



Fiscal Year Ended February 2016 Results Briefing

As a food innovator, we handle all aspects of food production
and pioneer the evolution of food

WARABEYA NICHIO CO., LTD.

(2918)

April 15, 2016





Overview of Financial Results for FY2/16 and Full-year Forecast for FY2/17 (Consolidated Basis)

Consolidated financial results for FY2/16

(Millions of yen)

	FY2/15	FY2/16		YoY	Vs. Revised forecast
	Results	Revised forecast (Announced in Sep. 2015)	Results		
Net sales	201,680 (100.0)	211,500 (100.0)	209,147 (100.0)	7,466 <3.7>	-2,353 <-1.1>
Operating income	4,137 (2.1)	2,900 (1.4)	3,088 (1.5)	-1,049 <-25.4>	187 <6.5>
Ordinary income	4,502 (2.2)	3,200 (1.5)	3,336 (1.6)	-1,166 <-25.9>	136 <4.3>
Net income	2,775 (1.4)	2,050 (1.0)	1,428 (0.7)	-1,346 <-48.5>	-621 <-30.3>
EPS (Yen)	157.55	116.51	81.34	-76.21	-35.17

*For the fiscal year ended February 29, 2016, the Company booked impairment losses of ¥1.8 billion under extraordinary losses. The impairment losses are related to the Ueda Plant, Minami-Alps Plant and other assets.

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

Revised estimates for FY2/16 announced on September 18, 2015.

Revised forecast (on Sep. 18, 2015) and difference factors

(Millions of yen)

	FY2/16		Vs. Forecast
	Revised forecast (Announced in Sep. 2015)	Results	
Net sales	211,500 (100.0)	209,147 (100.0)	-2,353 <-1.1>

[Difference factors]

Food Products Business	As planned
Food Ingredients Business	-2,530
Logistics, Other Businesses	+140

(Millions of yen)

	FY2/16		Vs. Forecast
	Revised forecast (Announced in Sep. 2015)	Results	
Operating income	2,900 (1.4)	3,088 (1.5)	187 <6.5>

[Difference factors]

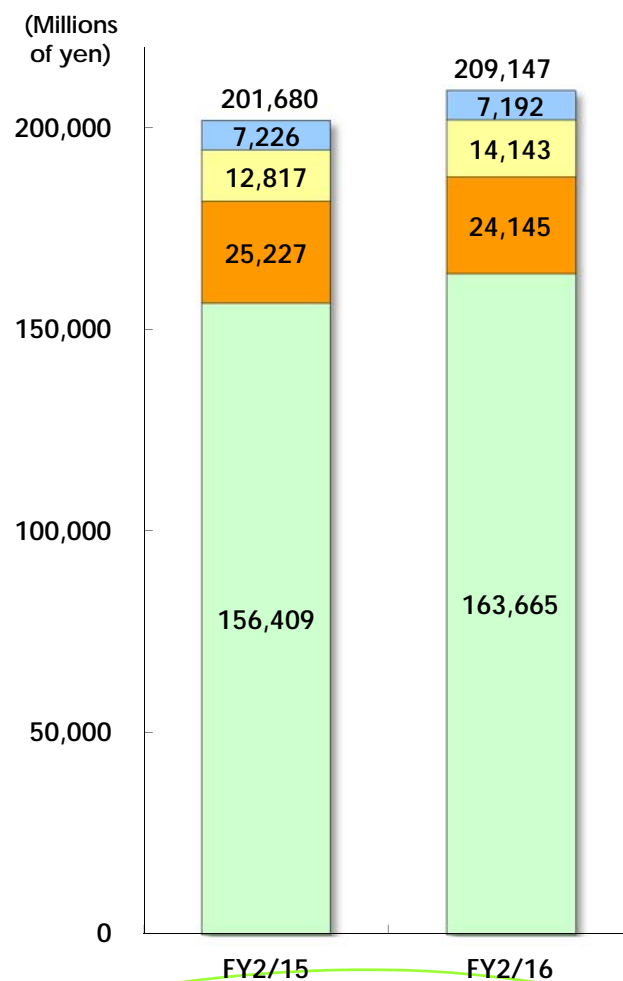
Food Products Business	+430
Decline in utilities costs	+200
Food Ingredients Business	-40
Logistics, Other Businesses	-240

* Figures in () show sales ratio, and figures in < > show change (%).
Revised estimates for FY2/16 announced on September 18, 2015.

Consolidated net sales by segment (YoY)

(Millions of yen)

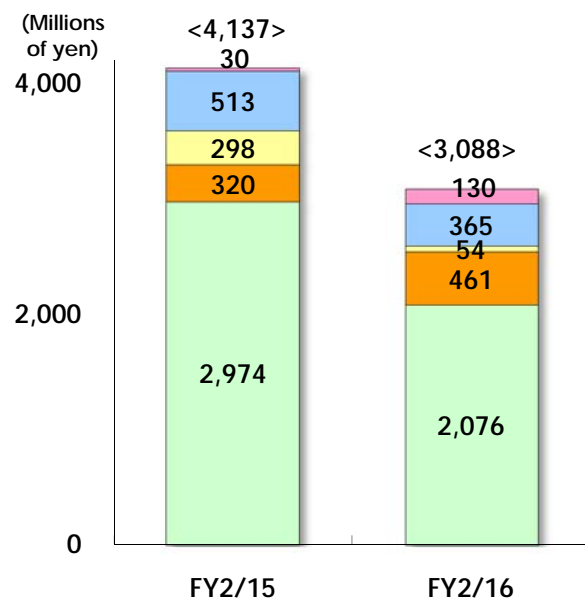
* Figures in < > show change (%).



	FY2/15	FY2/16	Change	Change factors
Total net sales	201,680	209,147	7,466 <3.7>	
Food Products	156,409	163,665	7,255 <4.6>	Increased delivery point stores and increased sales growth for rice balls and chilled boxed meals
Food Ingredients	25,227	24,145	-1,082 <-4.3>	Lower sales of processed chicken products, shrimp, eel and other items
Logistics	12,817	14,143	1,325 <10.3>	Growth in transaction volume in joint distribution business supplying Seven-Eleven
Other	7,226	7,192	-33 <-0.5>	

Consolidated operating income by segment (YoY)

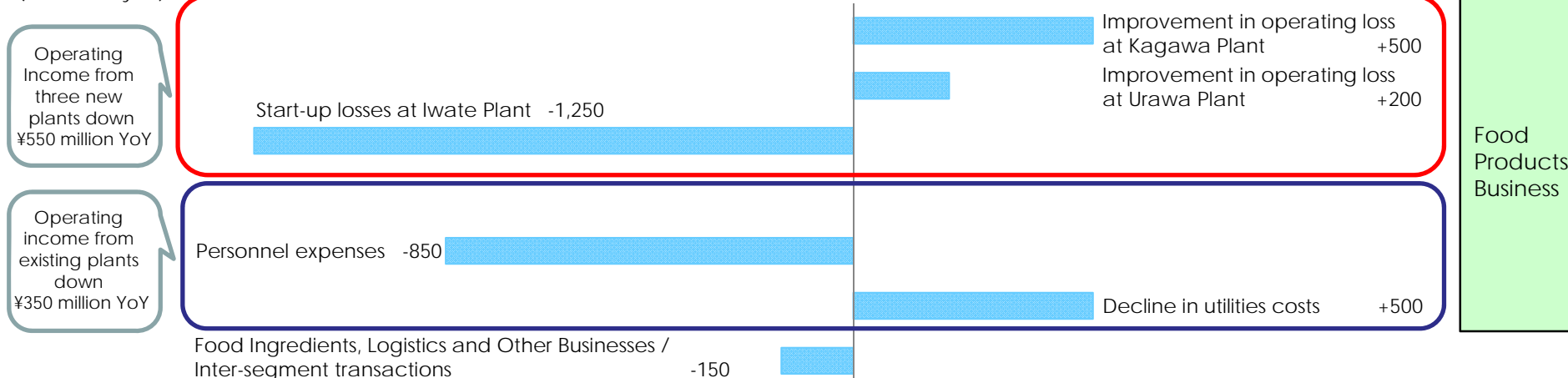
■ Food Products Business
■ Logistics Business
■ Inter-segment transactions
■ Food Ingredients Business
■ Other Business



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

	FY2/15	FY2/16	Change
Total operating income	4,137	3,088	-1,049 <-25.4>
Food Products	2,974	2,076	-898 <-30.2>
Food Ingredients	320	461	141 <44.2>
Logistics	298	54	-243 <-81.8>
Other	513	365	-147 <-28.8>
Inter-segment transactions	30	130	99 <320.8>

(Millions of yen)



Negative impact on profits

-2,250

Total YoY: approx. 1,050

Positive impact on profits

+1,200

Non-operating income/expenses and extraordinary income/losses in FY2/16

(Millions of yen)

	FY2/15	FY2/16	Change
Operating income	4,137 (2.1)	3,088 (1.5)	-1,049 <-25.4>
Non-operating income	689 (0.3)	680 (0.3)	-9 <-1.3>
Non-operating expenses	324 (0.2)	432 (0.2)	107 <33.2>
Ordinary income	4,502 (2.2)	3,336 (1.6)	-1,166 <-25.9>
Extraordinary income	84 (0.0)	300 (0.1)	215 <254.6>
Extraordinary losses	200 (0.1)	1,821 (0.9)	1,621 <809.9>
Income before income taxes	4,386 (2.2)	1,814 (0.9)	-2,572 <-58.6>
Total income taxes	1,611 (0.8)	385 (0.2)	-1,226 <-76.1>
Net income	2,775 (1.4)	1,428 (0.7)	-1,346 <-48.5>

● Provision for loss on business of subsidiaries and associates 78

● Subsidy income 300

● Impairment loss FY2/15: 131 FY2/16: 1,821
 FY2/15: Impairment losses on existing facilities after the introduction of new equipment
 FY2/16: Impairment losses on the Minami-Alps Plant and Ueda Plant
 Impairment losses on existing facilities after changes to product lineups

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

Consolidated balance sheets at end-FY2/16

(Millions of yen)				(Millions of yen)			
[Assets]	FY2/15	FY2/16	Change	[Liabilities and net assets]	FY2/15	FY2/16	Change
Current assets	32,607	30,235	-2,372	Current liabilities	26,053	23,423	-2,629
Fixed assets	44,509	47,099	2,590	Long-term liabilities	9,853	12,381	2,528
[Tangible fixed assets]	[39,537]	[41,345]	[1,807]	[Interesting-bearing debt]	[8,971]	[10,886]	[1,915]
[Intangible assets]	[580]	[689]	[108]	Total liabilities	35,906	35,805	-101
[Investments and other assets]	[4,391]	[5,064]	[673]	Total net assets	41,210	41,529	318
Total assets	77,117	77,334	217	[Common stock]	[8,049]	[8,049]	–
				Total liabilities and net assets	77,117	77,334	217

Total assets as of end-FY2/16: approx. ¥0.2 billion increase

- Decrease in current assets (cash and deposits): approx. ¥2.3 billion
- Increase in fixed assets (tangible fixed assets, etc.): approx. ¥2.5 billion

Total liabilities/net assets as of end-FY2/16: approx. ¥0.2 billion increase

- Decrease in current liabilities (notes and accounts payable, etc.): approx. ¥2.6 billion
- Increase in long-term liabilities: approx. ¥2.5 billion
- Increase in net assets (retained earnings, other comprehensive income, etc.): approx. ¥0.3 billion

Consolidated statements of cash flows for FY2/16

(Millions of yen)

	FY2/16
Income before income taxes	1,814
Depreciation and amortization	4,838
Impairment loss	1,821
Decrease (increase) in notes and accounts receivable - trade	46
Decrease (increase) in inventories	361
Increase (decrease) in notes and accounts payable - trade	-1,034
Increase (decrease) in accounts payable - other	-796
Other	247
Subtotal	7,298
Income taxes paid	-1,834
Other	214
Cash flows from operating activities	5,677
Purchase of tangible fixed assets	-4,370
Other	-61
Cash flows from investing activities	-4,431
Cash flows from financing activities	-3,602
Effect of exchange rate change on cash and cash equivalents	3
Net increase (decrease) in cash and cash equivalents	-2,352
Cash and cash equivalents at the end of period	6,493

Consolidated financial forecast for FY2/17 (YoY)

(Millions of yen)

	FY2/16 Results	FY2/17 Forecast	Change
Net sales	209,147 (100.0)	217,000 (100.0)	7,852 <3.8>
Operating income	3,088 (1.5)	3,300 (1.5)	211 <6.9>
Ordinary income	3,336 (1.6)	3,400 (1.6)	63 <1.9>
Net income	1,428 (0.7)	1,600 (0.7)	171 <12.0>
EPS (Yen)	81.34	91.23	9.89

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



Medium-term Challenges and Initiatives

Recent Business Performance

➤ Earnings at the Kagawa Plant, Iwate Plant and Urawa Plant in FY2/16

Profits from new plants(Billions of yen)

	Revised forecast (as of Sep. 2015)	Results	Vs. Forecast	(Reference: YoY)
Kagawa	-0.30	-0.31	-0.00	(+0.51)
Iwate	-1.21	-1.23	-0.02	(-1.19)
Urawa	-0.47	-0.42	+0.04	(+0.19)
Total	-1.99	-1.97	+0.01	(-0.48)



Kagawa Plant

(started operations in December 2013)

Amount of production:

Maximum 200,000 meals per day

Products:

Rice-based products, noodle



Iwate Plant

(started operations in May 2015)

Amount of production:

Maximum 250,000 meals per day

Products:

Rice-based products, noodle,
delicatessen items



Urawa Plant

(started operations in June 2014)

Amount of production:

Maximum 100,000 meals per day

Products:

Chilled boxed meals

➤ Renewed lineup of chilled boxed meals

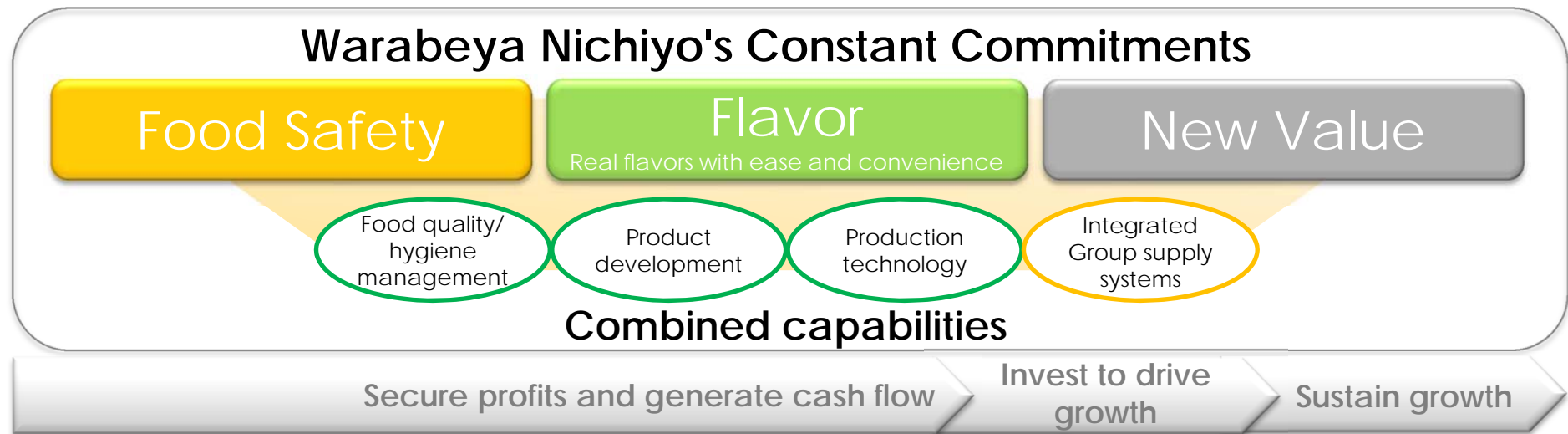
Special pork cutlet rice bowl: sales of ¥1.68 bn in FY2/15
(sales for just under five months)

➤ Hosted technical intern trainees from overseas

FY2/16: Groupwide total of roughly 270 trainees

Company plans to take on 300 trainees per year from FY2/17 for an aggregate total of 1,000 by FY2/18

Medium-term Challenges and Initiatives



Operating environment

- ✓ Expansion in ready meal market and rising share of convenience stores in that market
- ✓ Growth at main business partner

Challenges

- ✓ Food safety costs, labor shortages / higher labor costs, rising ingredient costs
- ✓ Growing demand for chilled food products

Initiatives

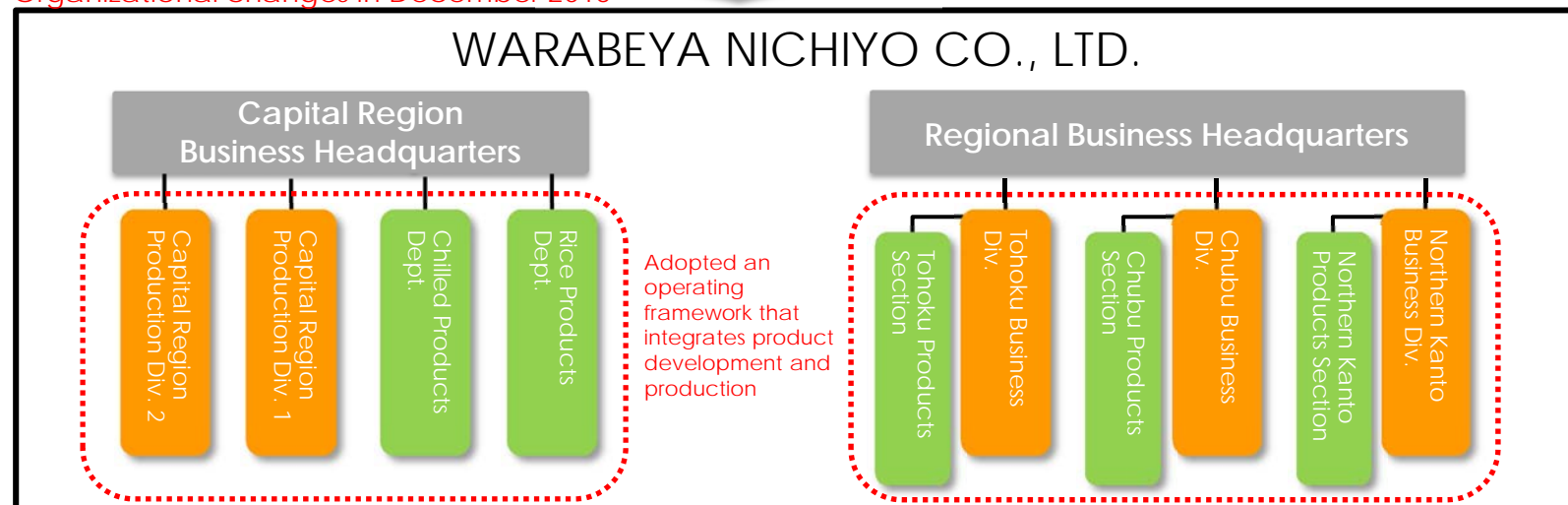
- Build up business base to address those challenges
- Create a chilled food product manufacturing system

Build up Group business base: transitioned to headquarters system (Dec 2015)

- Operating framework that integrates product development and production functions



Organizational changes in December 2015

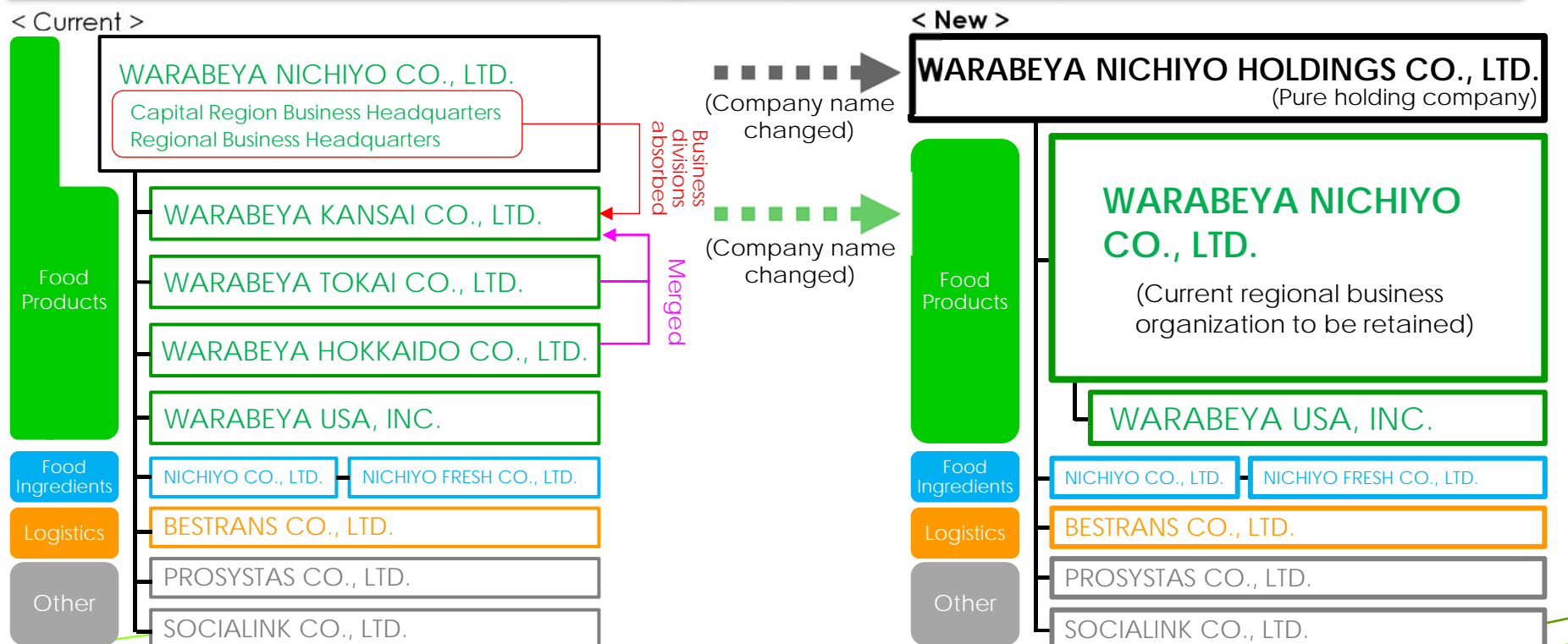


Moved to a system capable of generating stable profits by taking into account production processes during the product design phase

Build up Group business base: move to holding company system (scheduled for Sep 2016)

- Address growing need for food safety and products with higher added value
 - ✓ Merge food product business companies (WarabeYA Nichiyo and three subsidiaries) into a single company to integrate production activities
Consolidate and integrate management systems, share know-how, deploy specialist personnel in optimal positions
 - ✓ Move to a holding company system with WARABEYA NICHIO CO., LTD. as the pure holding company
Speed up decision-making and promote dynamic business management, optimally allocate business resources, strengthen corporate governance

Group diagram (consolidated)



Note: The above changes are pending approval at the Company's Annual General Meeting of Shareholders scheduled for May 26, 2016.

Create a chilled product manufacturing system

➤ Expanding our lineup of chilled boxed meals



- ✓ Use ingredients suited to chilled products
- ✓ Renew lineup with a focus on ingredients and processing methods
- ✓ Develop separate-type chilled boxed meals

Special pork cutlet rice bowl

Premium beef curry

Grilled hamburger boxed lunch



¥598 (incl. tax)



¥498 (incl. tax)



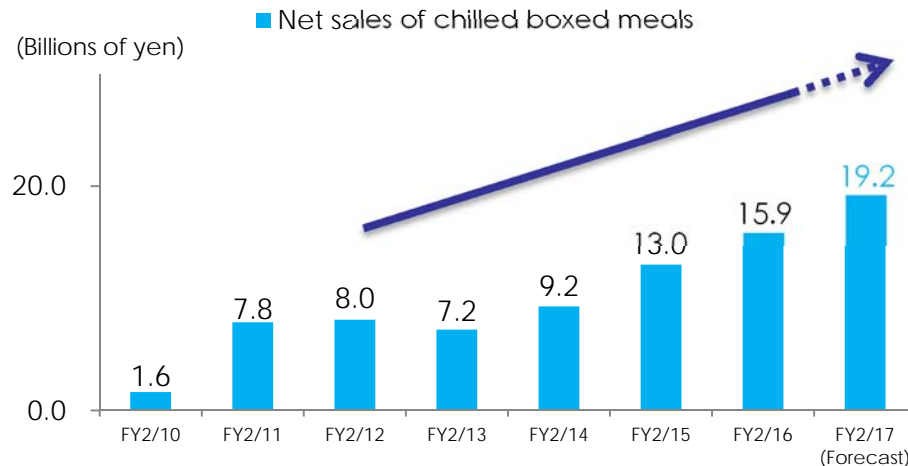
¥498 (incl. tax)



Sales growth driven by wider selection of menu items

Create a chilled product manufacturing system

➤ Demand for chilled boxed meals is rising year by year



● Our chilled boxed meal production sites

Sapporo Plant

Kushiro Plant

Hokuriku Plant

Minami-Alps Plant

Urawa Plant

Yoshikawa Plant

Tokyo Plant

Sagamihara Plant

Nagoya Plant

Miki Plant

Kagawa Plant

We plan to expand chilled boxed meal production facilities and switch 20 °C boxed meal plants to chilled meal production

Stepping up overseas business expansion

- Investment in US company Prime Deli Corporation (scheduled for May 2016)

Prime Deli Corporation

- ✓ Texas-based maker and seller of products for 7-Eleven, such as sandwiches, burritos and light meals
- ✓ Sales: \$20.78 million (FY3/15)
- ✓ Operating income: \$2.17 million (FY3/15)
- ✓ No. of stores supplied: 588 7-Eleven stores in Texas (as of January 31, 2016)
- ✓ Joint venture company to be established by wholly owned subsidiary WARABEYA USA and Mitsui & Co's US subsidiary; joint venture company to invest in Prime Deli; Warabeya Nichiyo will have indirect stake of 13.5% in Prime Deli.

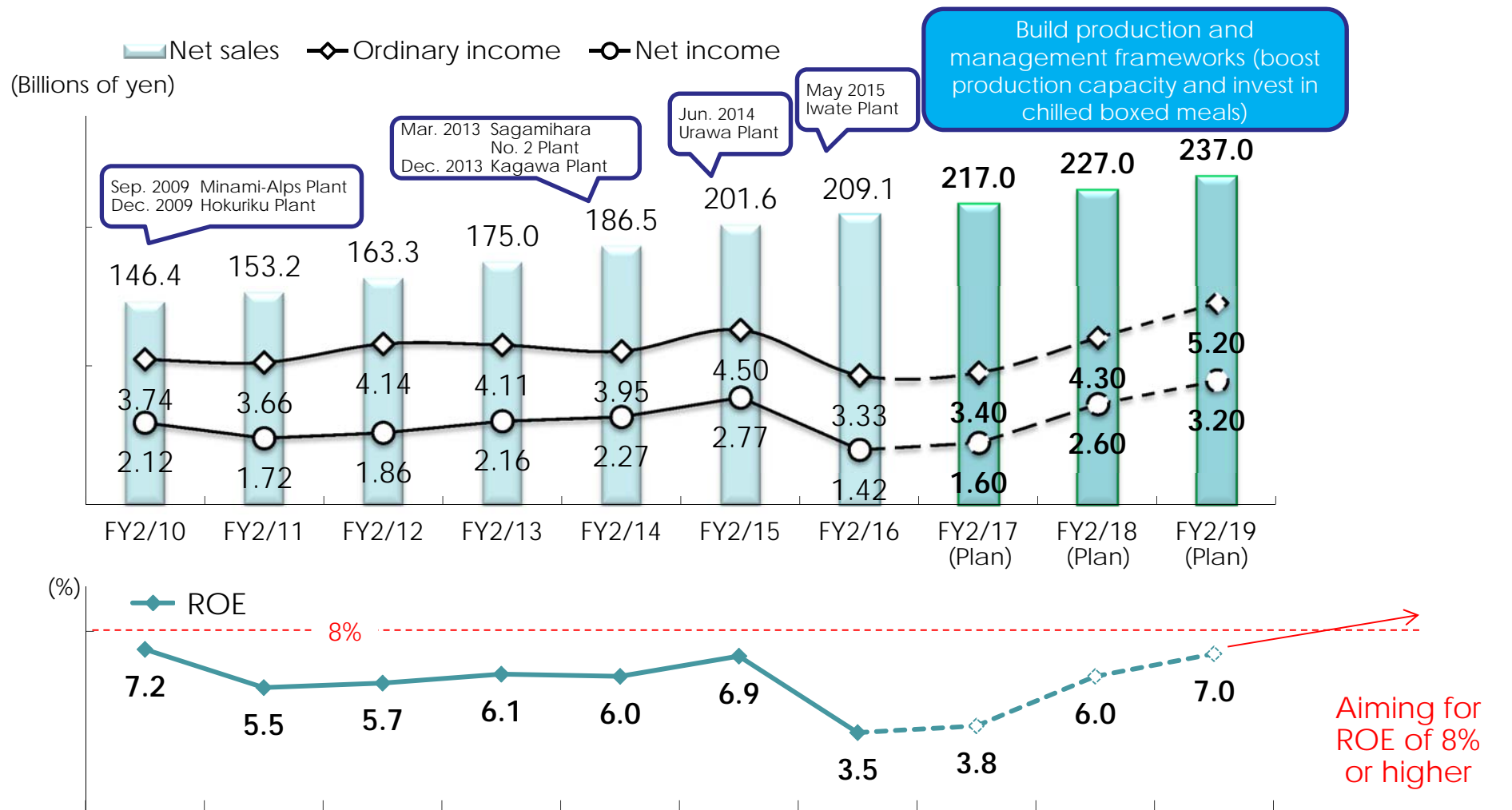
- Joint venture company established in Indonesia (January 2016)

PT. Fresh Food Warabeya Indonesia

- ✓ Indonesian-based maker and seller of products for 7-Eleven, such as rice meals, bread products and deli items
- ✓ No. of 7-Eleven stores in Indonesia: 187 (as of December 31, 2015)
- ✓ Meal production capacity: Maximum of 37,000/day
- ✓ Warabeya Nichiyo's stake is 35%
- ✓ PT. Fresh Food Warabeya Indonesia scheduled to start operations in summer 2016

Medium-term management plan (consolidated)

Boost production capacity and invest to address growth in chilled boxed meals; targeting ordinary income of ¥5.2 billion in FY2/19





Group Philosophy



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



Other
affiliated
companies


[Domestic] NICHIO 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.

