

Fiscal 2022 Results Briefing Meeting: Summary of Q&A

Time and Date: 13:00 - 14:20 on Tuesday, May 17, 2022

Attendees: Nisshin Seifun Group Inc.

Nobuki Kemmoku, Representative Director and President

Kenji Takihara, Managing Executive Officer

Eiichi Suzuki, Executive Officer, Division Executive, Finance and Accounting Division

Yu Nagaki, Executive Officer, Division Executive, Corporate Planning Division

Q. As the next president of the Company, what kind of management policy will Mr. Takihara take?

A. I intend to manage with a strong awareness of the three concepts presented in “Thinking on Future Business Management” in the material for the financial results briefing meeting. Under one of the three concepts, “Promotion of business management with clarified thinking of relationships with stakeholders,” we will work to raise long-term corporate value for shareholders and achieve an appropriate total shareholder return (TSR).

Q. Please share your thoughts on future investments.

A. Although specific investment decisions have not been made at the present time, we believe that there are always opportunities both in Japan and overseas. We will make investment decisions after confirming that our group’s strengths can be effectively utilized.

Q. The stock price seems to be stagnating. What is your analysis on where the issues lie?

A. I have a feeling that it might be difficult for shareholders to see the driving force of growth. Since our flour milling business in Australia, which has been attracting attention, is experiencing slow growth, we must strive to meet everyone’s expectations. We will work to demonstrate our capability to increase earnings in growth areas in addition to giving shareholders the assurance that the Group is capable of firmly achieving a certain level of profit in its core businesses.

Q. How do you evaluate the management of overseas businesses?

A. As for our overseas business activities, major investments have been made in the U.S., Canada, and Australia among other countries, and the ratio of overseas sales was 27.3% in the fiscal year ended March 2022. On the other hand, the flour milling business in Australia has been facing challenges, and the most important issue for the current fiscal year is the recovery of performance of our Australian flour milling business. The Group has a wealth of knowhow accumulated over 120 years in Japan and more than 30 years in other countries, and I am confident that we can take full advantage of this knowledge to manage our overseas operations.

Q. What is the timeline for adoption of International Financial Reporting Standards (IFRS)?

A. Differences between Japanese GAAP and IFRS are gradually decreasing, and we are closely monitoring the trend. The major difference between Japanese GAAP and IFRS pertains to

the amortization of goodwill. We view that goodwill should be amortized in managing income. At present, we have not decided when we will adopt IFRS and will consider the adoption as a subject for consideration.

Q. Why did you set the operating profit forecast for the fiscal year ending March 2023 at the same level as that of the previous year?

A. Since the fiscal year ended March 2022, we have been taking measures to cope with the rising costs of raw materials and others. However, it is assumed that the considerable rise in the costs of raw materials and others will continue this fiscal year ending March 2023 due to the surge in the prices of grains and resources among other factors caused by the situation in Ukraine. This fiscal year, we regard responding to cost hikes as a top priority issue, and each business will steadily implement measures accordingly. It would be nice if we could make a commitment to secure earnings growth even in such a severe environment, but we need to cope with significant cost increases. We will strive to exceed our earnings forecasts, but because there are risks, such as demand may decline due to product price hikes, we have set our operating profit forecast at the same level as that of the previous year.

Q. What are the prospects for a turnaround in the Australian flour milling business?

A. Attaining profits in our flour milling business in Australia was very difficult in the fiscal year ended March 2022. In the fiscal year ending March 2023, we expect that the business will remain difficult in the first half of the year but will turn to a recovery trend in the second half. Behind the weak performance are the changes in the market, including sluggish demand for in-store bakeries. In addition, in Australia, supply chain disruptions and labor shortages, etc. due to the closure of the border have contributed to cost increases. However, Australia intends to open its borders, and it has been confirmed that the flow of people in the country has returned significantly. Although supply chain disruptions are continuing, they are expected to be gradually resolved, and we intend to increase the probability of a recovery in business performance from the second half of the year by taking measures against the rising costs of raw materials and others.

Q. The Group plans to increase production capacity in the U.S. flour milling business, but is there any risk of excessive supply occurring again in the U.S. market?

A. The decision was made to increase production capacity at the Los Angeles Plant by 150 tons per day, but the capacity increase in our U.S. flour milling business on the whole is about 3%, so it will not have such a big impact.

At present, the supply capacity of the Los Angeles Plant is insufficient, and the plant is receiving support for flour from other plants in California. This is why we decided to make a small investment. As far as we are aware at the moment, there is no sign of other flour milling companies in the U.S. stepping up investment, but we will keep a close eye on future trends.

Q. What are your thoughts on reducing cross-shareholdings?

A. Although there is no change in the policy of reducing cross-shareholdings, the speed of the reduction will be decided through discussions in the management process.