Fiscal 2025 Results Briefing Meeting: Summary of Q&A

Time and Date:	13:00 – 14:00 on Monday, May 19, 2025
Attendees:	Nisshin Seifun Group Inc.
	Kenji Takihara, Representative Director and President
	Eiichi Suzuki, Director and Managing Executive Officer, Division Executive, Finance and Accounting Division
	Tetsuya Shishikura, General Manager, Investor & Shareholder Relations Office

Q: What factors were at play in the delays passing on rising costs to sales prices in FY2025? In addition, what is different from FY2025 in the price revisions you have planned for FY2026?

A: In FY2025, negative cost-related impacts in the domestic flour milling business and domestic processed food business increased, but the reasons behind profit declines differed for each business. In the domestic flour milling business, even amid wage hikes we did not pass on higher personnel expenses in the form of price increases. However, in the domestic processed food business, we passed on cost increases including personnel expenses to sales prices. Despite this, our estimates were optimistic and did not account for everything.

In FY2026, for the domestic flour milling business we plan to pass on rising costs including personnel expenses when we made revisions to wheat flour prices in July 2025. In the domestic processed food business we also plan to revise prices in July-August 2025, after we have determined how to best reflect the impact of cost increases in our products. In addition, this time we have announced the price revisions at an earlier stage than usual, and negotiations are already underway.

Q: In the flour milling business, it seems you have competitive strength that allows you to take the lead in passing on cost increases, but are you able to do the same in the processed food business?

A: Our processed food business currently maintains a top share in many categories, and we believe that we are in a position to take the lead in passing on cost increases. The cost environment is also largely the same for our competitors, so we think that they will take similar action to ourselves in terms of price revisions. Having said that, we will not pass on costs uniformly across all of our products. We will take action while considering the situation for each product.

Q: Over the past few years, there seems to be a growing trend among your competitors to develop innovations. How do you intend to approach product development in the domestic processed food business going forward?

A: We have engaged R&D personnel in more in-depth dialogue based on the understanding that to maintain our competitive advantage, we must develop products that align with market needs. That doesn't mean that we will come out with hit products in short order, but we believe the seeds of those efforts are beginning to sprout, and we encourage you to stay tuned for new products in the future.

Q: In the Australia flour milling business, you are projecting a significant expansion in operating results over the next two years. What is the likelihood that you will achieve your results forecast for FY2026, and what will be the drivers of increased profit in the future?

A: Demand for preparing meals at home is on the rise amid a difficult economic environment in Australia, and we expect increased shipments of wheat flour and bakery ingredients. In addition to that, the price revisions we have already implemented will start to have an effect. In addition, there was a one-time increase in costs associated with the introduction of an ERP system in FY2025. The negative aspects of these developments will disappear in FY2026 and start to contribute to profit.

Looking ahead, we are also working to streamline the supply chain through the consolidation of manufacturing facilities and improve efficiency with investments in automation. On the sales side, we will also work to expand sales of high value-added products like the "Wise Wheat" high dietary fiber wheat flour product. We will aim to achieve our future profit growth targets by building upon these initiatives.

Q: In addition to ROIC, what are the WACC levels on a company-wide basis and in each business? Additionally, assuming the cost of shareholders' equity is around 7-8%, and given your low level of interest bearing debt, it seems that WACC will also be around 7-8%. Does this mean that your ROIC is currently below WACC?

A: In light of the cost of shareholders' equity estimated on a CAPM basis, we estimate company-wide WACC to be around 5%. Although our company-wide ROIC exceeds that level, our understanding is that the WACC level demanded by capital markets is 7-8%, and we are committed to further improving it going forward. Regarding per-business ROIC management, we set and manage WACC for each business to align with their respective business characteristics. Looking on a per-business basis, ROIC is below WACC in the Australia flour milling business and India yeast business.

Q: You mentioned targeting a net D/E ratio of 0.3x in the medium-to long-term. What timeframe do you consider to be "medium-to-long-term"? Also, what is your rationale for targeting a net D/E ratio of 0.3x?

A: We have set a target net D/E ratio of 0.3x, which we consider an upper limit, as the level we believe ensures financial health within a range that allows us to maintain our current rating (AA). At this point we do not have a specific timeframe in mind, but our policy is to proactively invest in growth business and other areas with financing that includes interest-bearing debt, and if steady improvements are made in the Australia flour milling business and India yeast business, we believe we will be in a position to make future investment decisions with confidence.