

First Half of the Fiscal Year Ending February 2022 (1H FY2/22) Results Briefing

From March 1 to August 31, 2021

WARABEYA NICHIO HOLDINGS CO., LTD.
(2918)

October 13, 2021

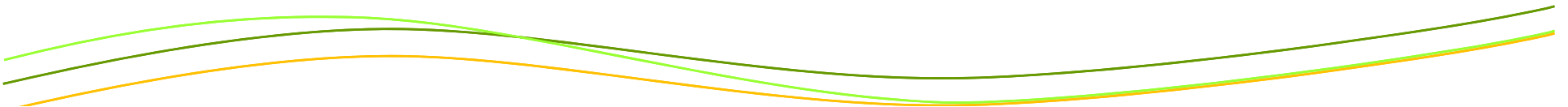


GROUP PHILOSOPHY

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.



Overview of Financial Results for 1H FY2/22



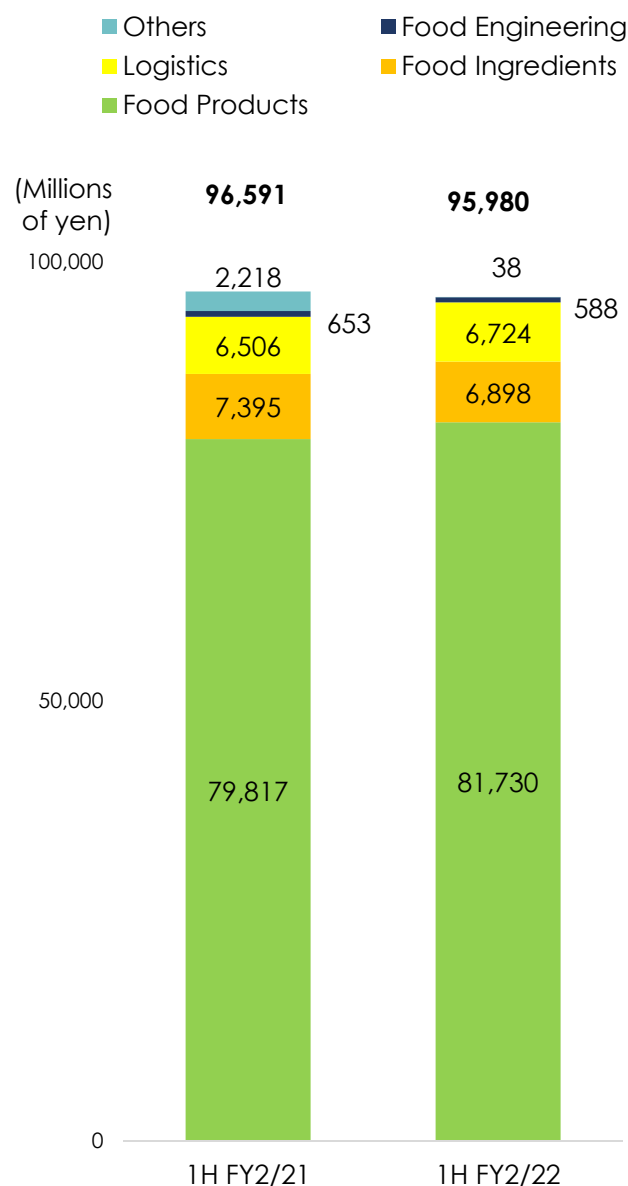
Consolidated Financial Results for 1H FY2/22

(Millions of yen)

| | 1H FY2/21 | 1H FY2/22 | | YoY | Vs. initial forecasts |
|--|-------------------|-------------------|---------------------------------|------------------|-----------------------|
| | Results | Initial forecasts | Results | | |
| Net Sales | 96,591 (100.0) | 99,000 (100.0) | 95,980 (100.0) | -610 <-0.6> | -3,019 <-3.1> |
| Operating Profit | 1,205 (1.2) | 2,700 (2.7) | 3,192 (3.3) | 1,987 <164.9> | 492 <18.3> |
| Ordinary Profit | 1,535 (1.6) | 2,950 (3.0) | 3,928 (4.1) | 2,392 <155.8> | 978 <33.2> |
| Profit Before Income Taxes | 440 (0.5) | 2,700 (2.7) | 3,645 (3.8) | 3,204 <727.2> | 945 <35.0> |
| Profit (attributable to owners of parent) | -247 (-0.3) | 1,660 (1.7) | 2,435 (2.5) | 2,682 <—> | 775 <46.7> |

* Figures in () show sales ratio (%), and figures in < > show change (%).
Initial forecasts were announced on April 9, 2021.

Consolidated Net Sales by segment (YoY)

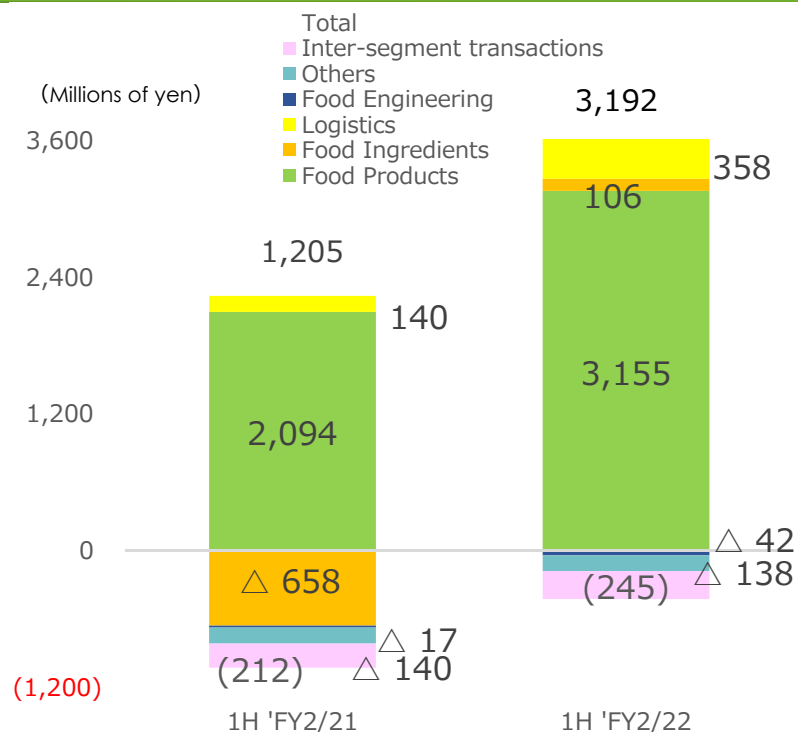


(Millions of yen)

| | 1H FY2/21 | 1H FY2/22 | Change | Change factors |
|--|-----------|---------------|-------------------|---|
| Total net sales | 96,591 | 95,980 | -610 <-0.6> | Recovery in sales partly, but the total net sales decreased slightly due to the withdrawal from the Temporary staffing and Consulting business. |
| Food Products | 79,817 | 81,730 | 1,912 <2.4> | Recovery in sales partly from the same period of the previous year when there was a significant decrease in sales. |
| Food Ingredients | 7,395 | 6,898 | -496 <-6.7> | Decrease in volume of processed marine products. |
| Logistics | 6,506 | 6,724 | 217 <3.3> | Increased transaction volume of joint delivery |
| Food Engineering | 653 | 588 | -64 <-9.9> | Peeling off of projects in the previous FY |
| Others (Temporary Staffing and Contracting) | 2,218 | 38 | -2,180 <-98.3> | Withdrawal from Temporary staffing and Consulting business in June |

* Figures in < > show change (%). Net Sales are for Non-group Clients.

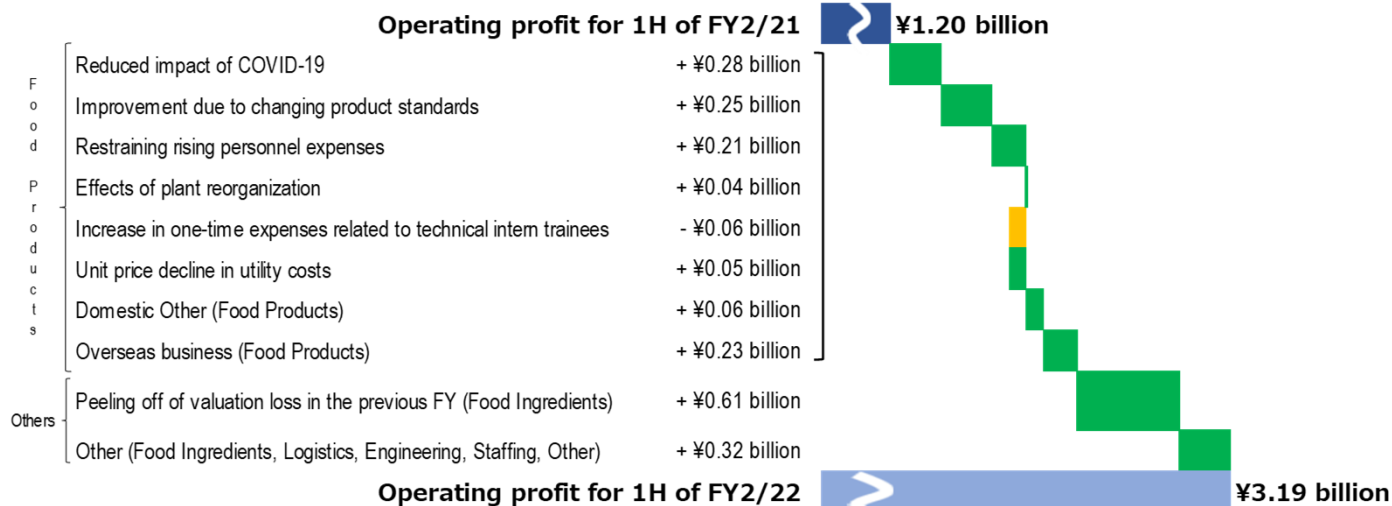
Consolidated Operating Profit by segment (YoY)



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

| | 1H FY2/21 | 1H FY2/22 | Change |
|--|-----------|--------------|------------------|
| Total Operating Profit | 1,205 | 3,192 | 1,987 <164.9> |
| Food Products | 2,094 | 3,155 | 1,060 <50.6> |
| Food Ingredients | -658 | 106 | 765 <-> |
| Logistics | 140 | 358 | 217 <154.4> |
| Food Engineering | -17 | -42 | -25 <-> |
| Others (Temporary Staffing and Contracting) | -140 | -138 | 2 <-> |
| Inter-segment transactions | -212 | -245 | -32 <-> |

YoY +¥1.98 billion
Change factors



Reasons for difference with initial forecasts

(Millions of yen)

| | 1H FY2/22 | | Vs. forecast |
|------------------|---------------------|---------------------------|------------------|
| | Initial forecast | Result | |
| Net sales | 99,000 (100.0) | 95,980 (100.0) | -3,019 <-3.1> |

[Difference factors]

(Billions of yen)

| | |
|--|-------|
| Food Products Business | -2.44 |
| Onigiri rice balls | -1.31 |
| Bento meal boxes, chilled bento meal boxes | -1.35 |
| Overseas business | +0.81 |
| Food Ingredients Business | -0.26 |
| Food Engineering Business | -0.31 |

(Millions of yen)

| | 1H FY2/22 | | Vs. forecast |
|-------------------------|---------------------|------------------------|-----------------|
| | Initial forecast | Result | |
| Operating profit | 2,700 (2.7) | 3,192 (3.3) | 492 <18.3> |

[Difference factors]

(Billions of yen)

| | |
|---|-------|
| Food Products Business | +0.35 |
| Impact of COVID-19 | -0.48 |
| Changing product standards | +0.25 |
| Effects of plant reorganization | +0.23 |
| Restraining rising personnel expenses | +0.16 |
| Overseas business | +0.12 |
| Food Ingredients Business | +0.10 |
| Gross profit margin improvement, cost review effect | |

* Figures in () show sales ratio (%), and figures in < > show change (%).
Initial forecasts were announced on April 9, 2021.

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

| (Millions of yen) | 1H FY2/21 | 1H FY2/22 | Change |
|--|----------------|------------------------------|------------------|
| Operating Profit | 1,205 (1.2) | 3,192 (3.3) | 1,987 <164.9> |
| Non-operating Income | 518 (0.5) | 928 (1.0) | 410 <79.1> |
| Non-operating Expenses | 188 (0.2) | 193 (0.2) | 4 <2.7> |
| Ordinary Profit | 1,535 (1.6) | 3,928 (4.1) | 2,392 <155.8> |
| Extraordinary Income | 61 (0.1) | — (—) | -61 <—> |
| Extraordinary Losses | 1,157 (1.2) | 283 (0.3) | -873 <-75.5> |
| Profit before Income Taxes | 440 (0.5) | 3,645 (3.8) | 3,204 <727.2> |
| Total Income Taxes | 641 (0.7) | 1,111 (1.2) | 469 <73.2> |
| Profit (attributable to non-controlling interests) | 46 (0.0) | 99 (0.1) | 52 <111.0> |
| Profit (attributable to owners of parent) | -247 (-0.3) | 2,435 (2.5) | 2,682 <—> |

1H of FY2/21
Non-operating income ¥0.51 billion
• Equity in earnings of affiliates (Beijing Want-Yang Foods Ltd.) ¥0.05 billion

1H of FY2/22
Non-operating Income ¥0.92 billion
• Equity in earnings of affiliates (Beijing Want-Yang Foods Ltd.) ¥0.07 billion
• PPP loan debt forgiveness gain (USA) ¥0.31 billion

1H of FY2/21
Extraordinary income ¥0.06 billion
• Gain on sale of Prosystas Co., Ltd. former head office ¥0.06 billion

Extraordinary losses ¥1.15 billion
• Warabeya Nichiyo Co., Ltd.: Impairment losses for Iwate Plant ¥0.79 billion
• Nichiyo Fresh Co., Ltd.: Impairment losses ¥0.29 billion
• Nichiyo Co., Ltd.: Impairment losses ¥0.05 billion

1H of FY2/22
Extraordinary Losses ¥0.28 billion
• Warabeya Nichiyo Co., Ltd. : Impairment losses for Iwate Plant ¥0.28 billion

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

Consolidated Balance Sheets (vs. End-FY2/21)

(Millions of yen)

| [Assets] | End-FY2/21 | End-1H FY2/22 | Change |
|---------------------------------|------------|-----------------|--------|
| Current Assets | 29,433 | 29,511 | 78 |
| Non-current Assets | 52,840 | 52,849 | 9 |
| [Property, Plant and Equipment] | (44,477) | (44,393) | (-84) |
| [Intangible Assets] | (677) | (544) | (-132) |
| [Investments and other Assets] | (7,685) | (7,911) | (225) |
| Total Assets | 82,273 | 82,361 | 87 |

(Millions of yen)

| [Liabilities and Net Assets] | End-FY2/21 | End-1H FY2/22 | Change |
|----------------------------------|------------|-----------------|----------|
| Current Liabilities | 23,539 | 22,445 | -1,093 |
| Non-current Liabilities | 14,361 | 13,209 | -1,152 |
| [Interest-bearing debt] | (11,213) | (10,009) | (-1,204) |
| Total Liabilities | 37,900 | 35,655 | -2,245 |
| Total Net Assets | 44,372 | 46,705 | 2,333 |
| [Retained Earnings] | (28,693) | (30,424) | (1,730) |
| Total Liabilities and Net Assets | 82,273 | 82,361 | 87 |

Consolidated Statements of Cash Flows

(Millions of yen)

| | 1H FY2/22 | Impact of bank holiday at end of FY2/21 | Adjusted CF |
|--|---------------|--|---------------|
| Profit before income taxes | 3,645 | | |
| Depreciation | 2,409 | | |
| Impairment loss | 283 | | |
| Decrease (increase) in notes and accounts receivable – trade | -1,519 | | |
| Decrease (increase) in inventories | 576 | | |
| Increase (decrease) in notes and accounts payable – trade | 671 | | |
| Increase (decrease) in accounts payable – other | -1,124 | | |
| Other | -1,282 | | |
| Subtotal | 3,659 | | |
| Income taxes paid | -916 | | |
| Other | 231 | | |
| Cash flows from operating activities | 2,974 | 1,615 | 4,589 |
| Purchase of property, plant and equipment | -1,813 | | |
| Other | -283 | | |
| Cash flows from investing activities | -2,096 | – | -2,096 |
| Cash flows from financing activities | -2,195 | – | -2,195 |
| Effect of exchange rate change on cash and cash equivalents | 87 | – | 87 |
| Net increase (decrease) in cash and cash equivalents | -1,230 | 1,615 | 385 |
| Cash and cash equivalents at the beginning of period | 8,946 | -1,615 | 7,331 |
| Cash and cash equivalents at the end of period | 7,716 | – | 7,716 |

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



Consolidated Financial Forecast for FY2/22

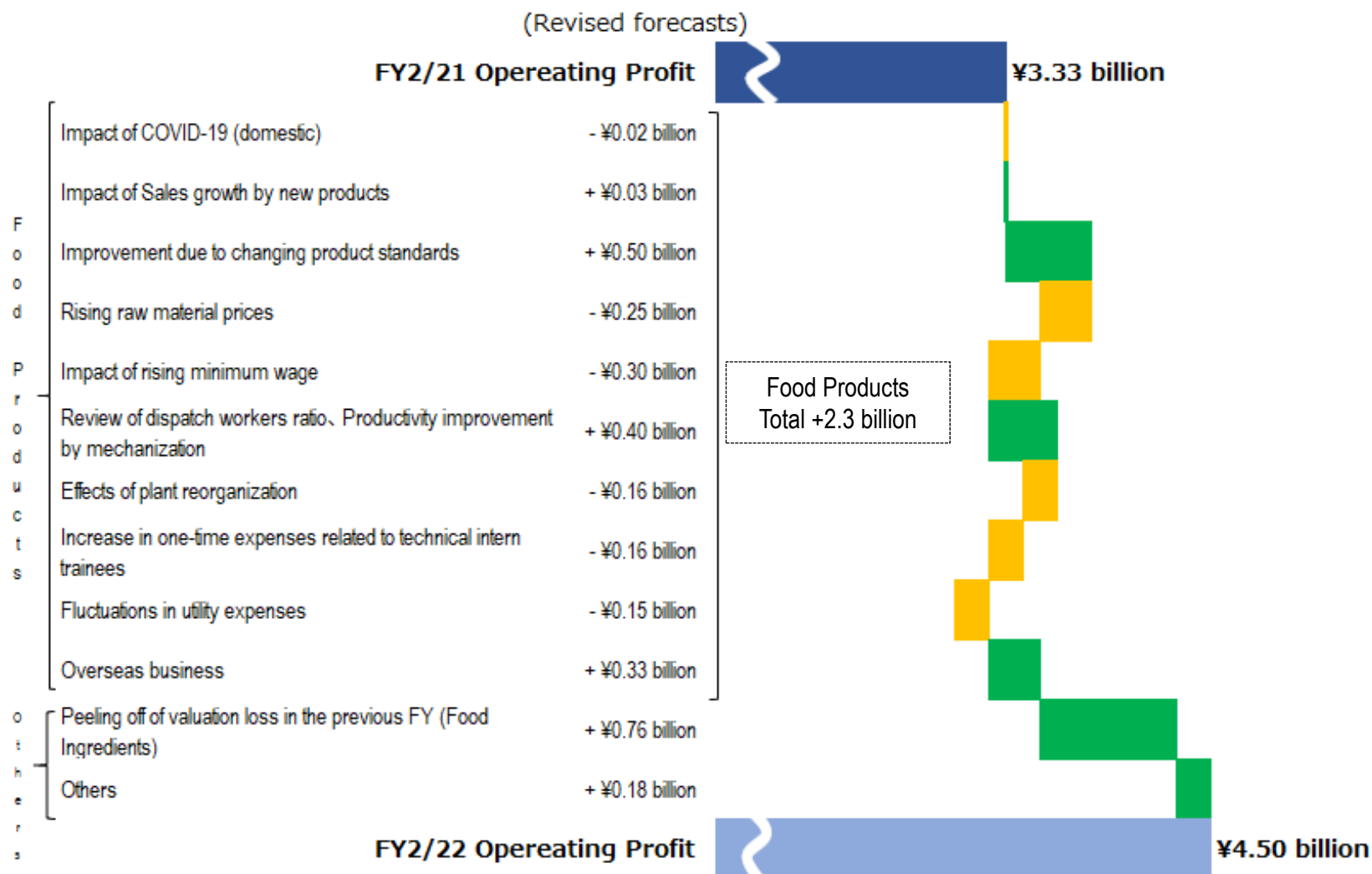
(Millions of yen)

| | FY2/21 Results | FY2/22 Initial forecasts | FY2/22 Revised forecasts | YoY | Compared to Initial forecasts |
|--|--------------------|-----------------------------|----------------------------------|------------------|----------------------------------|
| Net Sales | 194,309 (100.0) | 198,000 (100.0) | 192,000 (100.0) | -2,309 <-1.2> | -6,000 <-3.0> |
| Operating Profit | 3,332 (1.7) | 4,500 (2.3) | 4,500 (2.3) | 1,167 <35.1> | 0 <0.0> |
| Ordinary Profit | 3,710 (1.9) | 4,900 (2.5) | 5,300 (2.8) | 1,589 <42.8> | 400 <8.2> |
| Profit before Income Taxes | 2,001 (1.0) | 4,550 (2.3) | 4,850 (2.5) | 2,848 <142.3> | 300 <6.6> |
| Profit (attributable to owners of parent) | 682 (0.4) | 2,800 (1.4) | 3,200 (1.7) | 2,517 <368.7> | 400 <14.3> |
| EPS(Yen) (attributable to owners of parent) | 39.04 | 160.42 | 183.30 | 144.26 | 22.88 |
| ROE(%) | 1.5 | 6.2 | 7.0 | 5.5Pt | 0.8Pt |

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

Consolidated Financial Forecast for FY2/22

(Operating Profit change factors)





Progress in 1H FY2/22 and Future Measures



Internal challenges for growth and Mid-term strategy

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.)
- Lifestyle changes due to prolonged effects of 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
- Further improvement of product development capability and production technology capability
- Response to increase in production costs
- Profitability improvement in businesses other than Food Products
- Strengthening group governance



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 (Accelerate mainly in the United States and China)

Mid-term strategy for sustainable growth

➤ Reorganization of Food Products business

Split the business of Warabeya Nichiyo, the main company of Food Products business, into domestic business and overseas business

- Aim ① Strengthening responsiveness to domestic and overseas issues
- ② Accelerate decision-making and clarify responsibilities
- ③ Improve efficiency through measures such as the accelerated accumulation of know-how and the optimal assignment of specialists

Organization overview (Food Products business)



The business company that specializes in domestic food-related businesses

The controlling company of overseas food-related businesses

① Expanding profits in the domestic Food Products business

➤ Improving profitability by realignment of production system

Aim : •Improvement in profitability due to closure of loss-making plants
•Increase in operation rates and efficiency at production transferred plants
•Selection and concentration in anticipation of future changes in product mix

- Iruma Plant closed in October 2019 (Production transferred to neighborhood plants in the company)
- Tochigi Plant closed in February 2020 (Same as above)
- Settsu Plant closed in May 2021 (Same as above)
- **Niigata Plant scheduled to be closed in March 2022 (Business transfer to Daily Hayashiya Co., Ltd.)**

FY2/21 (Results): Profit increase effect is about 1 billion yen※

FY2/22 (Forecasts): (Settsu) Profit increase effect of about 0.3 billion yen
:(Niigata) Closing-related costs of about 0.5 billion yen

※Includes about 0.5 billion yen for the loss of one-time expenses incurred in the previous term

① Expanding profits in the domestic Food Products business

➤ Maintain and improve appropriate margins



● Changing product standards

- Changing materials, manufacturing, and increasing value of products
- Conducting regular price negotiations (Respond to changes in the external environment in a timely manner)
- Product development with consideration to manufacturing efficiency

● Reviewing profit profile

- Optimizing personnel, reviewing dispatched employee ratios
(Percentage of dispatched employees: 1H of FY2/21 28% ⇒ 1H of FY2/22 20%, 8 points drop)
- Promote the introduction of labor-saving machinery
(The effect of increasing operating income for FY2/22 is expected to be approximately 0.1 billion yen)

① Entering into the growth category

➤ Responding to new lifestyle changes and strengthening new product development

- Focus on launching Standing Packed products (7-Premiums) and expanding the number of items to meet the needs of long-fresh products



Launched in May 2021



Launched in July 2021

➤ Focus on the growth categories

- Strengthening the production facilities for chilled rice products and sweets
- Considering entry into new categories, including by M & A

② Improving 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

- ✓ Withdrawal from unprofitable businesses and improvement of gross profit margin by price negotiation
- ✓ Cost structure reform (Reduction of fixed costs such as storage fees, transportation costs, labor costs, etc.)



Return to profitability in the first half by improving gross profit margin and reducing fixed costs, Full-year surplus outlook

➤ **Logistics business profit improvement**

Increased profit due to partial sales recovery effect and revision of transaction price

➤ **Withdrawal from Temporary Staffing and Contracting business**

Completed withdrawal in June 2021 based on the group's "Concentration in Core Competence" policy

③Expansion of overseas business

➤ Existing overseas business is performing well

- Sales of each company are on a recovery trend due to the impact of COVID-19 in the same period of the previous year
- Operating income also increased due to sales recovery
(The total operating income of the two US companies is approximately 0.6 billion yen)
- The new factory, which started operation in November 2020, contributed to the increase in U.S.A. (Hawaii) sales

● WARABEYA TEXAS

(Upper thousand of USD,%, lower million yen)

| TEXAS | 1H FY'19 Actual | 1H FY'20 Actual | 1H FY'21 Actual | Change |
|-----------|--------------------|--------------------|--------------------|-----------------|
| Net sales | 14,303 | 14,913 | 16,664 | 1,751 <11.7> |
| | 1,541 | 1,606 | 1,842 | 236 |

● WARABEYA U.S.A. (HAWAII)

(Upper thousand of USD,%, lower million yen)

| USA | 1H FY'19 Actual | 1H FY'20 Actual | 1H FY'21 Actual | Change |
|-----------|--------------------|--------------------|--------------------|-----------------|
| Net sales | 19,351 | 17,755 | 21,428 | 3,673 <20.7> |
| | 2,085 | 1,915 | 2,369 | 454 |

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

(Upper thousand of CNY,%, lower million yen)

| Want-Yang | 1H FY'19 Actual | 1H FY'20 Actual | 1H FY'21 Actual | Change |
|-----------|--------------------|--------------------|--------------------|------------------|
| Net sales | 68,239 | 68,533 | 89,369 | 20,836 <30.4> |
| | 1,069 | 1,043 | 1,529 | 485 |

* Figures in <> show changes (%)

③Expansion of overseas business

➤ **Business Expansion into the East Coast Area of the U.S. (Announced in July 2021)**

- Decided to build a new factory in Virginia as we were selected as a business partner to enhance fresh food in the East Coast area of 7-Eleven, Inc.
- Build a business in a new area by utilizing the know-how and human resources cultivated in Hawaii and Texas
- Policy to actively allocate management resources overseas

Overview of the new plant

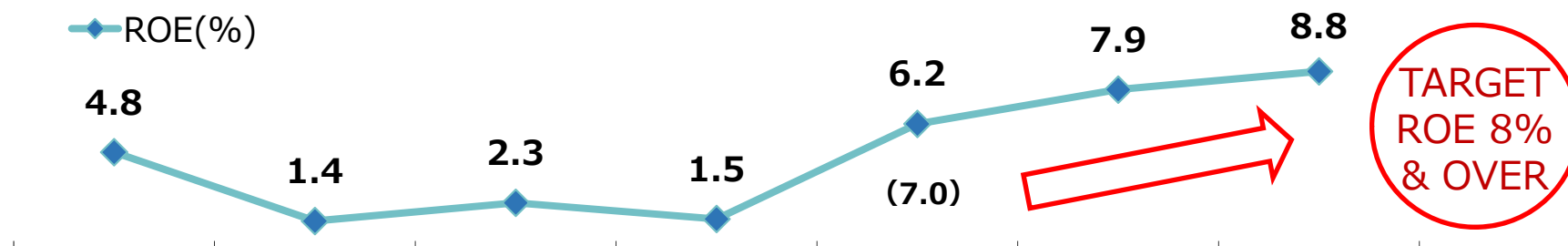
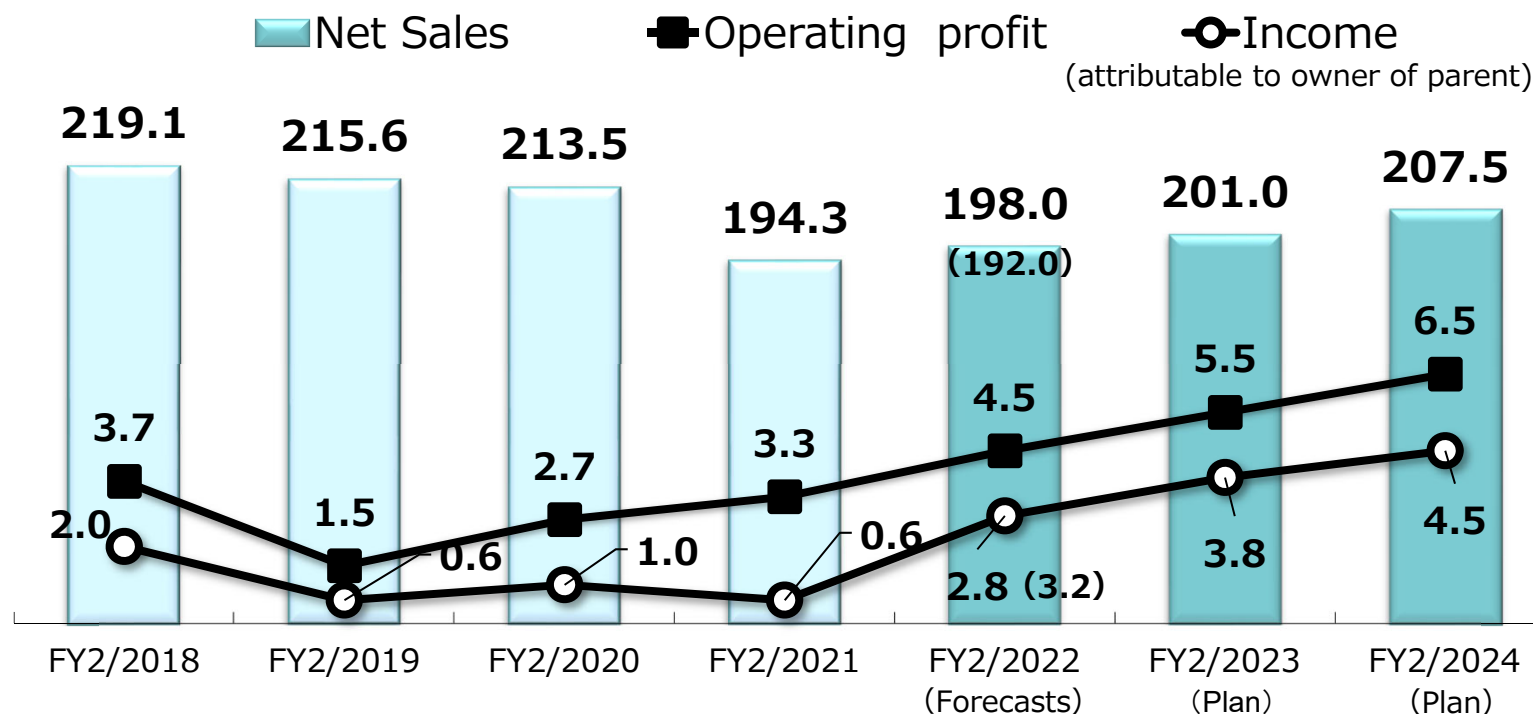
| | |
|--------------------------------------|--|
| 1) Location | Stafford, Virginia |
| 2) Floor area | 126,984sqf (11,797m ²) |
| 3) Total investments | Approximately \$44 million (Approximately ¥4.8 Billion) |
| 4) Estimated No. of stores to supply | Approximately 1,350 stores (Around Virginia) |
| 5) Operation starts | March 2023 |
| 6) Products | Cooked bread, light meals, etc. |




Mid-term Management Plan

Announced in April 2021

(billion Yen)



Note) The figures in parentheses for the fiscal year ending February 2022 are the revised earnings forecast announced on October 7, 2021



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.