



Fiscal Year Ended February 2018 Results Briefing

WARABEYA NICHIO HOLDINGS CO., LTD.
(2918)

April 17, 2018



Overview of Financial Results for FY2/18 and Full-year Forecast for FY2/19 (Consolidated Basis)



Consolidated financial results for FY2/18

(Millions of yen)

| | FY2/17 | FY2/18 | | YoY | Vs. Revised forecast |
|---|--------------------|--|---------------------------|----------------|----------------------|
| | Results | Revised forecast (Announced in Oct. 2017) | Results | | |
| Net sales | 214,305 (100.0) | 219,600 (100.0) | 219,103 (100.0) | 4,797 <2.2> | -496 <-0.2> |
| Operating income | 4,099 (1.9) | 4,150 (1.9) | 3,731 (1.7) | -367 <-9.0> | -418 <-10.0> |
| Ordinary income | 4,304 (2.0) | 4,450 (2.0) | 4,023 (1.8) | -281 <-6.5> | -426 <-9.6> |
| Profit (attributable to owners of parent) | 2,281 (1.1) | 2,500 (1.1) | 2,093 (1.0) | -187 <-8.2> | -406 <-16.2> |
| EPS (Yen) (attributable to owners of parent) | 130.09 | 142.56 | 119.40 | -10.69 | -23.16 |
| ROE (%) | 5.4 | — | 4.8 | -0.6 pt | — |

* For the fiscal year ended February 28, 2017, the Company booked provision for loss on guarantees of subsidiaries and associates of ¥0.44 billion and provision of allowance for doubtful accounts for subsidiaries and associates of ¥0.26 billion under extraordinary losses.

* For the fiscal year ended February 28, 2018, the Company booked provision for loss on guarantees of subsidiaries and associates of ¥0.24 billion, provision of allowance for doubtful accounts for subsidiaries and associates of ¥0.30 billion, and impairment losses on fixed assets of ¥0.44 billion under extraordinary losses.

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

Revised estimates for FY2/18 announced on October 5, 2017.

Revised forecast (announced on Oct. 5, 2017) and operating income difference factors

(Millions of yen)

| | FY2/18 | | Vs. Forecast |
|-----------------------------|--|------------------------|-----------------|
| | Revised forecast (Announced in Oct. 2017) | Results | |
| Operating income | 4,150 (1.9) | 3,731 (1.7) | -417 <-10.1> |

[Difference factors]

Food Products Business -512

Personnel expenses (change in product mix, etc.) -212

Ingredient costs -150

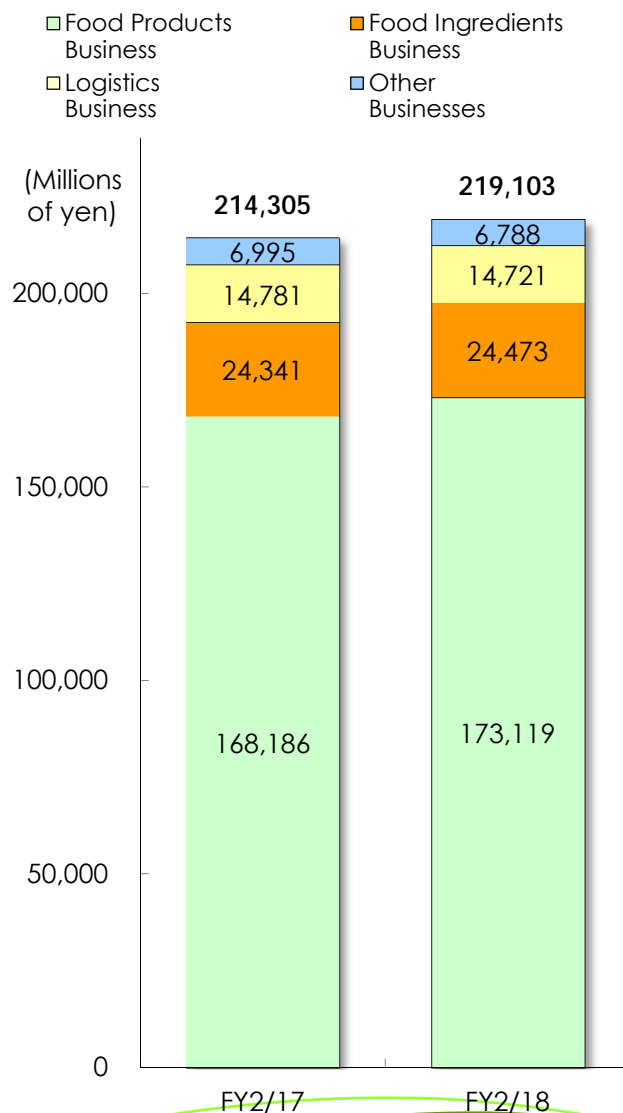
Utilities costs -150

Logistics Business +81

* Figures in () show sales ratio, and figures in < > show change (%).
Revised estimates for FY2/18 announced on October 5, 2017.

Consolidated net sales by segment (YoY)

(Millions of yen)

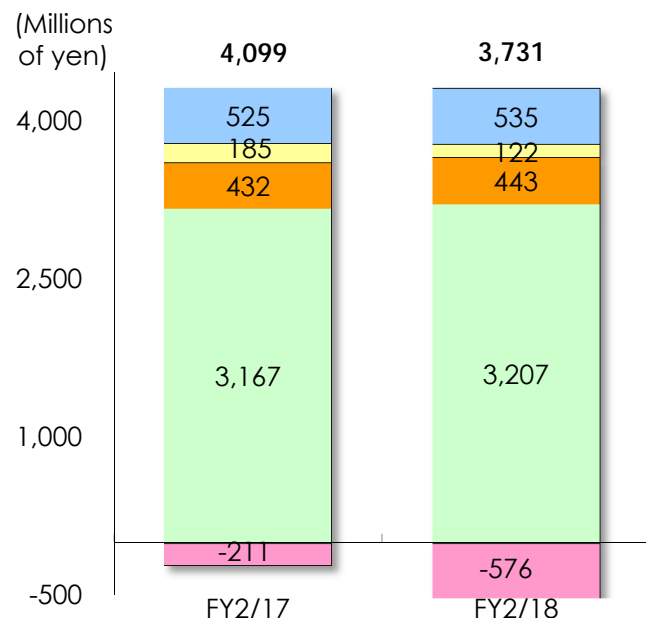


| | FY2/17 | FY2/18 | Change <Change (%)> | Change factors |
|------------------------|---------|----------------|------------------------|--|
| Total net sales | 214,305 | 219,103 | 4,797 <2.2> | |
| Food Products | 168,186 | 173,119 | 4,932 <2.9> | (+) Increase in delivery point stores and sales growth for chilled bento meal boxes |
| Food Ingredients | 24,341 | 24,473 | 132 <0.5> | (+) Increase in volume of vegetables and agricultural products handled (-) Decline in volume of processed marine products handled |
| Logistics | 14,781 | 14,721 | -59 <-0.4> | (-) Lower volumes in distribution business supplying Seven-Eleven stores and other users |
| Other | 6,995 | 6,788 | -207 <-3.0> | (+) Sales growth in temporary staffing and contracting business (-) Decline in large projects in food engineering business |

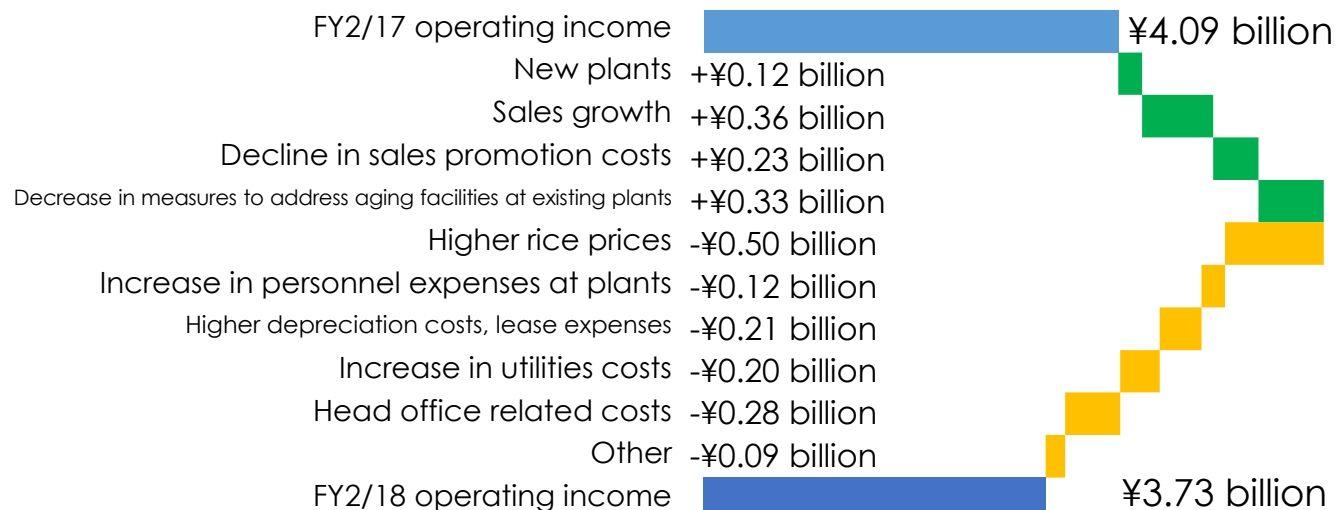
Consolidated operating income by segment (YoY)

■ Food Products Business
 ■ Food Ingredients Business
 ■ Logistics Business
 ■ Other Businesses
 ■ Inter-segment Transactions

(Millions of yen)



| | FY2/17 | FY2/18 | Change <Change (%)> | Change after adjustment <Change (%)> |
|-------------------------------|--------------|--------------|------------------------------------|--|
| Total operating income | 4,099 | 3,731 | -367 <-9.0> | -367 <-9.0> |
| Food Products | 3,167 | 3,207 | 40 <1.3> | -257 <-8.1> |
| Food Ingredients | 432 | 443 | 10 <2.4> | 10 <2.4> |
| Logistics | 185 | 122 | -62 <-34.0> | -62 <-34.0> |
| Other | 525 | 535 | 9 <1.7> | 9 <1.7> |
| Inter-segment transactions | -211 | -576 | -365 <-> | -68 <-> |



YOY -¥0.36 billion
Change factors

Non-operating income/expenses and extraordinary income/losses in FY2/18

(Millions of yen)

| | FY2/17 | FY2/18 | Change |
|--|----------------|----------------|-----------------|
| Operating income | 4,099 (1.9) | 3,731 (1.7) | -367 <-9.0> |
| Non-operating income | 647 (0.3) | 689 (0.3) | 42 <6.6> |
| Non-operating expenses | 442 (0.2) | 398 (0.2) | -43 <-9.9> |
| Ordinary income | 4,304 (2.0) | 4,023 (1.8) | -281 <-6.5> |
| Extraordinary income | — (—) | — (—) | — (—) |
| Extraordinary losses | 708 (0.3) | 995 (0.5) | 287 <40.5> |
| Profit before income taxes | 3,595 (1.7) | 3,027 (1.4) | -568 <-15.8> |
| Total income taxes | 1,314 (0.6) | 933 (0.4) | -380 <-28.9> |
| Profit (attributable to owners of parent) | 2,281 (1.1) | 2,093 (1.0) | -187 <-8.2> |

FY2/17: Breakdown of extraordinary losses

| | |
|--|-----|
| Provision of allowance related to Frevo Farm | 500 |
| Provision of allowance related to Nichiman | 200 |

FY2/18: Breakdown of extraordinary losses

| | |
|--|-----|
| Provision of allowance related to Nichiman | 550 |
| Impairment losses related to Kushiro Plant | 440 |

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

Consolidated balance sheets at end-FY2/18

(Millions of yen)

| [Assets] | FY2/17 | FY2/18 | Change | [Liabilities and net assets] | FY2/17 | FY2/18 | Change |
|---------------------------------|----------|----------|---------|----------------------------------|----------|----------|---------|
| Current assets | 36,316 | 30,952 | -5,364 | Current liabilities | 26,660 | 26,053 | -606 |
| Non-current assets | 47,561 | 55,936 | 8,375 | Non-current liabilities | 14,040 | 16,548 | 2,508 |
| [Property, plant and equipment] | [41,427] | [48,830] | [7,403] | [Interesting-bearing debt] | [12,730] | [14,708] | [1,977] |
| [Intangible assets] | [920] | [904] | [-16] | Total liabilities | 40,700 | 42,602 | 1,901 |
| [Investments and other assets] | [5,213] | [6,202] | [988] | Total net assets | 43,176 | 44,286 | 1,109 |
| Total assets | 83,877 | 86,888 | 3,010 | [Retained earnings] | [26,858] | [28,247] | [1,389] |
| | | | | Total liabilities and net assets | 83,877 | 86,888 | 3,010 |

Total assets as of end-FY2/18: approx. ¥3.0 billion increase

- Decrease in current assets (cash and deposits, etc.): approx. ¥5.3 billion
- Increase in non-current assets (construction in progress, leased assets, etc.): approx. ¥8.3 billion

Total liabilities/net assets as of end-FY2/18: approx. ¥3.0 billion increase

- Decrease in current liabilities (loans payable, etc.): approx. ¥0.6 billion
- Increase in non-current liabilities (long-term lease obligations, etc.): approx. ¥2.5 billion
- Increase in net assets (retained earnings): approx. ¥1.1 billion

Consolidated statements of cash flows for FY2/18

(Millions of yen)

| | FY2/18 |
|--|---------------|
| Profit before income taxes | 3,027 |
| Depreciation | 5,082 |
| Impairment loss | 444 |
| Increase (Decrease) in allowances and provisions | 437 |
| Interest and dividend income | -359 |
| Decrease (increase) in notes and accounts receivable - trade | -305 |
| Decrease (increase) in inventories | -36 |
| Increase (decrease) in notes and accounts payable - trade | -67 |
| Increase (decrease) in accounts payable - other | -1,109 |
| Other | 1,619 |
| Subtotal | 8,733 |
| Income taxes paid | -894 |
| Other | 244 |
| Cash flows from operating activities | 8,082 |
| Purchase of property, plant and equipment | -7,722 |
| Other | -1,429 |
| Cash flows from investing activities | -9,151 |
| Cash flows from financing activities | -4,564 |

| Changes in allowances and provisions (Breakdown) | |
|--|-----|
| Increase (decrease) in allowance for doubtful accounts | 195 |
| Increase (decrease) in provision for loss on business of subsidiaries and associates | -51 |
| Increase (decrease) in provision for loss on guarantees of subsidiaries and associates | 242 |
| Increase (decrease) in provision for bonuses | 98 |
| Increase (decrease) in net defined benefit liability | -47 |

| | |
|---|---------------|
| Effect of exchange rate change on cash and cash equivalents | -100 |
| Net increase (decrease) in cash and cash equivalents | -5,733 |
| Cash and cash equivalents at the beginning of period | 10,937 |
| Cash and cash equivalents at the end of period | 5,203 |

Consolidated financial forecast for FY2/19

(Millions of yen)

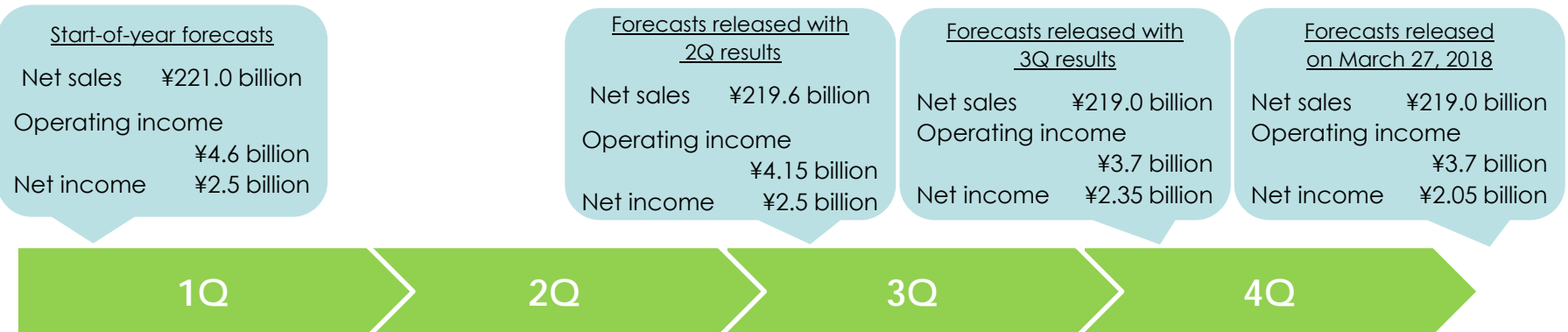
| | FY2/18 Results | FY2/19 Forecast | Change |
|---|---|--------------------|----------------|
| Net sales | 219,103 (100.0) | 224,600 (100.0) | 5,497 <2.5> |
| Operating income | 3,731 (1.7) | 4,000 (1.8) | 269 <7.2> |
| Ordinary income | 4,023 (1.8) | 4,150 (1.8) | 126 <3.1> |
| Profit (attributable to owners of parent) | 2,093 (1.0) | 2,150 (1.0) | 56 <2.7> |
| EPS (Yen) (attributable to owners of parent) | 119.40 | 122.61 | 3.21 |
| Change factors (Billions of yen) | <p>◆ Net sales: Increase in delivery point stores, contribution from consolidation of Prime Deli</p> <p>◆ Operating income: (Positive factors) Sales growth +0.7, changes to product standards +0.7, contribution from consolidation of Prime Deli +0.1, other +0.09 (Food Ingredients, Logistics, and Other Businesses)</p> <p>(Negative factors) Capital investment (earthquake proofing, one-time costs, depreciation, etc.) -0.89, increase in personnel expenses -0.44</p> | | |

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

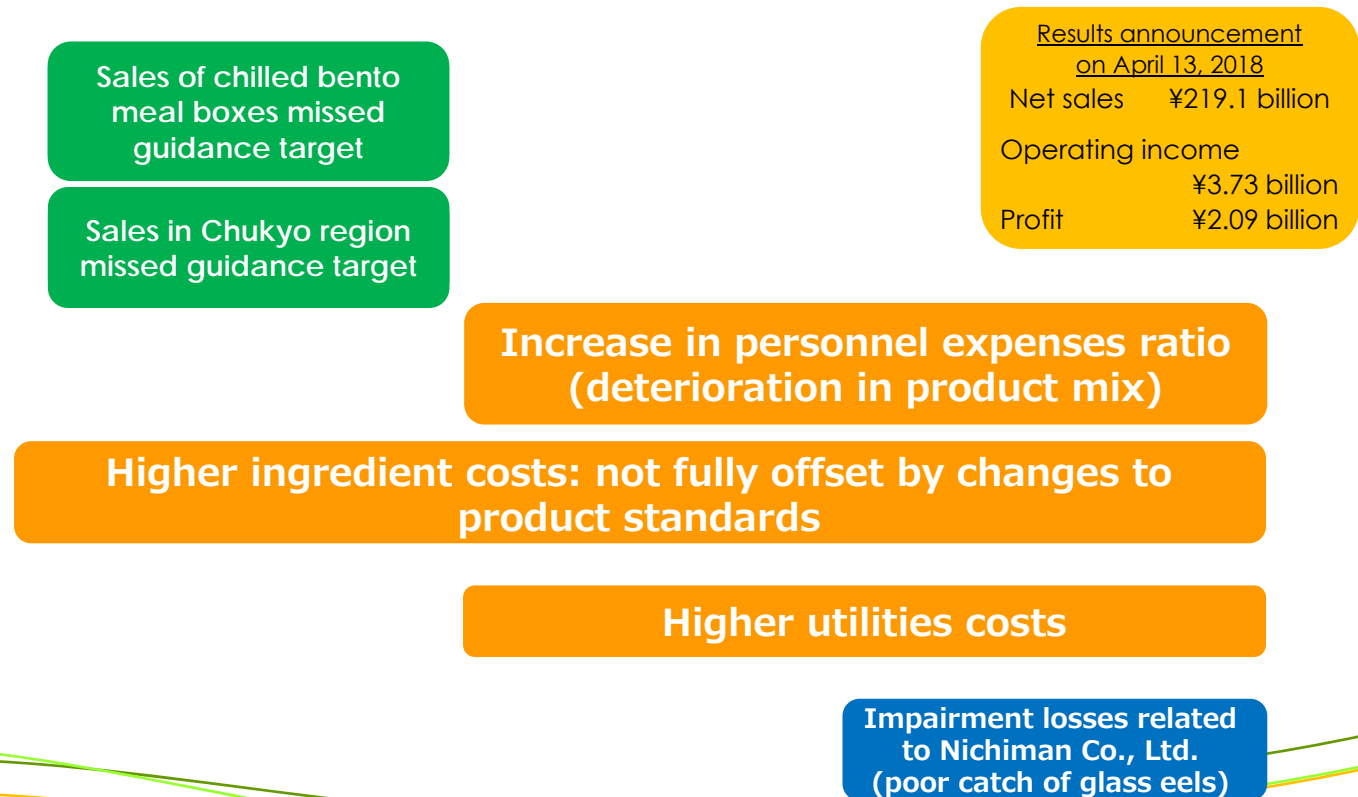


Medium-term Issues and Future Policies

Overview of FY2/18 (1)



Reasons for downward revisions



Overview of FY2/18 : Near-term Challenges and Initiatives

1. Revitalize chilled bento meal boxes

- Renew popular basic chilled bento meal boxes



Improve operating rates at Urawa Plant

- Launch new products

2. Reenergize Chukyo region

- Invest in personnel, launch new products



Increase sales of chilled bento meal boxes

Restore market share



Special pork cutlet
rice bowl
¥498 (incl. tax)
Available from
October 17, 2017



Special chicken and
egg rice bowl
¥450 (incl. tax)
Available from
November 7, 2017



Grilled chicken bento
meal box
(keichan yaki)
(with fried noodles)
¥498 (incl. tax)
Available from
December 5, 2017 to
February 19, 2018



Fluffy crab omelet
on rice
¥398 (incl. tax)
Available from
January 9, 2018



Rich beef curry with
Matsusaka beef
¥698 (incl. tax)
Available from
December 13, 2017 to
March 6, 2018

Issues

1. Grow sales per delivery point (store)
2. Rising ingredient costs, personnel expenses and utilities costs
3. Weak profits at Kushiro and Iwate plants

Issue 1 and Initiatives

Issue

Grow sales per delivery point (store)

Initiatives

- Strengthen the production framework for chilled bento meal boxes → Initiative 1-1
- Reinforce product development → Initiative 1-2

Initiatives: Strengthen the production framework for chilled bento meal boxes

Initiative 1-1

Invest in chilled bento meal box production facilities
(integrated production line covering heating through to cooling)

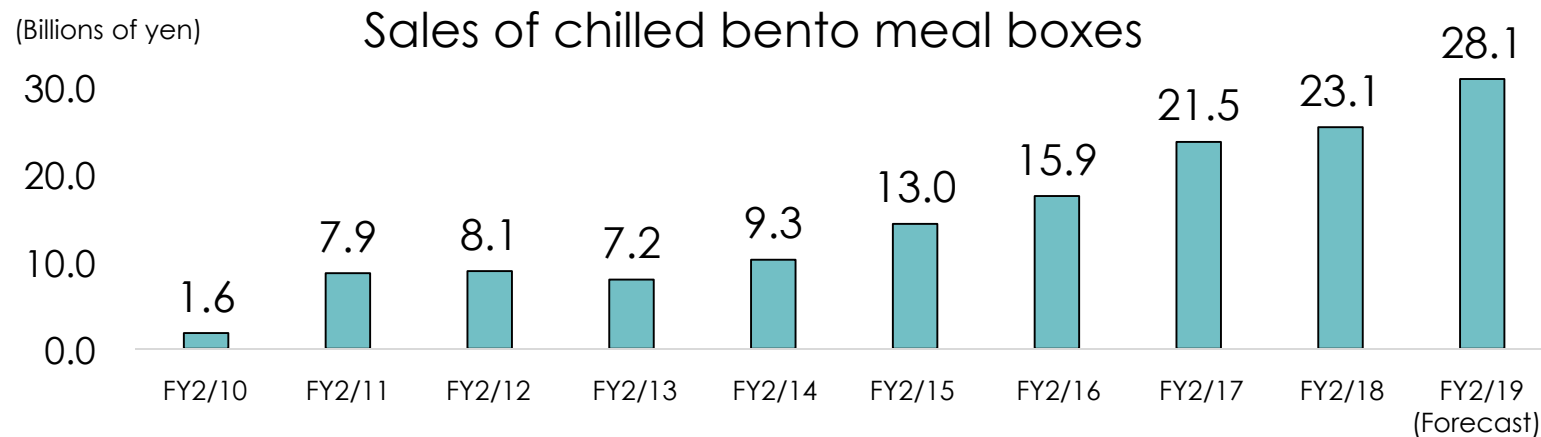
Sagamihara Plant: Operational from October 2017

Sakai Plant: Scheduled to start operations in June 2018

Yoshikawa Plant: Scheduled to start operations in October 2018

Nagoya Plant: Scheduled to start operations in October 2018

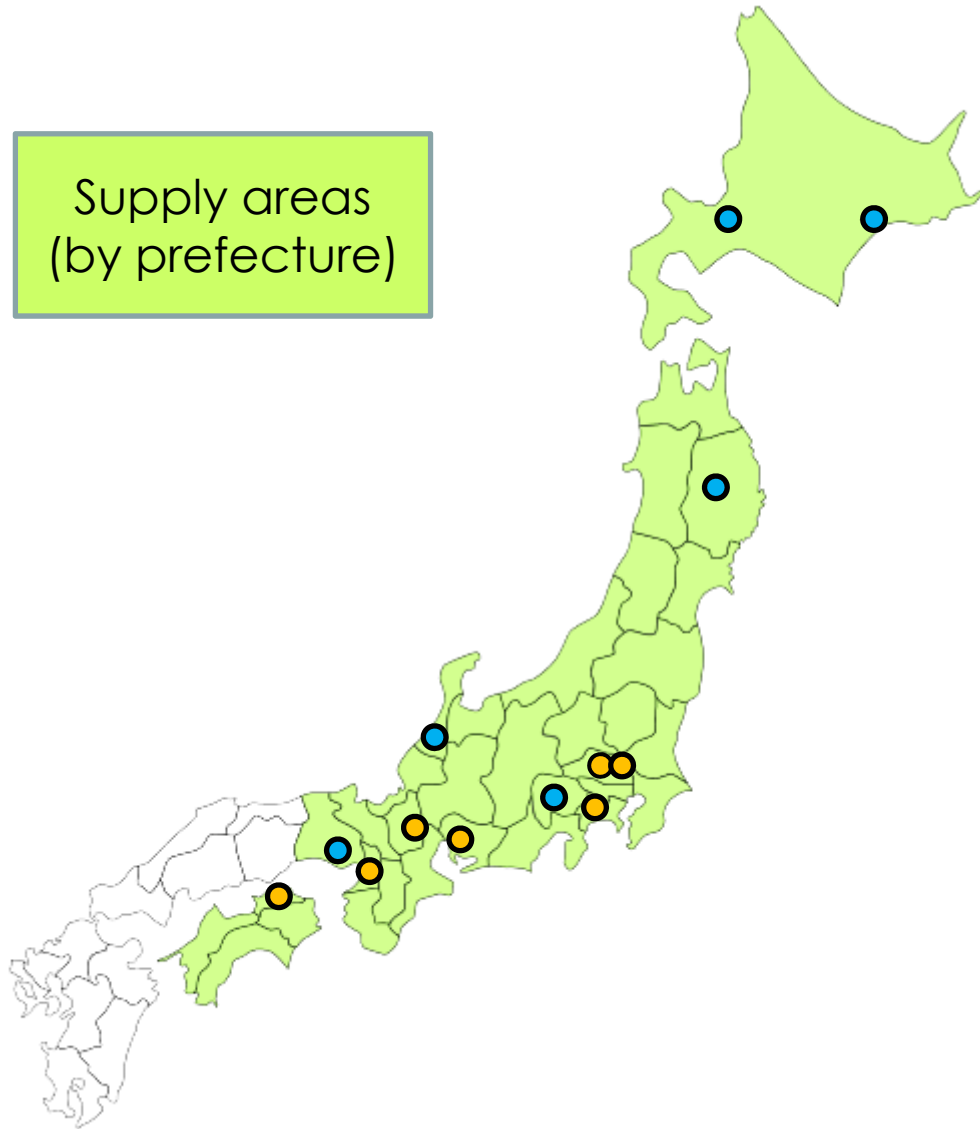
Increase
production
capacity



Initiatives: Strengthen the production framework for chilled bento meal boxes

Initiative 1-1

Supply areas
(by prefecture)



- Plants with integrated production lines covering heating, cooling and topping processes
- Plants with conventional production facilities

Yoshikawa Plant

Urawa Plant

Sagamihara Plant

Nagoya Plant

Shiga Plant

Sakai Plant

Kagawa Plant

Sapporo Plant

Kushiro Plant

Iwate Plant

Minami Alps Plant

Hokuriku Plant

Miki Plant

Initiatives: Reinforce product development (cooked rice products)

Initiative 1-2

- Enhance the range of chilled bento meal boxes
 - ✓ Mainstay chilled bento meal boxes (pork cutlet rice bowl, chicken and egg rice bowl, curry, spicy tofu and minced meat rice bowl): make further improvements
 - ✓ Develop new products (rice omelet, hamburger bento meal box, etc.): prepare to start test sales
- Improve the onigiri rice ball lineup
 - ✓ Launch onigiri rice balls with specially selected rice
 - ✓ Develop healthy products



Boiled down in soy sauce butterbur rice balls
with specially selected rice
(Japanese butterbur)
Available from May 22
(price to be confirmed)

Same dietary
fiber content as
one whole
lettuce



Glutinous wheat rice balls
with green soybeans and small shrimp
Available from April 17
¥130 (incl. tax)

Initiatives: Reinforce product development (other products)

Initiative 1-2

➤ Renew sandwich products

- ✓ Improve bread
Enhance texture and flavor
- ✓ Improve egg filling
- ✓ Make sandwiches fresher
for longer

Increase sales volume
Reduce wastage rate → Higher orders

➤ Initiative to address changes in Seven-Eleven store layout

- ✓ Reinforce development of counter-top products, led by Nichiyo Co., Ltd.

➤ Initiative to expand into new categories

- ✓ Smoothies : Plan to restart test sales
- ✓ Other : Currently implementing various initiatives aimed at contributing to earnings over the medium term

Issue 2 and Initiatives

Issue

Rising ingredient costs, personnel expenses and utilities costs

Initiatives

- Strengthen cooperation with Seven-Eleven
 - Review product standards and supply prices
- Improve productivity
 - Continue to take on trainees from overseas
- Continue to develop and introduce labor-saving equipment

Initiative: Continue to develop and introduce labor-saving equipment

- ✓ Labor-savings at plants producing chilled bento meal boxes



Introduce equipment to put cut seaweed packets with chicken and egg rice bowls

- ✓ Further improve productivity in onigiri rice ball processing



Introduce machines to align onigiri rice balls in trays

Issue 3 and Initiatives

Issue

Weak profits at Kushiro and Iwate plants

Initiatives

- Reduce number of product items
- Overhaul production and distribution
- Efficiently deploy personnel

Overseas expansion:

US

- WARABEYA USA (Hawaii): Relocate plant, Increase production capacity (scheduled to start operations from April 2020)
- PRIME DELI (Dallas, Texas): Personnel assigned from April, In-store test sales scheduled to start from 2H Consolidated subsidiary from FY2/19

China (Beijing and Tianjin)

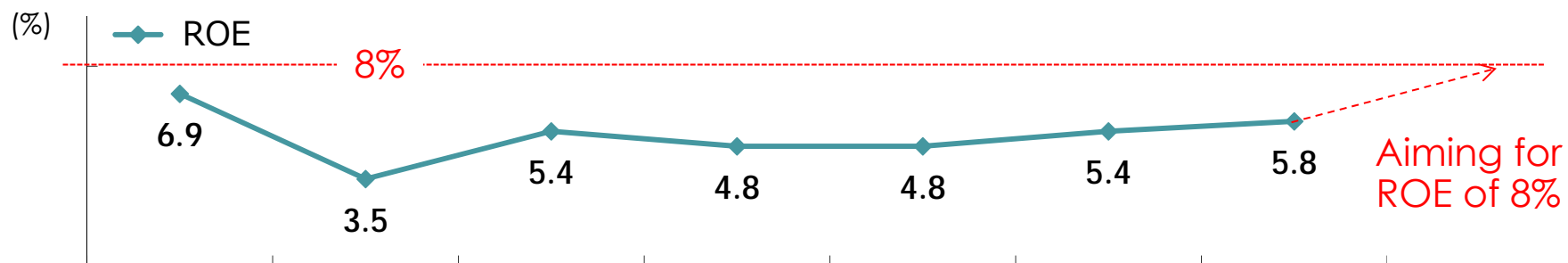
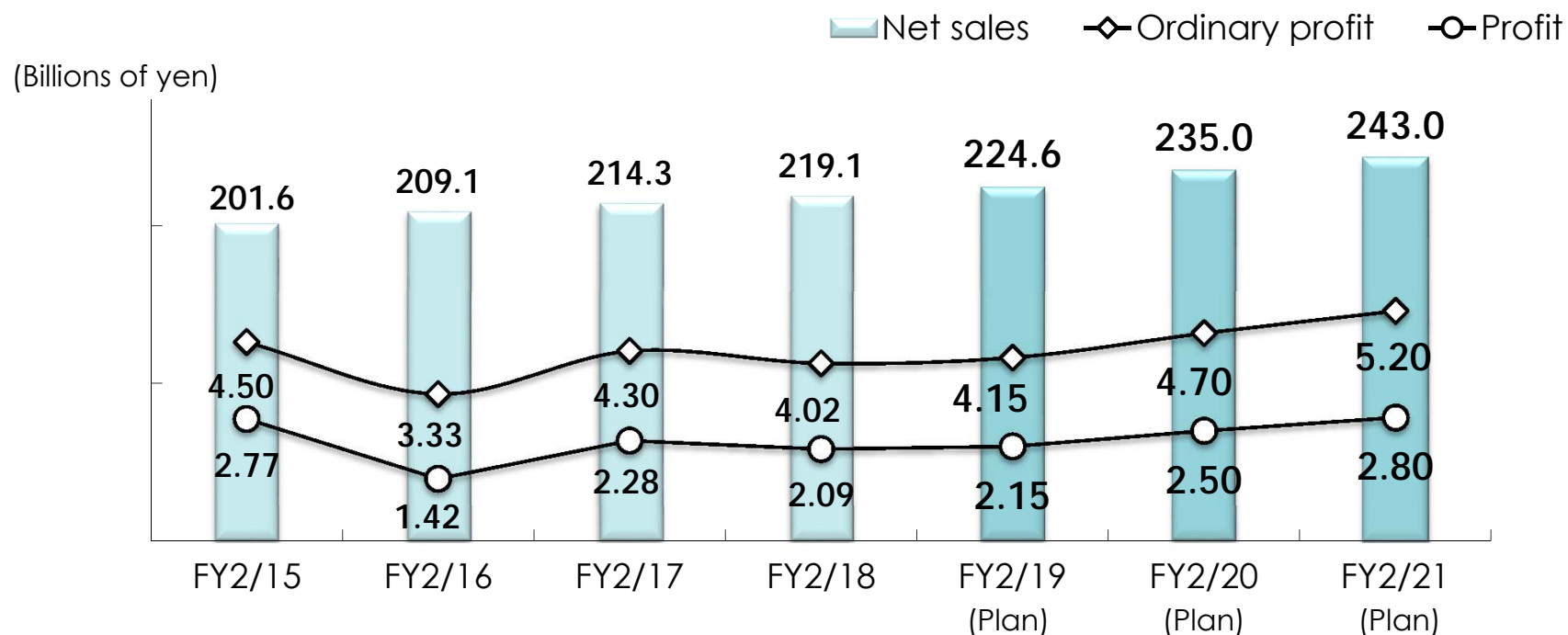
- Beijing Want-Yang Foods LTD.: Steady growth in sales
→ Expand plant (scheduled to come online from August 2018)

Other Asia

- CP ALL / CP RAM, Thailand: Continue providing technical support

Increase contribution to earnings from overseas businesses by continuing to invest in growth market

Medium-term management plan (consolidated)



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.

Warabeya
Nichiyo

Warabeya
USA

NICHIYO

Warabeya
Nichiyo HLDGS.

Bestrans

PROSYSTAS

SociaLink

Other affiliated
companies

Japan

Nichiyo Fresh Co., Ltd.

Sun Foods Yokokura Co., Ltd.


Nichiman Co., Ltd.

Overseas

Prime Deli Corp.

Beijing Want-Yang Foods Ltd.

Beijing Riyang Xinrong Co., Ltd.



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