

The Fiscal Year Ended February 2023

(From March 1, 2022 to February 28, 2023)

Financial Results Briefing

April 14, 2023

Warabeya Nichiyo Holdings Co., Ltd.

(2918; Tokyo Stock Exchange, Prime Market)



Group Philosophy

We shall contribute to our customer's wellbeing and happiness through safety and reliability and continue to provide value added delicacies and hospitality to the society.

Management Principles

We encourage innovation and constantly seek customer satisfaction and needs.

We shall follow compliance rules, practice transparent management for all to understand and continue to be trusted by the society.

We shall provide opportunities for employee growth, high job satisfaction environment and an eco-friendly company.

- **Overview of Financial Results
for FY2/2023**
- **Financial Forecast for FY2/2024**
- **Initiatives for Sustainable Growth**

Consolidated Financial Results

- Record-high operating profit
- Net sales increased 2.2% year on year, excluding the impact of revenue recognition standards

(Millions of yen)	FY2/2022 Result	FY2/2023 Forecast	FY2/2023 Result	YoY	Vs. Forecast
Net sales	192,326 100.0%	195,000 100.0%	194,416 100.0%	+2,090 +1.1%	(583) (0.3)%
Operating profit	4,441 2.3%	4,800 2.5%	4,985 2.6%	+ 544 +12.3%	+185 +3.9%
Ordinary profit	5,035 2.6%	4,600 2.4%	4,628 2.4%	(406) (8.1)%	+28 +0.6%
Profit (attributable to owners of parent)	3,264 1.7%	2,600 1.3%	2,810 1.4%	(453) (13.9)%	+210 +8.1%
EPS(yen)	186.98	148.88	160.94	(26.04)	+12.06
ROE(%)	7.1	5.3	5.7	(1.4)pt	+0.4pt

*Net sales to Profit -- Upper: Amount; Lower: Sales ratio, percentage change

*Forecasts: Figures of forecasts were announced on October 7, 2022.

Business Segments | YoY

■ Performance was driven by the Food Production Business

(Millions of yen)		FY2/2022	FY2/2023	YoY change		Main factors
				Amount	Percentage change	
Food Production Business	Net sales	162,502	169,552	+7,050	+4.3 %	Sales: [Domestic] 157.4 billion (YoY +4.3 billion) Recovery from adverse impact of COVID-19 Strongly performing products: Onigiri rice balls, Japanese sweets [Overseas] 12.1 billion (YoY +2.7 billion) Increased sales in local markets and foreign exchange rates Profit: [Domestic] +0.47 billion [Overseas] +0.28 billion
	Operating profit	4,289	5,042	+753	+17.6 %	
Food Materials Business	Net sales	13,393	11,394	(1,998)	(14.9)%	Sales: Application of revenue recognition standards (impact -¥1.94 billion) Profit: Rising purchase prices
	Operating profit	271	87	(183)	(67.7)%	
Logistics Business	Net sales	13,260	12,962	(297)	(2.2)%	Sales: Closure of unprofitable sites Profit: Profitability improvement
	Operating profit	615	643	+27	+4.5 %	
Food Plant and Equipment, Design and Development Business	Net sales	3,132	507	(2,625)	(83.8)%	Sales and profit: Decrease in business volume
	Operating profit	85	(76)	(161)	-	
Other Businesses	Net sales	38	-	(38)	-	
	Operating profit	(138)	-	+138	-	
Adjustment	Operating profit	(681)	(711)	(29)	-	
Total	Net sales	192,326	194,416	+2,090	+1.1 %	
	Operating profit	4,441	4,985	+544	+12.3 %	

*Exchange rate (per \$1): FY2/2022 115.0 yen FY2/2023 132.7 yen

- **A significant increase in cost was offset by changing product standards and sales factors**



Difference from financial forecast

- In the Domestic Food Production Business, net sales were below the forecast value but the forecast operating profit was achieved.**

Difference between business segment forecasts and actual results

(Billions of yen)

Net sales	(0.58)	Operating profit	+0.18
Food Production Business	(0.76)	Food Production Business	+0.13
Domestic	(0.83)	Domestic	+0.06
		Changing product standards	+0.26
		Improvement in employee treatment	(0.17)
Overseas	+0.07	Overseas	+0.07
Food Materials Business	+0.20	Food Materials Business	+0.00
Logistics Business	(0.12)	Logistics Business	+0.02
Food Plant and Equipment, Design and Development Business	+0.10	Food Plant and Equipment, Design and Development Business	+0.03

Non-operating profit / expenses and extraordinary income/losses

(Millions of yen, %)	FY2/2022		FY2/2023		YoY change	
	Amount	Sales ratio	Amount	Sales ratio	Amount	Percentage change
Operating profit	4,441	2.3	4,985	2.6	+544	+12.3
Non-operating income	1,122	0.6	671	0.3	(451)	(40.2)
Non-operating expenses	529	0.3	1,027	0.5	+498	+94.3
Ordinary profit	5,035	2.6	4,628	2.4	(406)	(8.1)
Extraordinary income	-	-	500	0.3	+500	-
Extraordinary losses	303	0.2	938	0.5	+634	+208.7
Profit before income taxes	4,731	2.5	4,190	2.2	(540)	(11.4)
Total income taxes	1,329	0.7	1,251	0.6	(78)	(5.9)
Profit (loss) attributable to non-controlling interests	137	0.1	128	0.1	(8)	(6.3)
Profit (attributable to owners of parent)	3,264	1.7	2,810	1.4	(453)	(13.9)

Non-operating profit/expenses	YoY -¥0.95 billion	Absence of one-time income recorded the previous fiscal year (COVID grants, etc.)			YoY -¥0.39 billion
		Impact of share of profit (loss) of entities accounted for using equity method			-¥0.43 billion
		Others (Increase in interest expenses, etc.)			-¥0.13 billion
Extraordinary income/losses	YoY -¥0.13 billion	Extraordinary income	Gain on sale of businesses (Niigata Plant)	FY2/2022 -	FY2/2023 ¥0.50 billion
		Extraordinary losses	Impairment losses	¥0.30 billion	¥0.93 billion
			FY2/2022 Iwate Plant: ¥0.30 billion		
			FY2/2023 Nichiyo Fresh: ¥0.41 billion, Iwate Plant: ¥0.28 billion, Niigata Plant(Land): ¥0.11 billion, Other factories : ¥0.12 billion		

Balance Sheets and Statements of Cash Flows

- Increases in non-current assets and interest-bearing debt are attributed mainly to investment in the U.S.

Consolidated Balance Sheets

(Millions of yen)	End-FY2/2022	End-FY2/2023	Change		End-FY2/2022	End-FY2/2023	Change
Current assets	29,467	32,344	+2,877	Current liabilities	21,539	22,079	+540
Non-current assets	52,716	60,339	+7,622	Non-current liabilities	12,744	19,074	+6,330
(Property, plant and equipment)	44,376	51,310	+6,934	(Total long- and short-term interest-bearing debt)	9,315	15,154	+5,839
(Intangible assets)	445	314	(130)	Total liabilities	34,283	41,154	+6,871
(Investments and other assets)	7,895	8,714	+819	(Retained earnings)	31,253	33,183	+1,929
				Total net assets	47,901	51,529	+3,628
Total assets	82,184	92,684	+10,499	Total liabilities and net assets	82,184	92,684	+10,499

Consolidated Statements of Cash Flows

(Millions of yen)	FY2/2023
Cash flows from operating activities	7,433
Cash flows from investing activities	(7,541)
Cash flows from financing activities	692
Conversion differences for cash and cash equivalents	933
Cash and cash equivalents at the beginning balance	9,671
Cash and cash equivalents at the end of period	11,189

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Consolidated financial forecast for FY2/2024

- The recovery of domestic sales and the Virginia new plant will contribute to an increase in net sales
- Record operating profit and ordinary profit are expected

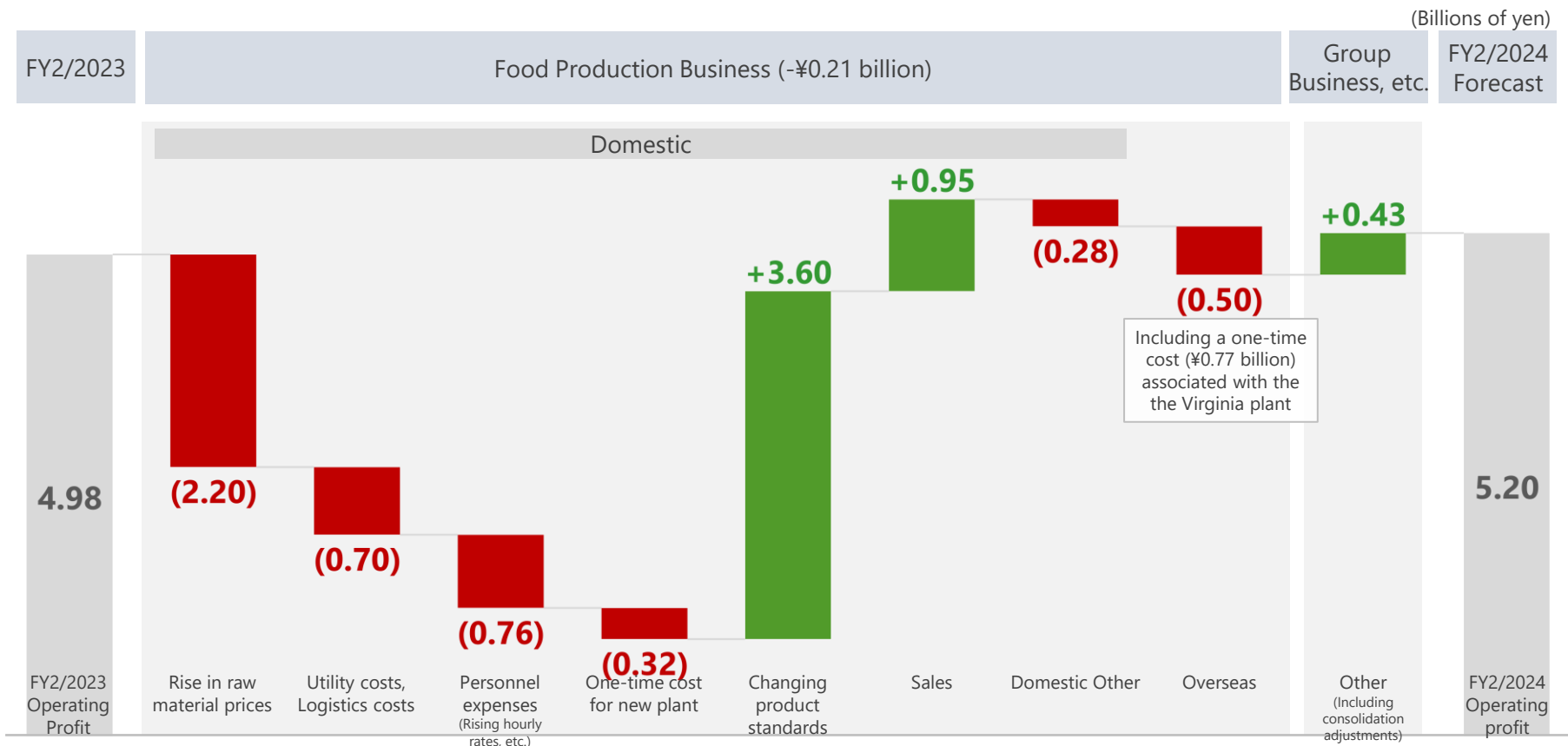
(Millions of yen)	FY2/2023 Result	FY2/2024 Forecast	YoY
Net sales	194,416 100.0%	204,000 100.0%	+9,583 +4.9%
Operating profit	4,985 2.6%	5,200 2.5%	+214 +4.3%
Ordinary profit	4,628 2.4%	5,550 2.7%	+921 +19.9%
Profit (attributable to owners of parent)	2,810 1.4%	3,200 1.6%	+389 +13.9%
EPS (yen)	160.94	183.23	+22.29

*Results and Forecasts -- Upper: Amount; Lower: Sales ratio

*YoY-- Upper: Increase or decrease; Lower: Percentage increase or decrease

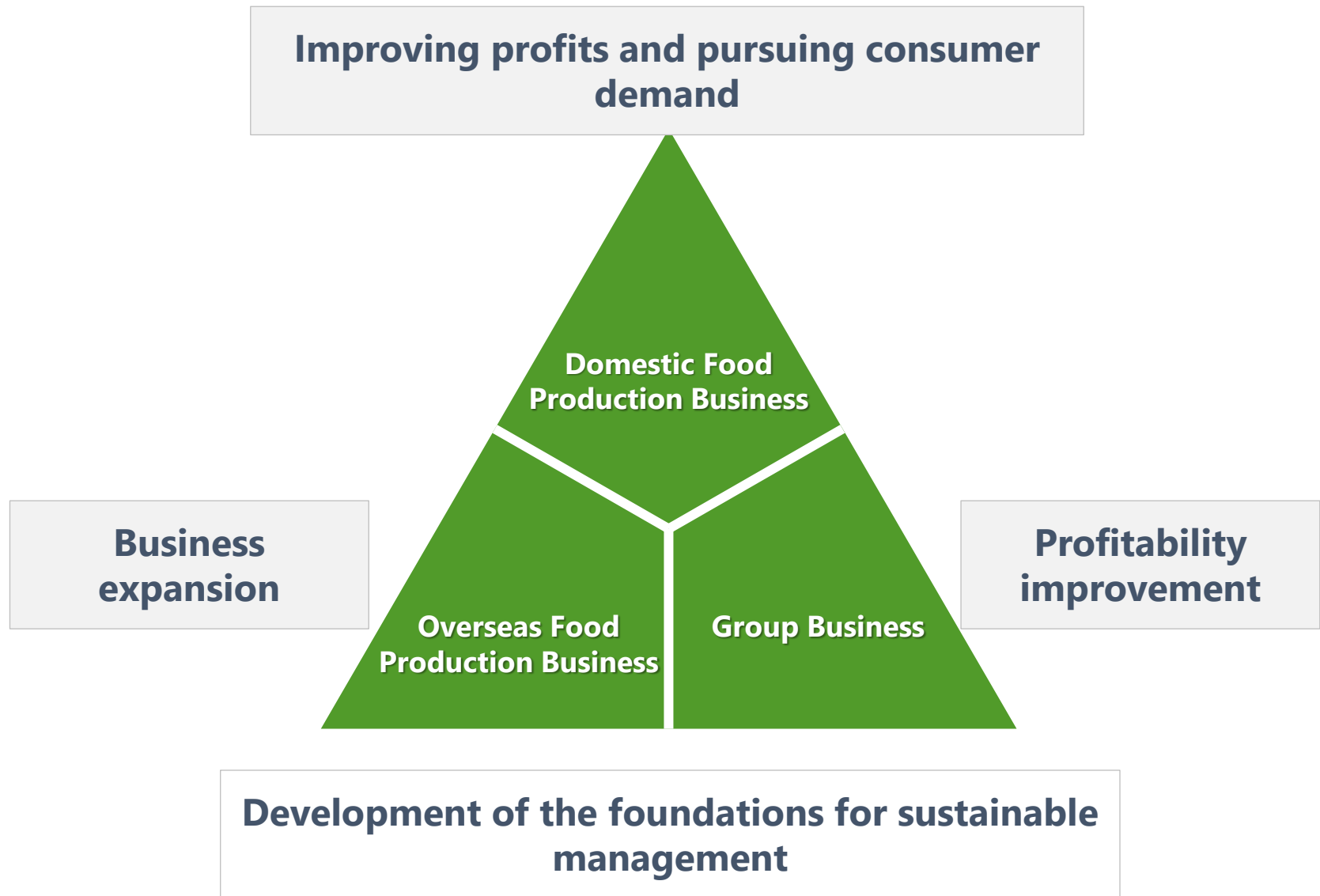
Operating profit forecast : Analysis of changes

- Rising raw material prices to be offset by a revision of product specifications
- A one-time cost associated with the launch of new domestic and overseas plants



- **Overview of Financial Results
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Medium-term issues



[Domestic Food Production Business] Improving profits

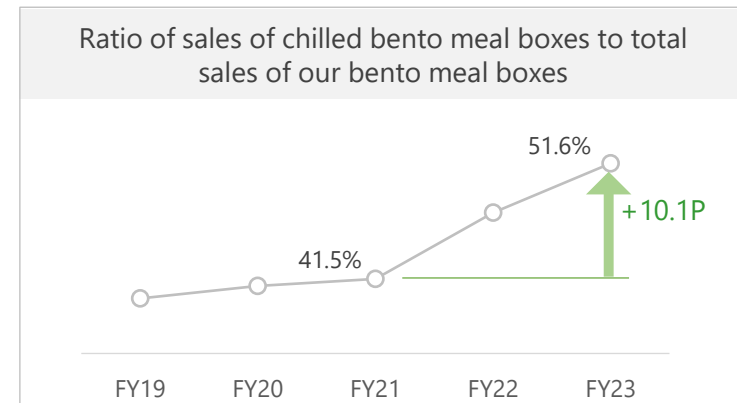
Optimization of production system

- Streamlining production through the revision of production items and transfer of production lines between plants
- Using the new plant for accelerating production line improvement, mainly in the Tokyo Metropolitan Area



Initiatives we have decided to take

- Construction of a salad production line at Tokyo plant
- Transfer of a pasta production line from Tokyo plant to the Shin-Iruma plant



[Domestic Food Production Business] pursuing consumer demand

Catering to diversifying needs by bolstering product development capabilities

- Developing high value-added products in response to changing tastes
- Delivering our unique value by expanding the product lineup (products we can produce)

Delicious and authentic



[Collaborations]
Spice Beef Curry developed
under the supervision of
Tomato Ogikubo



[Authentic taste]
Salmon Poke Bowl



[Use of unique production
equipment]
Special Tianjin-style
Crab Omelet Rice with
Chicken Bone Stock

Health/Sustainability



[One-hand salad]
Deli Wrap Caesar Salad



[Soybean meat]
Tasty & Spicy Mabo Tofu
Bowl



[Certified raw materials]
Hand Roll Rice Ball with
Mentaiko Spicy Cod Roe

Sales portfolio



Warabeya Delica

Production of baked bread and cooked noodle products to begin in March 2024



Shin-Iruma Plant
(newly established/tentative name)
Delivery to approximately 1,500 stores



Kita-Kanto Plant
(transfer)
Delivery to approximately 1,000 stores

[Overseas Food Production Business] Expansion into the Midwest area

The third plant in the mainland U.S. to begin operating in 2024

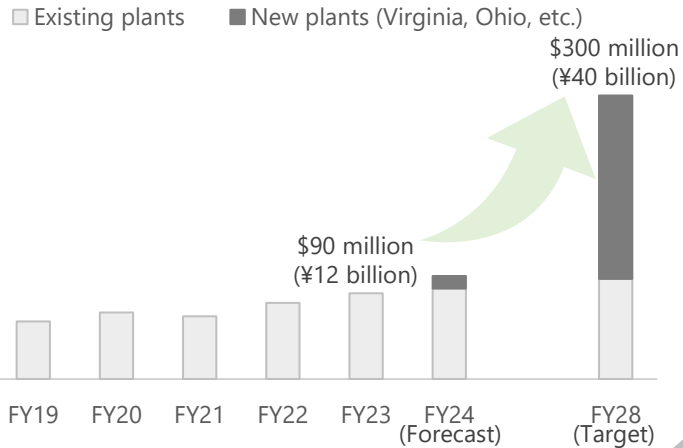
- Starting to supply fresh food in Phase 1 and frozen food in Phase 2
- In full operation, the new plant will exceed the Virginia plant in sales.

Location	Area around Ohio
Floor area	140,000 sqf (Approximately 13,000 m2)
Total investments	Approximately \$81.5 million (Approximately ¥11.0 billion) *Land and buildings will be leased
Main equipment	Production equipment (cooking, topping equipment, refrigeration / freezing equipment, etc.) and cooling, electricity, wastewater treatment equipment
Areas to supply	Midwest area of the U.S., primarily Ohio
Estimated no. of stores to supply	Approximately 2,500 stores (of which, approximately 1,000 Speedway stores)
Financing plan	Own funds and borrowings
Start of operations	December 2024
Items to manufacture	Cooked bread, light meals, etc.

Ohio

[Overseas Food Production Business] Expansion in the U.S.

Net sales in U.S.



2017: Business targeting Seven-Eleven launched in the mainland U.S. (Texas)

2012: Business targeting Seven-Eleven launched in China



1987: Business targeting Seven-Eleven launched in Hawaii

1982: Expansion into an overseas market (Hawaii)

Product development in Virginia



Reproducing the local flavors

We will focus on developing cooked products, which we couldn't do in Texas. We will give them flavors that are familiar to the local market, using spices that are familiar in the area.

[Group Business] Profitability improvement

Investing management resources on the basis of selection and concentration

- Expansion and cultivation of existing business domains based on market needs
- Developing new businesses for the future

Food Materials

- (1) Improving procurement and purchasing capabilities
 - Focusing on procuring salmon and trout, fish roe, and fruits, which have high weightings in sales
 - Improving the stability of procurement by strengthening cooperation with processors and producers
- (2) Starting the food material processing business overseas



Logistics

- (1) Catering to warehousing and storage needs
 - Construction of new refrigerated/freezer warehouses
- (2) Undertaking e-commerce delivery and warehousing operations under new contracts
- (3) Responding to the 2024 problem



Food Plant and Equipment, Design and Development

The outlook for a performance recovery is uncertain. As a result of comprehensive consideration, we have decided to withdraw from the business entirely.

Date of completion of withdrawal from the business: February 29, 2024

(Millions of yen)	FY2/2021	FY2/2022	FY2/2023
Net sales	1,473	3,132	507
Operating profit	(12)	85	(76)

New Medium-Term Management Plan

We aim to double operating profit in five years

- Formulation of a 5-year Medium-term Management Plan (FY2024 -FY2028)
- Changed from the rolling method (3-year plan)

(Billions of yen)	FY2/2023 Result	FY2/2024 Forecast	FY2/2028 Target	Changes in 5 years
Net sales	194.4	204.0	250.0	+55.6
Operating profit	4.9	5.2	10.0	+5.1
Operating profit margin	2.6%	2.5%	4.0%	+1.4pt
Profit (attributable to owners of parent)	2.8	3.2	6.2	+3.4
ROE	5.7%	6.2%	9.8%	+4.1pt

5-year total
(Billions of yen)

Capital expenditure

60.0

Depreciation

38.0

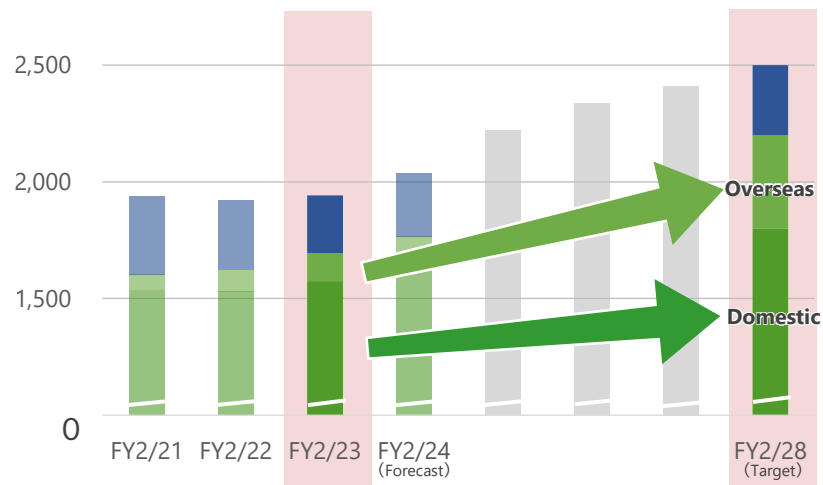
Medium-Term Management Plan: Segments

A breakthrough in overseas Food Production Business

- Domestic and overseas Food Production Business driving sales growth
- Operating profit from the overseas Food Production Business to account for one-third of the total in the final year of the Medium-Term Management Plan

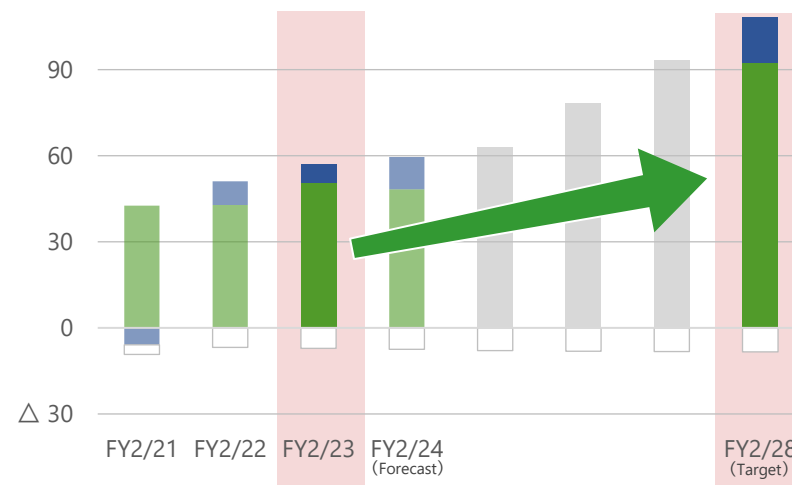
Net sales		(Billions of yen)	
	FY2/23 Result	FY2/28 Target	change
Food Production	169.5	220.0	+50.5
Domestic	157.4	180.0	+22.6
Overseas	12.1	40.0	+27.9
Group Business	24.8	30.0	+5.2

■ Food Production ■ Group Business



Operating profit		(Billions of yen)	
	FY2/23 Result	FY2/28 Target	change
Food Production	5.0	9.2	+ 4.2
Group Business	0.6	1.6	+ 1.0
Consolidation adjustments	(0.7)	(0.8)	(0.1)

■ Food Production ■ Group Business □ Consolidation adjustments



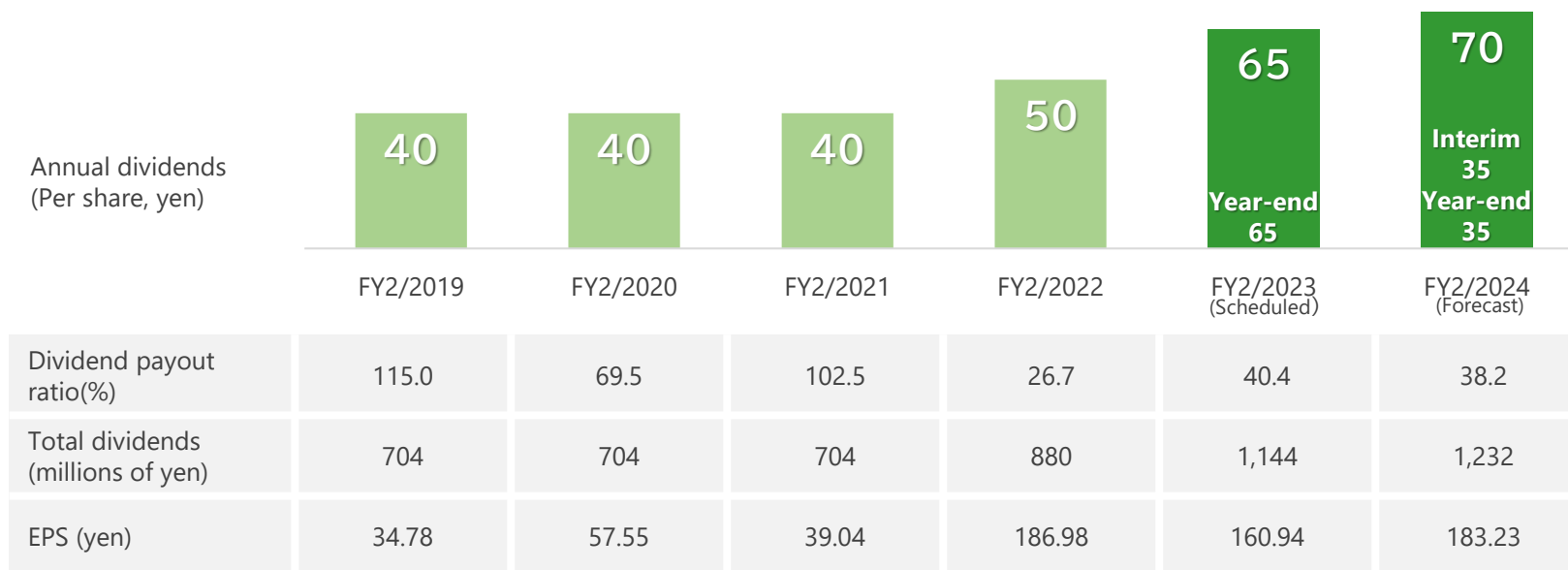
*Exchange rate assumed for the period of the Medium-term Management Plan (per \$1): 132.7 yen

Shareholder return

Regarding Revision to Dividend Policy

The Company's basic policy is to pay stable and continual dividends, targeting a consolidated dividend payout ratio of 40%, while taking into consideration consolidated results, internal reserves for investments for future business expansion, etc

Dividends



[Sustainability] Identification of Materiality (Key Challenges)

At the Warabeya Nichiyo Group, we deliver the joy of food and help build a sustainable society by valuing gifts from the Earth and playing a leading role in world food culture.

Materiality	Challenge and vision	
Contribution to a recycling society	Promote decarbonization, reduce environmental burden and aim to realize a recycling society.	    
Promote the joy of food	Contribute to safe food lifestyles for our customers	   
Realize a sustainable supply Chain	Procure and supply food stably, accommodating climate change and change to social attitudes	   
Provide rewarding work, and respect human rights and diversity	Establish frameworks that enable every employee the opportunity to play important roles	    
Establish strong business foundation	Strengthen ability to respond flexibly and agilely to changes in the business environment	  

<p>Recycling-based society</p> <ul style="list-style-type: none"> - Reducing CO2 emissions 50% - Volume of industrial waste 50% reduction <p>*2030 target (compared to the 2018 level)</p>	<p>Safety</p> <ul style="list-style-type: none"> - No serious quality accidents - Develop healthy products 	<p>Supply chain</p> <ul style="list-style-type: none"> - Driving the procurement of certified fishery raw materials and GAP raw materials - Driving the procurement of raw materials that are locally produced for local consumption 	<p>Human resources</p> <ul style="list-style-type: none"> - Promote diversity - Human resource investment - Work-life balance
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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.

