



# Fiscal Year Ended February 2019 Results Briefing

From March 1, 2018 to February 28, 2019

WARABEYA NICHIO HOLDINGS CO., LTD.  
(2918)

April 17, 2019



# Overview of Financial Results for FY2/19 and Full-year Forecast for FY2/20 (Consolidated Basis)



# Consolidated financial results for FY2/19

(Millions of yen)

	FY2/18	FY2/19		YoY	Vs. Revised forecast
	Results	Revised forecast (Announced in Sep. 2018)	<b>Results</b>		
Net sales	219,103 (100.0)	217,700 (100.0)	<b>215,696</b> <b>(100.0)</b>	-3,406 <-1.6>	-2,003 <-0.9>
Operating profit	3,731 (1.7)	1,500 (0.7)	<b>1,526</b> <b>(0.7)</b>	-2,205 <-59.1>	26 <1.8>
Ordinary profit	4,023 (1.8)	1,750 (0.8)	<b>1,766</b> <b>(0.8)</b>	-2,256 <-56.1>	16 <0.9>
Profit (attributable to owners of parent)	2,093 (1.0)	580 (0.3)	<b>610</b> <b>(0.3)</b>	-1,483 <-70.9>	30 <5.2>
EPS (Yen) (attributable to owners of parent)	119.40	33.05	<b>34.78</b>	-84.62	1.73
ROE (%)	4.8	—	<b>1.4</b>	-3.4 pt	—

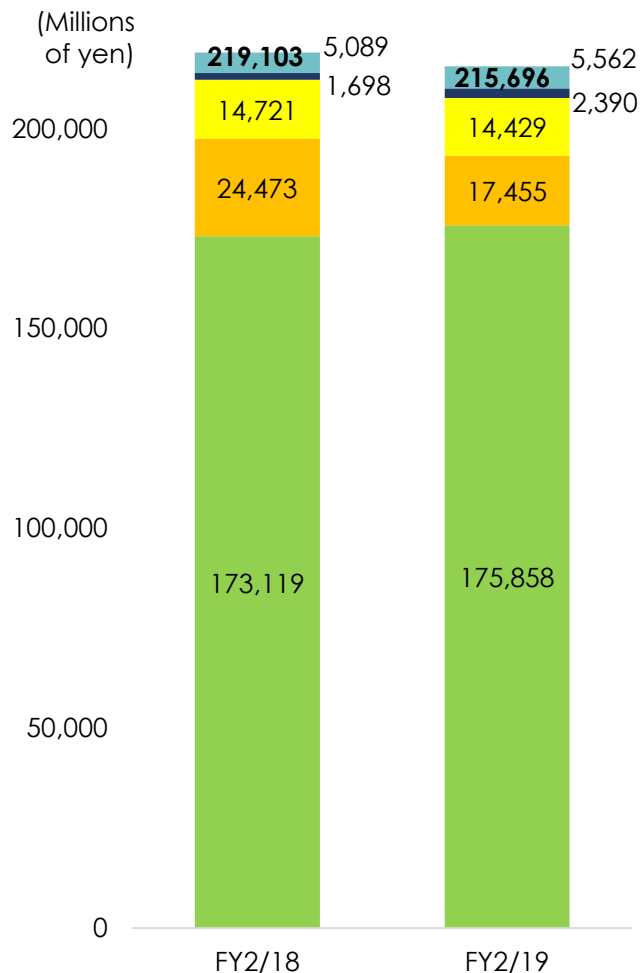
\* Figures in ( ) show sales ratio, and figures in < > show change (%).  
Revised forecast announced on September 25, 2018.

# Consolidated net sales by segment (YoY)

- Temporary staffing and Contracting
- Food Engineering
- Logistics
- Food Ingredients
- Food Products

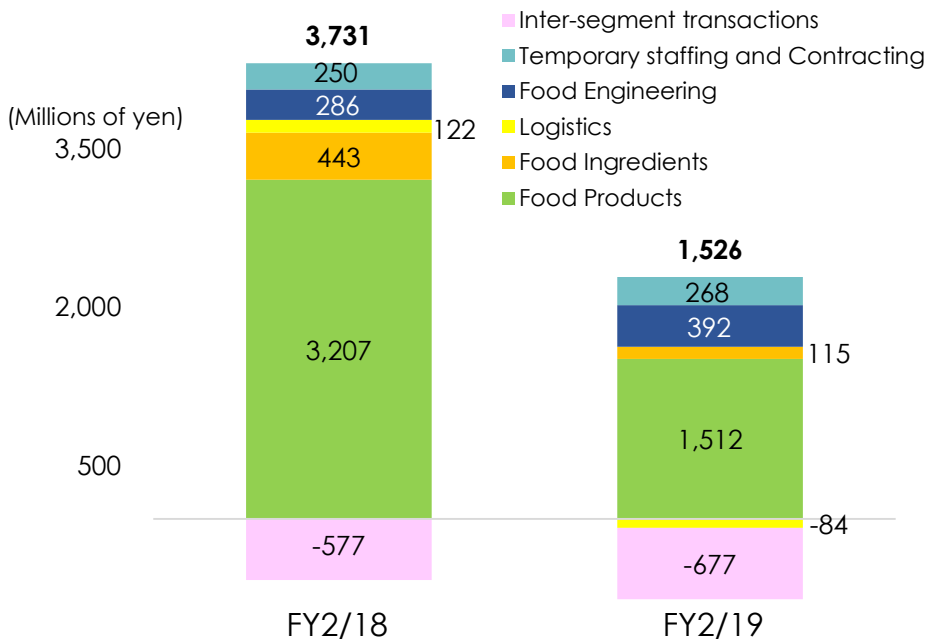
(Millions of yen)

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



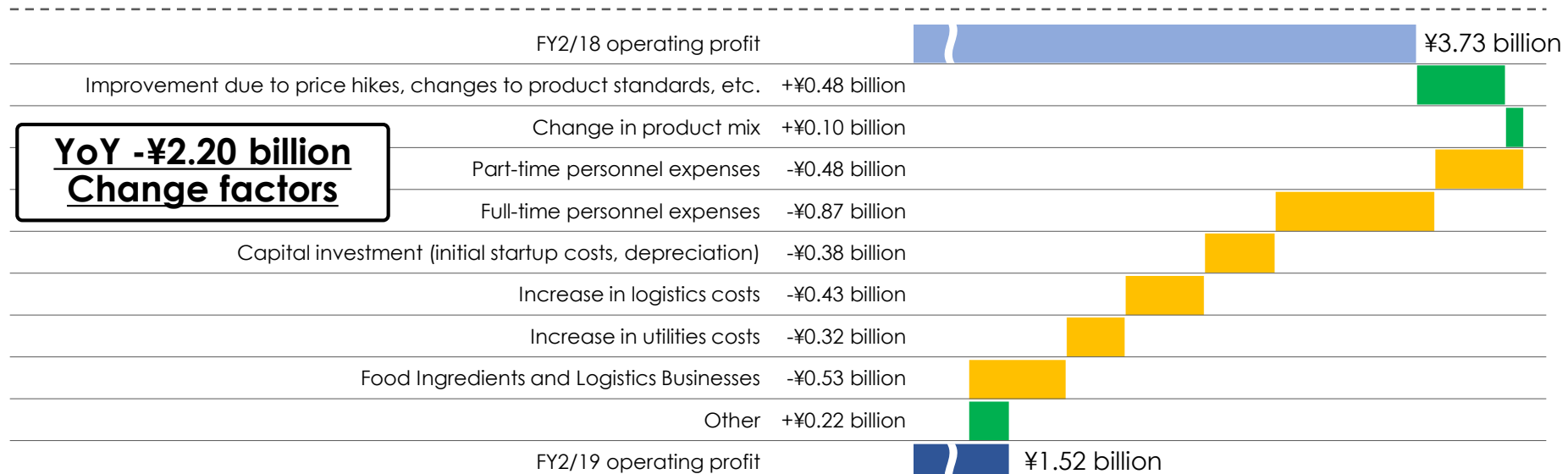
	FY2/18	FY2/19	Change	Change factors
<b>Total net sales</b>	219,103	<b>215,696</b>	-3,406 <-1.6>	
Food Products	173,119	<b>175,858</b>	2,738 <1.6>	Made Prime Deli a consolidated subsidiary (+¥2.68 billion)
Food Ingredients	24,473	<b>17,455</b>	-7,017 <-28.7>	Decline in volume of processed marine products handled
Logistics	14,721	<b>14,429</b>	-292 <-2.0>	Return of Seven-Eleven store distribution routes
Food Engineering	1,698	<b>2,390</b>	691 <40.7>	Growth in orders for rice preparation equipment
Temporary staffing and Contracting	5,089	<b>5,562</b>	473 <9.3>	Increase in orders in temporary staffing and technical intern training business

# Consolidated operating profit by segment (YoY)



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

	FY2/18	FY2/19	Change
<b>Total operating profit</b>	3,731	<b>1,526</b>	-2,205 <-59.1>
Food Products	3,207	<b>1,512</b>	-1,695 <-52.9>
Food Ingredients	443	<b>115</b>	-327 <-74.0>
Logistics	122	<b>-84</b>	-206 <-169.2>
Food Engineering	286	<b>392</b>	106 <37.0>
Temporary staffing and Contracting	250	<b>268</b>	18 <7.4>
Inter-segment transactions	-577	<b>-677</b>	-99 <->



# Non-operating profit/expenses and extraordinary income/losses (YoY)

(Millions of yen)

	FY2/18	<b>FY2/19</b>	Change
<b>Operating profit</b>	3,731 (1.7)	1,526 (0.7)	-2,205 <-59.1>
Non-operating income	689 (0.3)	611 (0.3)	-78 < -11.4>
Non-operating expenses	398 (0.2)	370 (0.2)	-27 <-6.9>
<b>Ordinary profit</b>	4,023 (1.8)	1,766 (0.8)	-2,256 <-56.1>
Extraordinary income	– (–)	903 (0.4)	903 <–>
Extraordinary losses	995 (0.5)	1,721 (0.8)	725 < 72.9>
Profit before income taxes	3,027 (1.4)	948 (0.4)	-2,078 <-68.7>
Total income taxes	933 (0.4)	306 (0.1)	-627 <-67.1>
Profit (attributable to non-controlling interests)	– (–)	31 (0.0)	31 <–>
<b>Profit (attributable to owners of parent)</b>	2,093 (1.0)	610 (0.3)	-1,483 <-70.9>

FY2/18

Extraordinary losses ¥0.99 billion

- Nichiyo: Provision of allowance related to Nichiman ¥0.55 billion
- Warabeya Nichiyo: Impairment losses for Kushiro Plant ¥0.44 billion

FY2/19

Extraordinary income ¥0.90 billion

- Nichiyo: Gain on reversal of allowances for doubtful accounts and for losses on loan guarantees for Nichiman ¥0.77 billion
- Gain on sale of former head office land ¥0.12 billion

Extraordinary losses ¥1.72 billion

- Warabeya Nichiyo: Impairment losses on some business assets ¥1.04 billion
- Warabeya Nichiyo: Loss on sale of Iruma Plant ¥0.67 billion

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

# Consolidated balance sheets (YoY)

(Millions of yen)

[Assets]	End-FY2/18	End-FY2/19	Change
Current assets	30,952	<b>27,941</b>	-3,010
Non-current assets	55,936	<b>56,694</b>	757
[Property, plant and equipment]	[48,830]	<b>[49,625]</b>	[794]
[Intangible assets]	[904]	<b>[1,112]</b>	[208]
[Investments and other assets]	[6,202]	<b>[5,957]</b>	[-245]
Total assets	86,888	<b>84,635</b>	-2,252

(Millions of yen)

[Liabilities and net assets]	End-FY2/18	End-FY2/19	Change
Current liabilities	26,053	<b>24,487</b>	-1,566
Non-current liabilities	16,548	<b>15,906</b>	-642
[Interest-bearing debt]	[14,708]	<b>[14,176]</b>	[-531]
Total liabilities	42,602	<b>40,393</b>	-2,208
Total net assets	44,286	<b>44,242</b>	-43
[Retained earnings]	[28,247]	<b>[28,254]</b>	[6]
Total liabilities and net assets	86,888	<b>84,635</b>	-2,252

## Total assets as of end-FY2/19: approx. ¥2.2 billion decrease

- Decrease in current assets (cash and deposits, notes and accounts receivable – trade, etc.): approx. ¥3.0 billion
- Increase in non-current assets (buildings and structures, etc.): approx. ¥0.7 billion

## Total liabilities/net assets as of end-FY2/19: approx. ¥2.2 billion decrease

- Decrease in current liabilities (notes and accounts payable – trade, accounts payable – other, etc.): approx. ¥1.5 billion
- Decrease in non-current liabilities (long-term lease obligations, etc.): approx. ¥0.6 billion
- Decrease in net assets : approx. ¥0.04 billion

# Consolidated statements of cash flows

(Millions of yen)

	<b>FY2/19</b>
Profit before income taxes	<b>948</b>
Depreciation	<b>5,472</b>
Decrease (increase) in notes and accounts receivable – trade	<b>1,043</b>
Decrease (increase) in inventories	<b>-478</b>
Increase (decrease) in notes and accounts payable – trade	<b>-879</b>
Increase (decrease) in accounts payable – other	<b>75</b>
Other	<b>727</b>
Subtotal	<b>6,908</b>
Income taxes paid	<b>-1,161</b>
Other	<b>227</b>
<b>Cash flows from operating activities</b>	<b>5,974</b>
Purchase of property, plant and equipment	<b>-5,736</b>
Other	<b>3</b>
<b>Cash flows from investing activities</b>	<b>-5,733</b>
<b>Cash flows from financing activities</b>	<b>-3,311</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>-18</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-3,089</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>5,203</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>325</b>
<b>Cash and cash equivalents at the end of period</b>	<b>2,439</b>



# Consolidated financial forecast for FY2/20

(Millions of yen)

	FY2/19 Results	<b>FY2/20 Forecast</b>	Change
Net sales	215,696 (100.0)	<b>219,500</b> <b>(100.0)</b>	3,803 <1.8>
Operating profit	1,526 (0.7)	<b>2,500</b> <b>(1.1)</b>	973 <63.8>
Ordinary profit	1,766 (0.8)	<b>2,700</b> <b>(1.2)</b>	933 <52.8>
Profit (attributable to owners of parent)	610 (0.3)	<b>700</b> <b>(0.3)</b>	89 <14.7>
EPS (Yen) (attributable to owners of parent)	34.78	<b>39.88</b>	5.10
Change factors (Billions of yen)	<p>◆Net sales: Increase in delivery point stores, stronger product lineup</p> <p>◆Operating profit: (Positive factors) Sales growth +0.36, changes to product standards / price hikes +0.95, reduction in business costs +0.11, overseas operations +0.09, absence of special factors booked in previous fiscal year +0.34, other +0.24 (Food Ingredients, Logistics, and Other Businesses)</p> <p>(Negative factors) Increase in part-time personnel expenses -0.44, increase in full-time personnel expenses -0.37, increase in depreciation costs -0.32</p>		

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

# Targeting Sustained Growth

# Current business environment

## Major changes in operating environment

- Competition intensifying in ready-to-eat meal market
- Slower pace of store openings by Seven-Eleven Japan
- Accelerating shift to chilled rice meal products
- Rising personnel and logistics costs
- Higher prices for ingredients (rice, dried seaweed)

## Internal issues to address to achieve growth

- Increase plant capacity utilization
- Respond to rising production costs
- Move into new growth regions and categories



**Accelerate measures to generate sustained growth**

# Accelerate measures to generate sustained growth

1

## Improve productivity and restore profitability in existing domestic businesses

- Maintain healthy margins
- Rebuild the production system
- Carefully examine investment decision criteria

2

## Expand overseas businesses

- Prime Deli
- Beijing Want-Yang Foods
- WARABEYA U.S.A.

# ① Improve productivity and restore profitability in existing domestic businesses

## ➤ Maintain healthy margins



### ◆ Onigiri rice balls

(above approach implemented from February 5, 2019)

Mainstay rice ball fillings – pink salmon, spicy seasoned cod roe, tuna mayonnaise, Kishu plum, Hidaka kelp



Hand roll onigiri rice ball  
Spicy seasoned cod roe  
with mature umami flavor  
¥150 (incl. tax)

### ◆ Bento meal boxes / chilled bento meal boxes

(above approach to be steadily implemented from February 2019)



Char-grilled beef short rib  
bento box  
¥560 (incl. tax)



Szechuan mabo rice bowl  
with Szechuan pepper sesame oil  
¥430 (incl. tax)



Specialty pork cutlet rice bowl  
with lots of pork  
¥537 (incl. tax)

# ① Improve productivity and restore profitability in existing domestic businesses

## ➤ Rebuild the production system

- Production at Iruma Plant to be transferred to another site in January 2020 (see press release dated February 27, 2019)
  - ⇒ Transfer of production to lift profits ¥100 million per year
- Integrate plants to increase capacity utilization
- Drastically overhaul loss-making plants
- Consider introducing production facilities for new product categories (Seven Premium, etc.)
- Overhaul operations, look at adjusting headcount in each division, redeploy personnel

## ➤ Carefully examine investment decision criteria

- Identify and verify risks
- Verify new product sales volume with test sales, check again before nationwide rollout
  - ⇒ Make capital investments based on expected plant network several years ahead

## ② Expand overseas businesses

### Continue to channel business resources into growth fields

#### ➤ Prime Deli

##### Establish a successful model for North America

- Use a team-based merchandising approach in product development (improve quality of mainstay products, develop new categories)
- Reinforce products for the 7-Eleven Inc. fast-food category, introduce heated display cases
- Transfer Warabeya Nichiyo's production know-how to North America

(Thousands of dollars, %) \* Figures in < > show change (%).

Prime Deli	FY12/18	FY12/19 (Forecast)	Change
Net sales	24,225	26,529	2,304 <9.5>

#### ➤ Beijing Want-Yang Foods

(Not treated as an equity-method affiliate)

Second plant to start operations ,  
forecast annual growth of 13%

(Thousands of yuan, %) \* Figures in < > show change (%).

Beijing Want-Yang Foods	FY12/18	FY12/19 (Forecast)	Change
Net sales	125,296	141,455	16,159 <12.9>

#### ➤ WARABEYA U.S.A.

New plant scheduled to start operations  
in July 2020

(Thousands of dollars, %) \* Figures in < > show change (%).

WARABEYA U.S.A.	FY12/18	FY12/19 (Forecast)	Change
Net sales	37,006	38,501	1,495 <4.0>

# Medium-term management plan / operating profit change factors

(Billions of yen)

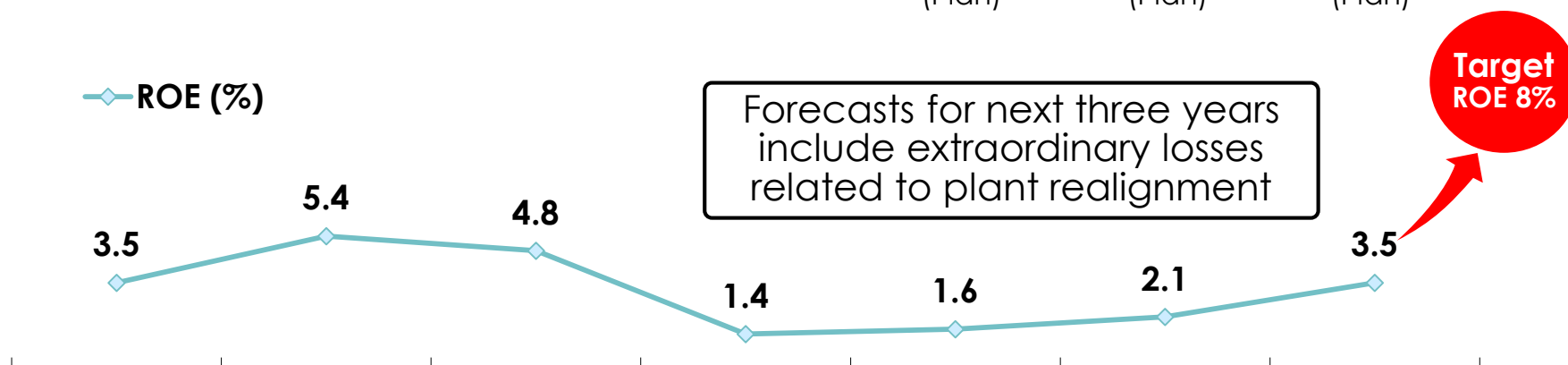
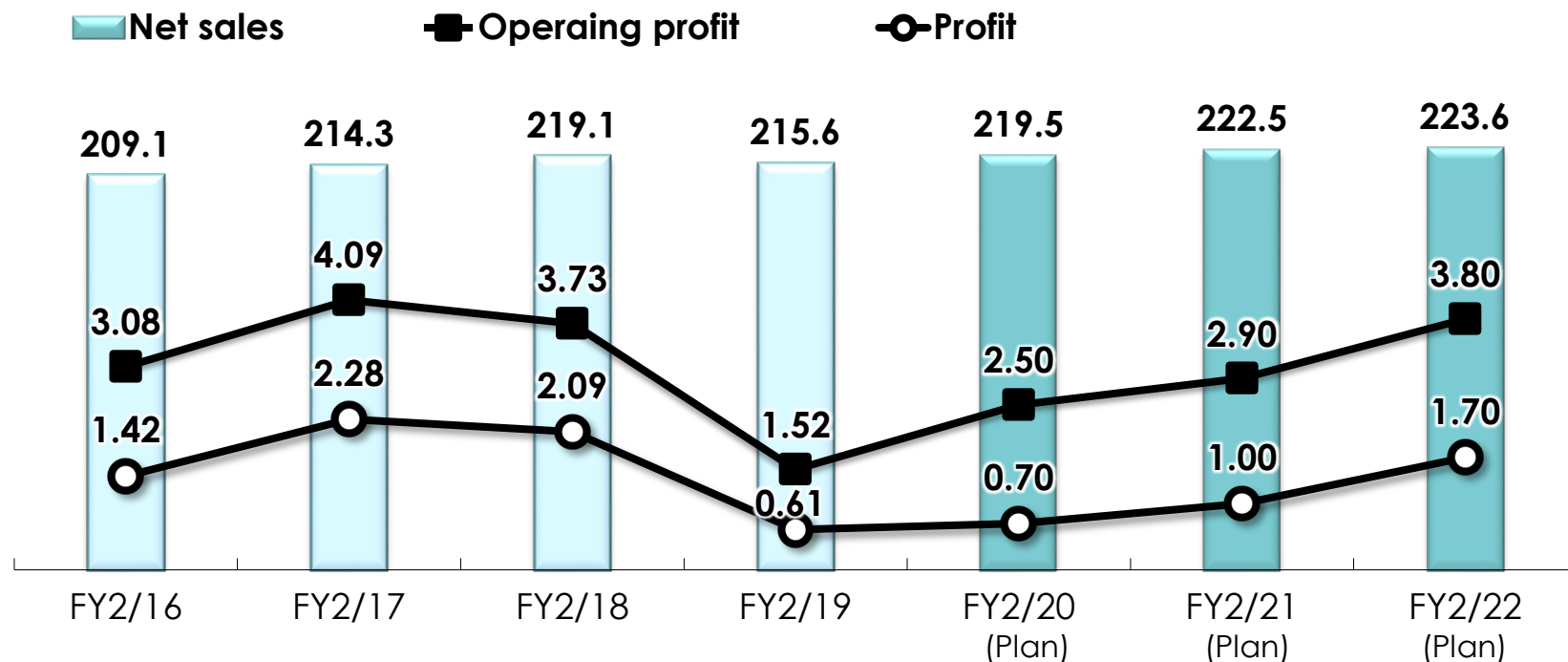
	FY2/19	FY2/20	FY2/21	FY2/22
<b>Consolidated net sales</b>	<b>215.6</b>	<b>219.5</b>	<b>222.5</b>	<b>223.6</b>
<b>Consolidated operating profit</b>	<b>1.52</b>	<b>2.50</b>	<b>2.90</b>	<b>3.80</b>

Operating profit change	FY2/20	FY2/21	FY2/22	Three-year plan	Assumptions
Sales growth	+0.36	+0.25	+0.25	<b>+0.86</b>	Sales growth driven by an increase in sales per store
Personnel expenses	-0.81	-0.60	-0.60	<b>-2.01</b>	Increase in part-time staff wages, full-time personnel costs
Change to product standards / price hikes	+0.96	+0.45	+0.45	<b>+1.86</b>	Maintain healthy margins
Productivity gains, cost reduction	+0.11	+0.27	+0.10	<b>+0.48</b>	
Plant realignment	—	+0.10	+0.20	<b>+0.30</b>	Address shift to chilled meals, integrate and close plants One-time costs for transfer of production and other measures
Overseas, other	+0.34	-0.07	+0.50	<b>+0.77</b>	Includes startup costs for new WARABEYA U.S.A. plant in FY2/21
<b>Profit improvement – total</b>	<b>+0.97</b>	<b>+0.40</b>	<b>+0.90</b>	<b>+2.26</b>	



# Medium-term management plan (consolidated)

(Billions of 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.

