# Fiscal Year Ended February 2015 Results Briefing

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

WARABEYA NICHIYO CO., LTD. (2918)
April 10, 2015

# Overview of Financial Results for FY2/15 and Full-year Forecast for FY2/16 (Consolidated basis)

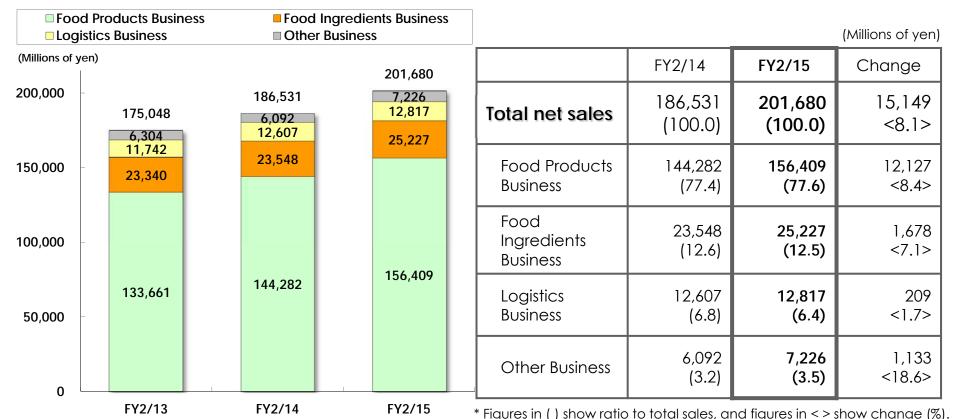
# Consolidated financial results for FY2/15

(Millions of yen)

	FY2/14	FY2	/15	YoY	Vs	
	Results	Forecast	Results	101	Forecast	
Net sales	186,531	204,000	201,680	15,149	-2,319	
iver sales	(100.0)	(100.0)	(100.0)	<8.1>	<-1.1>	
Operating	3,718	4,200	4,137	418	-62	
income	(2.0)	(2.1)	(2.1)	<11.3>	<-1.5>	
Ordinary	3,957	4,500	4,502	544	2	
income	(2.1)	(2.2)	(2.2)	<13.8>	<0.1>	
Net	2,272	2,450	2,775	502	325	
income	(1.2)	(1.2)	(1.4)	<22.1>	<13.3>	
EPS (Yen)	129.01	139.09	157.55	28.54	18.46	

<sup>\*</sup>Figures in () show sales ratio, and figures in < > show change (%). Estimates for FY2/15 announced on October 2, 2014.

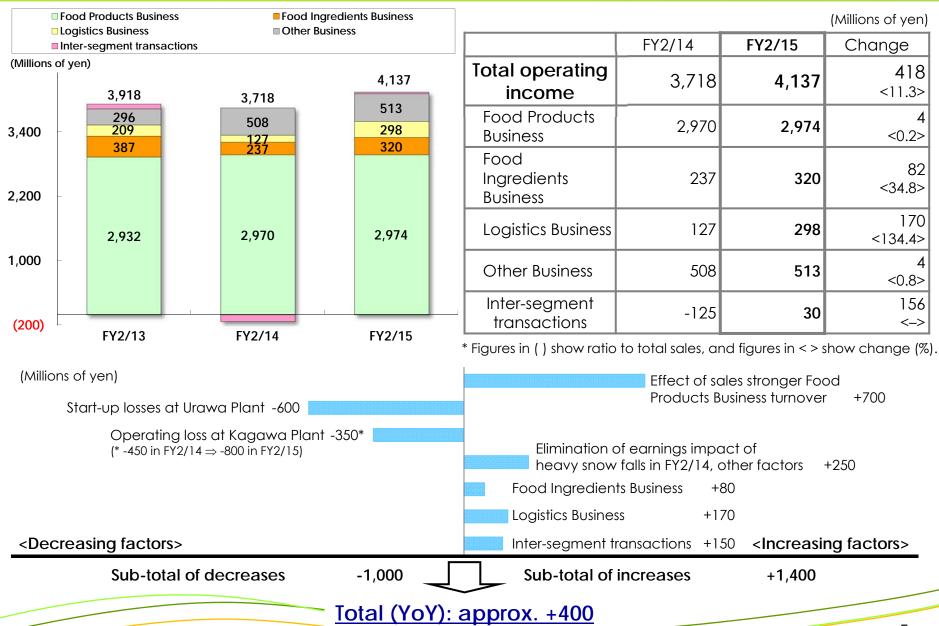
# Net sales by segment (consolidated basis)



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Major reasons for growth in	<u>n consolidated net sales in FY</u>	/2/15: approx. ¥15.1 billion increase year on year
<ul> <li>Food Products Business</li> </ul>	: Increased approx. ¥12.1 billion	(Increased delivery point stores and increased sales growth for rice balls and chilled boxed meals)
<ul> <li>Food Ingredients Business</li> </ul>	: Increased approx. ¥1.6 billion	(Increased sales of processed marine products and processed chicken products)
<ul><li>Logistics Business</li></ul>	: Increased approx. ¥0.2 billion	(Increased orders for delivery to Seven-Eleven stores in Japan)
<ul><li>Other Business</li></ul>	: Increased approx. ¥1.1 billion	(Increased sales of Food Manufacturing Equipment Business)

# Operating income by segment (consolidated basis)



### Non-operating income/expenses and extraordinary income/losses in FY2/15

(Millions of yen)

	FY2/14	FY2/15	Change
Operating income	3,718	4,137	418
	(2.0)	(2.1)	<11.3>
Non-operating income	686	689	3
	(0.4)	(0.3)	<0.5>
Non-operating expenses	447	324	-122
	(0.2)	(0.2)	<-27.4>
Ordinary income	3,957	4,502	544
	(2.1)	(2.2)	<13.8>
Extraordinary income	_	84	84
	(-)	(0.0)	<->
Extraordinary losses	89	200	110
	(0.0)	(0.1)	<123.0>
Income before income taxes	3,867	4,386	518
	(2.1)	(2.2)	<13.4>
Current income taxes	1,595	1,611	16
	(0.9)	(0.8)	<1.0>
Net income	2,272	2,775	502
	(1.2)	(1.4)	<22.1>

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

### Consolidated balance sheets at end-FY2/15

(Millions of yen)

(Millions of yen)
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[Assets]	End-FY2/14	End-FY2/15	Change
Current assets	29,044	32,607	3,563
Fixed assets	42,059	44,509	2,449
[Tangible fixed assets]	(37,768)	(39,537)	(1,769)
[Intangible assets]	(348)	(580)	(231)
[Investments and other assets]	(3,942)	(4,391)	(448)
Total assets	71,104	77,117	6,013

[Liabilities and net assets]	End-FY2/14	End-FY2/15	Change
Current liabilities	22,031	26,053	4,021
Long-term liabilities	10,223	9,853	-370
[Interesting- bearing debt]	(9,425)	(8,971)	(-453)
Total liabilities	32,255	35,906	3,651
Total net assets	38,848	41,210	2,361
[Common stock]	(8,049)	(8,049)	_
Total liabilities and net assets	71,104	77,117	6,013

#### Total assets as of end-FY2/15: approx. ¥6.0 billion increase

- Increase in current assets (cash and deposits, notes and accounts receivable trade, etc.):
   approx. ¥3.5 billion
- Increase in fixed assets:

approx. ¥2.4 billion

### <u>Total liabilities/net assets as of end-FY2/15: approx. ¥6.0 billion</u> increase

- Increase in current liabilities (accounts payable other, notes and accounts payable - trade, etc.): approx. ¥4.0 billion
- Decrease in long-term liabilities:

approx. ¥0.3 billion

• Increase in net assets (retained earnings, other comprehensive income, etc.): approx. ¥2.3 billion

# Consolidated statements of cash flows for FY2/15

(Millions of yen)

	FY2/14	FY2/15	Change
Income before income taxes	3,867	4,386	
Depreciation and amortization	3,854	4,382	
Decrease (increase) in notes and accounts receivable - trade	-1,347	-1,668	
Decrease (increase) in inventories	-514	236	
Increase (decrease) in notes and accounts payable - trade	551	1,964	
Increase (decrease) in accounts payable - other	477	2,674	
Other	288	803	
Subtotal	7,178	12,780	
Income taxes paid	-1,566	-1,651	
Other	137	109	
Cash flows from operating activities	5,749	11,238	5,488
Purchase of tangible fixed assets	-2,957	-5,752	
Other	-323	-308	
Cash flows from investing activities	-3,280	-6,061	-2,780
Cash flows from financing activities	-1,788	-3,064	-1,275
Net increase (decrease) in cash and cash equivalents	712	2,134	1,421
Cash and cash equivalents at the end of period	6,711	8,846	2,134

# Financial forecast for FY2/16 (consolidated basis)

(Millions of yen)

	FY2/15 Results	FY2/16 Forecast	Change
Net sales	201,680	215,000	13,319
	(100.0)	(100.0)	<6.6>
Operating income	4,137	4,500	362
	(2.1)	(2.1)	<8.8>
Ordinary income	4,502	4,600	97
	(2.2)	(2.1)	<2.2>
Net income	2,775	2,900	124
	(1.4)	(1.3)	<4.5>
EPS (Yen)	157.55	164.64	7.09

<sup>\*</sup>Figures in () show sales ratio, and figures in <> show year-on-year change (%).

# Summary of Business Performance in FY2/15 and Future Business Plans

### Summary of business performance in FY2/15

#### Consolidated results

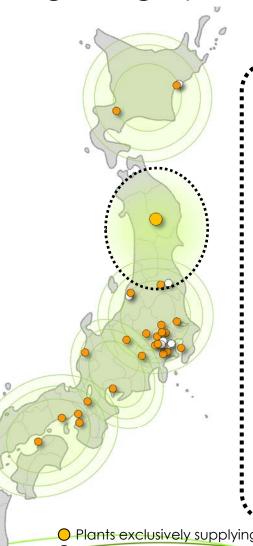
- Net sales
  ¥201.6 billion (YoY +8.1%)
  Sales have expanded more than ¥10.0 billion year on year for four straight years
- Operating income ¥4.1 billion (YoY +11.3%)
  Temporary increase in costs related to new plants (Urawa, Kagawa)
- ➤ Ordinary income ¥4.5 billion (YoY +13.8%)
- ➤ Net income ¥2.7 billion (YoY +22.1%)
- Consolidated net sales exceed ¥200 billion
- Urawa Plant dedicated to supply chilled rice products starts operations (June 2014)
- Continued growth in chilled products

# Planned business developments Continued implementation of key medium-term strategies

- < Key medium-term strategies >
  - (1) Reinforce production capabilities
  - (2) Implement initiatives in growth fields
  - (3) Develop and actively utilize personnel

# (1) Reinforce production capabilities Expanding and strengthening our presence in the Tohoku area

> Integrating operation of Iwate Plant and Fukushima Plant



WARABEYA NICHIYO CO., LTD.

Production Headquarters

Tohoku Area Production Div.

Scheduled to start operations May 2015

#### **Iwate Plant**

[Plant Overview]

Location: Kitakami City, Iwate Pref.

Products: Rice-based products,

noodle, delicatessen

items

Production capacity:

250,000 meals per day

Made a subsidiary March 2015

#### **Fukushima Plant**

(former WARABEYA FUKUSHIMA CO., LTD.)

[Plant Overview]

Location: Koriyama City,

Fukushima Pref.

Products: Rice-based products

Production capacity:

150,000 meals per day

Plants exclusively supplying Seven-ElevenOther manufacturing sites

# (1) Reinforce production capabilities Reinforcing ability to develop products for specific regions

Increasing lineup of regional products





➤ Product Development Division (March 1, 2015)

WARABEYA NICHIYO CO., LTD.

Product
Marketing and
Development
Headquarters

Tokyo Metropolitan Area Rice Products Dept.

Tokyo Metropolitan Area Chilled Products Dept.

Regional Products Dept. No. 1 (Northern Kanto / Chubu)

Regional Products Dept. No. 2 (Iwate Plant / Fukushima Plant)

WARABEYA KANSAI CO., LTD.

Rice Products Section, Chilled Products Section, Shikoku Products Development Section

WARABEYA TOKAI CO., LTD.

Nagoya Products Section, Hokuriku Products Section

WARABEYA HOKKAIDO CO., LTD.

**Products Development Section** 

Approx. 180
people across
the Group
involved in
product
development

### (1) Reinforce production capabilities

Shifting to automation to improve product quality and boost productivity



### (1) Reinforce production capabilities

- Reducing production line personnel through automation
- Stepping up efforts to ensure food is safe and offers peace of mind









# (2) Implement initiatives in growth fields Developing products to address consumer needs

Expanding lineup of chilled boxed meals



Strengthening

3 core production capabilities

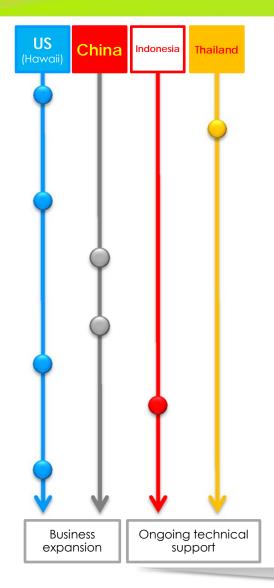
Product development

Production technology

Food quality/ hygiene management



# Overseas business expansion



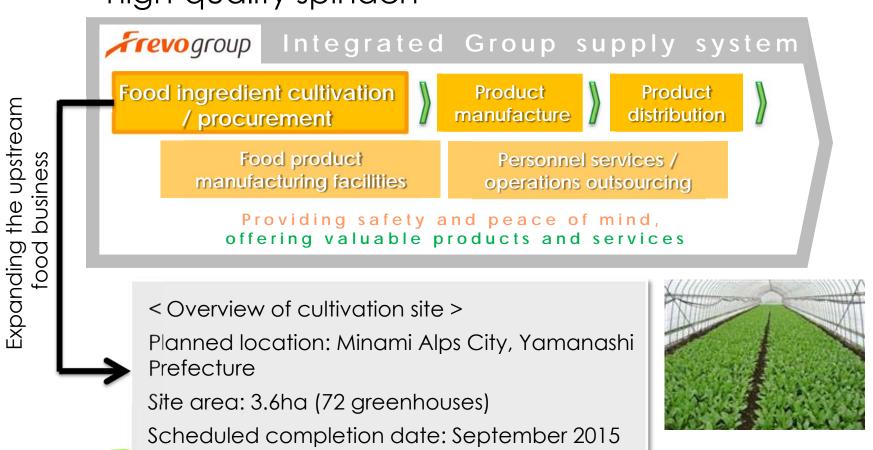
Jun. 1982	Established WARABEYA USA, Inc.
Mar. 2006	Started providing technical support to CP ALL Public Company Ltd.
Jun. 2009	Opened brand store Mama-ya in Hawaii
Feb. 2011	Established Beijing Want-Yang Foods Ltd. (joint venture)
May 2012	Opened the Beijing Plant
Dec. 2012	Opened second Mama-ya store
Mar. 2014	Started providing technical support to Fresh Food Indonesia
Feb. 2015	Opened third store, Mama-ya Bishop Street Café

Considering further options for overseas business expansion

# Strengthen the functions of group companies Upstream business expansion

### > FREVO FARM CO., LTD.

Building an in-house cultivation site to produce high-quality spinach



# (3) Develop and actively utilize personnel

- Increase management personnel in Production Divisions
- Developing highly motivated, creative human resources for global business
- > Ensuring rigorous compliance

# Medium-term Management Plan <AIMING TO INCREASE CORPORATE VALUE AND DELIVER SUSTAINED GROWTH>

#### Targets of the medium-term management plan (consolidated basis)

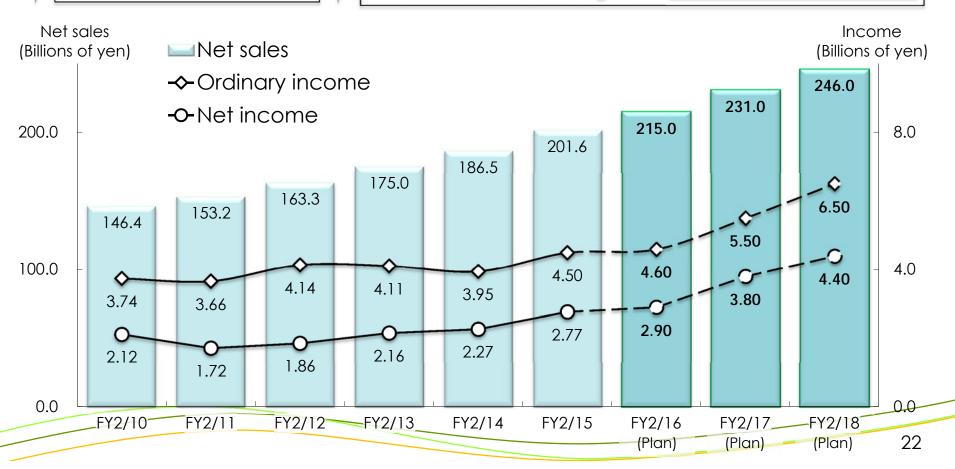
# Increase net sales and profits



Investment to drive growth

- Build new plants
- Increase production capacity
- •Introduce new technologies

Total investment of ¥27 billion over the next three years



### Revising our performance targets and dividend policy

Performance target: ROE of 8% or higher

We aim to boost profitability to achieve consolidated ROE of at least 8%.

Dividend policy: Dividend payout ratio target of around 25%

We are aiming for a dividend payout ratio of 25% while also taking into account consolidated earnings performance and the need for retained earnings to invest in business expansion.

#### Reinforcing corporate governance and introducing stock options

# Appointment of outside directors

Board of Directors: 10 members

Board of Auditors: 4 members (including 2 outside auditors)



Board of Directors: 12 members (including 1 outside director)

Board of Auditors: 4 members (including 2 outside auditors)

# New stock option reward scheme

We have introduced a new performance-based stock option reward scheme for directors to encourage a greater contribution to boosting the Group's earnings and corporate value.

> Note: The above two changes are pending approval at the Company's 51st Annual General Meeting of Shareholders, scheduled for May 28, 2015

#### 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.





















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.