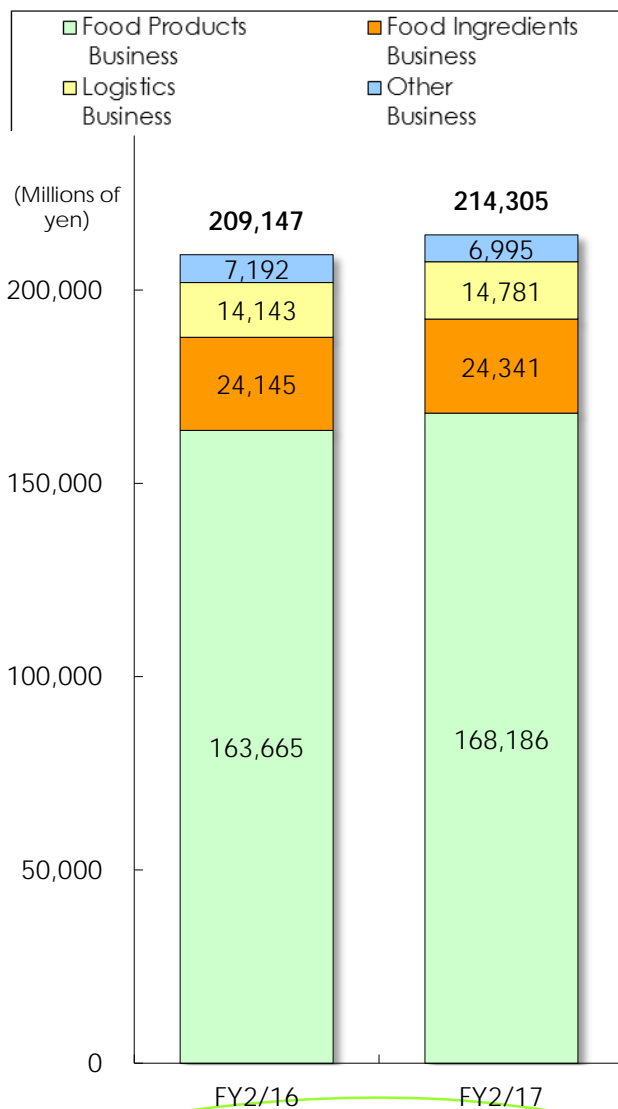
Other Businesses +201

(Food Ingredients, Logistics businesses in line with forecasts)

\* Figures in ( ) show sales ratio, and figures in < > show change (%).  
Revised estimates for FY2/17 announced on October 5, 2016.

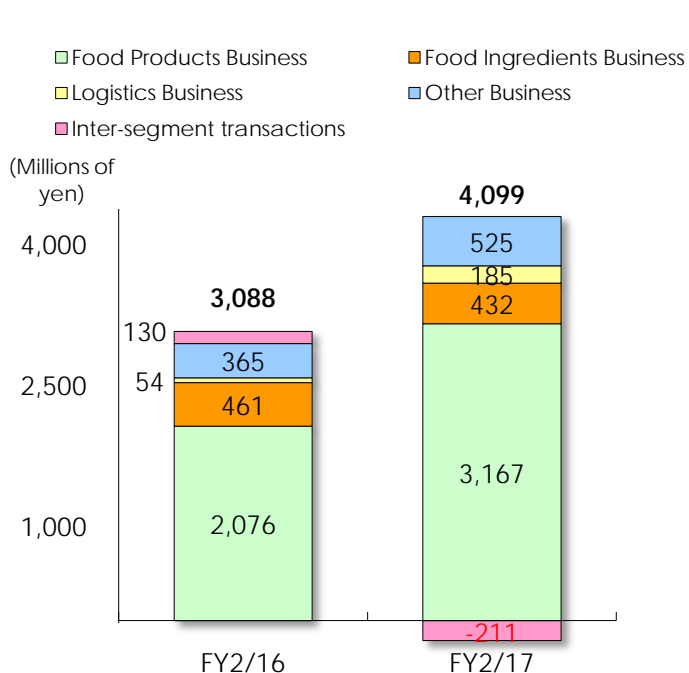
# Consolidated net sales by segment (YoY)

(Millions of yen)



	FY2/16	FY2/17	Change <Change (%)>	Change factors
<b>Total net sales</b>	209,147	<b>214,305</b>	5,158 <2.5>	
Food Products	163,665	<b>168,186</b>	4,520 <2.8>	(+) Increased delivery point stores and increased sales growth for chilled bento meal boxes ----- (-) Contraction in sales to supermarkets
Food Ingredients	24,145	<b>24,341</b>	195 <0.8>	(+) Growth in volume of processed marine products handled ----- (-) Decline in volume of processed chicken products and shrimp / prawns handled
Logistics	14,143	<b>14,781</b>	638 <4.5>	(+) Growth in transaction volume in joint distribution business supplying Seven-Eleven
Other	7,192	<b>6,995</b>	-196 <-2.7>	(+) Sales growth in temporary staffing and contracting business ----- (-) Decline in large projects in food engineering business

# Consolidated operating income by segment (YoY)



(Millions of yen)

	FY2/16	FY2/17	Change <Change (%)>
<b>Total operating income</b>	3,088	<b>4,099</b>	1,011 <32.8>
Food Products	2,076	<b>3,167</b>	1,090 <52.5>
Food Ingredients	461	<b>432</b>	-29 <-6.3>
Logistics	54	<b>185</b>	130 <240.6>
Other	365	<b>525</b>	160 <43.9>
Inter-segment transactions	130	<b>-211</b>	-341 <->

**YoY +¥1,011 million**  
**Change factors**

Increase in personnel expenses -610

One-off factors in FY2/17 -890  
(Retirement benefits related to Group restructuring -¥390 million, initiatives to address aging facilities -¥500 million)

Total for new plants +1,360

Change in sales +180

Decline in utilities costs +620

Improvement in productivity +230

Other +120

# Non-operating income/expenses and extraordinary income/losses in FY2/17

(Millions of yen)

	FY2/16	FY2/17	Change
<b>Operating income</b>	3,088 (1.5)	4,099 (1.9)	1,011 <32.8>
Non-operating income	680 (0.3)	647 (0.3)	-33 <-4.9>
Non-operating expenses	432 (0.2)	442 (0.2)	9 <2.2>
<b>Ordinary income</b>	3,336 (1.6)	4,304 (2.0)	968 <29.0>
Extraordinary income	300 (0.1)	– (–)	-300 <-100.0>
<b>Extraordinary losses</b>	1,821 (0.9)	708 (0.3)	-1,113 <-61.1>
Profit before income taxes	1,814 (0.9)	3,595 (1.7)	1,781 <98.2>
Total income taxes	385 (0.2)	1,314 (0.6)	929 <241.1>
<b>Profit (attributable to owners of parent)</b>	1,428 (0.7)	2,281 (1.1)	852 <59.7>

## FY2/16: Breakdown of extraordinary losses

Impairment losses	
Impairment losses on the Minami-Alps Plant and Ueda Plant	1,821
Impairment losses on existing facilities after changes to product lineups, etc.	

## FY2/17: Breakdown of extraordinary losses

	Frevo Farm Co., Ltd.	Nichiman Co., Ltd.
Provision of allowance for doubtful accounts for subsidiaries and associates: 264	60	204
Provision for loss on guarantees of subsidiaries and associates: 444	444	–

\* Figures in ( ) show sales ratio, and figures in < > show change (%).

# Consolidated balance sheets at end-FY2/17

(Millions of yen)

[Assets]	FY2/16	FY2/17	Change
Current assets	30,235	36,316	6,081
Non-current assets	47,099	47,561	461
[Property, plant and equipment]	[41,345]	[41,427]	[81]
[Intangible assets]	[689]	[920]	[230]
[Investments and other assets]	[5,064]	[5,213]	[149]
Total assets	77,334	83,877	6,542

[Liabilities and net assets]	FY2/16	FY2/17	Change
Current liabilities	23,423	26,660	3,236
Non-current liabilities	12,381	14,040	1,658
[Interesting-bearing debt]	[10,886]	[12,730]	[1,844]
Total liabilities	35,805	40,700	4,895
Total net assets	41,529	43,176	1,647
[Retained earnings]	[25,281]	[26,858]	[1,577]
Total liabilities and net assets	77,334	83,877	6,542

## Total assets as of end-FY2/17: approx. ¥6.5 billion increase

- Increase in current assets (cash and deposits, etc.): approx. ¥6.0 billion
- Increase in non-current assets (intangible assets, etc.): approx. ¥0.46 billion

## Total liabilities/net assets as of end-FY2/17: approx. ¥6.5 billion increase

- Increase in current liabilities (accounts payable - other, etc.): approx. ¥3.2 billion
- Increase in non-current liabilities (long-term lease obligations, etc.): approx. ¥1.6 billion
- Increase in net assets (retained earnings): approx. ¥1.6 billion



# Consolidated statements of cash flows for FY2/17

(Millions of yen)

	FY2/17
Profit before income taxes	3,595
Depreciation and amortization	4,797
Increase (Decrease) in allowances and provisions	1,299
Interest and dividend income	-334
Decrease (increase) in notes and accounts receivable - trade	-689
Decrease (increase) in inventories	-760
Increase (decrease) in notes and accounts payable - trade	438
Increase (decrease) in accounts payable - other	616
Other	792
<b>Subtotal</b>	<b>9,757</b>
Income taxes paid	-1,226
Other	240
<b>Cash flows from operating activities</b>	<b>8,770</b>
Purchase of property, plant and equipment	-2,089
Other	-630
<b>Cash flows from investing activities</b>	<b>-2,719</b>
<b>Cash flows from financing activities</b>	<b>-1,628</b>

## Changes in allowances and provisions (Breakdown)

Increase (decrease) in allowance for doubtful accounts	318
Increase (decrease) in provision for loss on business of subsidiaries and associates	-53
Increase (decrease) in provision for loss on guarantees of subsidiaries and associates	444
Increase (decrease) in provision for bonuses	250
Increase (decrease) in net defined benefit liability	340


Effect of exchange rate change on cash and cash equivalents	20
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,443</b>
Cash and cash equivalents at the beginning of period	6,493
<b>Cash and cash equivalents at the end of period</b>	<b>10,937</b>

# Consolidated financial forecast for FY2/18

(Millions of yen)

	FY2/17 Results	FY2/18 Forecast	Change
Net sales	214,305 (100.0)	221,000 (100.0)	6,694 <3.1>
Operating income	4,099 (1.9)	4,600 (2.1)	500 <12.2>
Ordinary income	4,304 (2.0)	4,700 (2.1)	395 <9.2>
Profit (attributable to owners of parent)	2,281 (1.1)	2,500 (1.1)	218 <9.6>
EPS (Yen) (attributable to owners of parent)	130.09	<b>142.55</b>	12.46
Change factors (Billions of yen)	<ul style="list-style-type: none"> <li>◆ Net sales: Increase in delivery point stores, higher sales of chilled bento meal boxes</li> <li>◆ Operating income: (Positive factors) Improvement at new plants +0.39, sales growth +0.27, end of one-off factors from previous fiscal year +0.89 (retirement benefits related to Group restructuring +¥0.39 billion, initiatives to address aging facilities +¥0.5 billion) (Negative factors) Increase in depreciation and amortization -0.49, increase in personnel expenses -0.38, head office relocation costs -0.56</li> </ul>		

\* Figures in ( ) show sales ratio, and figures in < > show change (%).



# **MEDIUM-TERM ISSUES AND FUTURE POLICIES**

# FY2/17 Overview (1): Initiatives

- ✓ **Reduced losses at new plants**  
Profitability targets achieved at Kagawa, Urawa and Iwate plants as planned
- ✓ **Integrated domestic food products business**  
Warabeya Nichiyo's food products business, Warabeya Kansai, Warabeya Tokai, and Warabeya Hokkaido combined into one company
- ✓ **Improved productivity**  
Integrated management of product development and production process  
Carried out repair and maintenance work to ensure food safety
- ✓ **Enhanced working environments**  
Launched initiatives to improve job satisfaction

# FY2/17 Overview (2): Progress

## Reduced losses at new plants

In line with start-of-year forecasts

	Change in profits YoY at new plants (billions of yen)
Kagawa	+0.37
Urawa	+0.29
Iwate	+0.70
Total	+ 1.36

## Integrated domestic food products business

Unified product development, manufacturing, management and accounting activities

Accelerated the PDCA cycle by unifying activities at head office

## Improved productivity

Integrated management of product development and production process

▶ Product specifications matched to production processes ↔ production process matched to product specifications

Carried out repair and maintenance work to ensure food safety

▶ Implemented an intensive plant maintenance program costing ¥0.5 billion

## Improved working environments

Launched initiatives to improve job satisfaction

▶ Reviewed and revised working regulations, including childcare leave rules

▶ Rebuilt the Group's intranet to encourage timely sharing of information

# Medium-term Issues and Future Policies

## Issues

- ✓ Product development capabilities and product quality
- ✓ Heavy investment costs related to business expansion
- ✓ Employee and part-time staff recruitment, initiatives to improve staff retention rate



## Policies

- ✓ Strengthen product development capabilities
- ✓ Continue to tighten cost control
- ✓ Reinforce the production framework  
→ Use existing plants effectively and invest efficiently
- ✓ Develop and introduce labor-saving equipment
- ✓ Relocate head office
- ✓ Establish a new recruitment and training section and a diversity promotion office

# Policies : Strengthen product development capabilities

Constantly renew strong-selling products and  
continue to develop new products that offer value



**Products with a strong and clear difference in the market are  
the source of Warabeya Nichiyo's absolute competitiveness**

## Key initiatives

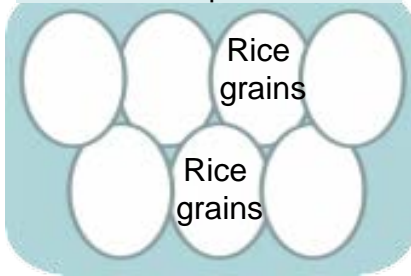
- ✓ Set up teams to improve the taste of rice  
Goal is to develop rice products that are still tasty after time on the shelf :
  - Review quality of rice
  - Adopt more rigorous quality control standards for polished rice
  - Try out new rice cooking technologies
- ✓ Create new meal proposals: switch from single self-contained meals to buffet-type meals that consumers can choose and put together themselves
- ✓ Launch new categories:
  - Strengthen development of frozen meals (onigiri rice balls, bento meal boxes, pastas)
  - Put in place development systems for 7 Premium (chilled) meals

# Strengthen product development capabilities: rice ball range relaunched on 11 April 2017

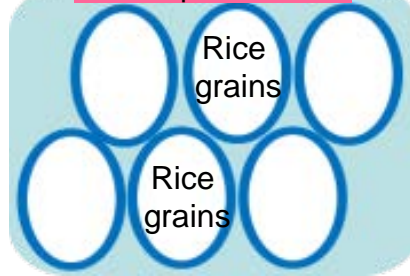
Cooked rice  
(new type)

New cooked rice is stickier and has grainier texture

Previous products



New products



More **sticky and grainy**

Onigiri rice ball shaping  
(new equipment)

Changed **molds** and **adjusted pressure**

Previous products



New products



Onigiri rice balls are **fluffier**

Moisture penetration reduced **20%**  
Contains **barrier-type** ingredient



**Crispier** seaweed



# Strengthen product development capabilities: other products

- ✓ Onigiri rice ball series with directly wrapped seaweed (Filling on view)



- ✓ Chilled bento meal boxes: The Seven Beef Curry



- ✓ Chilled Japanese sweets: Nama Dora Series (dorayaki (pancake) with fresh whipped cream)



Mame daifuku

(soft mochi filled with sweet bean paste)



# Policies: Reinforce the production framework

Established committee to oversee plant rebuilding projects  
(October 2016)

1. Chilled bento meal boxes production system
  - ✓ **Urawa Plant:** added new integrated production line for chilled bento meal boxes (December 2016)
  - ✓ **Sagamihara Plant:** new chilled bento meal boxes production equipment to be installed (scheduled for October 2017)  
Other initiatives: constantly monitor chilled bento meal boxes lineup
2. Chilled Japanese sweets production system
  - ✓ **Dessert Plant:** Sagamihara Plant No. 2 renamed as Dessert Plant, independent of main Sagamihara Plant
  - ✓ **Nagoya Plant:** Chilled Japanese sweets production equipment to be installed (scheduled for June 2018)

Use existing plants effectively and invest efficiently

# Policies: Develop and introduce labor-saving equipment

- Improve production efficiency for chilled pork cutlet rice bowls :



Introduce robots that cut pork cutlets and automatically attach lids and bowl inserts

- Fully automate sandwich production:  
Install automated sandwich filling machines
- Install automated labeling machines (some onigiri rice ball products) and gradually expand to other product lines



# Policies: Relocate head office

New location: Humax Shinjuku Tomihisa Building  
12-floor steel frame building  
with total area of 1,280.16 tsubo (approx 4,224m<sup>2</sup>)

Reasons for move:

- ✓ Improve product development conditions, reinforce and enhance efficiency of activities  
→ Integrate three separate product development sites and generate Group synergies
- ✓ Consolidate Group companies at one location  
→ Improve operational efficiency (consolidate management divisions, efficiently deploy human resources)  
→ Energize communication between business groups
- ✓ Enhance working environment
- ✓ Improve staff and employee retention rate
- ✓ Improve recruitment environment  
(shift from Tama area to central Tokyo)

# Overseas expansion: overseas business department to be established (June 2017)

## US

- ✓ WARABEYA USA (Hawaii) → relocate plant → increase production capacity
- ✓ PRIME DELI (Dallas, Texas) → expand business in mainland US

## China

- ✓ Beijing and Tianjin, China (Beijing Want-Yang Foods LTD.) → expand business

## Other Asia

- ✓ CP ALL / CP RAM, Thailand
  - ✓ Indonesia
- } Technical support

Overseas business department established, resources provided  
→ **Focus on business in mainland US**

## Governance (G)

### Reinforce corporate governance

- ✓ **Increase number of outside directors**  
(resolution at Annual General Meeting of Shareholders in May 2017)
- ✓ **Establish a Nomination and Remuneration Committee**
- ✓ **Introduce a platform for shareholders to exercise voting rights**  
**Provide English language shareholder convocations**

# ESG Initiatives (targeting sustainable growth in corporate value)

## Environment (E)

- ✓ Appropriately dispose of waste food generated by the Group's plants
- ✓ Recycle food waste for animal feed and fertilizer
- ✓ Introduce low-emission vehicles



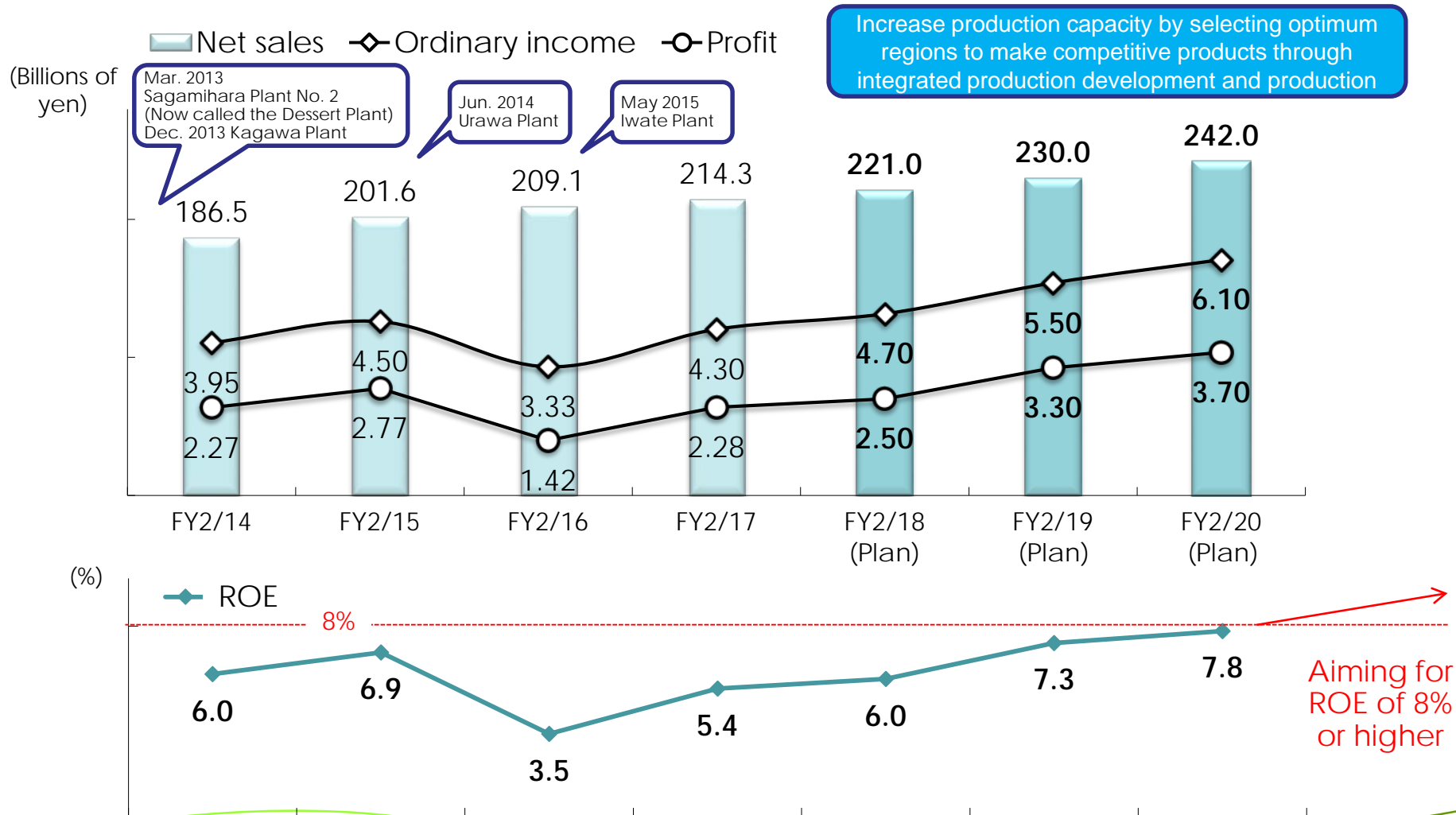
Low-emission fleet ratio  
on track to rise from 39%  
in FY2/17 to 45% in FY2/18

## Society (S)

- ✓ Step up safety and reliability initiatives
- ✓ Establish a new recruitment and training section and a diversity promotion office
- ✓ Create pleasant working environments
- ✓ Sign agreements to provide emergency supplies during disasters

# Medium-term management plan (consolidated)

Targeting ordinary income of ¥6.1bn in FY2/20 by increasing production capacity in optimum regions and by investing in growth fields (chilled bento meal boxes and Japanese sweets)





## 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.

**Warabeya**  
Nichiyō

**Warabeya**  
USA

**NICHIYO**

**Warabeya**  
Nichiyō HLDGS.

**Bestrans**

**PROSYSTAS**

**Socialink**

Other affiliated  
companies

Japan

Nichiyō Fresh Co., Ltd.

Sun Foods Yokokura Co., Ltd.


Nichiman Co., Ltd.

Frevo Farm Co., Ltd.

Overseas

Beijing Want-Yang Foods Ltd.

Beijing Riyang Xinrong Co., Ltd.



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.