

First Half of the Fiscal Year Ending February 2016 (1H FY2/16) Results Briefing

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

WARABEYA NICHIO CO., LTD.

(2918)

October 7, 2015





Overview of Financial Results for 1H FY2/16 and Full-year Forecast for FY2/16 (Consolidated Basis)

Consolidated financial results for 1H FY2/16

(Millions of yen)

	1H FY2/15	1H FY2/16		YoY	Vs Forecast at beginning of FY
	Results	Forecast at beginning of FY	Results		
Net sales	103,407 (100.0)	110,000 (100.0)	108,430 (100.0)	5,023 <4.9>	-1,569 <-1.4>
Operating income	2,744 (2.7)	3,000 (2.7)	2,386 (2.2)	-358 <-13.0>	-613 <-20.4>
Ordinary income	3,019 (2.9)	3,150 (2.9)	2,677 (2.5)	-341 <-11.3>	-472 <-15.0>
Net income	1,776 (1.7)	2,100 (1.9)	1,890 (1.7)	113 <6.4>	-209 <-10.0>
EPS (Yen)	100.88	119.22	107.47	6.59	-11.75

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

Estimates for 1H FY2/16 announced on April 8, 2015.

Forecast and difference factors

(Millions of yen)

	1H FY2/16		Vs. Forecast
	Forecast at beginning of FY	Results	
Net sales	110,000 (100.0)	108,430 (100.0)	-1,569 <-1.4>

[Difference factors]

Food Products Business	-1,380
Food Ingredients, Logistics, Other Businesses	-180

(Millions of yen)

	1H FY2/16		Vs. Forecast
	Forecast at beginning of FY	Results	
Operating income	3,000 (2.7)	2,386 (2.2)	-613 <-20.4>

[Difference factors]

Food Products Business	-770
Of which, increase in personnel expenses (Existing plants)	-500
Of which, income from new plants	-220
Of which, others	-50
Food Ingredients, Logistics, Other Businesses	+150

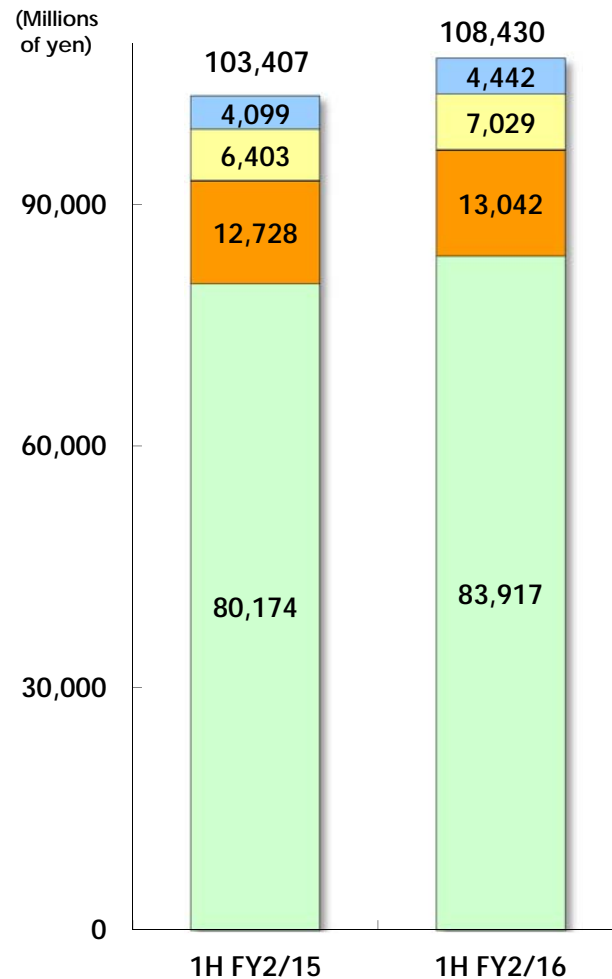
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Estimates for 1H FY2/16 announced on April 8, 2015.

Consolidated net sales by segment (YoY)

(Millions of yen)

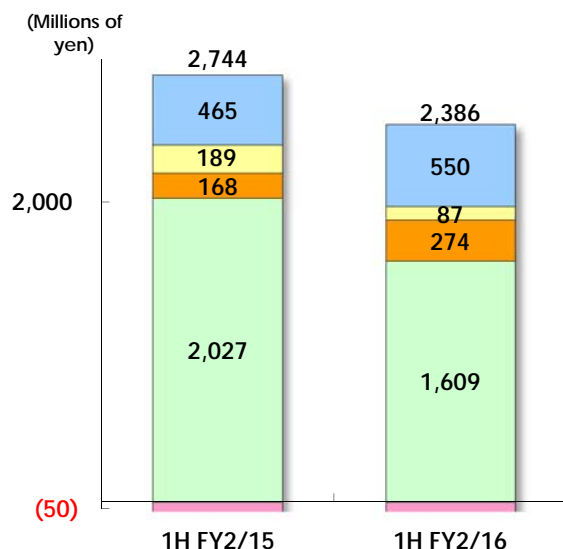
* Figures in < > show change (%).



	1H FY2/15	1H FY2/16	Change	Change factors
Total net sales	103,407	108,430	5,023 <4.9>	
Food Products	80,174	83,917	3,742 <4.7>	Increased delivery point stores and increased sales growth for rice balls and chilled boxed meals
Food Ingredients	12,728	13,042	313 <2.5>	Increased sales of processed marine products and processed chicken products
Logistics	6,403	7,029	625 <9.8>	Growth in transaction volume in joint distribution business supplying Seven-Eleven
Other	4,099	4,442	342 <8.3>	Sales of Food Manufacturing Equipment Business remained solid

Consolidated operating income by segment (YoY)

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



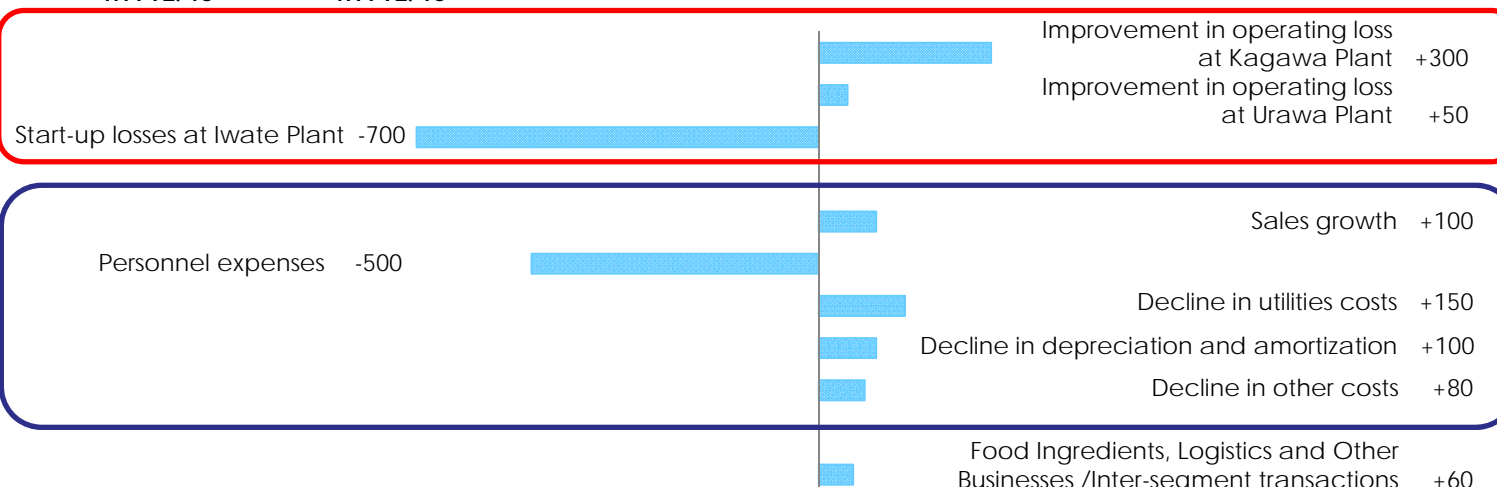
(Millions of yen) * Figures in < > show change (%).

	1H FY2/15	1H FY2/16	Change
Total operating income	2,744	2,386	-358 <-13.0>
Food Products	2,027	1,609	-418 <-20.6>
Food Ingredients	168	274	105 <62.8>
Logistics	189	87	-101 <-53.6>
Other	465	550	85 <18.3>
Inter-segment transactions	-106	-135	-29 <->

(Millions of yen)

Operating income from three new plants down ¥350 million YoY

Operating income from existing plants down ¥70 million YoY



Food Products Business

Negative impact on profits -1,200

Total YoY: approx. -360

Positive impact on profits +840

Non-operating income/expenses and extraordinary income/losses in 1H FY2/16

(Millions of yen)

	1H FY2/15	1H FY2/16	Change
Operating income	2,744 (2.7)	2,386 (2.2)	-358 <-13.0>
Non-operating income	444 (0.4)	443 (0.4)	-0 <-0.1>
Non-operating expenses	169 (0.2)	153 (0.1)	-16 <-9.9>
Ordinary income	3,019 (2.9)	2,677 (2.5)	-341 <-11.3>
Extraordinary income	— (—)	— (—)	— <—>
Extraordinary losses	— (—)	132 (0.1)	132 <—>
Income before income taxes	3,019 (2.9)	2,545 (2.3)	-473 <-15.7>
Current income taxes	1,242 (1.2)	654 (0.6)	-587 <-47.3>
Net income	1,776 (1.7)	1,890 (1.7)	113 <6.4>

Breakdown of main changes

● Impairment loss 132

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

Consolidated balance sheets at end-1H FY2/16

(Millions of yen)				(Millions of yen)			
[Assets]	End-FY2/15	End-1H FY2/16	Change	[Liabilities and net assets]	End-FY2/15	End-1H FY2/16	Change
Current assets	32,607	37,005	4,397	Current liabilities	26,053	31,000	4,946
Fixed assets	44,509	48,382	3,872	Long-term liabilities	9,853	12,314	2,460
[Tangible fixed assets]	(39,537)	(42,994)	(3,456)	[Interest-bearing debt]	(8,971)	(11,054)	(2,083)
[Intangible assets]	(580)	(644)	(63)	Total liabilities	35,906	43,314	7,407
[Investments and other assets]	(4,391)	(4,743)	(352)	Total net assets	41,210	42,072	862
Total assets	77,117	85,387	8,270	[Common stock]	(8,049)	(8,049)	–
				Total liabilities and net assets	77,117	85,387	8,270

Total assets as of end-1H FY2/16: approx. ¥8.2 billion increase

- Increase in current assets (notes and accounts receivable - trade, etc.): approx. ¥4.3 billion
- Increase in fixed assets: approx. ¥3.8 billion

Total liabilities/net assets as of end-1H FY2/16: approx. ¥8.2 billion increase

- Increase in current liabilities (notes and accounts payable, etc.): approx. ¥4.9 billion
- Increase in long-term liabilities: approx. ¥2.4 billion
- Increase in net assets (retained earnings, other comprehensive income, etc.): approx. ¥0.8 billion

Consolidated statements of cash flows for 1H FY2/16

(Millions of yen)

	1H FY2/15	1H FY2/16	Change
Income before income taxes	3,019	2,545	
Depreciation and amortization	2,147	2,269	
Decrease (increase) in notes and accounts receivable - trade	-5,212	-5,438	
Decrease (increase) in inventories	860	723	
Increase (decrease) in notes and accounts payable - trade	3,745	2,025	
Increase (decrease) in accounts payable - other	2,675	525	
Other	799	1,454	
Subtotal	8,035	4,104	
Income taxes paid	-929	-996	
Other	147	253	
Cash flows from operating activities	7,252	3,361	-3,891
Purchase of tangible fixed assets	-1,499	-1,722	
Other	81	248	
Cash flows from investing activities	-1,417	-1,474	-56
Cash flows from financing activities	-1,922	-2,290	-367
Net increase (decrease) in cash and cash equivalents	3,898	-398	-4,297
Cash and cash equivalents at the end of period	10,610	8,447	-2,162

Consolidated financial forecast for FY2/16 (YoY)

(Millions of yen)

	FY2/15 Results	FY2/16 Revised forecast	Change
Net sales	201,680 (100.0)	211,500 (100.0)	9,819 <4.9>
Operating income	4,137 (2.1)	2,900 (1.4)	-1,236 <-29.9>
Ordinary income	4,502 (2.2)	3,200 (1.5)	-1,302 <-28.9>
Net income	2,775 (1.4)	2,050 (1.0)	-725 <-26.1>
EPS (Yen)	157.55	116.51	-41.04

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

Consolidated financial forecast for FY2/16

(Vs. Forecast at beginning of FY)

(Millions of yen)

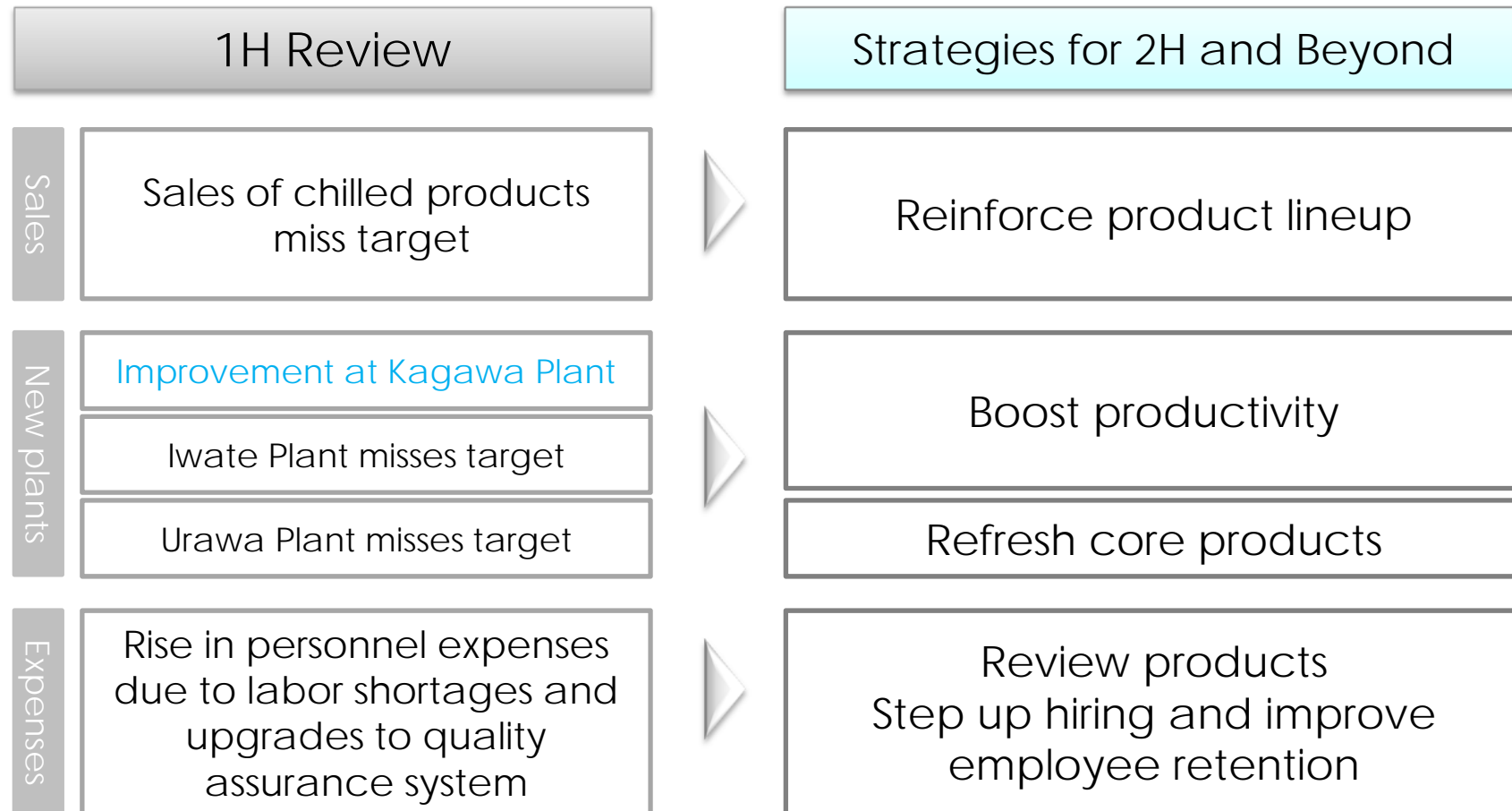
	Forecast at beginning of FY				Revised forecast		
	1H FY2/16	2H FY2/16	FY2/16		1H FY2/16 Results	2H FY2/16	FY2/16
Net sales	110,000 (100.0)	105,000 (100.0)	215,000 (100.0)		108,430 (100.0)	103,070 (100.0)	211,500 (100.0)
Operating income	3,000 (2.7)	1,500 (1.4)	4,500 (2.1)		2,386 (2.2)	513 (0.5)	2,900 (1.4)
Ordinary income	3,150 (2.9)	1,450 (1.4)	4,600 (2.1)		2,677 (2.5)	522 (0.5)	3,200 (1.5)
Net income	2,100 (1.9)	800 (0.8)	2,900 (1.3)		1,890 (1.7)	159 (0.2)	2,050 (1.0)

	Difference			Factors
	1H FY2/16	2H FY2/16	FY2/16	
Net sales	-1,569 <-1.4>	-1,931 <-1.8>	-3,500 <-1.6>	1H FY2/16 ◆ Net sales — Sales of chilled products miss target ◆ Operating income — Rise in personnel expenses — Deterioration in profitability at new plants — Profits higher YoY in food ingredients, logistics, and other businesses 2H FY2/16 ◆ Net sales Target for chilled product sales revised, despite continued strong demand for rice products ◆ Operating income — Target for operating income from new plants revised in light of performance in first half Impact of higher personnel expenses at existing plants likely to continue into second half
Operating income	-613 <-20.4>	-985 <-65.7>	-1,600 <-35.6>	
Ordinary income	-472 <-15.0>	-927 <-64.0>	-1,400 <-30.4>	
Net income	-209 <-10.0>	-641 <-80.1>	-850 <-29.3>	



Initiatives for 2H FY2/16 Strategies Going Forward

1H Review, strategies for 2H and beyond



- ✓ Respond to changes in the operating environment
- ✓ Implement initiatives to support medium- and long-term growth

Reinforce products

- Chilled box meals: refresh core products
- Strengthen lineup of bread products (sandwiches, rolled sandwiches)
- Add more items to the chilled Japanese confectionery lineup
- Strengthen the rice ball lineup



Reinforce products: local products

(All prices inclusive of tax; products on sale for limited time only, so some may currently be unavailable)



Big Bite! Zangi Burger ¥320



Salted Salmon Roe Rice Ball
¥240



Seasoned Cod Roe Rice Ball
¥230

Hokkaido



Aomori Only! Charcoal-grilled
Sockeye Salmon Box Meal ¥550



Crispy Fried Garlic
Rice Ball ¥140



Sweet Red Bean
Rice Ball ¥130



Hand-rolled Nanban Miso
Rice Ball ¥110

Tohoku



Just as it is! Katsudon
Rice Ball ¥180

Kitakanto



Shinjojima Whitebait
Rice Box Meal ¥298



Toasted Rice Ball with Soy
Sauce Seasoning ¥110



Hand-rolled Rice Ball
with Plump Clams ¥130

Chukyo



Koshien Omelet Soba
Rice Ball ¥140



Spicy! Mabo Rice
¥430



Fluffy Crab Omelet
on Rice ¥450

Kansai



Yawatahama Vegetable
Chanpon Noodles ¥480

Shikoku

New plants

➤ Kagawa Plant (started operations in December 2013)



Amount of production:
Maximum 200,000 meals
per day
Products:
Rice-based products,
noodle

Performance beat targets in 1H due
to productivity improvements
Continue initiatives into 2H

Targeting
similar
improvements
in FY2/17
and beyond

➤ Iwate Plant (started operations in May 2015)



Amount of production:
Maximum 250,000 meals
per day
Products:
Rice-based products,
noodle, delicatessen items

Performance improving due to
growth in the number of stores
supplied and higher production
volume

➤ Urawa Plant (started operations in June 2014)



Amount of production:
Maximum 100,000 meals
per day
Products:
Chilled boxed meals

Refreshing core products
Expanding lineup of chilled
boxed meals

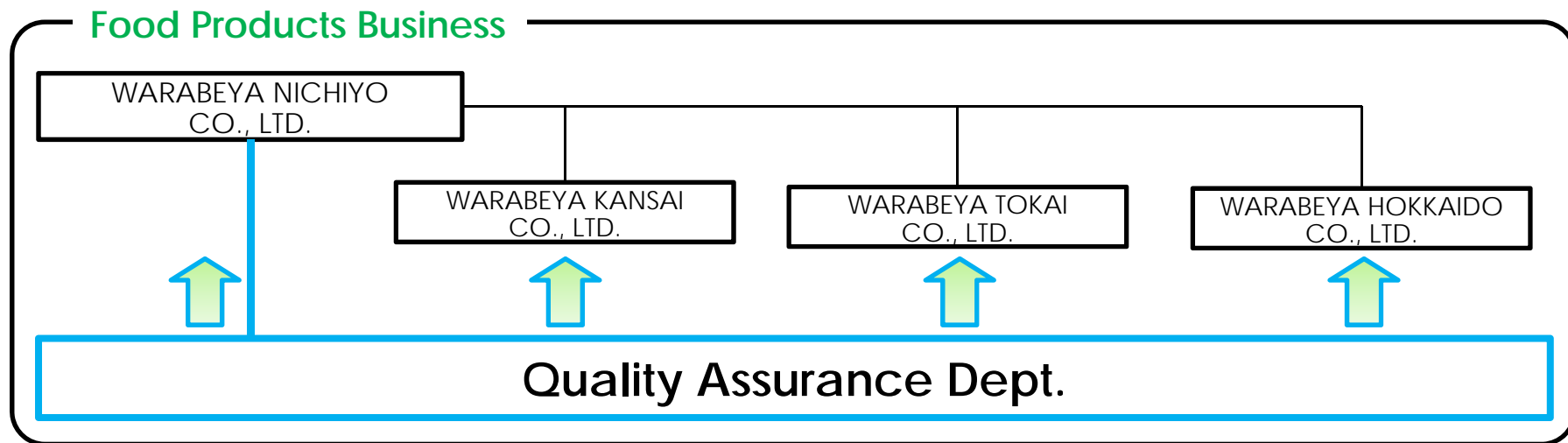
Review products, step up hiring and improve employee retention

- Review product lineup mix and product standards
- Directly hire part-time workers, promote longer-term employment

Other initiatives

Initiatives to support manufacturing of safe products that ensure customer peace of mind

- Plant inspections by external parties
- Company structure reorganized on September 1, 2015
Quality assurance activities centralized to strengthen management organization and speed up decision making





We will implement initiatives in 2H to drive growth from FY2/17 onward


We forecast profit growth from FY2/17 on the back of higher sales, but we are formulating a new medium-term management plan based on assessment of the effectiveness of current measures

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.



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