

First Half of the Fiscal Year Ending February 2015 (1H FY2/15) 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, 2014





Overview of Financial Results for 1H FY2/15 and Full-year Forecast for FY2/15 (Consolidated basis)

Consolidated financial results for 1H FY2/15

(Millions of yen)

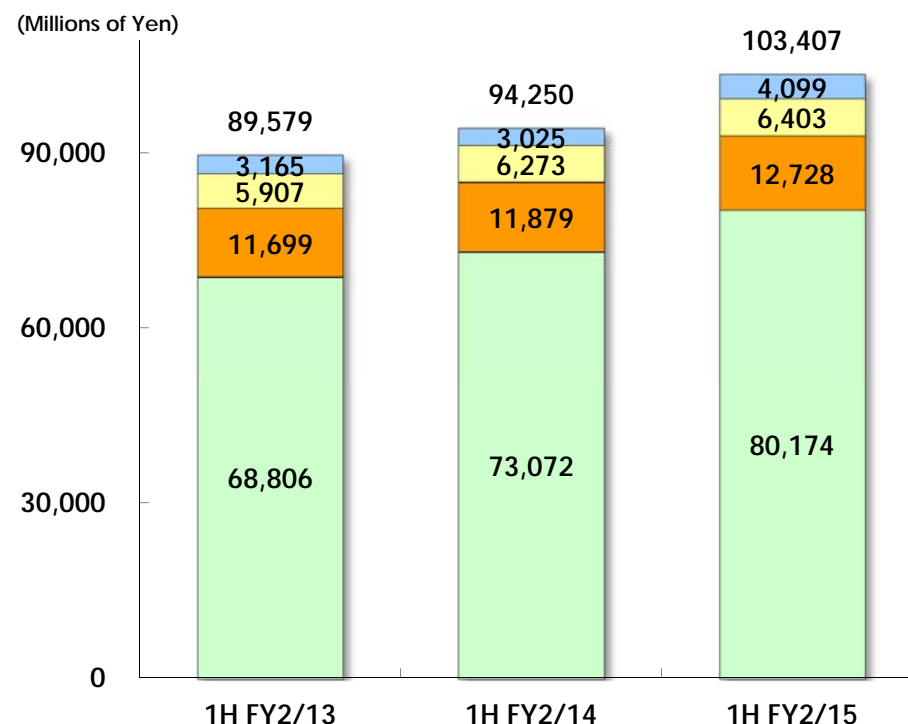
	1H FY2/14	1H FY2/15		YoY	Vs Forecast
	Results	Forecast	Results		
Net sales	94,250 (100.0)	103,000 (100.0)	103,407 (100.0)	9,156 <9.7>	407 <0.4>
Operating income	2,763 (2.9)	3,000 (2.9)	2,744 (2.7)	-18 <-0.7>	-255 <-8.5>
Ordinary income	2,916 (3.1)	3,100 (3.0)	3,019 (2.9)	102 <3.5>	-80 <-2.6>
Net income	1,741 (1.8)	1,850 (1.8)	1,776 (1.7)	35 <2.1>	-73 <-3.9>
EPS (Yen)	98.84	105.03	100.88	2.04	-4.15

*Figures in () show sales ratio, and figures in < > show change (%).
Estimates for 1H FY2/15 announced on April 11, 2014.

Net sales by segment (consolidated basis)



(Millions of yen)



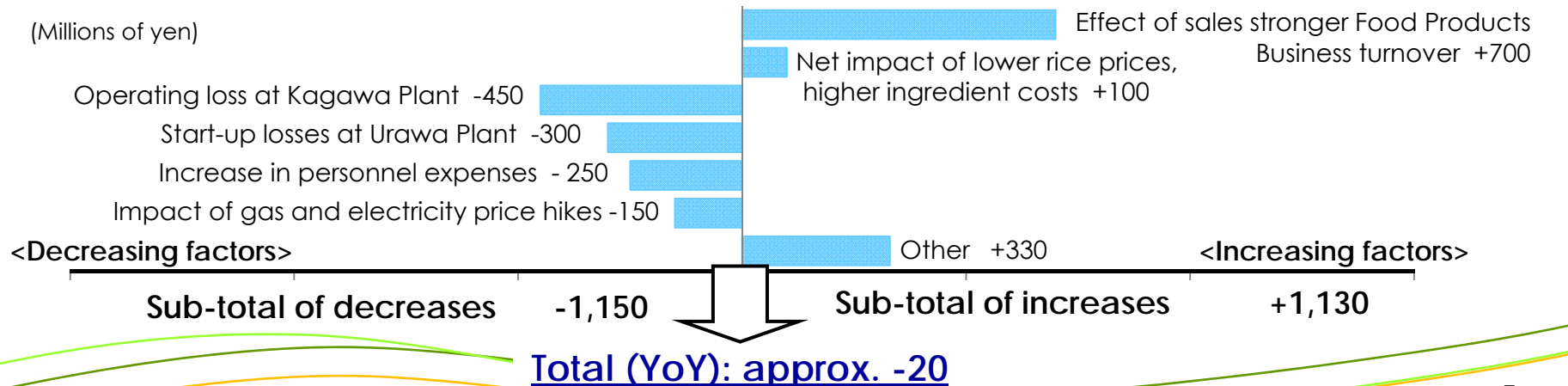
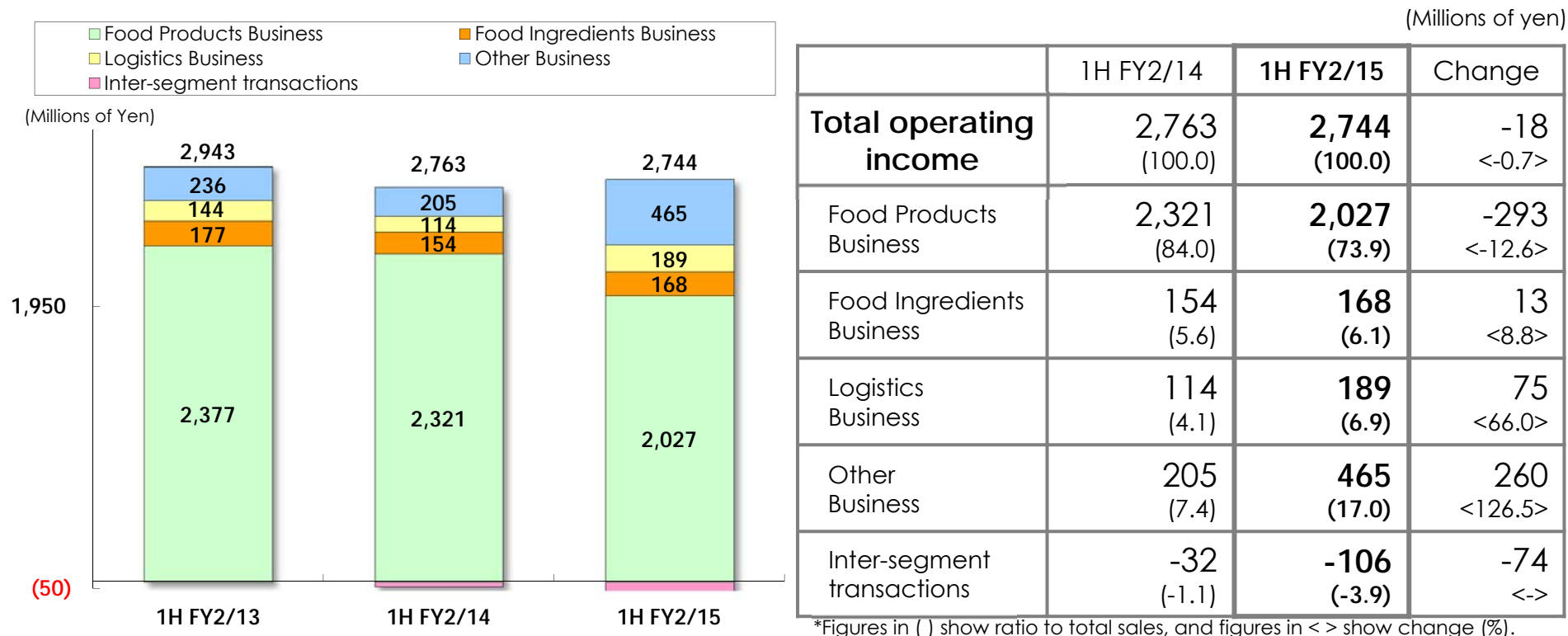
	1H FY2/14	1H FY2/15	Change
Total net sales	94,250 (100.0)	103,407 (100.0)	9,156 <9.7>
Food Products Business	73,072 (77.5)	80,174 (77.5)	7,102 <9.7>
Food Ingredients Business	11,879 (12.6)	12,728 (12.3)	849 <7.1>
Logistics Business	6,273 (6.7)	6,403 (6.2)	130 <2.1>
Other Business	3,025 (3.2)	4,099 (4.0)	1,074 <35.5>

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

Major reasons for growth in consolidated net sales in 1H FY2/15: approx. ¥9.1 billion increase year on year

- Food Products Business : Increased approx. ¥7.1 billion (Increased delivery point stores and increased sales growth for rice balls and chilled boxed meals)
- Food Ingredients Business : Increased approx. ¥0.8 billion (Increased sales of processed marine products and processed chicken products)
- Logistics Business : Increased approx. ¥0.1 billion (Increased orders for delivery to Seven-Eleven stores in Japan)
- Other Business : Increased approx. ¥1.0 billion (Increased sales of Food Manufacturing Equipment Business)

Operating income by segment (consolidated basis)



Non-operating income/expenses and extraordinary income/losses in 1H FY2/15

(Millions of yen)

	1H FY2/14	1H FY2/15	Change
Operating income	2,763 (2.9)	2,744 (2.7)	-18 <-0.7>
Non-operating income (expenses)	153 (0.2)	274 (0.3)	120 <78.3>
Ordinary income	2,916 (3.1)	3,019 (2.9)	102 <3.5>
Extraordinary income (losses)	— (—)	— (—)	— <—>
Income before income taxes	2,916 (3.1)	3,019 (2.9)	102 <3.5>
Current income taxes	1,175 (1.2)	1,242 (1.2)	66 <5.6>
Net income	1,741 (1.8)	1,776 (1.7)	35 <2.1>

Breakdown of main changes (profit impact)

- Decline in loss on retirement of fixed assets: 54
- Increase in subsidy income, etc.: 30

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

Consolidated balance sheets at end-1H FY2/15

(Millions of Yen)

[Assets]	End-FY2/14	End-FY2/15	Change
Current assets	29,044	37,012	7,967
Fixed assets	42,059	45,124	3,064
[Tangible fixed assets]	(37,768)	(40,681)	(2,913)
[Intangible assets]	(348)	(389)	(40)
[Investments and other assets]	(3,942)	(4,053)	(110)
Total assets	71,104	82,136	11,032

(Millions of Yen)

[Liabilities and net assets]	End-FY2/14	End-FY2/15	Change
Current liabilities	22,031	31,672	9,640
Long-term liabilities	10,223	10,452	228
[Interesting-bearing debt]	(9,425)	(9,663)	(238)
Total liabilities	32,255	42,124	9,869
Total net assets	38,848	40,012	1,163
[Common stock]	(8,049)	(8,049)	-
Total liabilities and net assets	71,104	82,136	11,032

Total assets as of end-FY2/15: approx. ¥11.0 billion increase

- Increase in current assets (cash and deposits, notes and accounts receivable – trade, etc.) : approx. ¥7.9 billion
- Increase in fixed assets: approx. ¥3.0 billion

Total liabilities/net assets as of end-FY2/15: approx. ¥11.0 billion increase

- Increase in current liabilities (accounts payable – other, notes and accounts payable – trade, etc.) : approx. ¥9.6 billion
- Increase in long-term liabilities : approx. ¥0.2 billion
- Increase in net assets (retained earnings, other comprehensive income, etc.): approx. ¥1.1 billion

Consolidated statements of cash flows for 1H FY2/15

(Millions of yen)

	1H FY2/14	1H FY2/15	Change
Income before income taxes	2,916	3,019	
Depreciation and amortization	1,831	2,147	
Decrease (increase) in notes and accounts receivable—trade	-4,609	-5,212	
Decrease (increase) in inventories	289	860	
Increase (decrease) in notes and accounts payable—trade	2,829	3,745	
Increase (decrease) in accounts payable—other	2,000	2,675	
Other	621	799	
Subtotal	5,879	8,035	
Income taxes paid	-716	-929	
Other	180	147	
Cash flows from operating activities	5,344	7,252	1,908
Purchase of tangible fixed assets	-543	-1,499	
Other	-435	81	
Cash flows from investing activities	-979	-1,417	-437
Cash flows from financing activities	-832	-1,922	-1,090
<u>Net increase (decrease) in cash and cash equivalents</u>	3,555	3,898	343

Financial forecast for FY2/15 (consolidated basis)

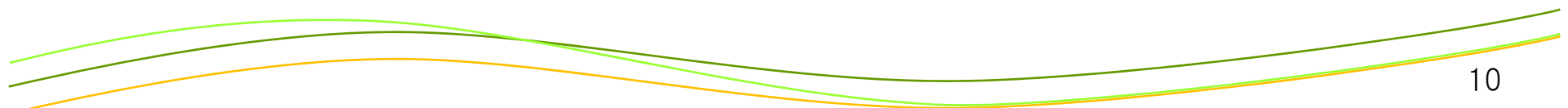
(Millions of Yen)

	FY2/14 Results	FY2/15 Forecast	Change
Net sales	186,531 (100.0)	204,000 (100.0)	17,469 <9.4>
Operating income	3,718 (2.0)	4,200 (2.1)	482 <12.9>
Ordinary income	3,957 (2.1)	4,500 (2.2)	543 <13.7>
Net income	2,272 (1.2)	2,450 (1.2)	178 <7.8>
EPS (Yen)	129.01	139.09	10.08

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



Summary of Business Performance in 1H FY2/15 and Future Business Plans



Summary of business performance in 1H FY2/15

Consolidated results

- Net sales ¥103.4bn (YoY +9.7%)
 - Operating income ¥2.7bn (YoY -0.7%)
 - Ordinary income ¥3.0bn (YoY +3.5%)
 - Net income ¥1.7bn (YoY +2.1%)
-
- Urawa Plant dedicated to chilled food starts operations (June 2014)
 - Continued growth in chilled products
 - Expansion in product delivery area (chilled boxed meals now delivered to Chugoku region)

□ 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.

□ 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.

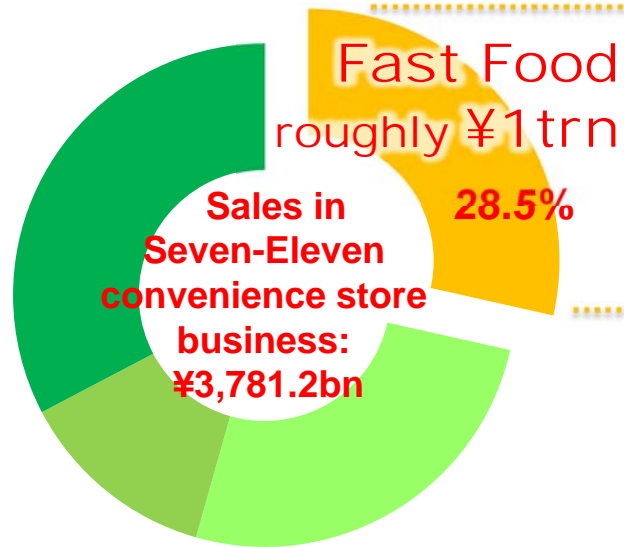
< Key medium-term strategies >

(1) Reinforce production capabilities

(2)

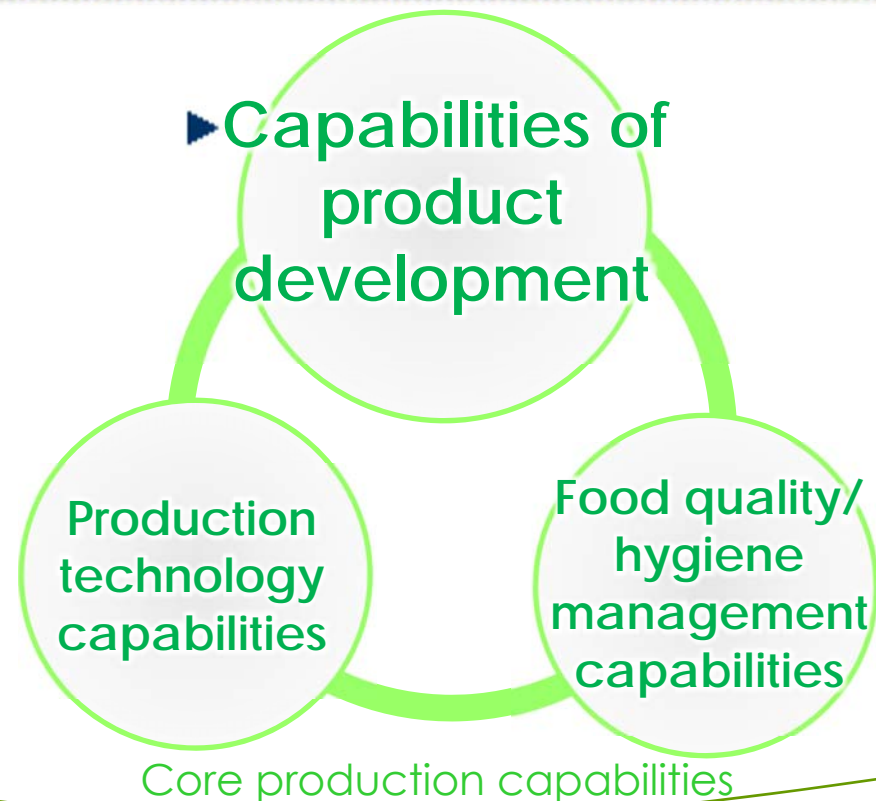
(3)

Key medium-term strategies (1) Reinforce production capabilities



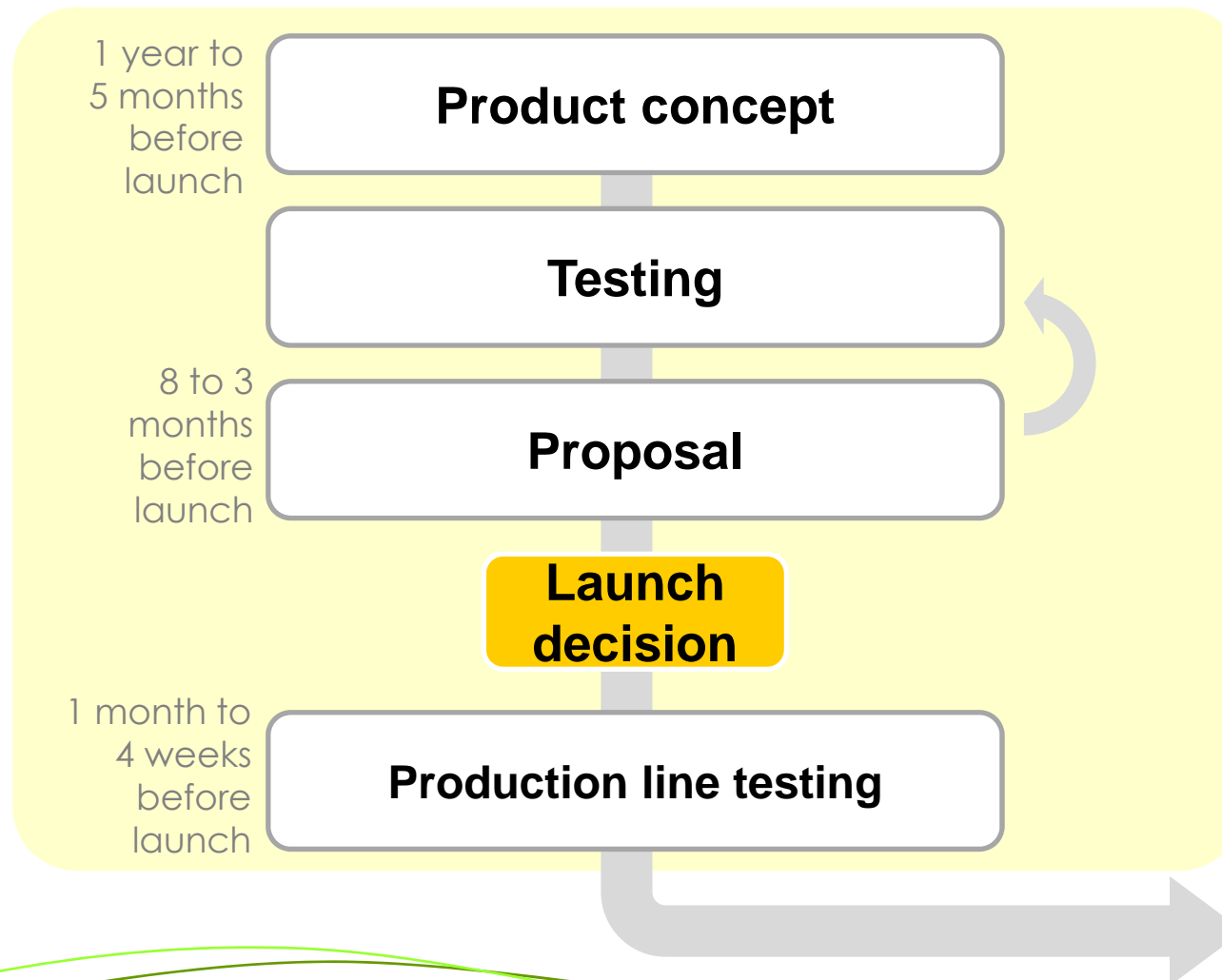
(From Seven & i Holdings
FY2/14 results documents)

**KEY DIFFERENTIATION FACTOR IN
CONVENIENCE STORE SECTOR
= PRODUCT LINEUP**



Key medium-term strategies (1) Reinforce production capabilities

➤ Capabilities of product development



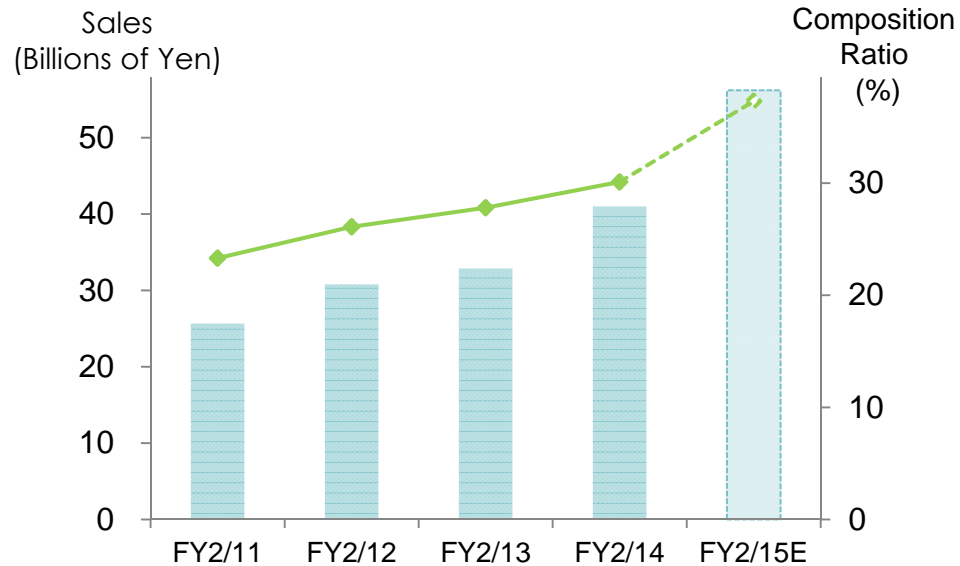
(Chilled boxed meals)
Pork cutlet rice bowl
with soft egg

Key medium-term strategies (1) Reinforce production capabilities

➤ Urawa Plant starts operations; focused on chilled food

Production
technology
capabilities

Chilled products: sales and share of total sales



[Plant Overview]

Location: Saitama City, Saitama Prefecture

Products: Chilled products

Production capacity: 100,000 meals per day

Startup: June 2014

Key medium-term strategies (1) Reinforce production capabilities

- Shifting to automation to improve product quality and boost productivity

Production
technology
capabilities

- Food defense measures

Food quality/
hygiene
management
capabilities

< Key medium-term strategies >

(1) Reinforce production capabilities

(2) Implement initiatives in growth fields

(3)

Key medium-term strategies (2) Implement initiatives in growth fields

- Carry out a capital expenditure program in response to business expansion at Seven-Eleven



(Image of plant when completed)

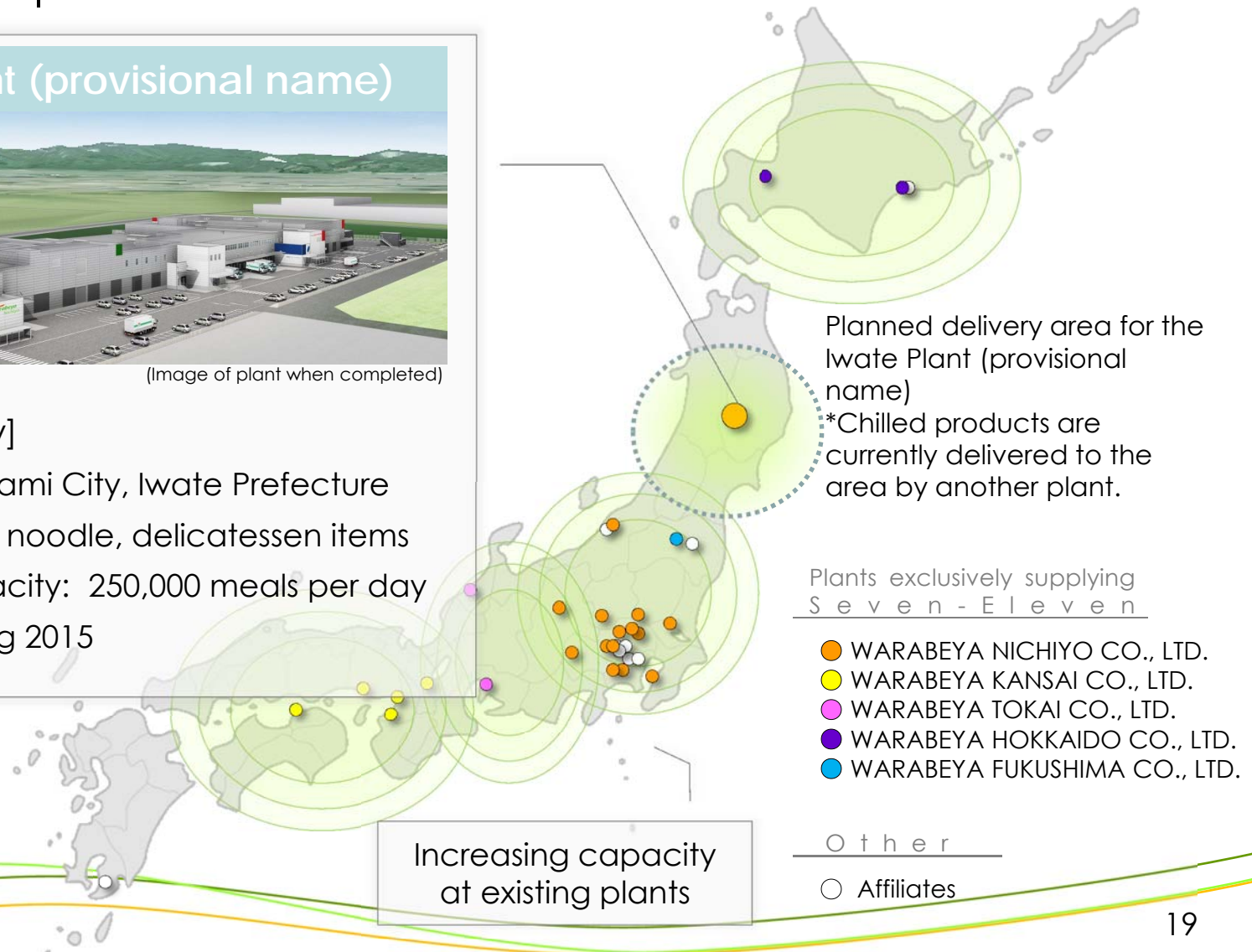
[Plant Overview]

Location: Kitakami City, Iwate Prefecture

Products: Rice, noodle, delicatessen items

Production capacity: 250,000 meals per day

Start up: Spring 2015



Key medium-term strategies (2) Implement initiatives in growth fields

➤ Strengthen the functions of group companies



Frevogroup

Nichiyo Co., Ltd.

Seven Premium product: Grilled sake-marinated Hokkaido salmon

Counter food: Fried white fish



Key medium-term strategies (2) Implement initiatives in growth fields

➤ Overseas business expansion

US

<WARABEYA USA, Inc.>

Established Jun. 1982

Opened brand store Mama-ya in Jun. 2009, now two stores in operation

China

<Beijing Want-Yang Foods Ltd.>

Established joint venture in Feb. 2011,
opened new plant in May 2012

<Beijing Riyang Xinrong Co., Ltd.>

Established Dec. 2012 (wholly owned subsidiary of Nichiyo Co., Ltd.)

Thailand

<CP ALL Public Company Ltd. >

Provision of technical support since Mar. 2006

Indonesia

<Fresh Food Indonesia>

Started providing technical support, including chilled food products development since Mar. 2014

< Key medium-term strategies >

(1) Reinforce production capabilities

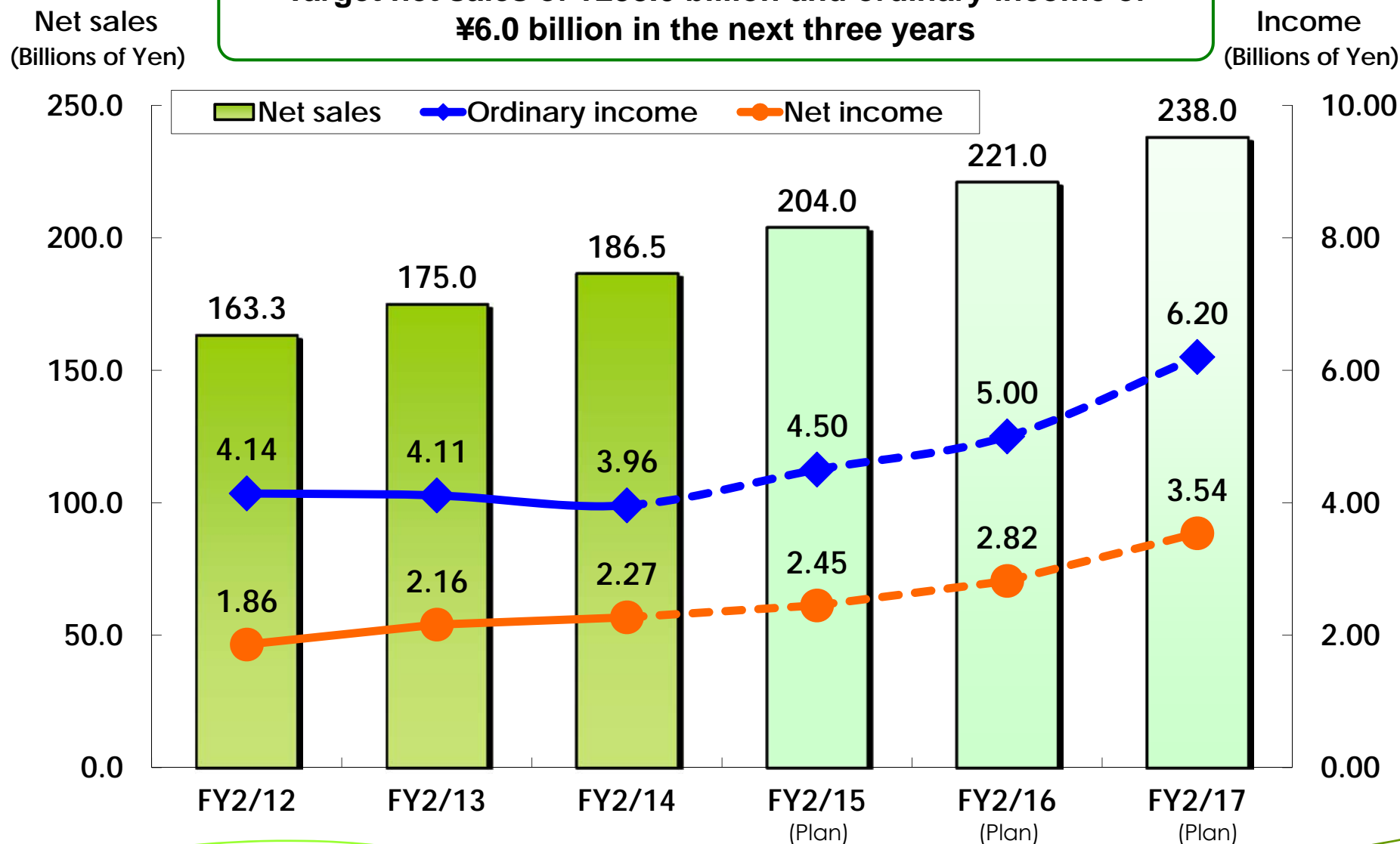
(2) Implement initiatives in growth fields


(3) Develop and actively utilize personnel

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

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

Target net sales of ¥238.0 billion and ordinary income of ¥6.0 billion in the next three years





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.