

# Fiscal 2023

# Results Briefing Meeting

May 15, 2023  
Nisshin Seifun Group Inc.



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# I. Fiscal 2023 Results and Fiscal 2024 Forecasts

# 1. Fiscal 2023 Results

- ▶ Net sales **increased** mainly due to the implementation of wheat price revisions in the domestic flour milling business, higher wheat prices in the overseas flour milling business and foreign currency translation effects.
- ▶ Operating profit **increased** despite lower profit in the processed food segment due to strong bran prices in the domestic flour milling business, strong performance in the overseas flour milling business, and lower depreciation and amortization expenses resulting from an impairment loss in the Australia flour milling business.
- ▶ Annual **loss** due to an impairment loss in the Australia flour milling business, despite an extraordinary gain from the sale of cross shareholdings.

\*Figures rounded to the nearest 100 million yen.

(100 millions of yen)	Fiscal 2023 Results	Forecasts		Fiscal 2022 Results	
			Change		Change
Net sales	<b>7,987</b>	<b>7,800</b>	<b>+2.4%</b>	<b>6,797</b>	<b>+17.5%</b>
Overseas sales ratio	<b>32.8%</b>	<b>31.1%</b>	-	<b>27.3%</b>	-
Operating profit	<b>328</b>	<b>330</b>	<b>(0.5)%</b>	<b>294</b>	<b>+11.6%</b>
Ordinary profit	<b>331</b>	<b>350</b>	<b>(5.6)%</b>	<b>326</b>	<b>+1.3%</b>
Profit attributable to owners of the parent	<b>(104)</b>	<b>(100)</b>	-	<b>175</b>	-

## 2. Fiscal 2023: Evaluation by Business

- Fiscal 2023: Evaluation by business (measured by YoY difference in operating profit)












<b>Up YoY ↑</b>	<b>Flour milling (domestic) Flour milling (overseas) Engineering Mesh cloth</b>
<b>Flat YoY —</b>	<b>Prepared dishes and other prepared foods</b>
<b>Down YoY ↓</b>	<b>Processed food Yeast and biotechnology Healthcare foods</b>

### 3. Fiscal 2023 Operating Profit — Year-on-Year Analysis

- Operating profit **increased ¥3.4 billion YoY**. The **increase** was due to strong bran prices, strong earnings in the overseas flour milling business, and lower depreciation and amortization expenses. This was despite lower shipments due to price revisions in the domestic flour milling and the processed food businesses, trailing cost inflation measures mainly in the processed food segment, lower shipments of raw materials for pharmaceuticals, and start-up expenses in the India yeast business.

#### ■ Operating profit: Profit driver analysis (YoY difference)

 : Increased profit  : Decreased profit

	FY2022 results			Major factors of profit increase/decrease
		 <b>¥29.4 bn</b>		
Flour Milling Segment ¥+¥9.0 bn	Sales revenue	 ¥ (0.6) bn		: Lower shipments due to price revisions, worse product mix
	Bran prices	 ¥+1.8 bn		: Strong bran prices
	Cost related and others	 ¥ (1.0) bn		: Electricity and other costs increased despite cost reductions through productivity improvements
	Overseas operating profit	 ¥+8.8 bn		: Strong performance in the U.S. and other countries and a decrease in depreciation and amortization expense in Australia
Processed Food Segment ¥ (6.4) bn	Sales revenue	¥ (2.1) bn 		: Lower shipments due to price revisions, increase in sales expansion expenses (The drop in shipments was partly a reaction to stay-at-home demand in FY2022.)
	Cost related and others	¥ (1.3) bn 		: Trailing against cost inflation, etc.
	Overseas operating profit	¥ (3.0) bn 		: Lower shipments of raw materials for pharmaceuticals, start-up expenses in the India yeast business, etc.
Prepared Dishes and Other Prepared Foods Segment		+¥0.1 bn 		: Cost increases were offset by proposals for value-added products, price revisions, productivity improvements, etc.
Others Segment		+¥0.6 bn 		: Solid earnings in both mesh cloth and engineering businesses
	FY2023 results	 <b>¥32.8 bn</b>		

## 4. Fiscal 2024 Forecasts

- Net sales are expected to **increase** due to the implementation of flour price revisions associated with wheat price revisions in the domestic flour milling business, the effect of new consolidation of Kumamoto Flour Milling Co., Ltd., and sales expansion measures in the processed food business.
- Operating profit is expected to **increase** due to the implementation of price revisions in response to rising costs, including the portion of each business that failed to reflect prices in line with costs in fiscal 2023, the effect of new consolidation at Kumamoto Flour Milling Co., Ltd. in the domestic flour milling business, the recovery of performance in the Australia flour milling business and a decrease in depreciation and amortization expenses, measures to expand sales in the processed food business, and increased shipments in the India yeast business.

\*Figures rounded to the nearest 100 million yen.

(100 millions of yen)	Fiscal 2024 Forecasts	Fiscal 2023 Results	YoY difference	YoY change
Net sales	<b>8,200</b>	<b>7,987</b>	<b>+213</b>	<b>+2.7%</b>
Overseas sales ratio	<b>28.9%</b>	<b>32.8%</b>	-	-
Operating profit	<b>390</b>	<b>328</b>	<b>+62</b>	<b>+18.8%</b>
Ordinary profit	<b>395</b>	<b>331</b>	<b>+64</b>	<b>+19.5%</b>
Profit attributable to owners of the parent	<b>260</b>	<b>(104)</b>	<b>+364</b>	-

# 5. Fiscal 2024 Operating Profit Forecasts — Year-on-Year Analysis

- ▶ Operating profit is forecast to **increase ¥6.2 billion** YoY. Factors driving the increase include the implementation of price revisions in each business in response to rising costs, the impact of new consolidation at Kumamoto Flour Milling Co., Ltd., a recovery in the Australia flour milling business earnings and a decrease in depreciation and amortization expenses, measures to expand sales in the processed food business, and increased shipments in the India yeast business.

## ■ Operating profit: Profit driver analysis (YoY difference)

 : Increased profit  : Decreased profit

		FY2023 results		Major factors of profit increase/decrease	
Flour Milling Segment +¥2.0 bn	Sales revenue	¥32.8 bn	+¥0 bn	: Declining shipments offset by product mix improvement	
	Bran prices		+¥0 bn	: Plan is to be on a par with FY2023	
	Cost related and others		+¥1.3 bn	: Higher costs are anticipated, but we expect appropriate price pass-through of higher costs, effect of new consolidation of Kumamoto Flour Milling, etc.	
	Overseas operating profit		+¥0.7 bn	: Earnings recovery and lower depreciation and amortization in Australia; plan for the U.S. is conservative	
Processed Food Segment +¥4.7 bn	Sales revenue		+¥2.3 bn	: Recover shipments that fell in FY2023 through sales expansion measures	
	Cost related and others		+¥1.5 bn	: Catching up with cost inflation in FY2023	
	Overseas operating profit		+¥0.9 bn	: Profit growth in the premix and India yeast businesses	
Prepared Dishes and Other Prepared Foods Segment			+¥0 bn	: Cost increases to be offset by proposals for value-added products, price revisions, productivity improvements, etc.	
Others Segment			¥ (0.4) bn	: Profit decline in the engineering business and increased profit in the mesh cloth business.	
FY2024 forecasts		¥39.0 bn			



## 6. Medium-Term Management Plan (MTP)— Progress in Numerical Targets

Although we expect the impact of food inflation and other factors to continue in the fiscal 2024, we will **achieve the operating profit target for fiscal 2024** disclosed in the Medium-Term Management Plan. Also, **we aim to achieve the final year target of the Medium-Term Management Plan for fiscal 2027.**

### ■ Comparison of FY2024 forecasts with Medium-Term Management Plan FY2024 targets

	(Reference) MTP Base Year Results (FY2022)	(A) FY2024 Forecasts	(B) MTP FY2024 Targets	(A) - (B)	(Reference) MTP FY2027 Targets
Net sales	¥679.7 bn	¥820.0 bn	¥840.0 bn	¥ (20.0) bn	¥900.0 bn
Operating profit	¥29.4 bn	¥39.0 bn	¥39.0 bn	¥ ±0.0 bn	¥48.0 bn
EPS	¥59	¥87.4	¥90	¥(2.6)	¥110
ROE	4.0%	6.0%	6.4%	(0.4)%	7.0%

# 7. Operating Profit Growth from Overseas Businesses

Overseas businesses were the driver of profit growth during the Medium-Term Management Plan period. Operating profit accounted for by the overseas businesses rose to 30% in fiscal 2023. In fiscal 2027, we aim to achieve ¥18 billion in operating profit from the overseas businesses and have it account for 38% of operating profit.

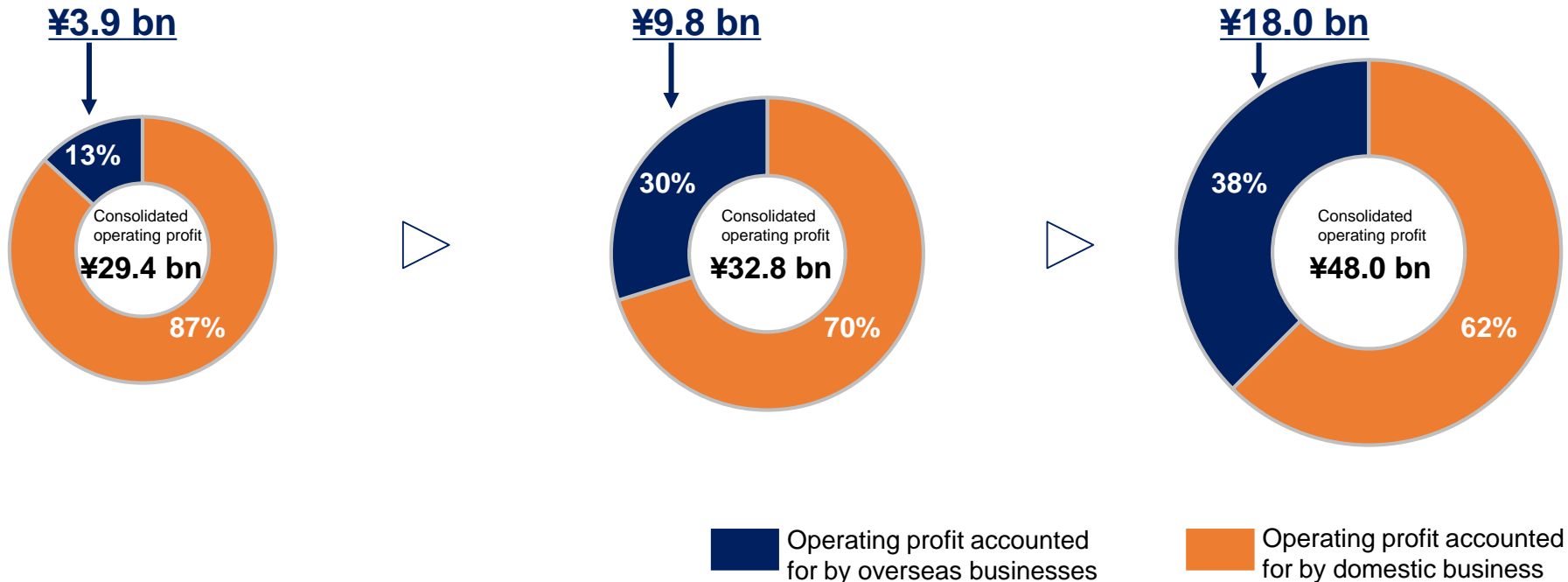
## ■ Operating profit from overseas businesses

**FY2022**  
(MTP base year)

**FY2023**

**FY2027 target**  
(MTP final year)

## ■ Operating profit from overseas businesses



## **II. Top Priority Measures for FY2024 to Achieve the Medium-Term Management Plan**

# 1. Top Priority Measures for FY2024

**(1) Stimulate the Group's Ability to Grow by Restructuring the Business Portfolio**

**(2) Addressing Food Inflation**

**(3) Recovery in the Australia Flour Milling Business**

**(4) Environmental Policy**

**(5) Digital Strategy**

# (1) Stimulate the Group's Ability to Grow by Restructuring the Business Portfolio

Top Priority  
Measure (1)

## ■ Strategies for Strengthening Business Competitiveness in the Medium-Term Management Plan

### ■ Continuation and development of core businesses (Domestic flour milling, processed food, and yeast businesses)

Demonstrate the strengths we have cultivated in each business, **increase our market share by providing new value**, and maintain fair prices. In addition, the businesses will continue to play a central role in the Group's efforts to **secure a high level of profit by implementing cost reductions on a different dimension**.

### ■ Growth businesses (overseas, prepared dishes and other prepared foods businesses) will be the drivers of profit growth and earnings expansion.

### ■ Achieve growth in the healthcare foods and biotechnology businesses, engineering business, mesh cloth business, and new businesses

## ■ Key themes for FY2024 **(Investment projects are carried out after confirming the Group can capitalize on its strengths.)**

### (1) **Execute the necessary investments** to achieve profitable growth in core businesses and **restructure the business portfolio**

- **Create synergies through the integration of Kumamoto Flour Milling**
- **Start of construction of new Mizushima Plant, etc.**

### (2) In growth businesses, examine whether there is any deviation from business plans, make necessary changes in measures, and **accelerate investment in markets with growth potential**.

- **Increase production capacity of the U.S. flour milling business, etc.**

In January, Nisshin Flour Milling Inc. acquired 85% of the outstanding shares of Kumamoto Flour Milling Co., Ltd. In fiscal 2024, we will conduct PMI to create synergies from the integration and further enhance business competitiveness. In addition, construction of the new Mizushima Plant was started to establish a low-cost production system to compete internationally.

## ■ Creating acquisition benefits from Kumamoto Flour Milling

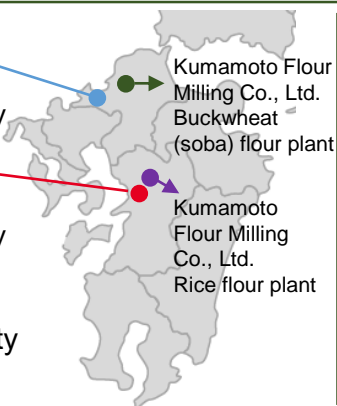
### ■ Nisshin Flour Milling Fukuoka Plant

Production capacity: 550 t/day

### ■ Kumamoto Flour Milling Co., Ltd. plant

Production capacity: 380 t/day

The Group's production capacity in Kyushu expands about 1.7x



## ■ Purpose of acquisition

- Strengthening business competitiveness by creating integrated synergies in the Kyushu area
- Creating synergies with Kumamoto Flour Milling's buckwheat flour, rice flour, etc.

## ■ Effect of new consolidation

- Operating profit is expected to increase by about ¥1.0 billion

## ■ About the new Mizushima Plant

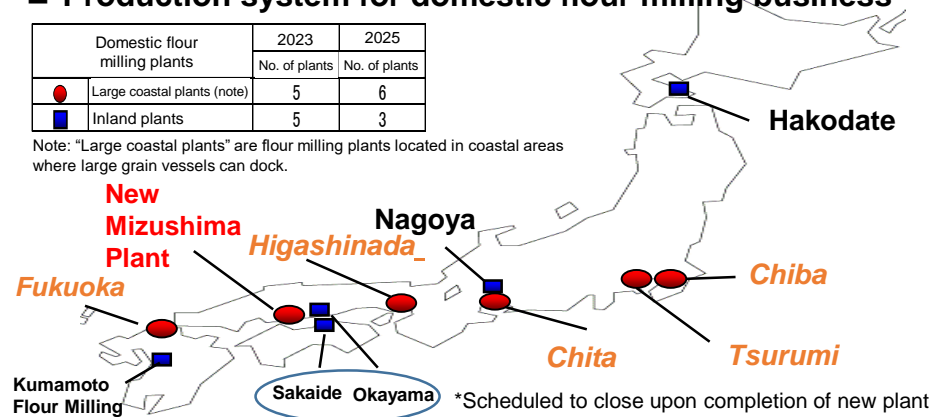
- Construction started in May 2023; scheduled to start operations in May 2025  
⇒ Total construction cost: ¥15.5 billion, production capacity: 550 t/day
- The latest automation and digital technologies are being introduced to achieve eco-friendly smart factories.
- Two existing plants were closed as the new Mizushima plant began operations.  
Percentage of large coastal plants increased from 83% to 92%\*

\* The percentage of large coastal mills increased from 80% to 88% when Kumamoto Flour Milling is added.

## ■ Production system for domestic flour milling business

Domestic flour milling plants	2023	2025
	No. of plants	No. of plants
Large coastal plants (note)	5	6
Inland plants	5	3

Note: "Large coastal plants" are flour milling plants located in coastal areas where large grain vessels can dock.



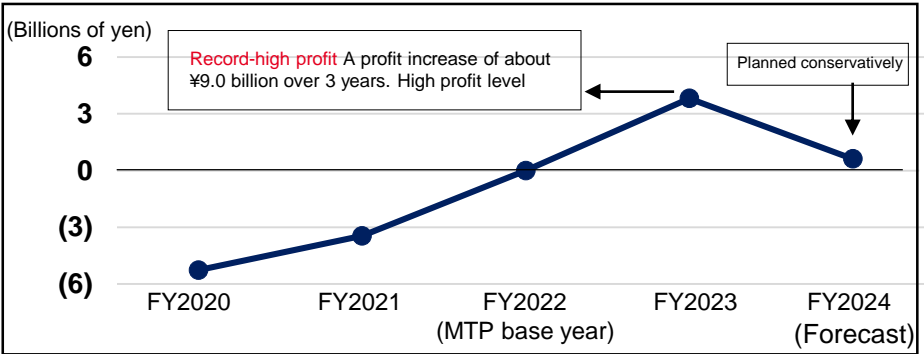
# (1)-2 U.S. Flour Milling Business

Top Priority Measure (1)  
Major business initiatives

Delivering Good Health and Reliability  
日清製粉グループ

Posted record-high profits in fiscal 2023, boosted by the market environment. To maintain and enhance high profitability, we decided to add a new line our plant in Texas, where market growth is expected to continue and operating rates are high.

## Operating profit: Trend over time (FY2022 base)



## To increase production capacity in the Medium-term Management Plan period

- ◆ Los Angeles plant 150 t/day (To be operational in December 2023)
- ◆ Saginaw Plant 600 t/day (To be operational in winter 2024)

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**Total 750 t/day (Production capacity increased by 14%)**

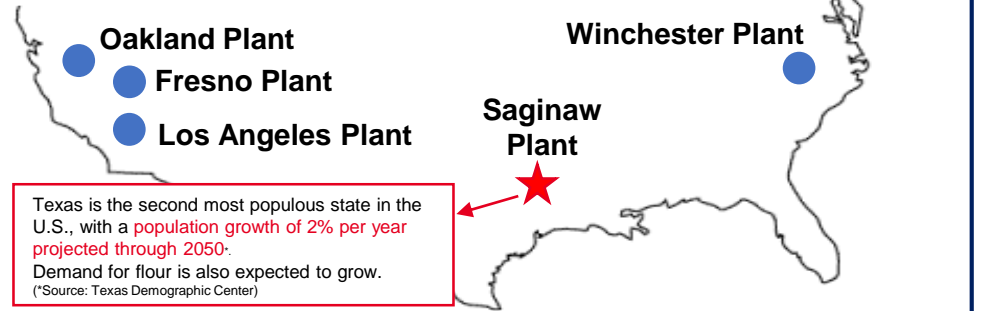
➤ Each is expected to contribute to profits from the first year of operation, and we will maintain and strengthen high profitability.

## Outline of expansion of new Saginaw Plant line

- ◆ Total construction cost: 46 million USD (¥6.2 bn)  
Converted at ¥135.08/USD
- ◆ Production capacity: 600 t/day (raw material basis)
- ◆ New production line increases production capacity at Saginaw Plant by 40%.
- ◆ After the expansion, the Saginaw Plant will have a production capacity (daily) of 2,040 t. 3rd largest capacity for a single plan in the U.S.
- ◆ Assumption of full operation in approx. five years after the new line goes on line

## U.S. plant locations and capacity after expansion (Fresh wheat base)

Plant name and location	Production capacity (t/day)
Winchester Plant	1,640
Oakland Plant	880
Fresno Plant	600
Los Angeles Plant	930
Saginaw Plant	2,040
Total	6,090



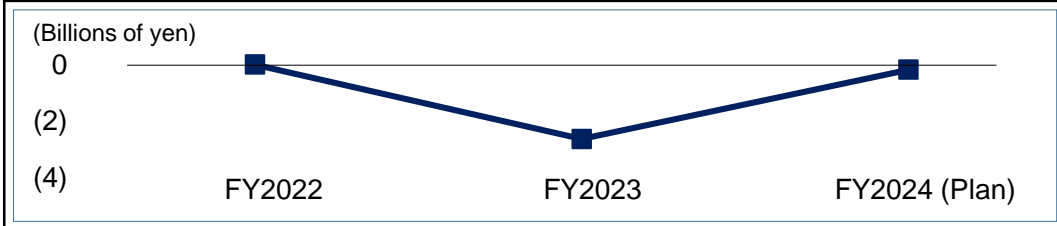
# (1)-3 Processed Food Business

Top Priority Measure (1)  
Major business initiatives

Delivering Good Health and Reliability  
日清製粉グループ

In fiscal 2024, we aim to recover to the profit level of fiscal 2022 and achieve continuous growth as a core business through three strategies: “transformation of business structure,” “expansion of overseas locally self-contained businesses,” and “development of new products that are simple & convenient, authentic, healthy, and eco-friendly.”

## Operating profit: Trend over time (FY2022 base)



- FY2024 Measures for earnings recovery
- Implementation of price revisions
  - Implementation of sales promotion measures (Promote sales and advertising strategies)

## Business strategy of the processed food business

### 1) Transformation of business structure

➤ Maintain and strengthen the room-temperature home-use business, which is the earnings foundation, while reinforcing the commercial-use business, frozen food business, and other businesses.

■ Breakdown of operating profit

FY2022 results (MTP base year)

FY2027 target (MTP final year)

Legend: Room temperature home use (blue), Commercial use, frozen meals, etc. (orange)

### 2) Expansion of locally self-contained overseas businesses

➤ Focus on exports of the Nisshin Seifun Welna brand products and local manufacturing and sales through unification with the new corporate brand “Nisshin Seifun Welna” both in Japan and overseas.

### 3) Development of new products that are simple & convenient, authentic, healthy, and eco-friendly

➤ Aiming to add value to products that are simple & convenient, authentic, healthy, and eco-friendly



The company's yeast plant in India, which started operation in August 2022, has ramped up smoothly and has **already captured about a 10% share of the Indian market**. Despite the assumption that raw material and energy costs will remain high in fiscal 2024, **we expect to achieve steady growth in sales volume and profit**.

## ■ Growth potential of the Indian market

- India has a population of approximately 1.4 billion, the largest in the world (forecast for 2023).
- The bread market is expected to grow at about 6% per year from 2023 onward.
- Production of major bakeries, mainly using fresh yeast, is expected to increase. (The India yeast business produces fresh yeast.)

## ■ FY2024 initiatives

- (1) Strengthening business base** (The factory obtained FSSC22000 certification in February and is currently expanding its sales channels.)
  - Strengthening sales network, refrigerated distribution network, etc. to further expand sales to major users, etc.
- (2) Expanding sales share** (deepening cultivation of existing customers, switching to dry yeast, etc.)
  - **Increasing market share from about 10% to about 20%** in FY2024
- (3) Strengthening the system to expand yeast production**
  - Expanding production capacity while maintaining stable operations
- (4) Profit increase target for FY2024**
  - Aim to **increase profit by ¥0.6 billion** (YoY change)

# (1)-5 Prepared Dishes and Other Prepared Foods Business

Top Priority Measure (1)  
Major business initiatives

Delivering Good Health and Reliability  
日清製粉グループ

Sales for fiscal 2024 are expected to exceed ¥150 billion, already growing to a scale second only to the flour milling business.

In the market for prepared dishes and other prepared foods, which is expected to continue to grow, Nisshin Seifun Delica Frontier Inc. and other companies will leverage the collective strength of the Group, **strengthen R&D capabilities, promote labor saving through automation of production, and increase cost competitiveness.**

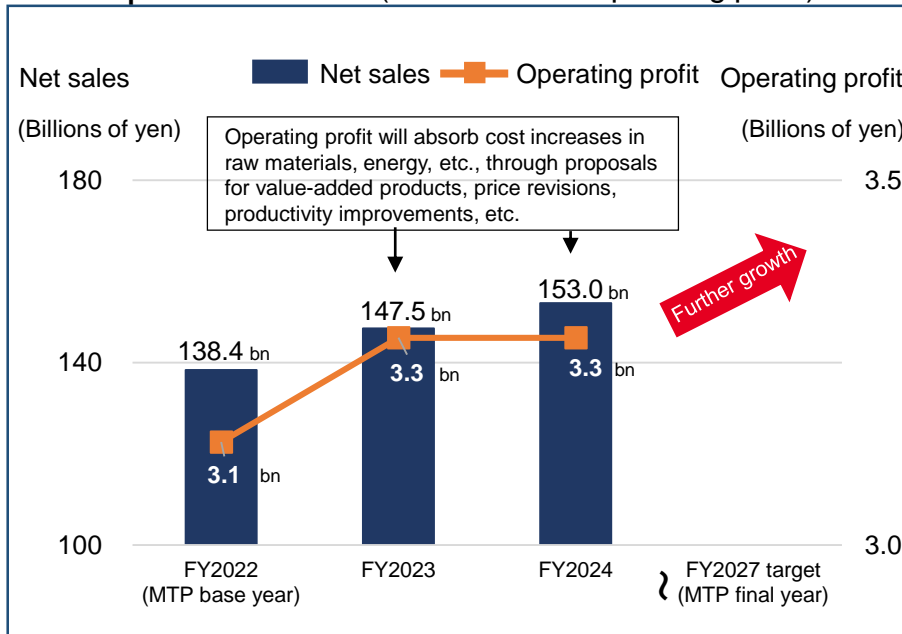
## Key themes in the Medium-Term Management Plan

**Strengthen R&D capabilities**

**Promote labor saving through automation**

**Collaborate among flour milling and processed food segments**

## Growth of the Prepared Dishes and Other Prepared Foods (Net sales and operating profit)



## Strengthen R&D capabilities

### < Aim of R&D >

Realization of “unique deliciousness” in all three temperature zones (chilled, frozen-chilled, frozen)

### < R&D areas of future focus >

- **Health perspective** → Development of technology to bring out the flavor of ingredients, etc.
- **Differentiation perspective** → Development of cooking and cooking processing technology
- **Environmental (waste loss reduction) perspective** → Development of refrigeration technology

**Promote product differentiation and value addition**

## (2) Addressing Food Inflation

Top Priority Measure (2)

Delivering Good Health and Reliability



There was a 5.8% increase in wheat prices in April. In addition, we will **implement appropriate price revisions** in the face of projected continued cost increases in secondary materials, energy, logistics, etc. **We will catch up with the cost increases of fiscal 2023 in businesses where price revisions have trailed.**

### ■ Addressing rising costs in core domestic businesses

	(A) FY2023 Delay in pass-through of higher costs to prices	(B) FY2024 Cost increase assumption (October wheat price is not considered.)	(C) FY2024 Product price revision	(C+B) Contribution to FY2024 earnings growth
<b>Flour Milling Business</b>	¥ (1.5) bn	¥ (7.1) bn	+¥7.7 bn	+¥0.6 bn
<b>Processed Food Business</b>	¥ (1.0) bn	¥ (0.4) bn	+¥5.0 bn	+¥1.0 bn
<b>Yeast Business</b>	¥ (0.4) bn	¥ (2.6) bn	+¥3.0 bn	+¥0.4 bn
<b>Total</b>	¥ (2.9) bn	¥ (13.7) bn	+¥15.7 bn	+¥2.0 bn

# (2)-1 Addressing Food Inflation

## (Processed Food Business: New Product Development Strategy)

In the processed food business, the company will **strengthen its new product development strategy** in addition to price revisions in response to rising costs **in order to expand sales** (77 new products were launched in spring).

### ■ Home use products

#### Evolving into eco-friendly products

Adoption of eco-friendly and eco-packaging

Ma Ma Fast-cooking spaghetti  
FineFast 2/3 size



Use of paper-based packaging

Ma Ma THE PASTA  
Zeitaku Yasai



Packaging partially made from plant-derived plastic

#### Challenging new genres

Proposals for the oatmeal market

Smart Table  
Specialty oatmeal sauce



Easy and delicious oatmeal

Vietnamese cuisine suggestions with frozen foods

Smart Table  
Le Vietnamese



Pho, curry, and rice porridge lineup

Ao No  
Dokutsu



Risotto debut

### ■ Commercial products

#### New solution-driven products

Labor shortages, rising raw material costs

Ma Ma THE PRO  
IQF Series



Addition of new lineups

Ma Ma THE PRO  
Pasta Stella Series



Launch of new flavors

Ma Ma  
Frozen pasta sold exclusively through vending machines



Test marketing started

#### Proposing high-value-added products

Packaging materials capable of microwave cooking

Ma Ma Kaniku Tappuri  
Pasta Sauce Single Serving  
Ao No Dokutsu Piccolino



Adding value to frozen one-dish pasta

Ma Ma THE PASTA  
Specialite  
Ao No Dokutsu



High-quality one-dish pasta proposals

#### Responding to needs for economization and affordability

Proposals for economization needs for further economization and affordable products as cost inflation continues

Nisshin Kotsu No Iranai  
Tempura Flour 450g



Can be fried with 2cm of oil

Ma Ma Microwave for 3 minutes  
Fresh pasta (frozen)



Cooks in 3 minutes, meets needs for appropriate portions

# (2)-2 Addressing Food Inflation (Processed Food Business: Advertising Strategy)

With “Static” measures, which will be repeatedly promoted over a long period of time as the core, we will implement a promotional strategy that incorporates “Dynamic” measures that anticipate the near future and aim to reach younger generations. We aim for these to lead to sales promotion.

## (1) “Static” measures

- ▶ Mainly through TV commercials, we will actively and continuously utilize the newly created image song and newly designed “Konyara” together with the corporate brand to **enhance and establish brand value (= Static measures)**.
- ▶ We will work to increase the number of loyal users by airing new corporate commercials to further raise awareness and affinity with the company, as well as utilizing “Konyara” in retail storefronts.

Image song



“Konyara” is an original character of the Nissin Seifun Group, created by Studio Ghibli.



© Studio Ghibli

Storefront utilization proposal



## (2) “Dynamic” measures

- ▶ Challenge to take initiatives that **anticipate the near future (= Dynamic measures)** to approach the younger generation, who will play a leading role in consumption in the future.
- ▶ Continued sponsorship of e-sports and D. LEAGUE, etc., which have captured the attention from the younger generation. Continued focus on **communicating SDG initiatives**.
- ▶ New initiatives include **a new brand strategy for the Ao No Dokutsu, advertisements leveraging food tech, and the development of Japanese menus of dishes made with flour at the overseas branches of ABC Cooking Studio**.
- ▶ Creating new touch points that match the lifestyle scene by developing advertisements using the Internet

Communicating initiatives for SDGs



e-sports tournaments  
Sponsorship of APEX LEGENDS\*

\*A popular event with more than 100 million players worldwide



ABC Cooking Studio  
Rolling out studios overseas



Sponsorship of  
D. LEAGUE



# (3) Recovery in the Australia Flour Milling Business

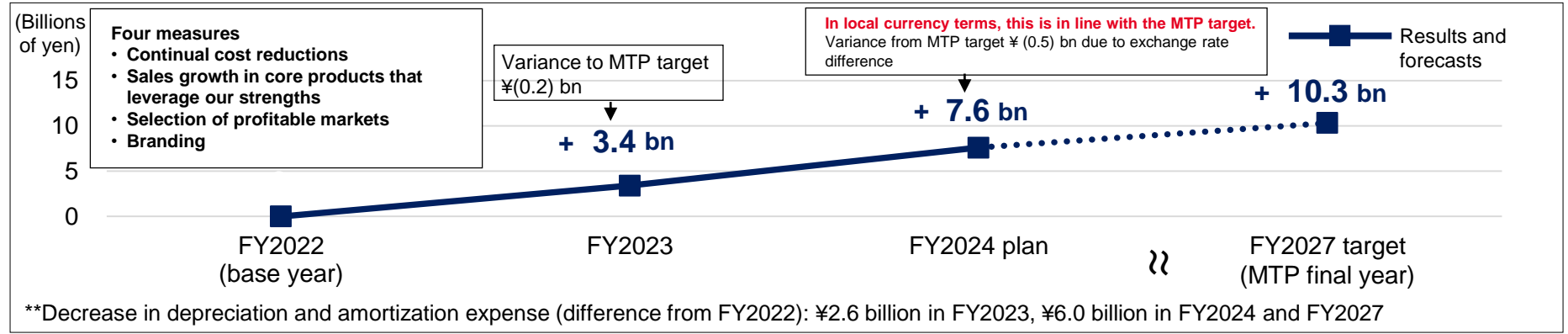
Top Priority Measure (3)



In the fiscal 2024, we aim to achieve the profit increase target for fiscal 2024 disclosed in the Medium-Term Management Plan by promoting the “4 measures,” price revision, productivity improvement, and the easing of supply chain disruptions, etc.

## Operating profit: Trend over time and targets (versus FY2022)

\*Using exchange rates of ¥92.8/AUD for FY2023 results, ¥88.0/AUD for FY2024 plan, and ¥95.0/AUD for MTP.



## Details of the plan to increase operating profit in FY2024 (excluding decrease in depreciation and amortization expenses)

\*Using exchange rate of ¥88.0/AUD for FY2024 plan

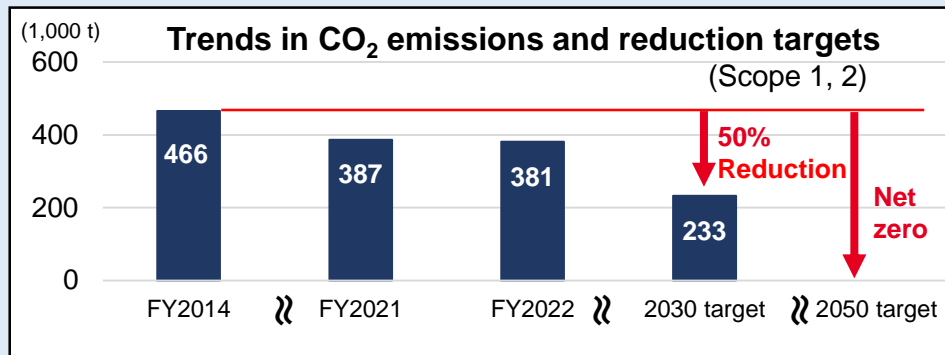
	Plan for profit increase/ decrease (YoY difference)	Comments
(1) Increase in gross margin	+¥1.2 bn	Impact of sales expansion, price revisions, etc.
(2) Higher SG&A expenses	¥ (1.2) bn	Increase in logistics and labor costs, etc.
(3) Effects of cost-cutting measures	+¥1.0 bn	Improved productivity, logistics efficiency, etc.
(4) FX difference	¥ (0.2) bn	
<b>Total</b>	<b>+¥0.8 bn</b>	

# (4) Environmental Policy

As a response to climate change, **we will formulate a roadmap for the entire Group** to realize a 50% reduction in CO<sub>2</sub> emissions at the Group's own sites in 2030 (compared to fiscal 2014), which was set as a medium- to long-term targets for environmental issues, **and work systematically and faithfully to reduce CO<sub>2</sub> emissions.**

## ■ FY2024 initiatives

- **The formulation of the domestic version of the roadmap has been completed** to achieve the target of a 50% reduction in CO<sub>2</sub> emissions (versus fiscal 2014) at the Group's own sites in 2030. **An overseas roadmap will also be completed in the first half of fiscal 2024.**
  - \*A reduction target is set for each fiscal year until 2030. Based on this, we will consider such initiatives in the bonuses of the President and officers in charge.**
- Studying implementation of a large-scale initiative to introduce renewable energy facilities in collaboration with leading-edge environmental companies (Offsite power purchase agreements (PPAs))



### Prioritize initiatives to reduce CO<sub>2</sub> emissions

- (1) Energy-saving equipment at the Group's own sites
- (2) Introduction of renewable energy
- (3) Procurement of green electricity

- Conducted a quantitative assessment of the financial impact of climate change in response to the TCFD
- Working to achieve medium- and long-term targets for food waste, packaging waste, and water resources

# (5) Digital Strategy

DX is being promoted based on the pillars of **automation and boosting efficiency, standardization, enhancement of customer proposal capabilities, and expansion of sales channels.**

We aim to **increase productivity** and **create value** by optimizing the value chain, we will achieve tangible results.

## Initiative themes: Examples

### Automation and boosting efficiency of supply, demand, and production planning

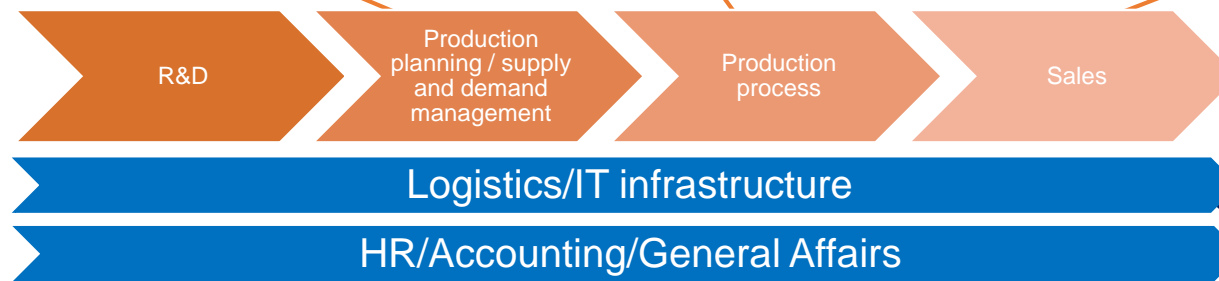
- **Optimize supply-demand/production planning and inventories** through **centralized data base management and the use of AI**, and reduce processes required for formulation.

### Digitalization and automation of plants

- Visualization of production processes using **IoT and AI**, digitalization and mobility of production control forms to **improve productivity and predictive maintenance**
- **Production process automation** through the use of **robots and AI (image recognition)**

### Strengthening customer proposal capabilities

- **Providing prompt and high-quality information to customers** by **creating a database** on flour and secondary processing technologies, etc. and **utilizing AI**



### Talent development

- **Improve literacy of all employees** (e.g., support for obtaining qualifications)
- **Specialized training** < A total of 2,700 participants attended digital marketing training since fiscal 2019.>
- DX theme proposals: **Developing core human resources** through training to acquire project management skills  
< Fiscal 2023: 21 participants from the Group >



Training for core human resources

### Standardization and boosting efficiency of operations

- Digitalization of order and shipping operations and visualization of transportation to improve delivery **efficiency and reduce process steps**
- **Standardization and boosting efficiency** of settlement operations



## III. ESG Initiatives

## ■ Capital Policy in the Medium-Term Management Plan

- (1) **Appropriately control the capital structure while maintaining a balance between improving capital efficiency and financial stability**, while giving due consideration to our social responsibility to provide a stable supply of flour and other staple foods.
- (2) We **aim to sustain EPS growth and improve ROE by promoting aggressive strategic investments** using cash flow from operations, sales of cross shareholdings, and interest-bearing debt as needed.

## ■ MTP five-year cumulative cash flow plan in (FY2023 - FY2027)

Income	Expenditure	Investment plan for FY2024
<ul style="list-style-type: none"><li>■ Cashflow from operations About ¥250 bn</li></ul>	<ul style="list-style-type: none"><li>■ Growth investments and maintenance and renewal investments ¥220 bn or more (Including growth investments of ¥110 bn or more)</li></ul>	<p>¥26.0 bn (YoY difference +¥6.1 bn)</p> <ul style="list-style-type: none"><li>➤ Environmental investment ¥2.2 bn (YoY difference + ¥1.0 bn)</li><li>➤ Digital investment ¥2.1 bn (YoY difference + ¥0.9 bn)</li></ul>
<ul style="list-style-type: none"><li>■ Asset sales, utilization of interest-bearing debt, etc.</li></ul>	<ul style="list-style-type: none"><li>■ Shareholder returns</li></ul>	

## ■ Numerical targets for the MTP final year (FY2027)

- EPS ¥110 (+¥51 versus FY2022)
- ROE 7% (+ 3% versus FY2022)

## ■ Approach to capital-efficient management

### (1) Regarding growth investment


During the Medium-Term Management Plan period, we plan to invest more than ¥110 billion in growth over five years, such as cost reduction through automation, DX, and overseas investment. For growth investments, we will make investment decisions by confirming **NPV, EBITDA multiples, and payback periods** for individual investments.

### (2) Indicators of capital efficiency

The company has traditionally used ROE as an indicator of capital efficiency, but it **will also use ROIC** in conjunction with ROE.

### (3) Initiatives of Group companies

- Confirm ROIC performance by business on a regular basis (semiannually). **Review issues in chronological order and make improvements**
- Focus on capital costs in each business and **implement initiatives to improve ROIC**

- 
- Undertake investments that produce returns exceeding the cost of capital of each business (= Increase ROIC by investing with a positive NPV)
  - Increased profits
  - Disposal of idle, underutilized, unprofitable and non-operating assets
  - Consolidation of unprofitable and low-margin businesses, etc.

## 2. Reduction of Cross-Shareholdings

The reduction target of cross-shareholdings in the Medium-Term Management Plan (five years to fiscal 2027), which was not disclosed externally, was achieved in fiscal 2023. There will be no change in the policy of reducing cross-shareholdings in the future.

### ■ Trend in reduction of cross-shareholdings

FY2019	FY2020	FY2021	FY2022	FY2023
¥1.7 bn	¥0.3 bn	¥1.9 bn	¥1.9 bn	¥29.4 bn <sup>*1</sup>

\*1: The reduction of ¥29.4 billion is equivalent to about 25% of the Group's strategic shareholdings (when comparing the amount reduced with the balance of strategic shareholdings as of end-March 2022)

### ■ Future reduction of strategic shareholdings

- Although the pace of reduction is not expected to be as swift as in fiscal 2023, there will be **no change in the policy of reducing cross-shareholdings.**

### ■ Use of cash from reduction of cross-shareholdings

- We aim **to achieve the EPS target of ¥110 in the final year of the Medium-Term Management Plan (fiscal 2027)** by using the cash gained from reducing cross-shareholdings **for growth investments and strengthening business competitiveness.**
- If there is a surplus of investment funds, we will consider further shareholder returns while also considering future funding needs.

## 3. Shareholder Returns

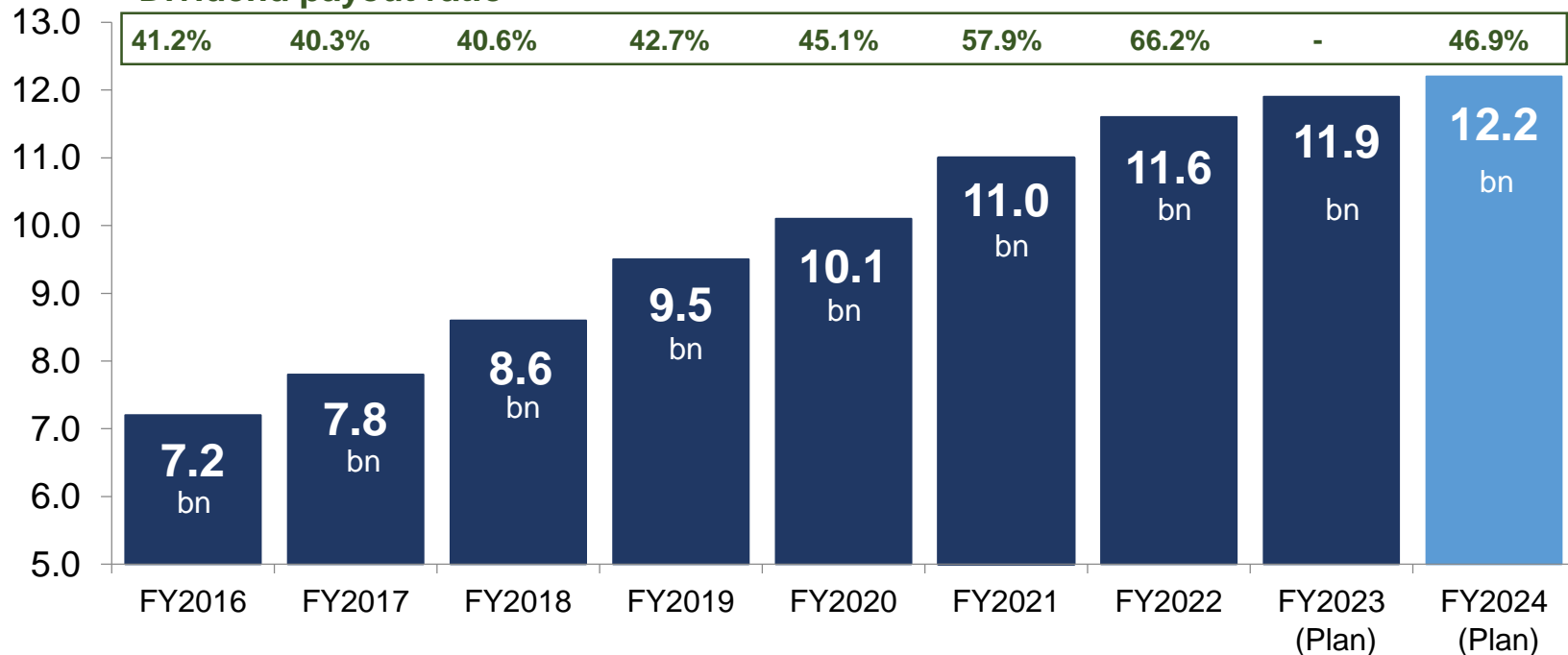
### ■ Total dividends and dividend payout ratio

- A dividend payout ratio of **40% or more** is the standard, and **dividend increases are always considered while watching out for the timing.**
- Taking into account financial conditions, the annual dividend for the fiscal 2023 was **increased by ¥1 per share** (¥40 per share).
- For the fiscal 2024, we plan to **increase the annual dividend by ¥1 per share** (in effect, increasing the dividend for 11 consecutive fiscal years).

### Total dividends

(Billions of yen)

#### Dividend payout ratio



Dividend  
per share

¥24    ¥26    ¥29    ¥32    ¥34    ¥37    ¥39    ¥40    ¥41

# 4. Building and Organization to Support Sustainable Growth

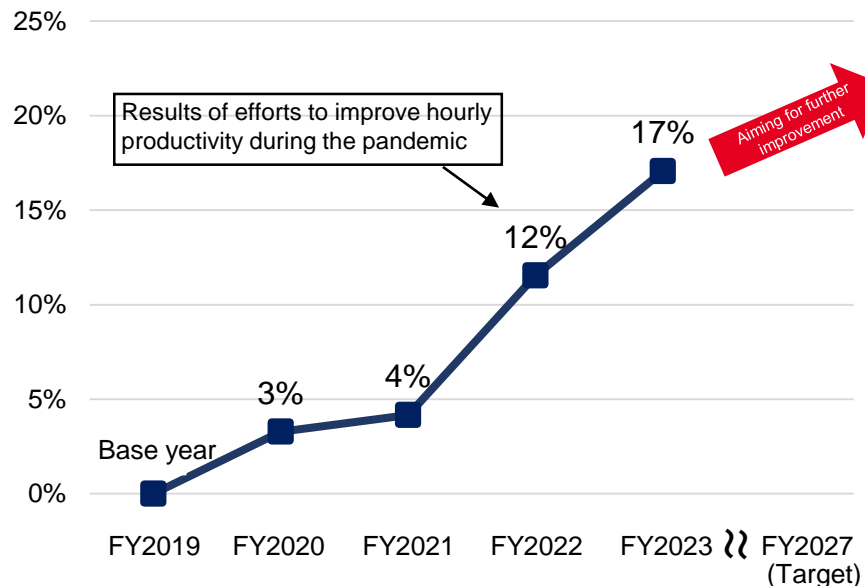
(S) Social

Delivering Good Health and Reliability



Including temporary workers, the Prepared Dishes and Other Prepared Foods Business has the largest number of employees in the Group. It also employs a large number of foreign workers. **We are striving to improve hourly productivity and create a comfortable working environment**, while addressing key human rights risk issues through human rights due diligence.

- Improving hourly productivity in the Prepared Dishes and Other Prepared Foods business (Tokatsu Foods Co.,Ltd. Trend with FY2019 as base year)



## ■ Key factors in improving hourly productivity

- (1) Improve employee work proficiency by promoting conversion from short-term to long-term employment
- (2) Ongoing investment in automation, etc.

- Establishment of comfortable work environment

- Training on working methods and safety via video using digital signage
- Multilingual manuals and bulletin boards and installation of interpretation (in some languages)
- Cautionary signs in multiple languages and illustrations for hazardous locations and equipment
- Installation of suggestion boxes. Management confirms employee opinions directly. Used to address problems quickly and improve the work environment
- Expansion of fringe benefits: Enhanced facilities such as cafeterias and rest areas, in-house product sales, shuttle buses, etc.

## 5. Progress in Medium- to Long-term Targets for Environmental Issues

(E) Environment

Delivering Good Health and Reliability



### ■ Medium- to long-term targets for environmental issues

Initiative theme	Targets	FY2022 results
Response to climate change	Reduce CO <sub>2</sub> emissions by 50% at the Group's own sites in 2030. (versus FY2014)	18% reduction
	2050 Net zero CO <sub>2</sub> emissions at the Group's own sites moving toward carbon neutrality	
	Reduce CO <sub>2</sub> emissions in the supply chain	
Response to water resources	Reduce water consumption per unit of plant by 30% in 2040 (versus FY2022)	*FY2022 base year 1.14m <sup>3</sup> /t
Response to food waste	Reduce food waste by 50% or more from raw material procurement to customer delivery in 2030 (Compared with fiscal 2017, compared with fiscal 2020 for three prepared food companies)	Domestic Group Companies (excluding Prepared Dishes and Other Prepared Foods Business) 37% reduction
		Prepared Dishes and Other Prepared Foods Business 17% reduction
Response to waste containers and packaging	Reduce plastic use from fossil fuels by 25% or more in 2030 (versus fiscal 2020)	Domestic Group companies 4% reduction

## Caution Regarding Results Briefing Content

The content of this briefing is based on various assumptions, and thus does not represent any promise or guarantee that numerical targets and initiatives projected for the future will be realized.