



# The Fiscal Year Ended February 2021 Results Briefing

From March 1, 2020 to February 28, 2021

WARABEYA NICHIO HOLDINGS CO., LTD.  
(2918)

April 14, 2021



# Overview of Financial Results for FY2/21



# Consolidated Financial Results for FY2/21

## ➤ **Net Sales : Revenue decreased due to staying home and stagnant economic activity**

- The impact of the spread of COVID-19 (hereinafter referred to as the impact of COVID-19) is -15.2 billion yen in Sales and -3.1 billion yen in Operating Income.
- Regarding Food Products business, Sales of cooked rice category, mainly rice balls, decreased.

## ➤ **Operating Profit : Efforts from the previous year improved profitability in Food Products business**

- Food Products : Profitability improved due to productivity improvement by plant realignment etc. Sales decreased but Profit increased.
- Food Ingredients: Recorded inventory valuation loss due to the impact of COVID-19 etc.
- Consolidated Operating Income for the second half was a record high.

# Consolidated Financial Results for FY2/21

- **Ordinary Profit : Increased profits due to improved Non-operating Income**
  - Beijing Want-Yang, an affiliate accounted for by the equity method from this year, contributed to profit growth.
- **Profit (attributable to owners of parent) : Profit decreased due to Extraordinary Loss etc.**
  - Most of Extraordinary Losses are impairment losses of plants.
  - Reviewed the recoverability of Deferred Tax Assets in the first half of the year, considering the effects of the impact of COVID-19.

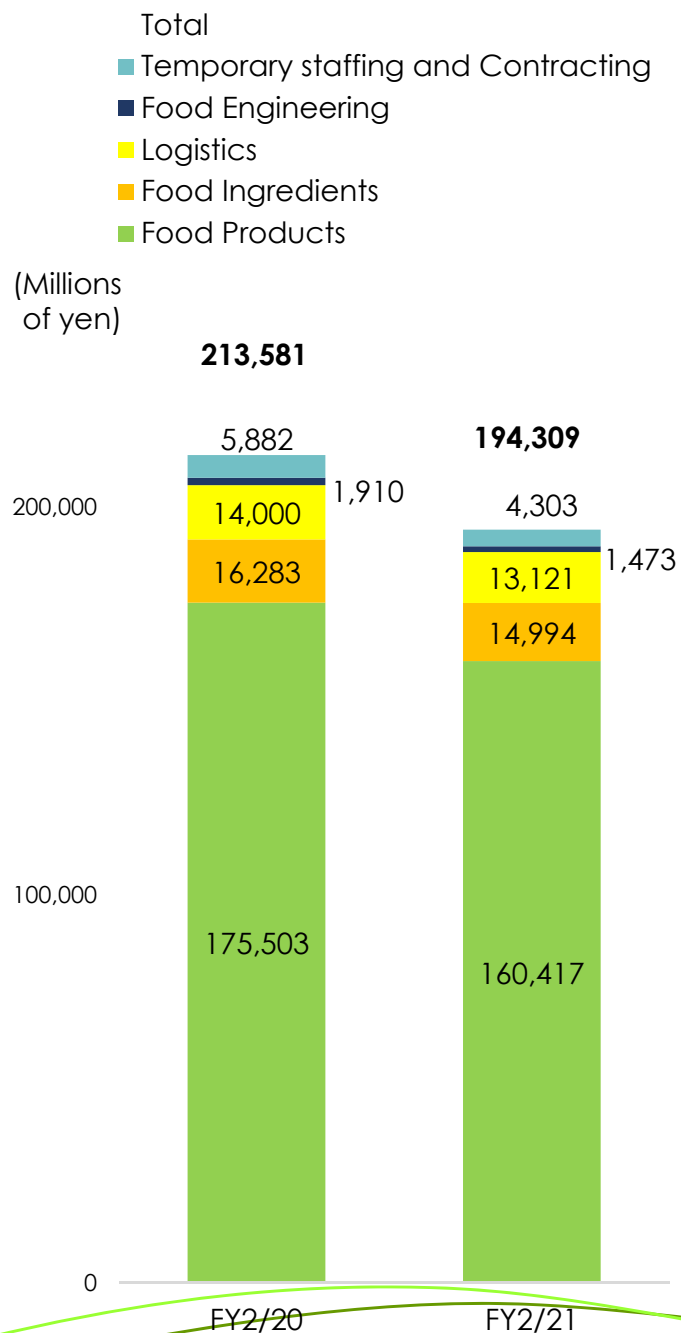
# Consolidated Financial Results for FY2/21

(Millions of yen)

	FY2/20	FY2/21		YoY	Vs. Revised Forecast
	Results	Revised Forecast (Announced in Oct. 2020)	Results		
Net Sales	213,581 (100.0)	192,000 (100.0)	<b>194,309</b> <b>(100.0)</b>	-19,271 <-9.0>	2,309 <1.2>
Operating Profit	2,721 (1.3)	2,200 (1.1)	<b>3,332</b> <b>(1.7)</b>	610 <22.4>	1,132 <51.5>
Ordinary Profit	2,773 (1.3)	2,550 (1.3)	<b>3,710</b> <b>(1.9)</b>	937 <33.8>	1,160 <45.5>
Profit Before Income Taxes	1,891 (0.9)	1,400 (0.7)	<b>2,001</b> <b>(1.0)</b>	110 <5.8>	601 <43.0>
Profit (attributable to owners of parent)	1,010 (0.5)	300 (0.2)	<b>682</b> <b>(0.4)</b>	-327 <-32.4>	382 <127.6>
EPS (Yen) (attributable to owners of parent)	57.55	17.15	<b>39.04</b>	-18.51	21.89
ROE (%)	2.3	0.7	<b>1.5</b>	-0.7Pt	0.9Pt

\*Figures in ( ) show sales ratio, and figures in < > show change (%). Revised Forecast announced on October 6, 2020

# Consolidated Net Sales by segment (YoY)

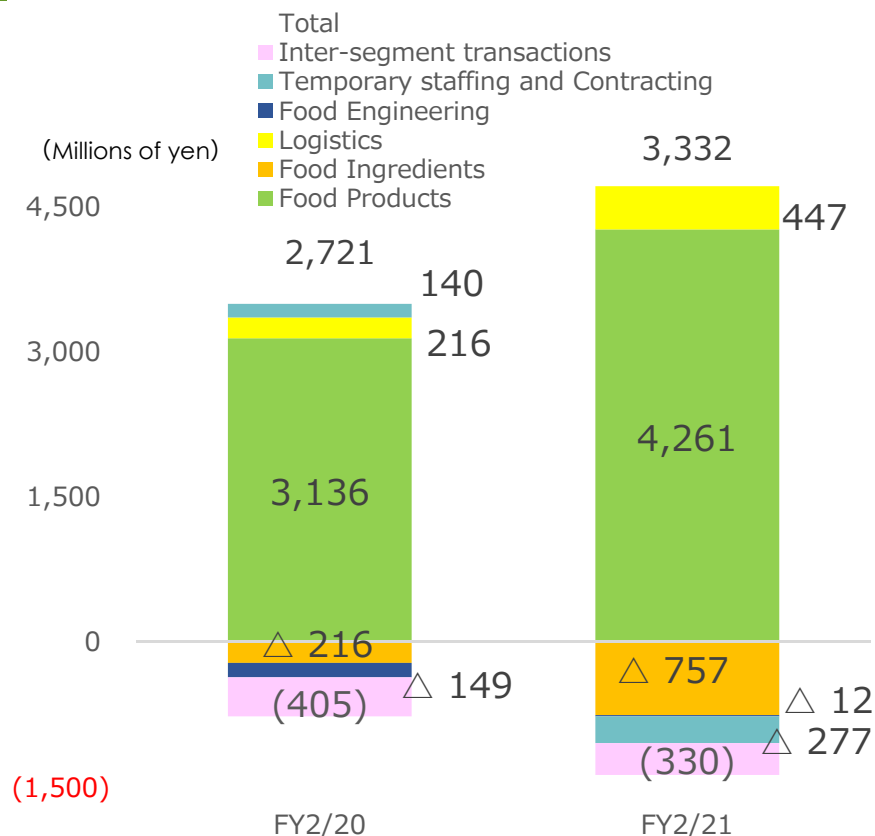


(Millions of yen)

\* Figures in < > show change (%).

	FY2/20	FY2/21	Change	Change factors
<b>Total net sales</b>	213,581	<b>194,309</b>	-19,271 <-9.0>	Expanded impact of COVID-19: - ¥15.2 billion
Food Products	175,503	<b>160,417</b>	-15,086 <-8.6>	Decrease in sales concentrated on rice balls due to factors such as a decline in outings and leisure
Food Ingredients	16,238	<b>14,994</b>	-1,289 <-7.9>	Decline in volume of some processed marine products & processed chicken products handled
Logistics	14,000	<b>13,121</b>	-879 <-6.3>	Decrease in Seven-Eleven store distribution, etc.
Food Engineering	1,910	<b>1,473</b>	-437 <-22.9>	Peeling off of large projects in the previous FY
Temporary Staffing and Contracting	5,882	<b>4,303</b>	-1,579 <-26.8>	Decrease in orders in Temporary Staffing business for Food Production etc.

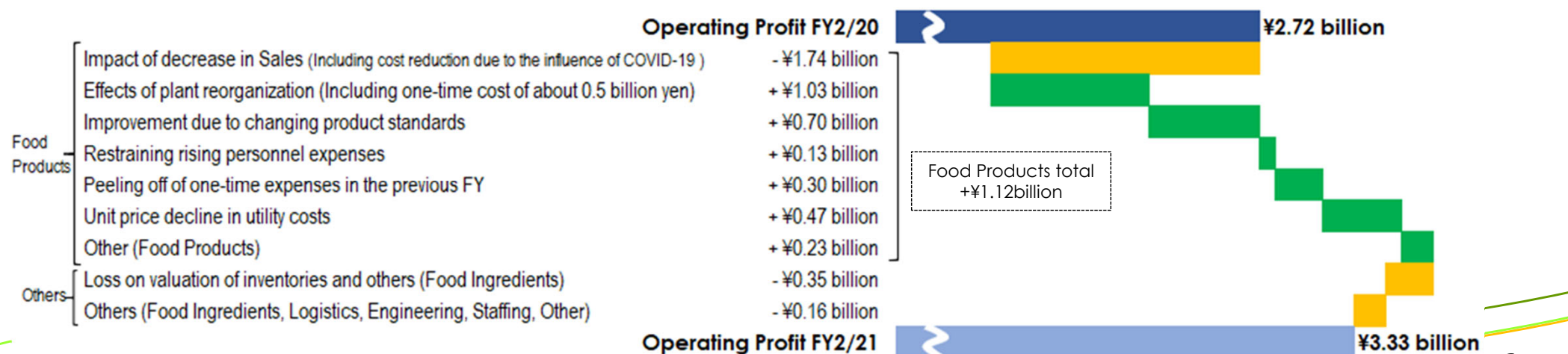
# Consolidated Operating Profit by segment (YoY)



(Millions of yen) \* Figures in < > show change (%).

	FY2/20	FY2/21	Change
<b>Total Operating Profit</b>	2,721	<b>3,332</b>	610 <22.4>
Food Products	3,136	<b>4,261</b>	1,124 <35.9>
Food Ingredients	-216	<b>-757</b>	-540 <->
Logistics	216	<b>447</b>	231 <107.0>
Food Engineering	-149	<b>-12</b>	137 <->
Temporary Staffing and Contracting	140	<b>-277</b>	-417 <->
Inter-segment transactions	-405	<b>-330</b>	75 <->

## YoY +¥6.1 billion Change factors



# Non-operating Profit/Expenses and Extraordinary Income/Losses (YoY)

(Millions of yen)	FY2/20	FY2/21	Change
<b>Operating Profit</b>	2,721 (1.3)	<b>3,332</b> <b>(1.7)</b>	610 <22.4>
<b>Non-operating Income</b>	563 (0.3)	<b>780</b> <b>(0.4)</b>	216 <38.5>
<b>Non-operating Expenses</b>	510 (0.2)	<b>401</b> <b>(0.2)</b>	-109 <-21.5>
<b>Ordinary Profit</b>	2,773 (1.3)	<b>3,710</b> <b>(1.9)</b>	937 <33.8>
<b>Extraordinary Income</b>	— (—)	<b>61</b> <b>(0.0)</b>	61 <—>
<b>Extraordinary Losses</b>	882 (0.4)	<b>1,770</b> <b>(0.9)</b>	888 <100.8>
<b>Profit before Income Taxes</b>	1,891 (0.9)	<b>2,001</b> <b>(1.0)</b>	110 <5.8>
<b>Total Income Taxes</b>	808 (0.4)	<b>1,241</b> <b>(0.6)</b>	432 <53.6>
<b>Profit (attributable to non-controlling interests)</b>	72 (0.0)	<b>77</b> <b>(0.0)</b>	4 <6.5>
<b>Profit (attributable to owners of parent)</b>	1,010 (0.5)	<b>682</b> <b>(0.4)</b>	-327 <-32.4>

## FY2/21

Non-operating Income (Change) ¥0.21 billion  
 • Equity in earnings of affiliates (Beijing Want-Yang Foods Ltd.) ¥0.12 billion

## FY2/21

Extraordinary Income ¥0.06 billion  
 • Gain on sale of Prosystas Co., Ltd. former head office ¥0.06 billion

Extraordinary Losses ¥1.77 billion  
 • Warabeya Nichiyo Co., Ltd.: Impairment losses for Iwate Plant ¥1.15 billion  
 • Nichiyo Fresh Co., Ltd.: Impairment losses ¥0.29 billion  
 • Nichiyo Co., Ltd.: Impairment losses ¥0.05 billion  
 • Socia Link Impairment loss and premium severance pay ¥0.19 billion

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



# Consolidated Balance Sheets (vs. End-FY2/20)

(Millions of yen)

[Assets]	End-FY2/20	End-FY2/21	Change
Current Assets	32,566	<b>29,433</b>	-3,132
Non-current Assets	53,512	<b>52,840</b>	-672
[Property, Plant and Equipment]	(45,673)	<b>(44,477)</b>	(-1,195)
[Intangible Assets]	(936)	<b>(677)</b>	(-259)
[Investments and other Assets]	(6,903)	<b>(7,685)</b>	(782)
Total Assets	86,078	<b>82,273</b>	-3,805

(Millions of yen)

[Liabilities and Net Assets]	End-FY2/20	End-FY2/21	Change
Current Liabilities	27,433	<b>23,539</b>	-3,894
Non-current Liabilities	14,121	<b>14,361</b>	239
[Interest-bearing debt]	(11,336)	<b>(11,213)</b>	(-122)
Total Liabilities	41,555	<b>37,900</b>	-3,654
Total Net Assets	44,523	<b>44,372</b>	-150
[Retained Earnings]	(28,560)	<b>(28,693)</b>	(133)
Total Liabilities and Net Assets	86,078	<b>82,273</b>	-3,805

# Consolidated Statements of Cash Flows

(Millions of yen)

	<b>FY2/21</b>
Profit before income taxes	<b>2,001</b>
Depreciation	<b>4,812</b>
Impairment loss	<b>1,673</b>
Decrease (increase) in notes and accounts receivable – trade	<b>1,738</b>
Decrease (increase) in inventories	<b>1,724</b>
Increase (decrease) in notes and accounts payable – trade	<b>-1,092</b>
Increase (decrease) in accounts payable – other	<b>-1,868</b>
Other	<b>81</b>
<b>Subtotal</b>	<b>9,070</b>
Income taxes paid	<b>-954</b>
Other	<b>221</b>
<b>Cash flows from operating activities</b>	<b>8,338</b>
Purchase of property, plant and equipment	<b>-5,234</b>
Other	<b>8</b>
<b>Cash flows from investing activities</b>	<b>-5,226</b>
<b>Cash flows from financing activities</b>	<b>-1,922</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>-145</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,043</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>7,902</b>
<b>Cash and cash equivalents at the end of period</b>	<b>8,946</b>

# Full-year Forecast for FY2/22 (Consolidated Basis)



# Consolidated Financial Forecast for FY2/22

## Aim to increase Sales and Profits by striving to improve profitability of the entire group

- **Sales will recover due to the reduced impact of COVID-19**
  - Expect a recovery in Sales, which decreased significantly in the first half of the previous FY
  - Focus on new product development, etc. to meet change of consumer needs due to new lifestyles
- **Operating Income and Ordinary Income will increase by 30%**
  - Food Products : Maintaining improved profitability in the previous FY
  - Food Ingredients : Valuation loss on inventories in the previous FY is eliminated and aim to return to profitability
- **Net Income: Significant increase in Profit**  
**(highest profit in the last 7 years)**
  - Expects to increase profits significantly by eliminating extraordinary losses and temporary tax expenses in the previous FY

# Consolidated Financial Forecast for FY2/22

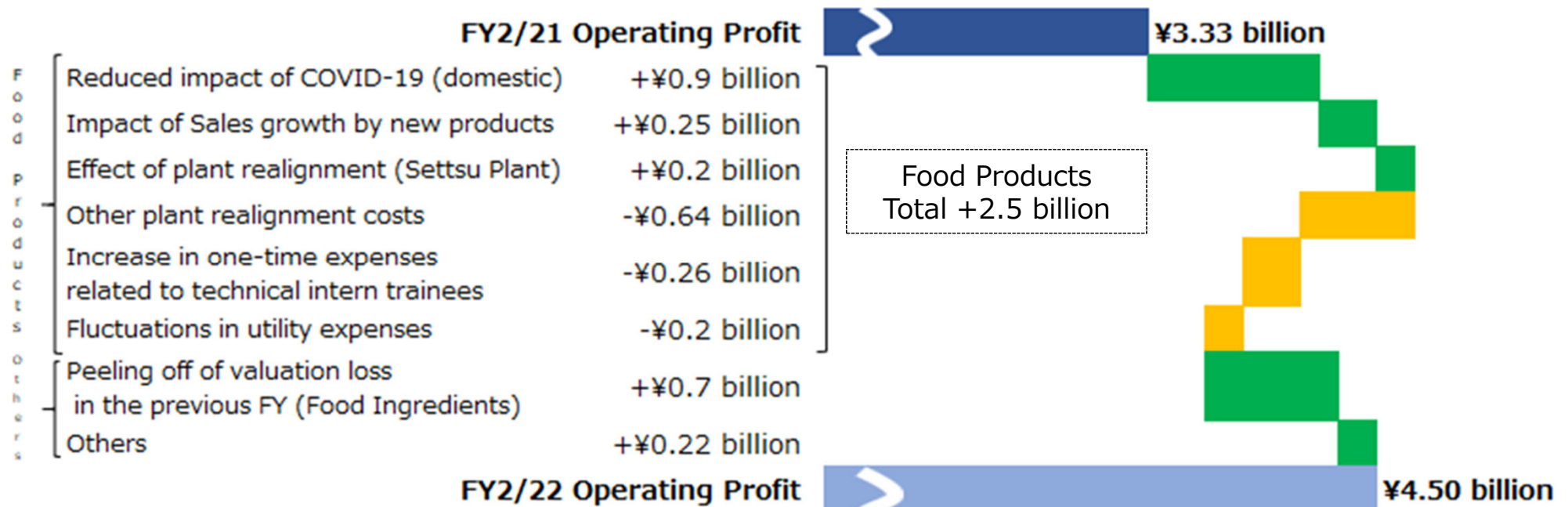
(Millions of yen)

	FY2/20 Results	FY2/22 Forecasts	YoY
Net Sales	194,309 (100.0)	<b>198,000</b> <b>(100.0)</b>	3,690 <1.9>
Operating Profit	3,332 (1.7)	<b>4,500</b> <b>(2.3)</b>	1,167 <35.1>
Ordinary Profit	3,710 (1.9)	<b>4,900</b> <b>(2.5)</b>	1,189 <32.0>
Profit before Income Taxes	2,001 (1.0)	<b>4,550</b> <b>(2.3)</b>	2,548 <127.3>
Profit (attributable to owners of parent)	682 (0.4)	<b>2,800</b> <b>(1.4)</b>	2,117 <310.1>
EPS(Yen) (attributable to owners of parent)	39.04	<b>160.43</b>	121.39
ROE(%)	1.5	<b>6.2</b>	4.7Pt

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

# Consolidated Financial Forecast for FY2/22

## (Operating Profit change factors)





**Establishing a business model  
that enables sustainable growth**



# Changes in the external environment and internal challenges for growth

## Changes in the external environment

- Changes in competitive structure in the ready-to-eat market (competition with take-out of restaurants, food delivery services, etc.)
- Emergence of new lifestyles with/after COVID-19
- 7-Eleven: slowdown of store openings in Japan, strengthen overseas business.
- Risks of rising raw materials, personnel expenses, and logistics costs

## Internal challenges for growth

- Sustainable growth in Sales
- Improvement of plant utilization rates
- Response to increase in production costs
- Profitability improvement in businesses other than Food Products
- Strengthening group governance



# Mid-term strategy and mid-term management goals for sustainable growth

## Mid-term strategy for sustainable growth

- 1 Expanding profits in the domestic Food Products business and entering into the growth category
- 2 Improving profitability of businesses other than Food Products business
- 3 Expansion of overseas business

## Mid-term management goals (FY 2/2024)

**ROE : 8% and over**

In order to achieve ROE 8%,  
operating profit margin of 3% is a guideline.

# ① Expanding profits in the domestic Food Products business and entering into the growth category

- **Responding to new lifestyles and strengthening new product development**

- Launched chilled cup soup to meet long-expirery dates product needs (October 2020)  
Focus on expanding the items
- Early commercialization of Standing Packed products (7-Premiums) and Smoothies



- **Focus on the growth categories**

- Strengthening the production facilities for chilled rice products and sweets



- **Focus on basic research and technological innovation**

Established Research Innovation Office (March 2021)

# ① Expanding profits in the domestic Food Products business and entering into the growth category

## **Continue strategical plants realignment considering the changes in production items and entry into the new categories**

- **Realignment of production system in response to market changes (continuing)**
  - Effects due to closure of Iruma Plant and Tochigi Plant  
⇒ ¥1 billion in FY 2/2021 (Including the elimination of expenses in the previous FY)
  - Expected effects due to closure of Settsu Plant in May 2021  
⇒ ¥0.2 billion in FY2/2022 (9 months, including the elimination of expenses in the previous FY and recording of the expenses in this FY)
- **Maintaining appropriate profits (continuing)**
  - Thorough product standard control and costs control
  - Product development with production efficiency in mind
  - Promotion of introduction of labor-saving machines

## ②Improving profitability of businesses other than Food Products business

### ● Reorganization of Food Ingredients business

Nichiyo : Need to break out of the deficit of the FY2/2021

- ✓ Strengthening competitiveness by utilizing overseas fish processing plants (Vietnam)
- ✓ Costs structure reform (reduction of fixed costs)

Nichiyo Fresh : Strengthening development pf products for consumer

- ✓ Actively enter into 7-Premium items



### ● Withdrawal from Temporary Staffing and Contracting business

Decided to withdraw from this business in consideration of the impact on business performance due to prolonged COVID-19 problem and the cost of building a governance system (scheduled to withdraw in June 2021)

### ③Expansion of overseas business

#### Continue to invest business resources in growth areas

- Sales were affected by the impact of COVIT-19, but high profitability was maintained in the previous FY.
- Use the successes of TEXAS, USA as role models in future overseas development
- Strengthening surveys and efforts to new areas or new projects

#### ● WARABEYA TEXAS

(Thousands of USD, %) \* Figures in <> show changes %

TEXAS	FY2019 Actual	FY2020 Actual	FY2021 Forecast	Change
Net sales	31,362	30,360	30,612	252 <0.8>
OP* (%)	2,857 9.1	3,189 10.5	3,350 10.9	160 <5.0>

#### ● WARABEYA U.S.A. (HAWAII)

(Thousands of USD, %) \* Figures in <> show changes %

USA	FY2019 Actual	FY2020 Actual	FY2021 Forecast	Change
Net sales	39,341	36,230	38,613	2,382 <6.5>
OP* (%)	3,290 8.4	2,588 7.1	3,003 7.7	415 <16.0>

#### ● Beijing Want-Yang Foods (a company accounted for using the equity method)

(Thousands of CNY, %) \* Figures in <> show changes %

Want-Yang	FY2019 Actual	FY2020 Actual	FY2021 Forecast	Change
Net sales	154,816	153,718	170,234	16,516 <10.7>
OP* (%)	11,933 7.7	15,543 10.1	13,037 7.6	-2,506 <-16.1>

※ OP: Operating profit

# Topics on ESG

## ■ Strengthening group governance

- Strengthening the subsidiary management system and compliance of the holding company
- Strengthening risk management system at subsidiaries

## ■ Activities for sustainability that take advantage of the characteristics of the group

- Strengthening efforts for environmental management  
(Warabeya Nichiyo Co. acquired "Eco Action 21 Certification")
- Efforts centered on "safety" and "reliability" as a company related to "food"
- Creating a company where everyone can work comfortably



## ■ Website on sustainability

- Scheduled to be released in May 2021



# Concept of Mid-term Management Plan

## ● Net sales

### • Food Products business

Domestic : Product development that responds to  
changing consumer needs + challenge to new categories

Overseas : Sales growth utilizing product proposal capabilities  
+ new areas/new projects (surveys/efforts)

### • Other business

Expand the outside the group sales  
and shift to a business model that enables sustainable growth

## ● Profit

- In addition to the effect of sales increase, we will continue to promote profit structure reforms in the current business.
- Pursuing appropriate profit margin in new categories and new projects

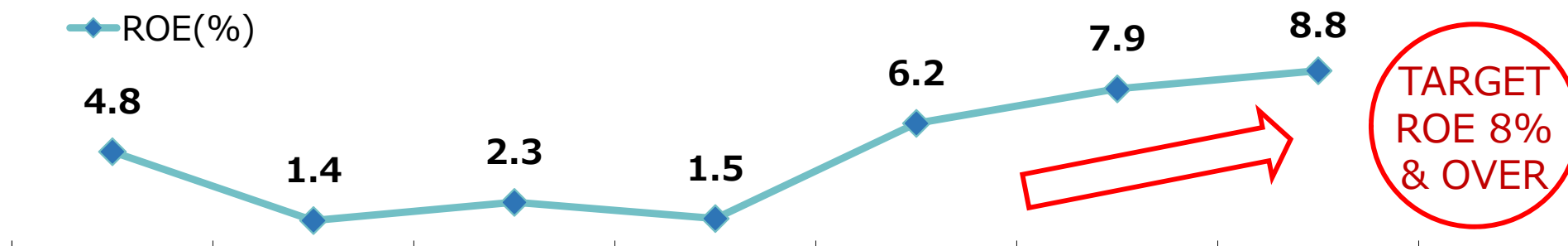
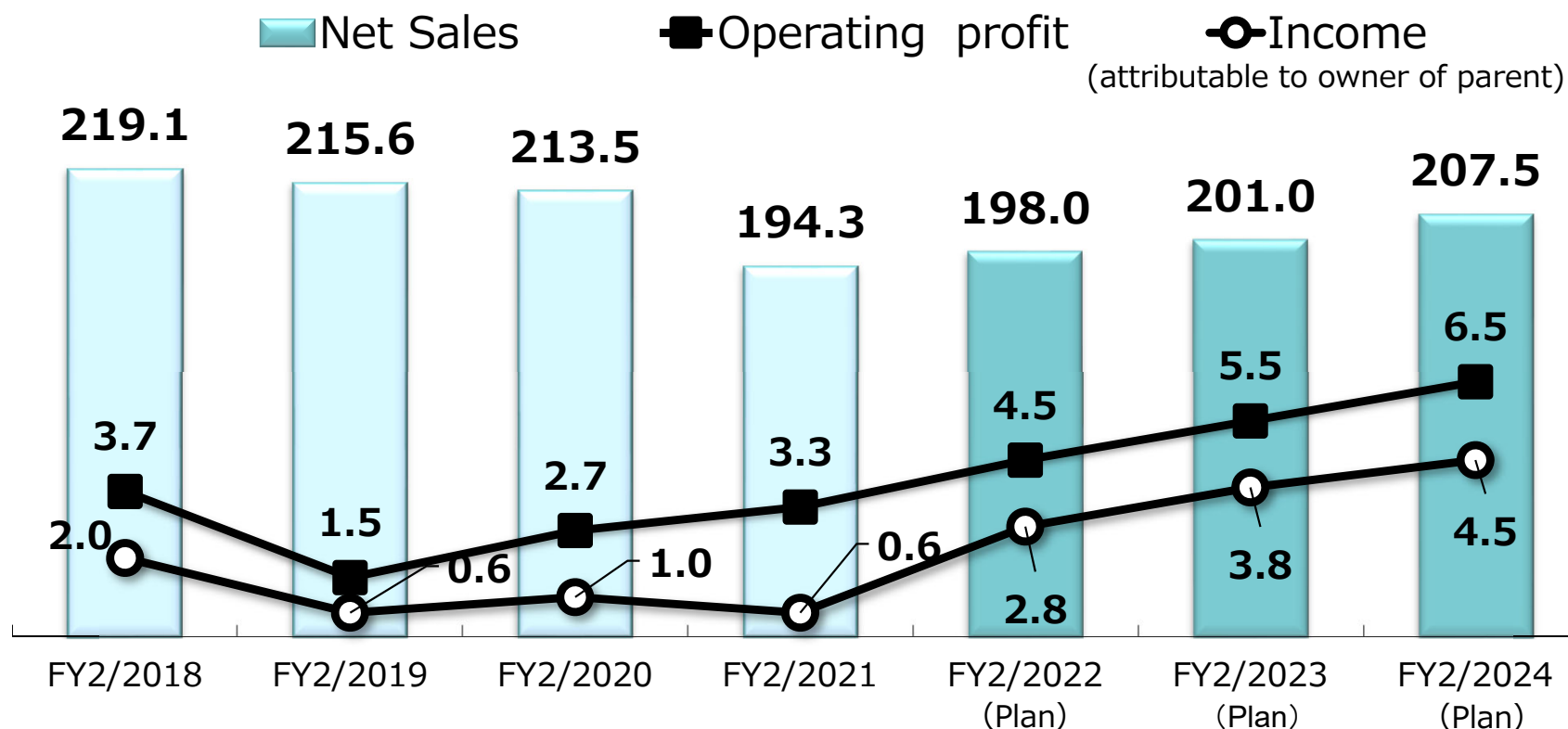
## ● Mid-term Management Goals : ROE 8% and over

- Targeting to achieve "8% or more" in the FY2/2024




# Mid-term Management Plan

(billion Yen)







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.

## 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**.

### 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.

