

Warabeya Nichiyō HLDGS.

The 54th fiscal year Report for Shareholders

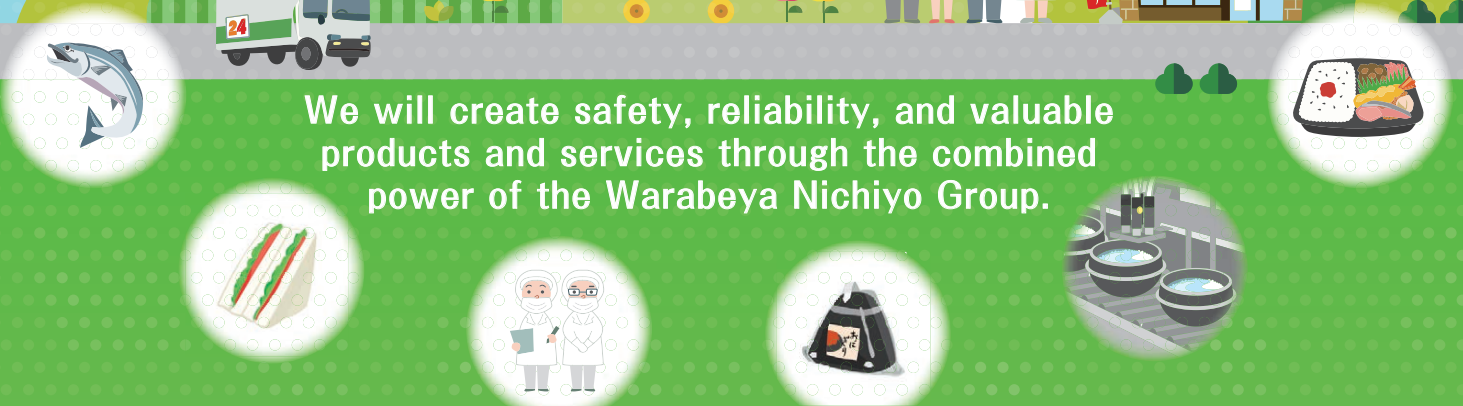
From March 1, 2017 to February 28, 2018

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.



We will create safety, reliability, and valuable products and services through the combined power of the Warabeya Nichiyō Group.



Series

Exploring the strengths of the Warabeya Nichiyō Group!! 2

Quality Control & Hygiene Management

Maximum daily production: **6 million meals**

Quality control inspections: **1,200 samples/day**

World-top class management capability is implemented thoroughly from ingredient procurement through to production and delivery.

Since our founding more than 50 years ago, we have been growing with the same, unchanged motto, “thoroughgoing hygiene management is given greater priority than any other work process.”

In May 2017, Warabeya Nichiyō Co., Ltd.’s Urawa Plant became the very first factory in the ready-to-eat meal manufacturing industry to obtain a certificate of compliance with the JFS-E-B Standard, a Japan-initiated food safety management standard. This move is in response to the Ministry of Agriculture, Forestry and Fisheries’ policy mandating conversion to HACCP systems by 2020.

In our future efforts, we will further strengthen the Group’s quality control and food safety by expanding compliance with the JFS-E-B Standard to all our plants.

Thorough quality inspection



Certificate of compliance



Interview with the President

We will work vigorously on creating attractive products while striving to enhance operating efficiencies and to secure the human resources in the new business climate.



Hiroyuki Otomo
Representative Director, President

Business results and initiatives in the fiscal year ended February 28, 2018

The business climate in the fiscal year under review was challenging following a slowdown in the growth of Seven-Eleven Japan's same-store sales, increase in customer traffic and pace of new store openings, which had been growing steadily prior. Nevertheless, sales growth from the introduction of new "chilled bento" meal box products helped drive sales, resulting in our eighth consecutive year of revenue growth. In contrast, profits declined due to the change in sales mix, where sales of high margin onigiri rice balls slowed and sales of bento meal boxes with high cost price ratio increased, and because of soaring ingredient costs and utilities expenses.

Taking into account this business climate in Japan, the Group focused on overseas expansion with the Overseas Business Department, which commenced

activities this fiscal year, heading up our efforts. In November 2017, we acquired Prime Deli Corporation, a supplier of sandwiches to Seven-Eleven stores in Texas, US. Additionally, in Japan, we continued efforts to increase productivity at plants. Our efforts to promote labor-saving through mechanization, along with a detailed examination into plant relocations and efficient investment, also proved to be positive results we yielded in the fiscal year under review.

Objective and effects of head office relocation

The Group has made capital expenditures mainly at its plants annually, but in recent years the importance of increasing the workforce for new product R&D and food safety has grown at our head office. For this reason, we decided to relocate our head office to central Tokyo as a way to improve the workplace environment and secure talent.

The new head office is just a 10-minute drive from the Seven-Eleven Japan head office in Chiyoda-ku, which has greatly reduced travel time compared to before January, when our head office was located in Kodaira City.

The new head office also offers convenient access to our plants throughout Japan, making it possible to use time more efficiently in various aspects of our operations, which has also had the effect of reducing overtime. Product development departments, an area that we particularly wanted to strengthen through the relocation of the head office, were given four of the building's 11 floors, expanding the size of the development kitchen by approximately 1.4 times.

Recently, we conducted a satisfaction survey of employees about the new head office. Employees raved about the workplace environment. Among the most popular is "Wara Café," an employee cafeteria designed by a team of junior female employees. This



cafeteria, which is much larger than its counterpart in the previous head office and can accommodate more people, is used more often and encourages interactions between employees from different departments.

Our three core production functions are "Product Development," "Production Technology," and "Quality Control & Hygiene Management." The relocation of our head office has greatly contributed to "Product Development" and "Quality Control & Hygiene Management." Going forward, we will work on further improvements in the workplace environment, including systematically revamping the facilities at our plants nationwide, in an effort to enhance "Production Technology" as well.

Outlook for the fiscal year ending February 28, 2019

Currently, the "bento" meal box category is experiencing a shift from products kept at around 20°C to "chilled bento" meal boxes. In the fiscal year ending February 28, 2019, we will continue to focus on product development in this area. After June, we plan to begin trial sales of "Fuwatoro Omurice" (fluffy and creamy omelet rice) made with a new technique that lets tender curds of eggs gently spread over rice when the omelet is cut open. In addition, as part of our efforts to increase our lineup of "onigiri" rice balls, we will introduce new products made with premium rice and products with five-grain rice cooked with different soaking times for each grain.

As for our overseas expansion, we plan to begin operations at a new plant in Hawaii in April 2020 and we have begun work on an extension at our plant in Beijing scheduled to start operations in August. We will work closely with the local Seven-Eleven in each country to focus on product development that accurately meets the local market needs.

As part of our measures to secure and develop a



diverse pool of human resources, we launched in January 2018 an education and training program for foreign technical interns at the Ashigara Training Center in Ashigarakami District, Kanagawa, operated by Socialink Co., Ltd., a staffing agency that is part of the Group. In the month following their arrival in Japan, this extensive training program covers communication, Japanese culture, and hygiene concepts, among other topics. As Japan faces labor shortages, we will develop the necessary infrastructure and strive to more actively recruit foreign nationals.

Message to our shareholders

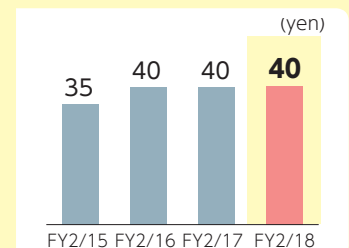
As for the year-end dividend for the fiscal year under review, we paid out 40 yen per share as planned. Our goal is to provide stable and continual dividends to shareholders with an eye on maintaining the dividend payout ratio at around 25%. At the same time, we will strive to establish a structure where we can increase profits in a consistent manner going forward, in order to reach our target of "consolidated ROE of 8%."

The relocation of our head office has resulted in a workplace environment that is more comfortable and productive, greatly raising employee motivation as a result. Also, we can now dedicate efforts to creating a number of new appealing products by focusing further on product development. We look forward to your continued understanding and support.

Dividend per share

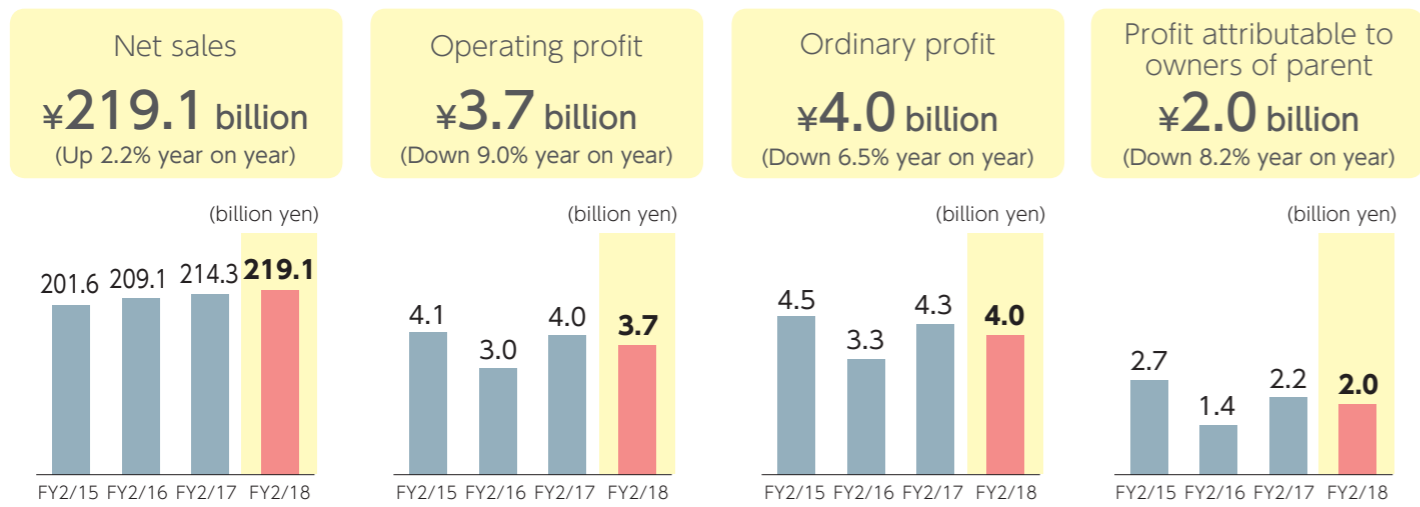
FY2/18

¥40

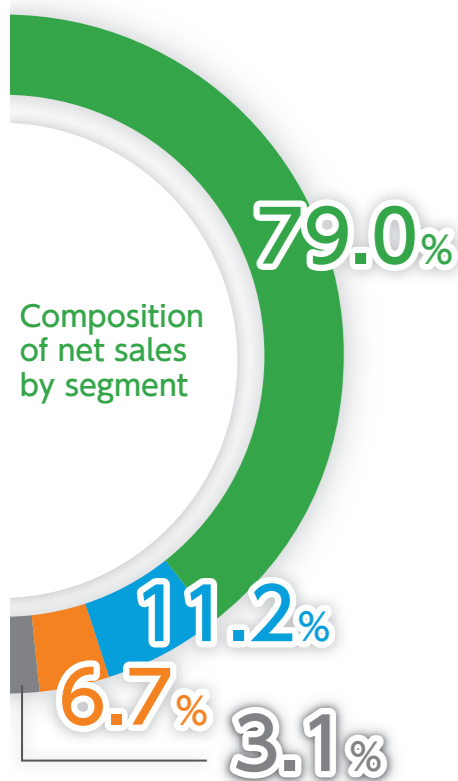




Increase in revenue driven by the growing number of stores we delivered food products to



Operating results by segment



Food Products Business
Manufacture and sale of bento meal boxes, onigiri rice balls, bread products, side dishes, etc. for convenience stores

Net sales **¥173.1 billion** (Up 2.9% year on year)
Operating profit **¥3.2 billion** (Up 1.3% year on year)

Food Ingredients Business
Procurement, processing and sale of food ingredients from Japan and overseas

Net sales **¥24.4 billion** (Up 0.5% year on year)
Operating profit **¥0.4 billion** (Up 2.4% year on year)

Logistics Business
Sorting and delivery of food products and ingredients, proposal of logistics systems

Net sales **¥14.7 billion** (Down 0.4% year on year)
Operating profit **¥0.1 billion** (Down 34.0% year on year)

Other
Providing total support for creating food factories through services such as consultation, overall factory design, and proposals regarding production lines, equipment, and maintenance, as well as the design and sale of cooking machines.

Net sales **¥6.7 billion** (Down 3.0% year on year)
Operating profit **¥0.5 billion** (Up 1.7% year on year)

For detailed financial information, please visit our website www.warabeya.co.jp/en/ir/library/result.html

Or → Warabeya Nichiyō Holdings Search Home page For Investors IR library

Outlook for the next year / consolidated earnings forecast for the fiscal year ending February 28, 2019

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Dividend forecast for the fiscal year ending February 28, 2019
¥224.6 billion (Up 2.5% year on year)	¥4.0 billion (Up 7.2% year on year)	¥4.15 billion (Up 3.1% year on year)	¥2.15 billion (Up 2.7% year on year)	¥40 per share

Relocation of Head Office to Shinjuku, Tokyo



Exterior



11F: Employee Lounge "Wara Café"



The employee dining facility "Wara Café," which is also used as a place for discussions and lunch meetings with suppliers/customers, has been positively received.



1F: Development Kitchen



2F: Development Kitchen



3F: Tasting Room



5F: Inspection Department



6F: Nichiyō Co., Ltd.



7F: Business Operations Floor



9F: Senior Management Floor, Meeting Rooms



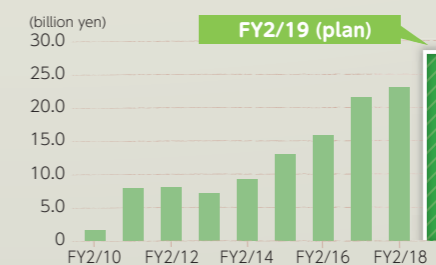
We named the meeting rooms "Osechi," "Ehomaki," "Sekihanomusubi", etc. after product names.

We relocated the head office to Shinjuku, Tokyo in January this year to prepare for future business expansion and promote further efficiency improvements in business processes through the consolidation of the Group's functions. In the area of product development, in particular, we have consolidated our development bases in the Tokyo metropolitan area, which had been distributed over three locations, into one development facility. This gives us an even stronger "Product Development" capability through extensive cooperation between product development and food ingredient development. The new head office offers employee-friendly offices with greater access to suppliers/customers and greater per-person office floor space. At the same time, the offices are environmentally friendly due to such initiatives as paperless workflows and energy-efficient air conditioning.

Strengthening the chilled bento meal boxes production system for productivity improvement

To respond to the expanding sales of chilled bento meal boxes we introduced new manufacturing facilities in the Sagami-hara Plant. As part of future efforts, we plan on introducing and enhancing chilled bento meal box manufacturing facilities in the Sakai Plant, Yoshikawa Plant and Nagoya Plant to expand the supply area by strengthening the production system and meet the diversifying needs of customers.

Chilled bento net sales



New product NEWS

Onigiri rice ball for health conscious customers
Filled with glutinous barley!
Green soybean mixed rice ball



Price: ¥130 (tax included)
Sales area: Nationwide

This is our recommendation!

Contains the equivalent dietary fiber of one head of lettuce. Using soybeans and shrimp, which also add color, the rice ball looks appetizing and is also good for you.

Extended-use-by-date sandwiches
Crispy Lettuce Sandwich



Price: ¥257 (tax included)
Sales area: Nationwide

This is the key point!

Using a new sandwich loaf baked with a different flour formula and cool-stored lettuce, we have improved the softness of the bread and the crispiness of the lettuce. We have made sandwiches that stay fresh and delicious for longer.

WARABEYA PROJECT

Hiring of athletes as employees

We are continuing with the hiring of athletes as permanent employees, an initiative that began with the "Warabeya Project," a project aimed at energizing communication within the Company. In April 2017, we hired Hana Yamada (track and field athlete) as a new graduate recruit, and in April this year, we hired Nonoka Rito (track and field athlete) as a new graduate recruit.

We are continually supporting both of their activities as athletes.

These athletes who aim to compete in the Tokyo Olympics while also fulfilling their work duties provide positive impetus for employees. Also, a higher sense of unity arises among employees through supportive activities to them.



Aiming for sustainable growth of corporate value

Warabeya Nichiyo Group's ESG* Initiatives

Efforts to deepen social responsibility

As a corporate group involved in "food," in addition to placing utmost efforts into safety and security, we are actively involved in assisting in the provision of food in times of disaster through cooperation with national and local government agencies.

We are also promoting diversity through Group-wide activities and we have formulated the action plan "WAP2020" in which we have set targets for 2020. We aim to continue with initiatives aimed at building a company where it is easy to work by responding to the needs of diverse personnel and the various work styles that our employees seek. We also aim to remain a company which contributes to a society through its daily business activities.

* ESG is an abbreviation of Environment, Social, Governance

WAP2020
Warabeya Action Plan

"Placing a diverse range of personnel in positions best suited for their qualifications and experience to maximize their performance."

Women
Active roles for women

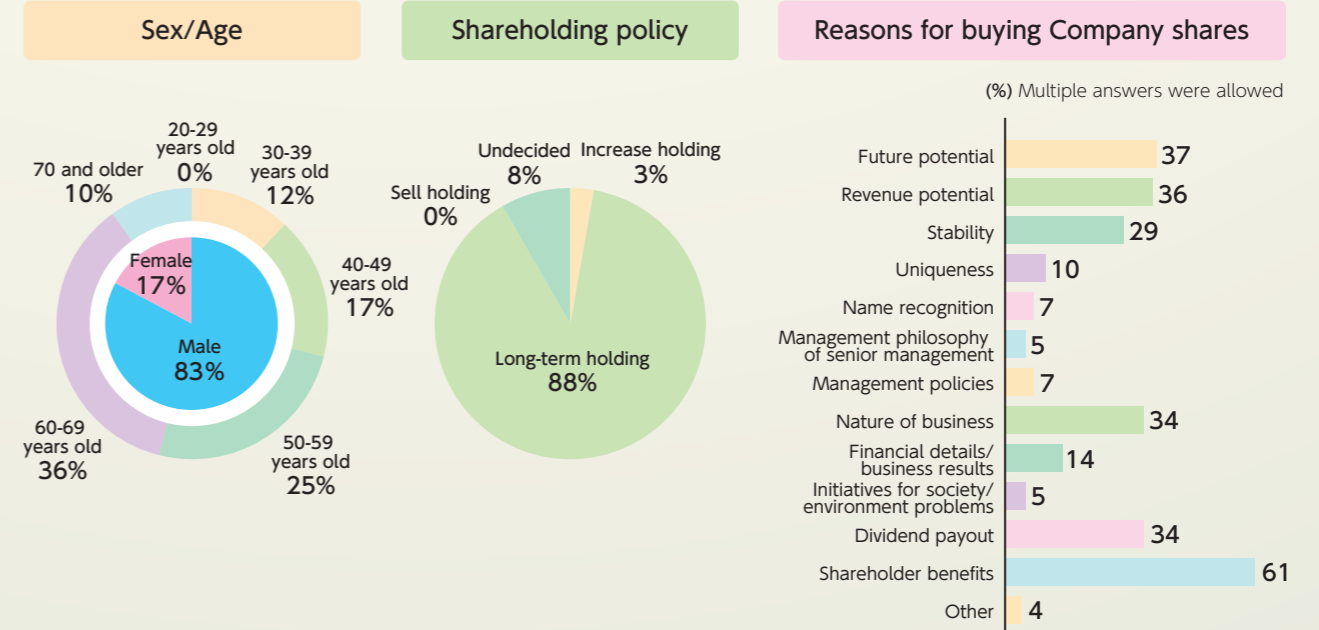
World
Active engagement of foreign nationals from countries around the world

Three Ws
We & Warabeya
We work actively as Warabeya employees regardless of sex, age, or nationality.

Results of shareholders' questionnaire

Thank you for cooperating with the questionnaire.

In the Report for Shareholders for the first half of the 54th fiscal year, we asked shareholders to take the time to respond to a questionnaire and received a lot of answers with thanks. We would like to report on some of the results of this questionnaire. By hearing your valuable opinions, we are able to better carry out our IR activities. We humbly request that shareholders cooperate with future questionnaires as well.



Questions from Shareholders

Q Please explain how you secure your personnel.

In addition to recruiting new employees from new graduates and people who are mid-career in Japan, we have also been hiring foreign nationals since 2010, directing our efforts towards recruiting foreign students studying in Japan and hiring staff from outside Japan.

We are also promoting the enhancement of the human resources system to support various work styles and work-life balance and aim to keep employees working at the Company.

Q Please explain your overseas expansion plans.

In November 2017, we made Texas-based U.S. company Prime Deli Corporation a subsidiary. Together with our operations in Hawaii, U.S. and Beijing, China (joint-venture company), we now have three manufacturing plants overseas.

Focusing particularly on the United States and China, whose markets have growth potential, we plan to continually expand the overseas business in the future.

Opinions and Messages of Support from Shareholders

Please continue to offer tasty and easy-to-eat products.

I am hoping for further progress.

Your onigiri are superb. I have high expectations for products you develop in the future.

I wish for your increasing prosperity.

I am hoping you will deliver stability.

Please continue promoting the development of safe products that don't use food additives.

We will do our best!



Corporate Profile (As of February 28, 2018)

Corporate profile

Trade name WARABEYA NICHIOYO HOLDINGS CO., LTD.
Established March 18, 1964
Capital stock ¥8,049 million
 Listed on the First Section of Tokyo Stock Exchange

Number of employees (consolidated)
 Full-time employees 2,185
 Temporary employees 13,103
 (based on 8 working hours/day)

Group's main businesses
 Manufacturing and sales of cooked food
 Procurement, processing and sales of food ingredients
 Sorting and delivery of food products and ingredients
 Sales of food processing machines
 Temporary staffing and contracting business

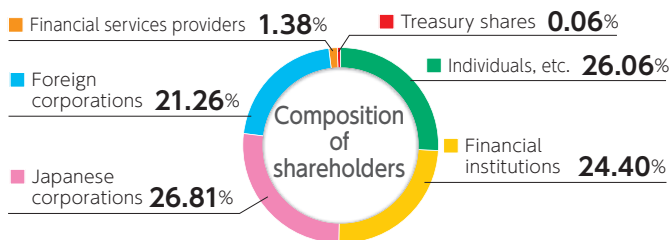
Total number of authorized shares to be issued
 55,000,000 shares

Total number of issued shares
 17,625,660 shares

Number of shareholders
 9,920

Major shareholders

Name of Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
Seven-Eleven Japan Co., Ltd.	2,195	12.45
Otomo Asset Management Co., Ltd.	1,350	7.65
Japan Trustee Services Bank, Ltd. (Trust Account)	1,121	6.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	564	3.20
Hiroyuki Otomo	520	2.95
Warabeya Nichiyoh Mutual Prosperity Association	492	2.79
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	480	2.72
Kyoko Otomo	283	1.60
The Bank of New York Mellon 140044	276	1.57
Japan Trustee Services Bank, Ltd. (Trust Account 5)	250	1.42



Information for shareholders

Business year From March 1 to the end of February
Record date for dividends of surplus
 Year-end dividends: End of February

Annual general meeting of shareholders
 May

Record date for annual general meeting of shareholders
 End of February
 (Record date to determine the shareholders entitled to exercise voting rights at annual general meeting of shareholders) When necessary, record date will be established with prior public notice.

Number of shares per share unit
 100 shares

Method of public notice
 The method of public notices of the Company shall be electronic public notices; provided, however, that if the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notices of the Company may be given in "The Nikkei" newspaper.

Public notice URL <http://www.warabeya.co.jp/ir/accounting.html>
 (in Japanese only)

Shareholder register administrator / special-account managing institution
 Mitsubishi UFJ Trust and Banking Corporation

Place of business 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
 Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division

Contact Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division
 1-1 Nikko-cho, Fuchu-shi, Tokyo
 Telephone: 0120-232-711 (toll free within Japan only)

Mailing address
 P.O. Box 29, Shin-Tokyo Post Office, 137-8081
 Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division

Shareholder benefit announcement

We present a "QUO card" once a year at the end of May to shareholders recorded on the register of shareholders as of the end of February according to the following criteria.



100 shares or more and less than 1,000 shares
 A shareholder who owns 100 shares or more and less than 1,000 shares will receive 1 QUO card equivalent to ¥1,000



1,000 shares or more
 A shareholder who owns 1,000 shares or more will receive 1 QUO card equivalent to ¥5,000

Please tell us your opinions as shareholders

We will conduct a questionnaire to ask the opinions of our shareholders.

We would like to ask for your cooperation with this questionnaire.

Please access the following URL and respond on the questionnaire website displayed after entering the access code. It will take about 5 minutes to complete.

<http://www.e-kabunushi.com>
 Access code: 2918

e-kabunushi search

Automatic URL reply to empty e-mail Please send an empty e-mail to kabu@wjm.jp. (with blank subject line and body) The questionnaire URL will be sent by an automatic reply e-mail.

The questionnaire period is about 2 months from the publication of this Report.

We will give a small prize (¥500 book card) by lottery to those who respond.



* This questionnaire will be conducted by the "e-kabunushi Research" service provided by a2media Corporation. (For details about a2media Corporation, see <http://www.a2media.co.jp>)

* The contents of the responses will be used only as statistical data and will not be used for any other purpose without prior consent.

● Questionnaire inquiries "e-kabunushi Research Secretariat" Tel: 03-5777-3900 (weekdays 10:00 - 17:30) E-mail: info@e-kabunushi.com

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