

Company Name: Warabeya Nichiyo Holdings Co., Ltd.
 Representative: Hideo Tsuji, Representative Director, President
 (Securities code: 2918, Tokyo Stock Exchange, Prime Market)
 Contact: Naoshi Asano, Director, Senior Managing Executive Officer
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Notice of Actions to Implement Management that is Conscious of Cost of Capital and Stock Price

Warabeya Nichiyo Holdings Co., Ltd. (hereinafter the “Company”) is pleased to announce that its Board of Directors has once again analyzed and evaluated its current situation with regard to actions to implement management that is conscious of cost of capital and stock price and has decided on a policy for improvement.

1. Analysis and Recognition of Current Situation

Under the Medium-term Management Plan, which concludes in the fiscal year ending February 2028, the Company is promoting the following initiatives for sustainable growth: (1) improving profits and pursuing consumer demand in domestic Food Production Business (domestic), (2) expanding Food Production Business (overseas), and (3) improving profitability in Group Business. ROE for the fiscal year ended February 2024 was 8.2%, which is higher than the cost of shareholders’ equity (6%) the Company assumes on a CAPM basis, but the P/B ratio was still below 1× for the fiscal year under review (as of June 30, 2024).

Consolidated financial results and management indicators

Fiscal year-end	February 2020	February 2021	February 2022	February 2023	February 2024
Net sales (Millions of yen)	213,581	194,309	192,326	194,416	207,009
Operating profit (Millions of yen)	2,721	3,332	4,441	4,985	6,380
Profit (attributable to owners of parent) (Millions of yen)	1,010	682	3,264	2,810	4,273
ROE (%)	2.3	1.5	7.1	5.7	8.2
Stock price at end of term (Yen)	1,624	1,570	1,834	1,858	2,732
P/B ratio (times)	0.64	0.62	0.67	0.64	0.90

2. Policies and Objectives

As actions to implement management that is conscious of cost of capital and stock price, the Company aims to achieve ROE of 10% or more for the fiscal year ending February 2028 through the achievement of the Medium-term Management Plan. The Company will also promote communication with its shareholders and investors to ensure that they fully understand and evaluate its business plans and growth potential.

For further details, please refer to the attached document, “Actions to Implement Management that is Conscious of Cost of Capital and Stock Price.”

Note: This English translation is provided solely for information purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Actions to Implement Management Conscious of Cost of Capital and Stock Price

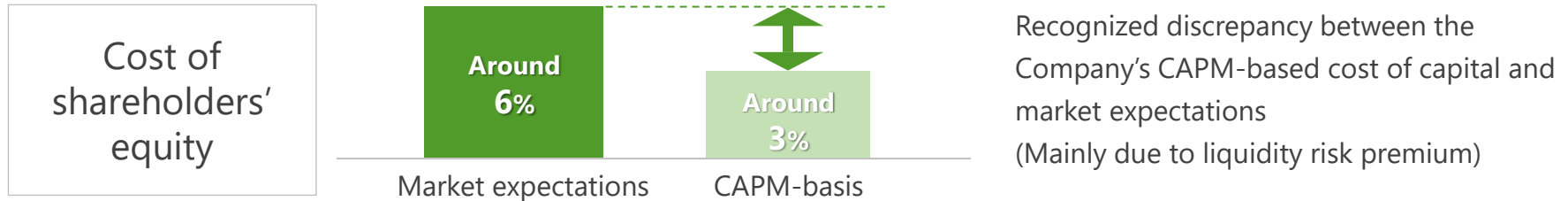
July 9, 2024

Warabeya Nichiyō Holdings Co., Ltd.

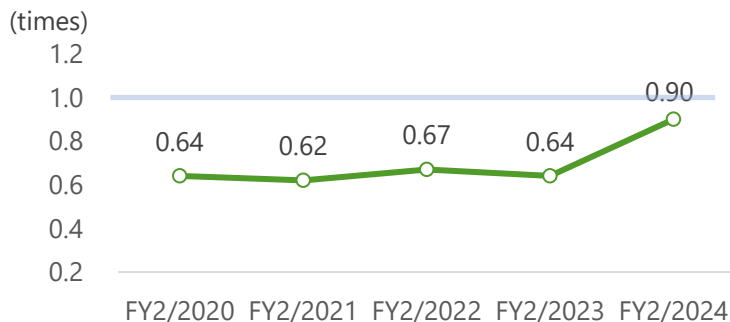
(2918; Tokyo Stock Exchange, Prime Market)

1. Analysis of Current Situation: Changes P/B ratios and ROE

- P/B ratios remain below 1×
- Cost of shareholders' equity is estimated to be around 6%

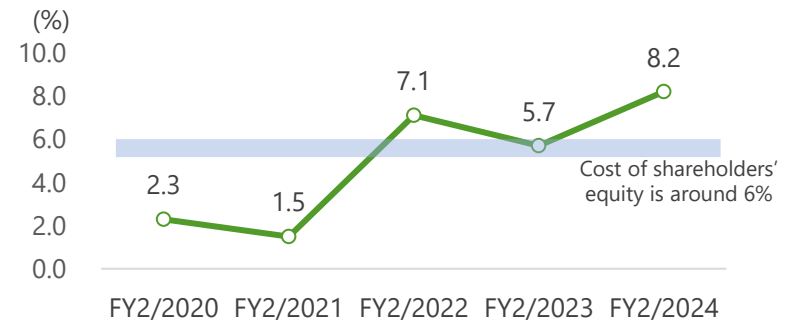


P/B ratios



P/B ratios = Stock price at end of term (adjusted) ÷ Net assets per share
(Net assets and total number of shares are those at the end of the fiscal year)

ROE



ROE = Profit ÷ Equity (Average of beginning and ending amounts)

2. Efforts to improve P/B ratio

- Achieve earnings growth through aggressive growth investments
- Promote management conscious of cost of capital and stock price



Target
ROE of 10% or more
 (FY2/2028)

Initiatives to improve the P/B ratio based on the Medium-term Management Plan ending February 2028 as the final fiscal year (hereinafter the "Medium-term Management Plan")

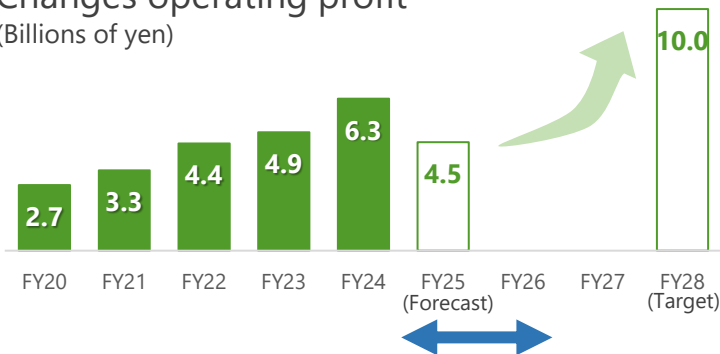
Profitability improvement	Domestic	<ul style="list-style-type: none"> ⦿ Improve production efficiency by consolidating manufacturing, mechanization, etc. through plant reorganization ⦿ Building a sales portfolio by entering new categories ⦿ Strengthening the business foundation of Group Business
	Overseas	<ul style="list-style-type: none"> ⦿ Establishment of a new base in North America, where market growth continues ⦿ Continued growth in existing areas, leveraging expertise in Japan
Financial strategy		<ul style="list-style-type: none"> ⦿ Active use of interest-bearing debt ⦿ Stable and continuous shareholder returns through dividends
IR		<ul style="list-style-type: none"> ⦿ Active and attentive dialogue with shareholders and investors
Sustainability		<ul style="list-style-type: none"> ⦿ Initiatives related to strengthening governance, as well as environment and human capital

2.1 Profitability improvement

Achieve high-profit growth by promoting initiatives in the Medium-term Management Plan

Medium-term Management Plan

Changes operating profit
(Billions of yen)



Profit level is expected to temporarily decline in FY2/2025 to FY2/2026 due to concentrated growth investments and related costs

Growth investments and related costs	Domestic: Plant reorganization to improve productivity
	Overseas: Opening of new plant

→ Expect to improve profit level in FY2/2027 and beyond by strengthening profit generation capabilities

Initiatives in the Medium-term Management Plan

Investing 50 billion yen in growth over 5 years, centered on a new plant

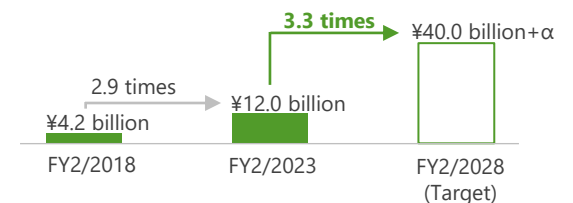
Domestic (Growth through productivity improvement)

- Transfer of manufacturing to new plants or consolidation of manufacturing between existing plants
- Build a sales portfolio that can respond to changing consumer demand
- Strengthen Group Business through added value such as processing and new services

Overseas (Growth through scale expansion)

- Prioritize investment in the U.S., where high growth continues, with the aim of expanding net sales to more than triple the current level
- Large new plant to open in Ohio in 2025, following Virginia (2023)
- Further improvement of quality through coordination among multiple areas

Growing overseas business (Sales in U.S.)



2.2 Financial strategy

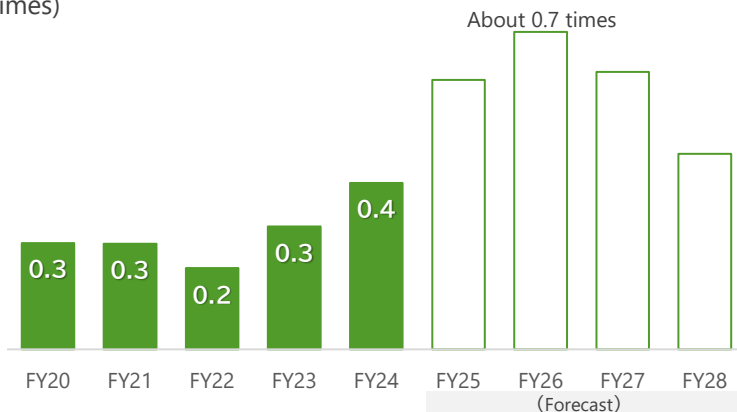
Aiming to improve capital efficiency through the use of interest-bearing debt and shareholder returns

Financial leverage

Aggressive use of interest-bearing debt for growth investments

- **For the time being, a D/E ratio of around 0.5 to 0.7× is the target**

Changes in D/E ratio (times)



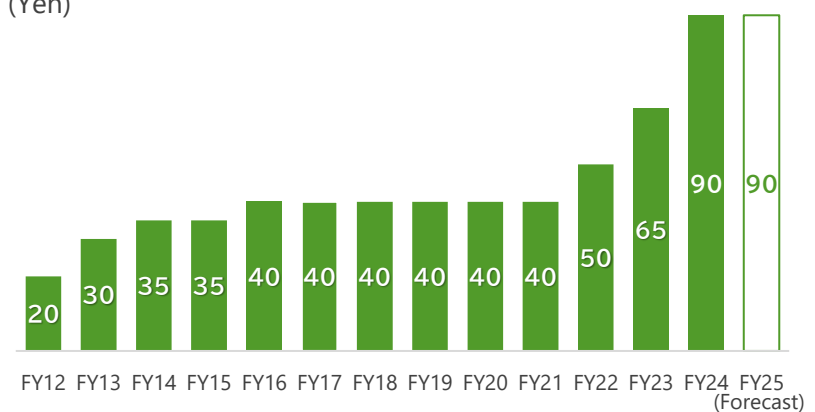
D/E ratio = Interest-bearing debt ÷ Net assets

Shareholder returns

Revised dividend policy in conjunction with the formulation of the Medium-term Management Plan to further enhance profit distribution (April 2023)

- **Consolidated dividend payout ratio 40%**
- **Stable and continuous dividend payments**

Changes in dividend per share (Yen)



2.3 IR/Sustainability

Reduce cost of capital through dialogue with capital markets and enhanced disclosure of non-financial information

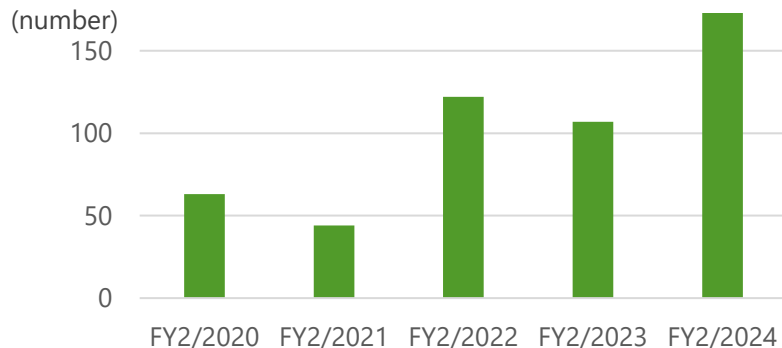
IR

Enhancement of information disclosure

- Enhancement of English-language information and simultaneous disclosure with Japanese
- Posting of non-financial information on the website

Improve understanding of the business by conducting plant tours

Annual number of interviews
(institutional investors and analysts)



Promotion of sustainability management

Strengthening governance

- Ensure compliance
- Strengthening the supervisory function of the Board of Directors

Environmental initiatives

- Reduction of CO2 and industrial waste emissions
- Reduction of food loss through longer freshness

Human capital initiatives

- Improve employee engagement
- Promoting diversity management

FY2/2031
Target

Ratio of women in management
10% or more

Annual paid leave acquisition rate
80% or more

Note: Targeting Warabeya Nichiyo Holdings and Warabeya Nichiyo Foods