

First Half of the Fiscal Year Ending February 2014 (1H FY2/14) 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 8, 2013

**Overview of financial results for 1H FY2/14
and full-year forecasts for FY2/14
(consolidated basis)**

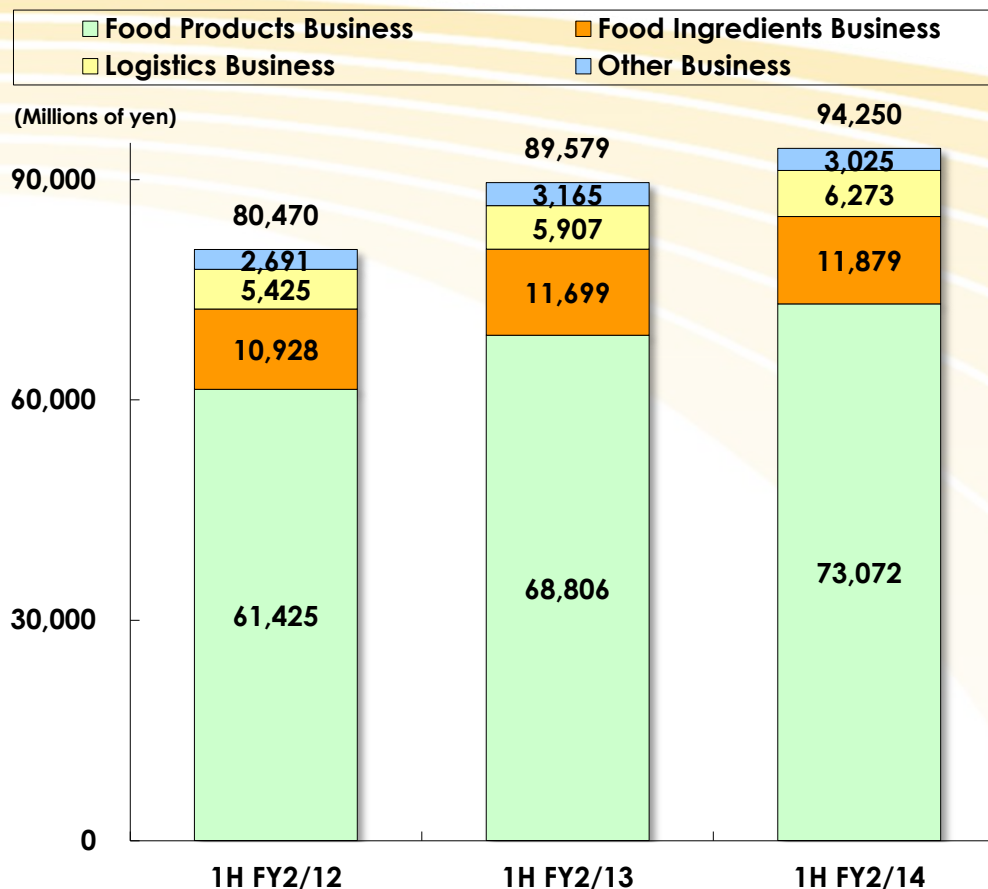
Financial results for 1H FY2/14

(Millions of yen)

	1H FY2/13	1H FY2/14		YoY	Vs plan
	Results	Plan	Results		
Net sales	89,579 (100.0)	95,500 (100.0)	94,250 (100.0)	4,670 <5.2>	-1,249 <-1.3>
Operating income	2,943 (3.3)	2,650 (2.8)	2,763 (2.9)	-180 <-6.1>	113 <4.3>
Ordinary income	3,127 (3.5)	2,800 (2.9)	2,916 (3.1)	-210 <-6.7>	116 <4.2>
Net income	1,663 (1.9)	1,650 (1.7)	1,741 (1.8)	77 <4.7>	91 <5.5>
EPS (Yen)	100.10	93.67	98.84	-1.26	5.17

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

Net sales by segment



(Millions of yen)

	1H FY2/13	1H FY2/14	Change
Total net sales	89,579 (100.0)	94,250 (100.0)	4,670 <5.2>
Food Products Business	68,806 (76.8)	73,072 (77.5)	4,265 <6.2>
Food Ingredients Business	11,699 (13.1)	11,879 (12.6)	180 <1.5>
Logistics Business	5,907 (6.6)	6,273 (6.7)	365 <6.2>
Other Business	3,165 (3.5)	3,025 (3.2)	-139 <-4.4>

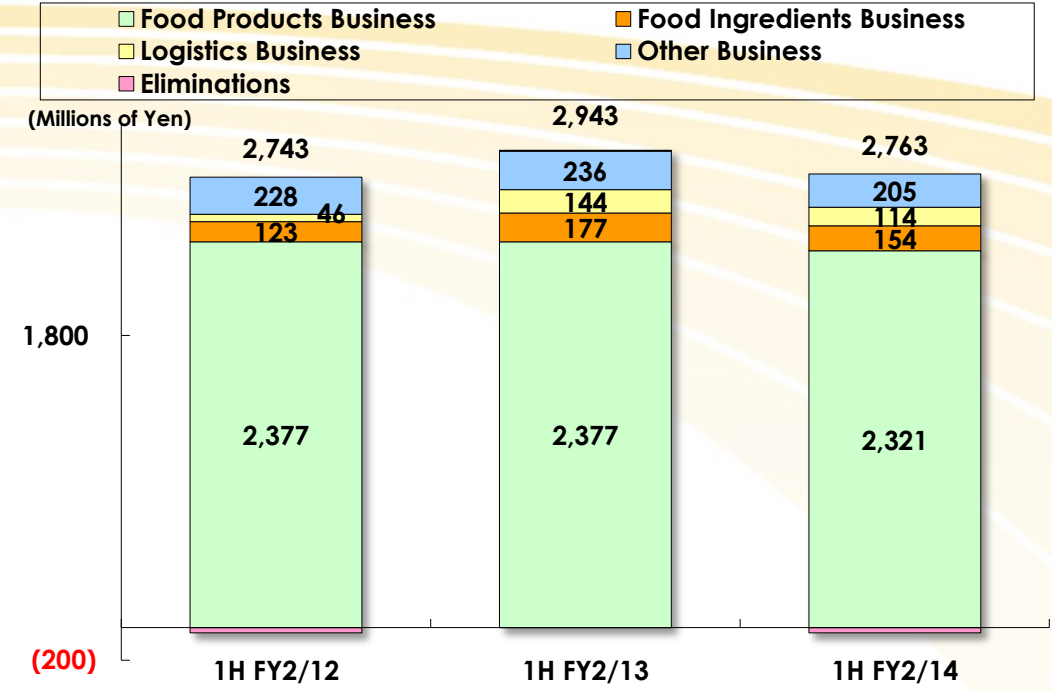
*Figures in () show ratio to total sales, and figures in < > show change (%).

Major reasons for growth in consolidated net sales in 1H FY2/14: approx. ¥4.6 billion increase year on year

- Food Products Business : Increased approx. ¥4.2 billion (Increased delivery point stores and increased sales of chilled food products)
- Food Ingredients Business : Increased approx. ¥0.2 billion (Increased sales of processed marine products and processed chicken products)
- Logistics Business : Increased approx. ¥0.3 billion (Increased orders for delivery to Seven-Eleven stores in Japan)
- Other Business : Decreased approx. ¥0.1 billion (Decreased orders in the staffing business from clients in the auto industry and other sectors)

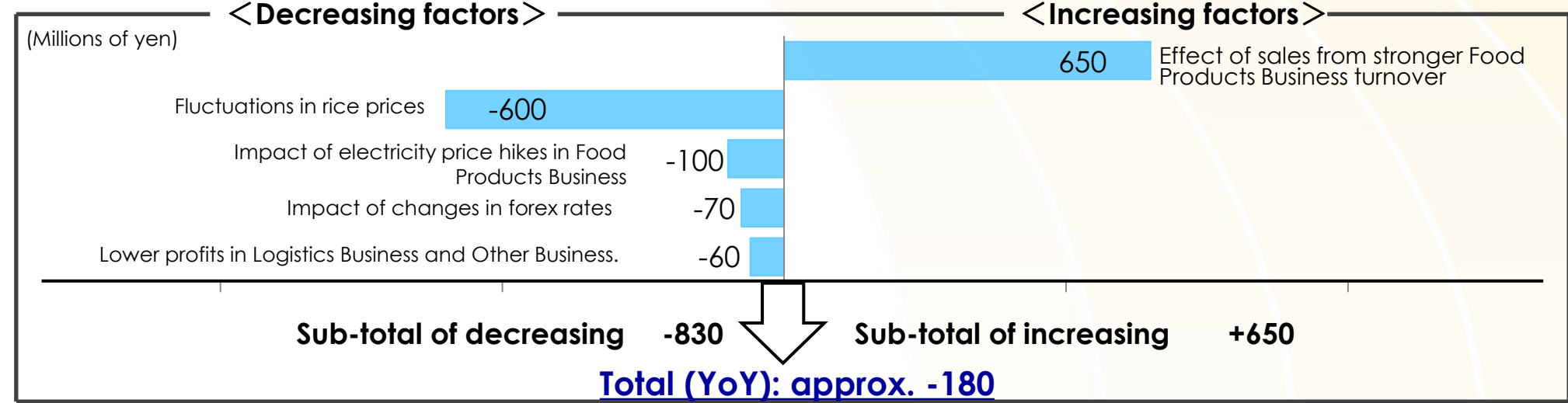
Operating income by segment

(Millions of yen)



	1H FY2/13	1H FY2/14	Change
Total operating income	2,943 (100.0)	2,763 (100.0)	-180 <-6.1>
Food Products Business	2,377 (80.8)	2,321 (84.0)	-56 <-2.4>
Food Ingredients Business	177 (6.0)	154 (5.6)	-22 <-12.7>
Logistics Business	144 (4.9)	114 (4.1)	-30 <-21.1>
Other Business	236 (8.0)	205 (7.4)	-30 <-13.0>
Inter-segment transactions	7 (0.3)	-32 (-1.2)	-40 <- >

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



Non-operating income/expenses and extraordinary income/losses in 1H FY2/14

(Millions of yen)

	1H FY2/13	1H FY2/14	Change
Operating income	2,943 (3.3)	2,763 (2.9)	-180 <-6.1>
Non-operating income (expenses)	183 (0.2)	153 (0.2)	-29 <16.2>
Ordinary income	3,127 (3.5)	2,916 (3.1)	-210 <-6.7>
Extraordinary income (losses)	-351 (-0.4)	— (0.0)	351 <->
Income before income taxes	2,775 (3.1)	2,916 (3.1)	140 <5.1>
Current income taxes	1,112 (1.2)	1,175 (1.2)	63 <5.7>
Net income	1,663 (1.9)	1,741 (1.8)	77 <4.7>

Major increasing / decreasing factors (YoY)

● Elimination of extraordinary losses including loss on closure of warehouse

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

Balance sheets at End-1H FY2/14

(Millions of yen)

[Assets]	End-FY2/13	End-1H FY2/14	Change
Current assets	26,037	34,142	8,105
Fixed assets	39,904	40,722	818
[Tangible fixed assets]	[35,706]	[36,404]	[697]
[Intangible assets]	[503]	[418]	[-85]
[Investments and other assets]	[3,693]	[3,900]	[206]
Total assets	65,941	74,865	8,923

(Millions of yen)

[Liabilities and net assets]	End-FY2/13	End-1H FY2/14	Change
Current liabilities	19,276	26,243	6,966
Long-term liabilities	9,720	10,360	639
[Interest-bearing debt]	[8,840]	[9,463]	[623]
Total liabilities	28,997	36,603	7,606
Total net assets	36,943	38,261	1,317
[Common stock]	[8,049]	[8,049]	—
Total liabilities and net assets	65,941	74,865	8,923

Total assets at end-1H FY2/14: approx. ¥8.9 billion increase

- Increase in current assets (cash and deposits, etc.): approx. ¥8.1 billion

Total liabilities and net assets at end-1H FY2/14:

approx. ¥8.9 billion increase

- Increase in current liabilities (notes and accounts payable – trade, etc.): approx. ¥6.9 billion
- Increase in long-term liabilities: approx. ¥0.6 billion
- Increase in net assets (retained earnings and other comprehensive income): approx. ¥1.3 billion

Statements of cash flows for 1H FY2/14

(Millions of yen)

	1H FY2/13	1H FY2/14	Change
Cash flows from operating activities	4,398	5,344	945
Cash flows from investing activities	-848	-979	-131
Cash flows from financing activities	-1,425	-832	592
Net increase (decrease) in cash and cash equivalents	2,128	3,555	1,426

[1H FY2/14 Breakdown]

Cash flows from operating activities **5,344**

Major items

◆ Income before income taxes	:	2,916
◆ Depreciation and amortization	:	1,831
◆ Decrease (increase) in notes and accounts receivable – trade	:	-4,609
◆ Increase (decrease) in notes and accounts payable – trade	:	2,829
◆ Increase (decrease) in notes and accounts payable – other	:	2,000

Cash flows from investing activities **-979**

◆ Purchase of property, plant and equipment	:	-543
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Cash flows from financing activities **-832**

◆ Cash dividends paid	:	-526
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Adjusted financial forecasts for FY2/14 (consolidated basis)

(Millions of yen)

	FY2/13 Results	FY2/14 Forecasts	Change
Net sales	175,048 (100.0)	186,000 (100.0)	10,951 <6.3>
Operating income	3,918 (2.2)	4,000 (2.1)	81 <2.1>
Ordinary income	4,114 (2.4)	4,200 (2.3)	85 <2.1>
Net income	2,162 (1.2)	2,200 (1.2)	37 <1.7>
EPS (Yen)	130.11	124.90	-5.21

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

*FY2/14 forecasts is forecasts as of Oct 3, 2013.

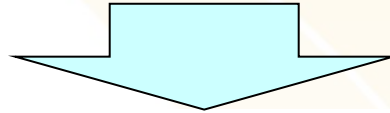
Overview of 1H performance and strategies for 2H FY2/14

- **Sales increased year on year but profits declined** (ordinary income basis)
- **Capital investment in response to increase in number of delivery point stores**

< Our response to changes in the market environment >

< Changes in the market environment >

- ❑ Seven-Eleven moving into a new stage of growth
- ❑ Aging society and growing number of working women
- ❑ Growing awareness of food safety and regulatory compliance



< Our response >

- Upgrade production network and strengthen product development in line with business expansion at Seven-Eleven
- Explore new needs and develop overseas businesses
- Improve food quality/hygiene management capabilities and strictly enforce regulatory compliance

< Key medium-term strategies >

■ Reinforce production capabilities

Capabilities of product
development

Production technology
capabilities

Food quality/hygiene
management capabilities

■ Implement initiatives in growth fields

■ Develop and actively utilize personnel

Capabilities of product development

- ◆ **Refine standard products**
- ◆ **Develop more hot-selling items to be standard**
- ◆ **Expand our lineup of new chilled dishes**



Capabilities of product development

(continued)

◆ Develop products in new categories

Launched products for the “Seven Premium” brand
(new business for Warabeya Nichiyo)



Salmon grilled in salted koji (chilled)



Red bean rice (frozen)

Production technology capabilities

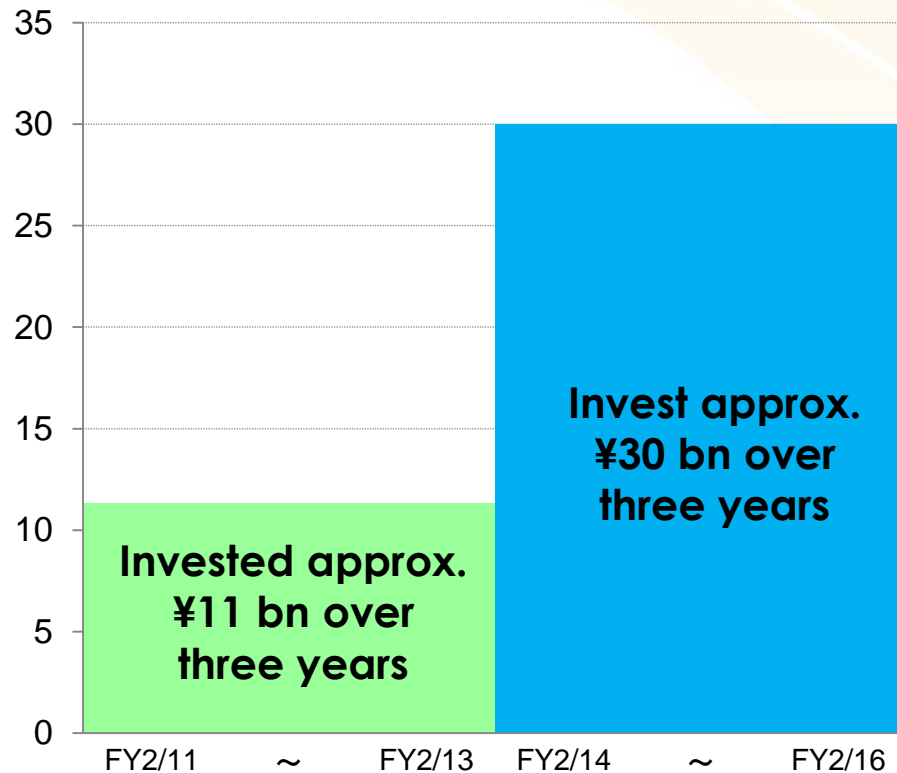
- ◆ **Develop production equipment that reduces the number of operators and saves labor**

Food quality/hygiene management capabilities

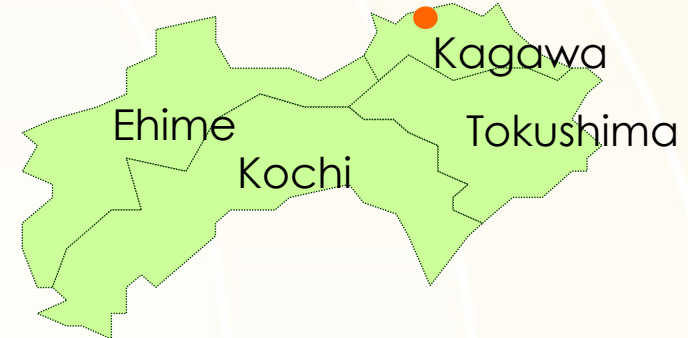
- ◆ **Introduce more advanced management methods**
- ◆ **Strictly enforce operating rules and traceability**

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

(Billions of Yen)



(Design of completed plant)





Developing overseas operations



China

<Beijing Want-Yang Foods Ltd.>

Feb. 2011 Established a joint venture company.

May 2012 Plans to launch a new plant.

Products: Bento (boxed meals), Onigiri (rice balls), sushi, prepared breads, Chinese-style steamed buns, etc.

<Beijing Riyang Xinrong Co., Ltd. >

Established Dec. 2012. (wholly owned subsidiary)



Thailand

<CP ALL Public Company Ltd. >

Since Mar. 2006, the Company started to provide CPALL with technical support for the development of chilled food products, etc.



US

<WARABEYA USA, Inc.>

The Company has been conducting its business operations for 31 years in Hawaii.

Jun. 2009 Started operating a Mamaya branded store in a supermarket located in the Ala Moana Center, Hawaii.

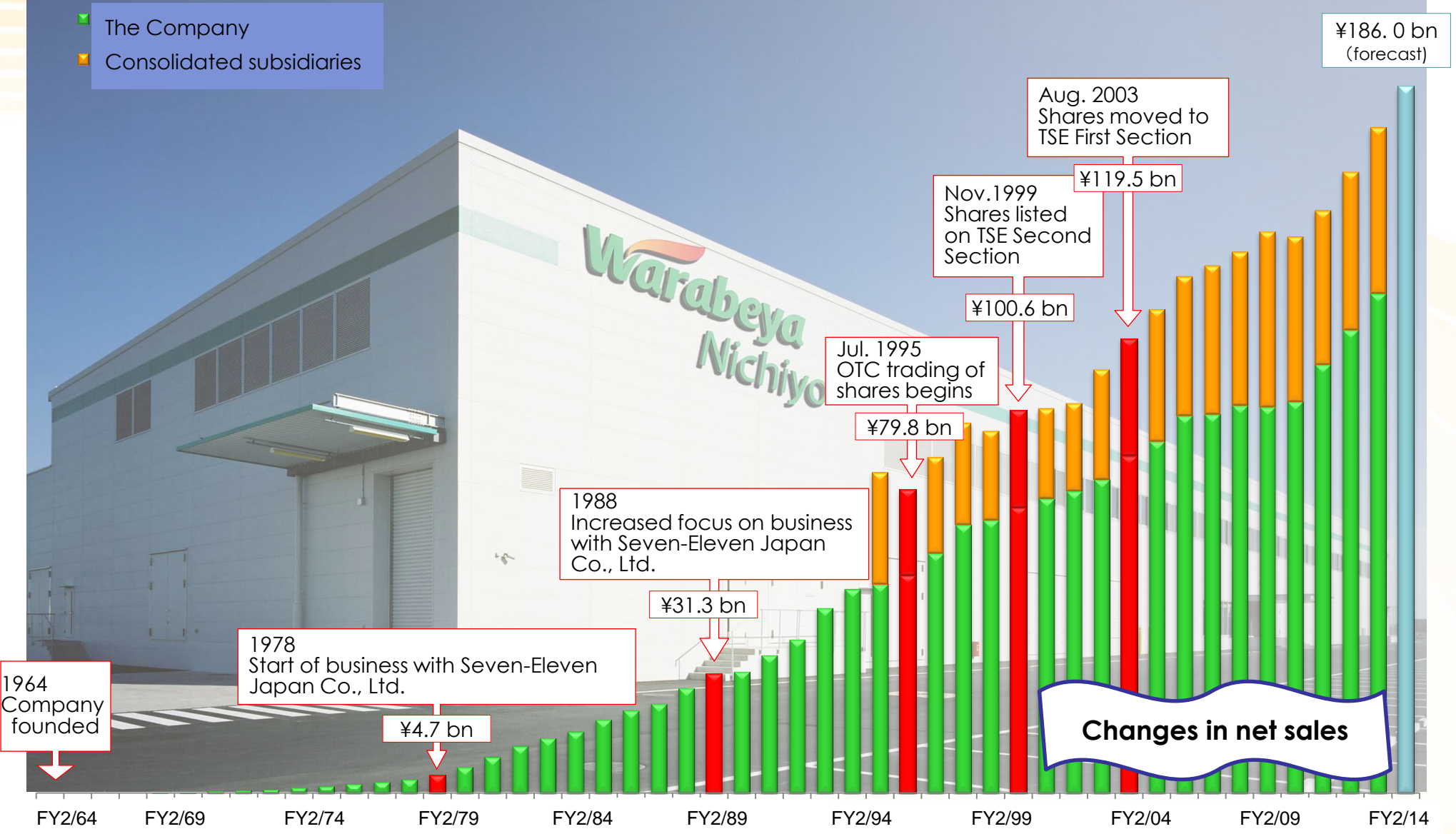
Jun. 2012 Opened a second Mamaya store in the Pearl Kai Shopping Center, Hawaii.

With these experiences, it plans to expand its business to the continental United States.

- ◆ **Increase management personnel in Production Divisions**
- ◆ **Develop human resources for global business**

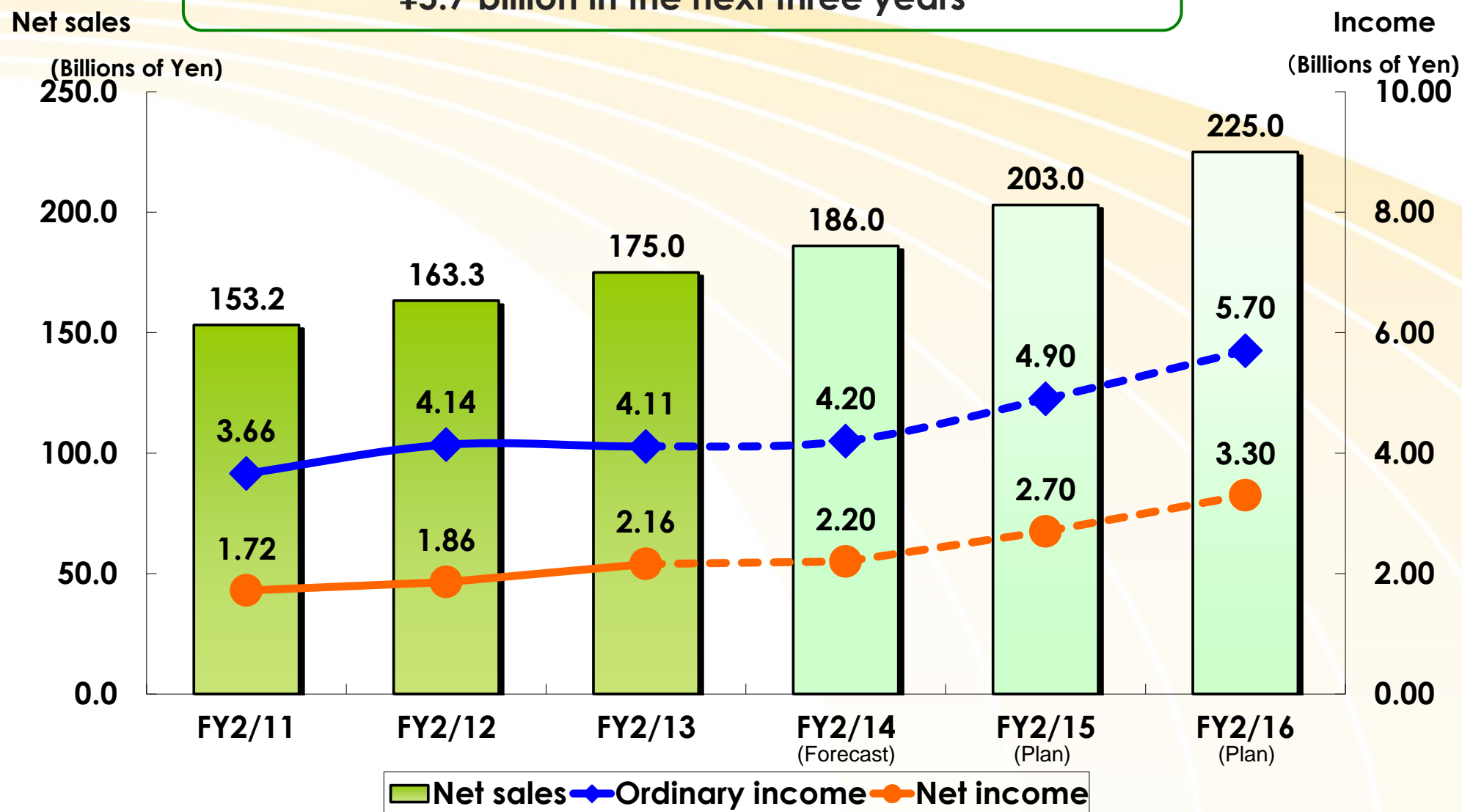
Strengthen the functions of group companies

<p>Food Ingredients Business</p> 	<ul style="list-style-type: none">◆ Increase food production bases both inside and outside Japan◆ Enhance new products such as private-brand (PB) products◆ Established a subsidiary in Beijing to develop sales channels in China
<p>Logistics Business</p> 	<ul style="list-style-type: none">◆ Online supermarket delivery business◆ Develop and expand a temperature controlled warehouse business
<p>Other Business</p>  	<ul style="list-style-type: none">◆ Develop equipment and facilities to save energy and labor◆ Expand the staffing business and moving into other new fields



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

Target net sales of ¥220 billion and ordinary income of ¥5.7 billion in the next three years



This document contains “forward-looking statements” based on the Company's plans, forecasts, 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 forecasts described in this document will be valid in the future.