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Fiscal 2019
Results Briefing Meeting

May 16, 2019

Nisshin Seifun Group Inc.

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(Ref.) The Wheat Market

I. Fiscal 2019 Results and Fiscal 2020 Forecasts

1. Fiscal 2019 Results

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- Net sales was higher due to effects from wheat flour price revisions accompanying revised wheat prices, and progress on large-scale construction projects in the engineering business.
- Operating profit was lower due to higher strategic costs, including for enhancing human resources, R&D, more robust advertising and promotions, and expenses related to the purchase of Allied Pinnacle Pty Ltd., coupled with a decrease in the US flour milling business resulting from intense competition. The decline came despite growth in shipments of raw materials for pharmaceuticals to the US and favorable progress on construction projects for large-scale facilities.

(Millions of yen)	Fiscal 2019 Results	Fiscal 2018 Results		Forecasts	
			Change		Change
Net sales	**565,343**	**540,094**	**+4.7%**	**565,000**	**+0.1%**
Overseas sales ratio	**18.3%**	**17.8%**	**–**	**17.8%**	**–**
Operating profit	**26,916**	**27,200**	**(1.0)%**	**27,500**	**(2.1)%**
Ordinary profit	**32,062**	**31,800**	**+0.8%**	**32,000**	**+0.2%**
Profit attributable to owners of parent	**22,268**	**21,339**	**+4.4%**	**22,000**	**+1.2%**

* Figures rounded down to nearest million yen

2. Fiscal 2020 Forecasts

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- Net sales growth anticipated atop effects from the purchase of Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd.
- Operating profit growth projected atop effects from new consolidation and firm shipments to the US of raw materials for pharmaceuticals despite the occurrence of strategic costs, including increased PMI expenses from the purchase of Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd.
  Ordinary profit expected to dip slightly due to the payment of interest on lease liabilities pertaining to non-current assets leased by Allied Pinnacle Pty Ltd.

(Millions of yen)	Fiscal 2020 Forecasts	Fiscal 2019 Results	YoY difference	YoY change
Net sales	725,000	565,343	+159,656	+28.2%
Overseas sales ratio	23.4%	18.3%	–	–
Operating profit (*)	30,000	26,916	+3,083	+11.5%
Ordinary profit	31,700	32,062	(362)	(1.1)%
Profit attributable to owners of parent	23,300	22,268	+1,031	+4.6%

* Figures rounded down to nearest million yen

(*) Amortization of goodwill, others for Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd. incorporated into Fiscal 2020 forecasts is based on pre-PPA estimates, and is thus subject to change.

3. Strategic Costs

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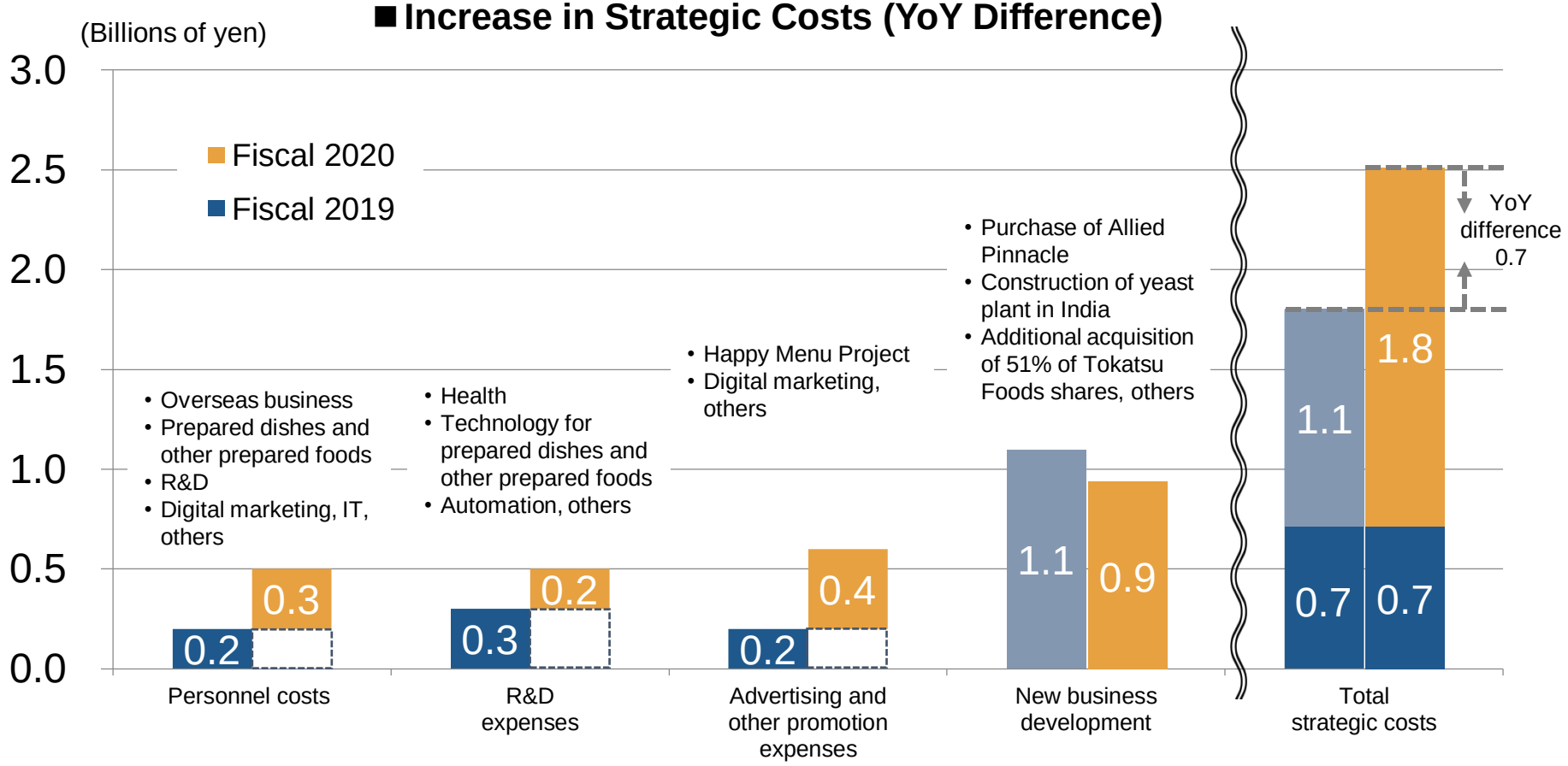
› Systematic, continuous allocation of funds in each business domain, coupled with more aggressive acceleration of strategic investments going forward, to realize sustainable growth

■ Increase in Strategic Costs (YoY Difference)



4. Shareholder Returns

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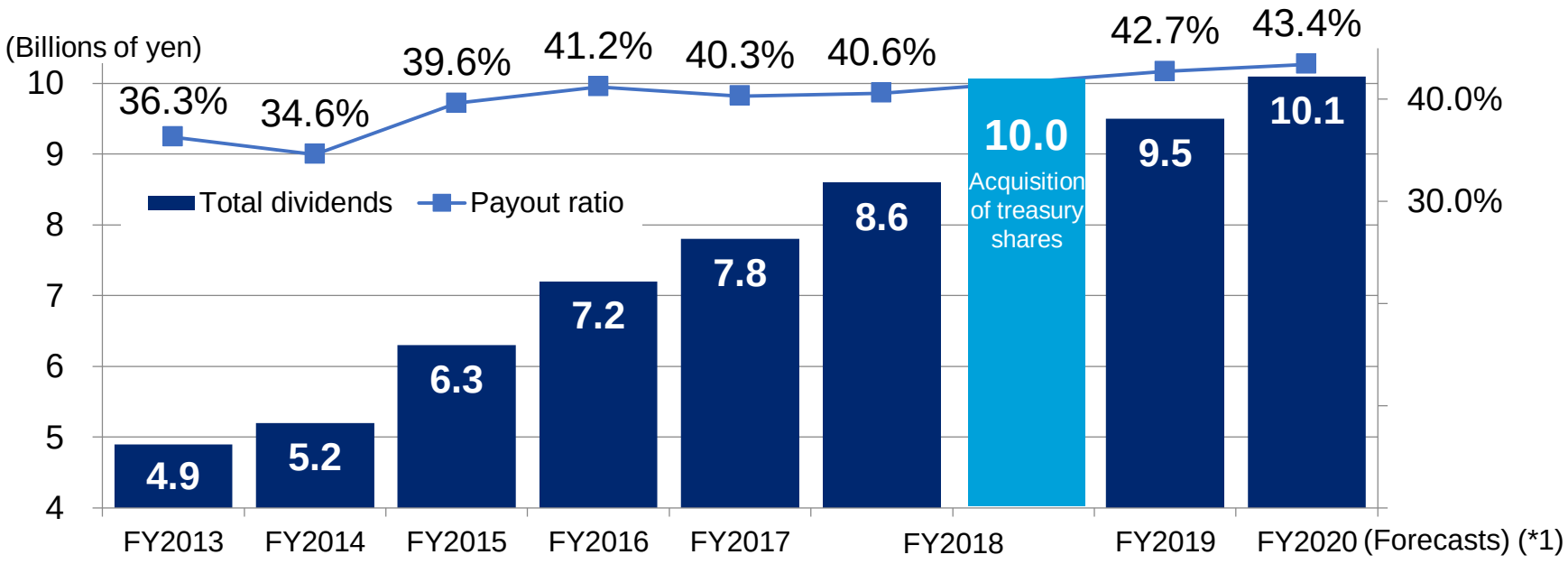
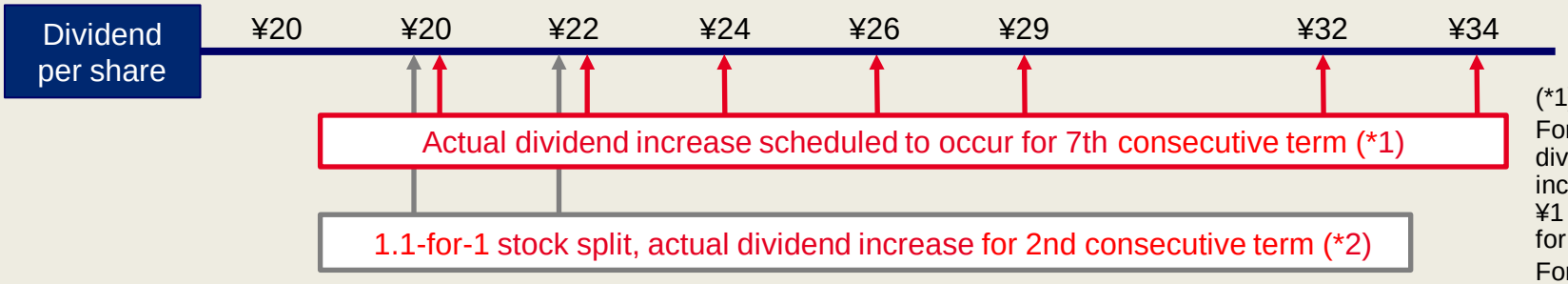
Trends in Total Dividends and Payout Ratio

- Set baseline payout ratio to **40% or more**
- Actual **dividend increase** scheduled to occur for **7th consecutive term**





(*1) For fiscal 2019, interim dividend per share increased by ¥2, with ¥1 increase scheduled for year-end dividend
For fiscal 2020, annual dividend scheduled to increase by ¥2

(*2) 1.1-for-1 stock splits conducted on October 1 of 2013 and 2014, respectively. Dividend per share payment was not adjusted and subsequently increased.

II. Long-term Vision “NNI ‘Compass for the Future’” Initiatives

1. "NNI 'Compass for the Future'" (1)
– Grand Design

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Realize corporate value maximization and sustainable cyclical growth

<Target Vision>

"A globally-operating company that assists 'healthy lifestyles' and plays a critical role in building 'the food infrastructure' of the future"

- Proposing processed foods & deli/prepared dishes for the table every day for all temperature ranges
- Wheat flour-related ingredients – part of the food infrastructure
- Fine chemicals and biotechnology to support health and medical care
- Pet food that makes pets and people happy
- Powder and mesh technology to support the world's manufacturing

Cyclical Growth

Development of organizational structure for enhancing capacity to execute growth strategies

- Organization and human resources
- Managerial strength
- Corporate culture
- Business administration and financial functions

Promotion of sustainable "cyclical growth"

- ESG

Enhancement of Business Competitiveness

- Remodeling existing businesses
- Enhancing the Group business portfolio

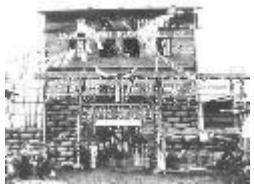
Group-wide Capabilities: The Key to Growth

- Group-wide capabilities
- Intensive customer-oriented policy
- Three collaborations

Promotion of capital policies supporting long-term corporate value maximization

- Investment strategies
- Balance sheet
- Profit return to shareholders
- Capital efficiency

Values created down through the generations since the establishment of the Company
– Social contribution through business –



Guiding Philosophies:
"The basis of business is built on trust"
"In tune with the changing climate"
Corporate Principle:
"Contributing to a healthy and fruitful life for all"

Corporate value

1. NNI “Compass for the Future” (2)
– Enhancement of Business Competitiveness

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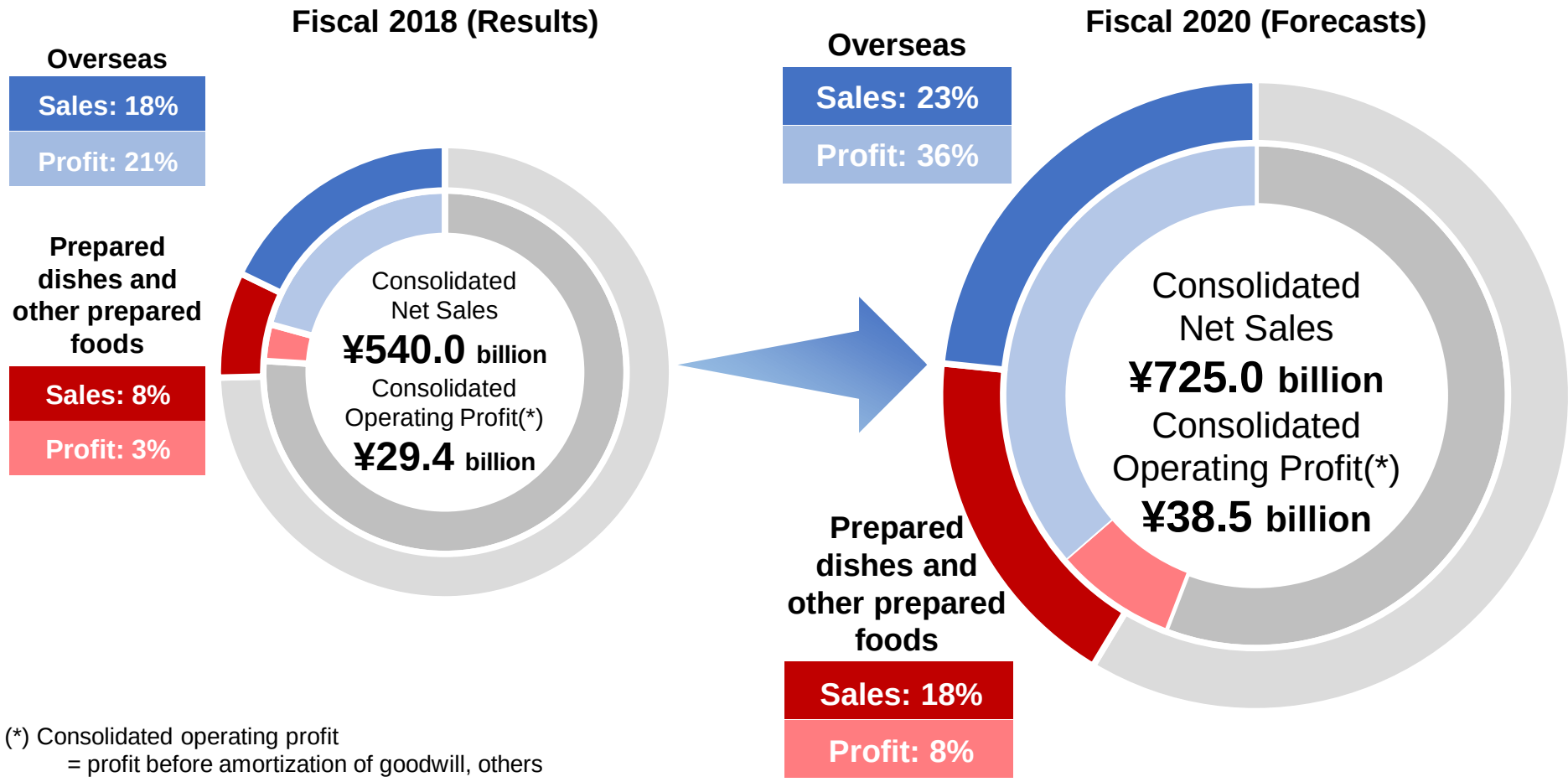
Dramatically expand the overseas and prepared dishes and other prepared foods business as growth drivers
Accelerate Group model change in preparation for future growth

■ **Change comparative composition of growth businesses (overseas/prepared dishes and other prepared foods) within operations** (2 years from start of Long-term Vision)



(*) Consolidated operating profit
= profit before amortization of goodwill, others

2. Overseas Flour Milling Business Growth Strategies (1)
– Full-scale Oceania Market Entry (1)

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Purchase of flour milling company Allied Pinnacle, holder of top share of Australian market
Leap forward for Nisshin Seifun Group as Oceania's largest flour milling company

- Company name: Allied Pinnacle Pty Ltd.
- Net sales: ¥47.3 billion (Year ended Dec. 2017)
- Wheat flour production capacity: 3,500 tons/day (wheat basis)
- Market share: No. 1 in Australia, with approx. 40% of market (excluding industrial applications for use in starch production)
- Corporate value: ¥73.1 billion (Goodwill of approx. ¥52.0 billion: pre-PPA estimate)

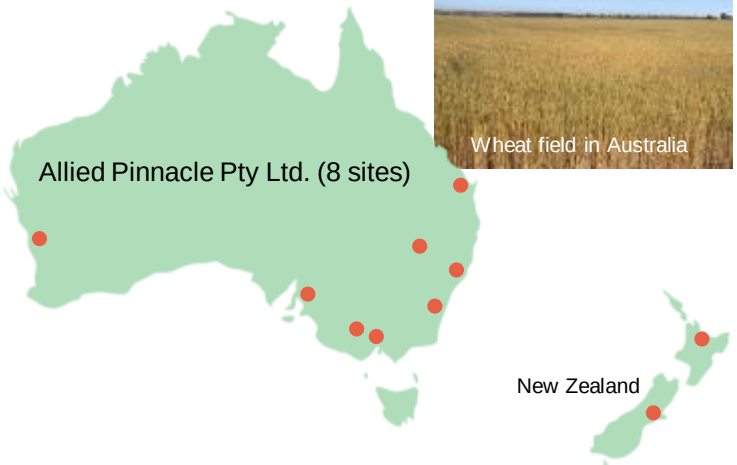
(1AUD=¥80)

Picton Plant (outside Sydney)

- Rationale and Purpose of Purchase

  - Australia is a growth market, with annual population growth of approx. 1.6% (population of approx. 25 million in 2017). Further growth projected from infusion of the Group's technology and expertise into the solid business base of the Australian market leader
  - Australia is a major wheat producer (third in shipments to Japan after the US and Canada). Development of procurement network with local farmers and grain companies has potential to strengthen procurement capabilities for Japan-bound raw materials
  - Aiming for stable growth in business of providing ingredients to bakeries in Asia and Oceania by promoting global collaboration between existing flour milling/mix geographic footprint and Allied Pinnacle Pty Ltd.
  - Seek out synergies with Champion Flour Milling Ltd. through measures to expand sales and boost operational efficiency by leveraging sales and distribution networks in Australia and New Zealand

■ Flour milling/prepared mix plants in Oceania (10 sites)



Champion Flour Milling Ltd. (2 sites)

2. Overseas Flour Milling Business Growth Strategies (1)
– Full-scale Oceania Market Entry (2)

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- **Centered on wheat flour, Allied Pinnacle has a full lineup of prepared mixes and bakery-related ingredients, and strengths in offering comprehensive options tailored to client needs**
- **Aim for growth through Group-wide capabilities by injecting core technologies from 3 Japanese companies – Nisshin Flour Milling, Nisshin Foods and Oriental Yeast**

ALLIED PINNACLE

Wheat flour

- Wheat flour for bread, confectionery, whole wheat flour, organic flour, durum, etc.
- Sharing of Nisshin Flour Milling's outstanding milling technology and expertise in quality control
- Begin collaborations in New Zealand, then extend to businesses in Thailand and North America

Prepared mixes

- Mixes for bread, confections and pizza
- Cooperating in R&D to meet client needs, a strength of Nisshin Foods
- Collaborating with prepared mix businesses in Thailand, Vietnam and China

Bakery-related ingredients

- Jams, fondants, flavors, frozen dough, etc.
- Share Oriental Yeast expertise centered on food ingredients for bakeries
- Collaborating with Shanghai office and yeast plant in India

Bakery and confectionary clients

2. Overseas Flour Milling Business Growth Strategies (2)
– Trends in Wheat Flour Production Capacity Overseas

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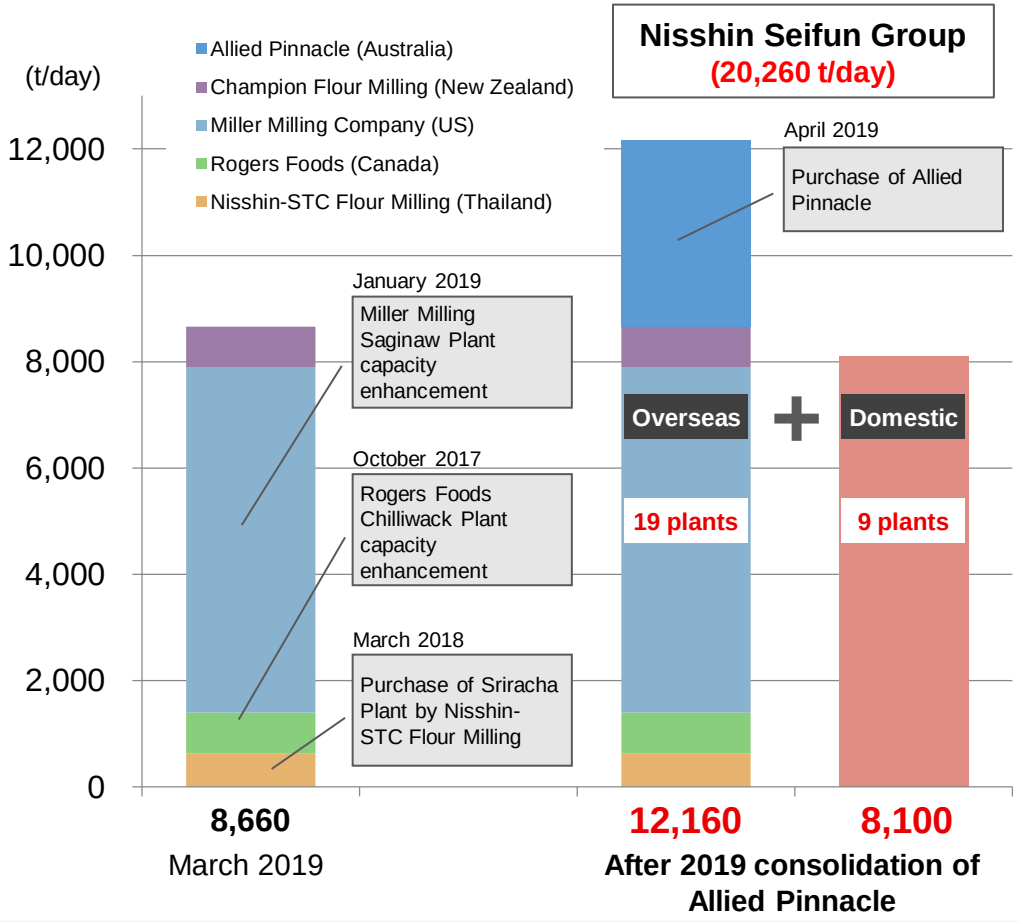
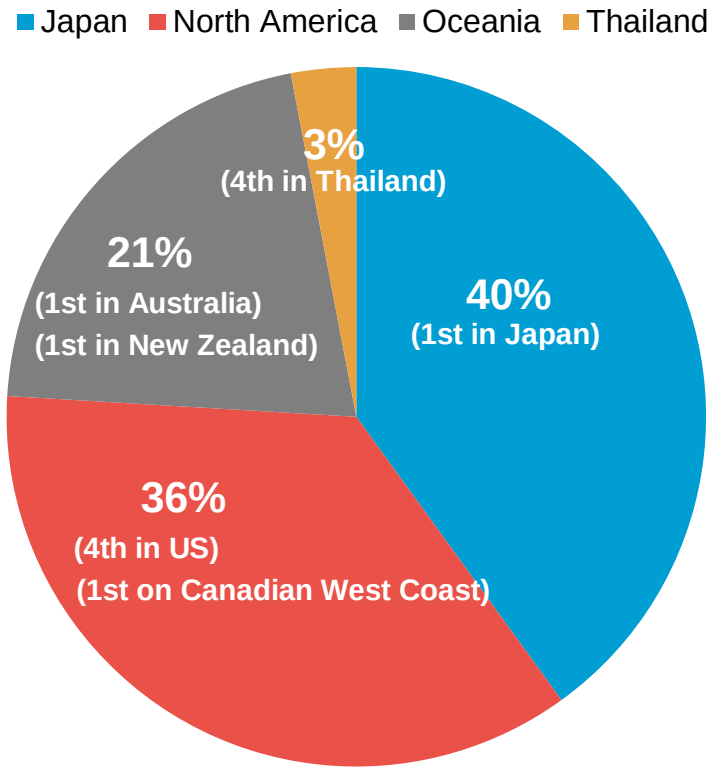
- Nisshin Seifun Group wheat flour production capacity is 20,260 tons/day, or **6th in the world** (Company estimate)
- Overseas production capacity has expanded to 12,160 tons/day, or **1.5 times** production scale **in Japan**
- While centered on Japan, the business' geographic footprint is **being developed worldwide**, expanding to North America and Oceania

■ **Wheat Flour Production Capacity in the Overseas Business**



■ **Wheat Flour Production Capacity Composition by Region**



(Production capacity on a wheat basis)

3. Overseas Processed Food Business Growth Strategies
– Expansion of Yeast and Commercial Prepared Mix Businesses

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Steady progress in construction of two future growth drivers – a new yeast plant in India and a new prepared mix plant in Vietnam. Construction of the production systems, customer support, etc. are progressing simultaneously in preparation for the start of operations.

Oriental Yeast India Pvt. Ltd. (subsidiary of Oriental Yeast Co., Ltd.)

India market growth potential

High growth anticipated for yeast business in India's enormous bread market

Outstanding technology from Japan

Supply cost-competitive, high-quality products

Prime location

India is the world's 2nd largest producer of molasses. Construction of plant at site rich in water resources outside Pune

Comprehensive environmental countermeasures

Zero Liquid Discharge System for plant

Vietnam Nisshin Technomic Co., Ltd.

ASEAN market growth potential

Steady growth in ASEAN prepared mix market in step with economic growth

Outstanding technology from Japan

Supply differentiated products tailored to client needs

Prime location

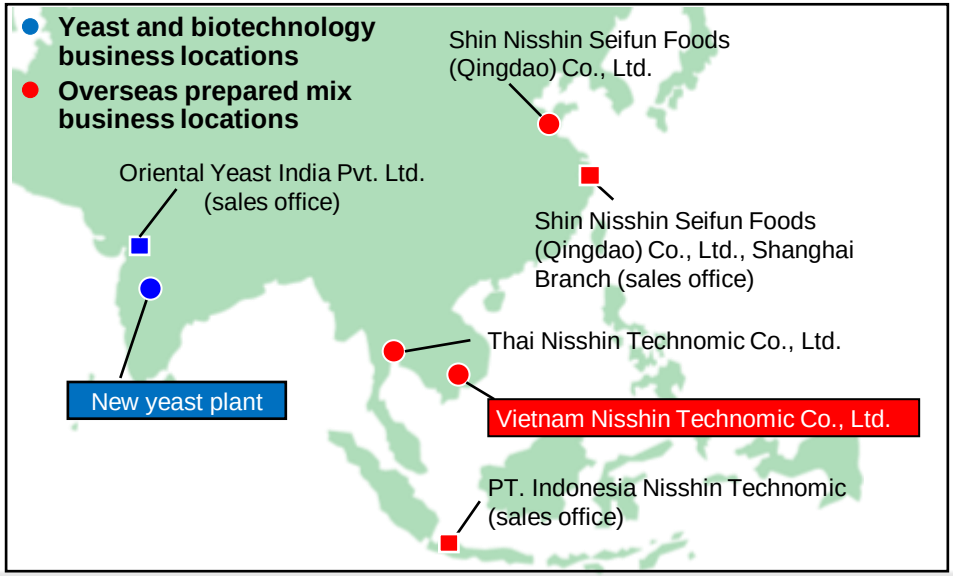
Vietnam gaining a reputation as a production base for processed foods for overseas markets thanks to high-quality human resources

Collaboration with Thailand and China

Robust global collaboration with existing prepared-mix sites in Thailand and China

Overview of plant in India

[Production capacity]
100 t/day (fresh yeast basis)
[Completion date]
Summer 2020
[Investment]
Approx. ¥15.7 billion



Overview of plant in Vietnam

[Production capacity]
9,000 t/year
[Completion date]
Winter FY2020
[Investment]
Approx. ¥1.7 billion

4. Group Overseas Business Growth Strategies

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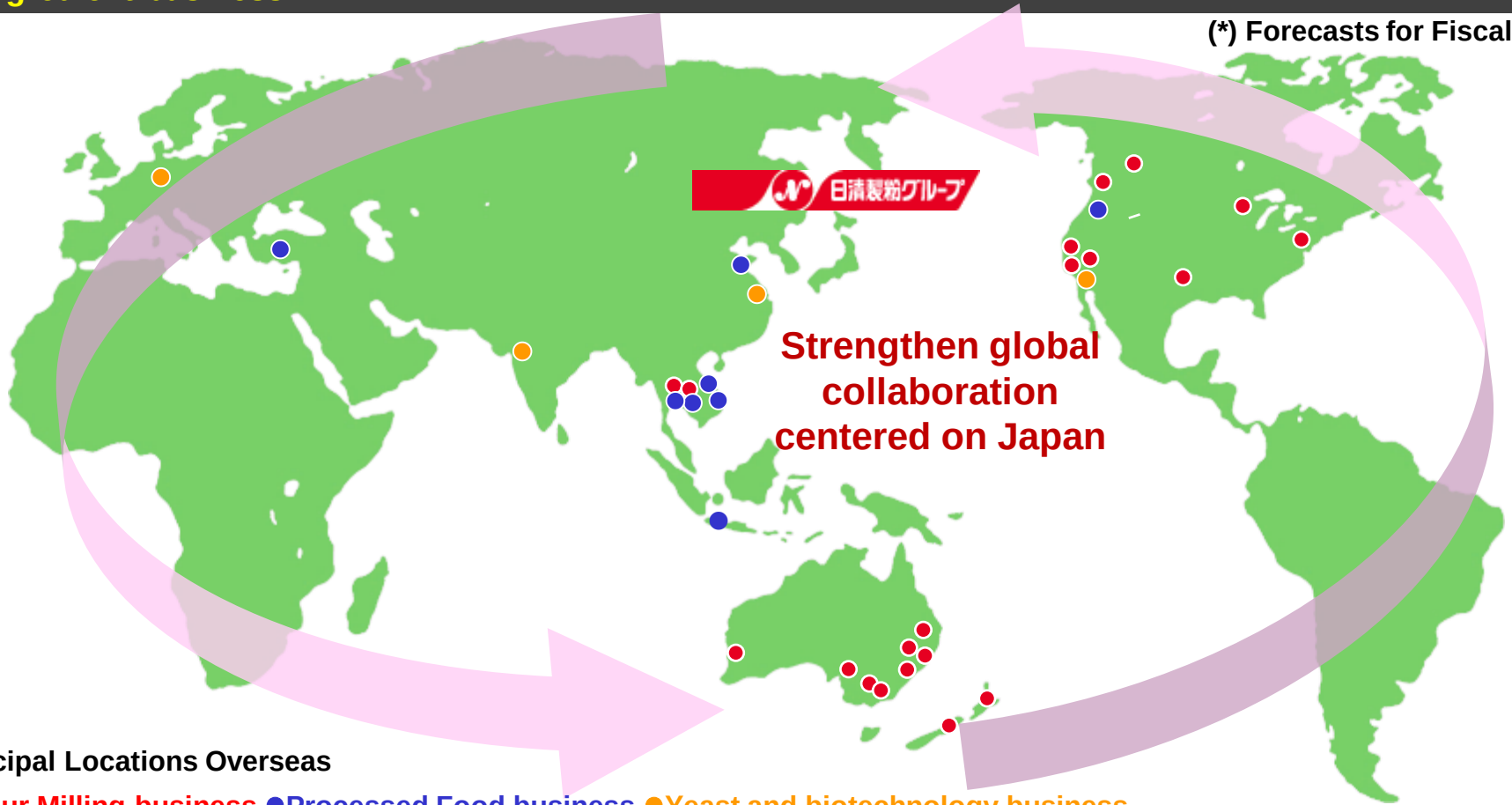
- **Consolidated overseas sales ratio of 23%, overseas operating profit (before amortization of goodwill, others) ratio of 36% (*)**
- **With ratios of 47% and 63%, respectively, in Flour Milling, business now set to enter a new stage (*)**
- **Overseas development of the processed food business, the yeast and biotechnology business moving apace**
- **Highlight Group-wide capabilities and strengthen global collaboration in wheat flour-related ingredient business**

(*) Forecasts for Fiscal 2020



Principal Locations Overseas

●Flour Milling business ●Processed Food business ●Yeast and biotechnology business

5. Prepared Dishes and Other Prepared Foods Business Growth Strategies (1)

– Trends in Food Market Scale and Prepared Dish Market Growth Rate

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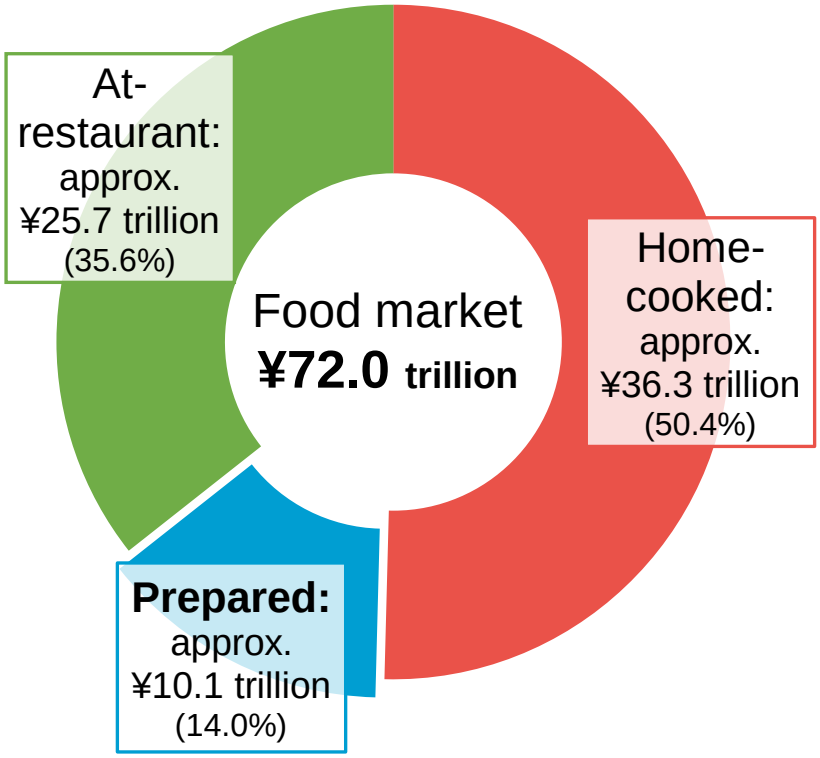
Significant prepared dish market growth, now topping ¥10 trillion, reflecting increases in employment of women, population aging, and single-headed households

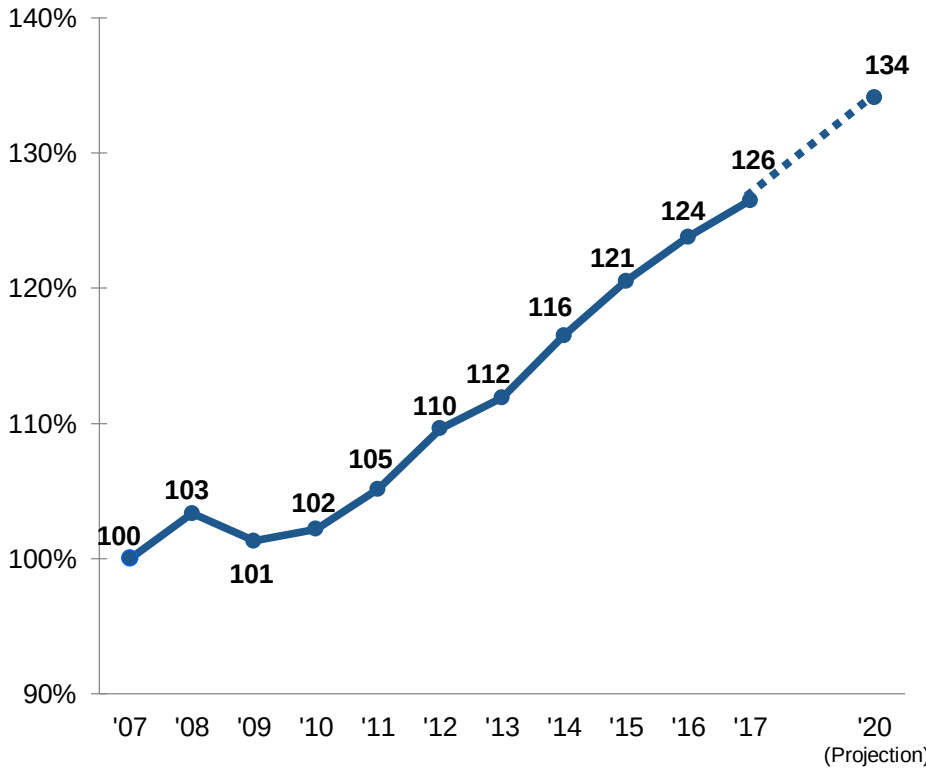
■ Proportion of "Home-cooked, Prepared and At-Restaurant Dishes" in the Food Market (2017)



* "Home-cooked" based on Company estimates
* "At-restaurant" based on Japan Foodservice Association website
* "Prepared" based on "Ready-made Meal White Paper" published by Japan Ready-made Meal Association

■ "Prepared Dish" Growth Rate

(2007 as benchmark year, set to 100)



* Company estimate based on Japan Ready-made Meal Association data

5. Prepared Dishes and Other Prepared Foods Business Growth Strategies (2)

– Becoming a Comprehensive Producer of Prepared Dishes and Other Prepared Foods

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- **Additional acquisition of 51% of common shares of Tokatsu Foods Co., Ltd. to develop a full lineup structure for prepared food products**
- **With focus on leveraging Group-wide capabilities for product development and production process automation, aiming to switch to "a highly practical business model" and establishing our position as a comprehensive producer of prepared dishes and other prepared foods**

■ Prepared Dishes and Other Prepared Foods Business (Fiscal 2020 Forecasts)
Total for Initio Foods, Joyous Foods and Tokatsu Foods
- Net sales ¥130.6 billion
- Operating profit ¥3.0 billion (*before amortization of goodwill, others)

(*) Scheduled closing on July 4, 2019. Estimated goodwill calculated by the Company at roughly ¥15.0 billion (pre-PPA), with amortization over 10 years

Prepared Dishes and Other Prepared Foods Business Model

Issues	• Population decline • Labor shortage problem • Societal aging	×	**Company Structure** Full Lineup Structure for Prepared Food Products	×
Opportunity	• Increase in single-person households • Increase in employment of women • Diversifying needs • Product safety needs			**Company Strengths** • Product development • Production technology • Quality control knowhow • Production sites across Japan • Wide-ranging Group business domains

switch to a highly practical business model

Group Prepared Dishes and Other Prepared Foods Business Structure

Nisshin Seifun Group Inc.: Business Development Division

Newly established to enhance prepared dishes and other prepared foods business management structure

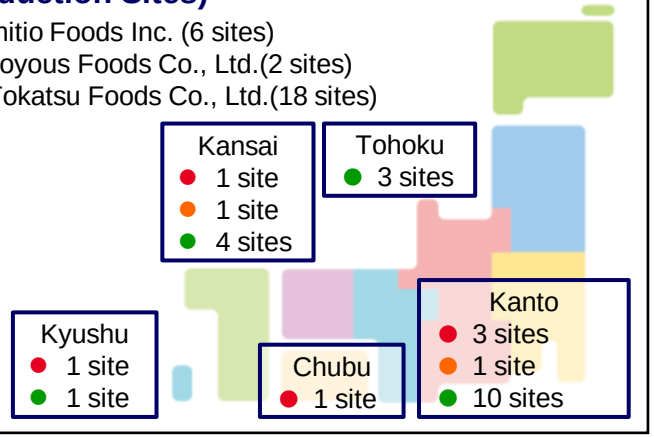
(June 2019)

Initio Foods Inc.	Joyous Foods Co., Ltd.	Tokatsu Foods Co., Ltd.
Japanese prepared dishes	joyous Cooked noodles	*Bento* lunch boxes, seasoned rice balls, sandwiches, other prepared foods
Established March 2004	Consolidated subsidiary from January 2016	Equity-method affiliate from December 2012 Consolidated subsidiary from July 2019(tentative)

(Production Sites)

As of May 2019

- Initio Foods Inc. (6 sites)
- Joyous Foods Co., Ltd.(2 sites)
- Tokatsu Foods Co., Ltd.(18 sites)



6. Processed Food Business Differentiation Strategies
– Development of High-value-added Products

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Recognizing market environment changes, promote development of high-value-added products around keywords "simple and convenient," "authentic" and "healthy"

Simple and Convenient

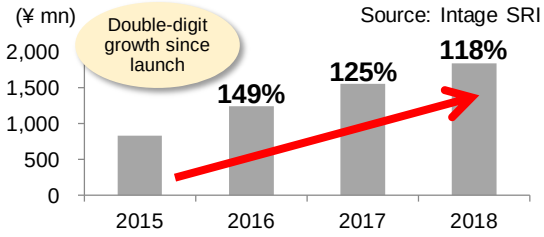
Cooking Bottle Series

Regular flour market: Ranked **3rd** Share: **15%**

Starch market: Ranked **2nd** Share: **6%**

Panko market: Ranked **2nd** Share: **5%**

Bottle-Type Series Net Sales



Ma・Ma Hayayude Spaghetti

★ Uniquely developed "Pinwheel shape"
★ Boil time cut by half

Ma・Ma Palette

★ Cooked in a small pot, ready in just five minutes
★ 4 pasta types × 4 sauces for 16 variations

Pastas × Sauces

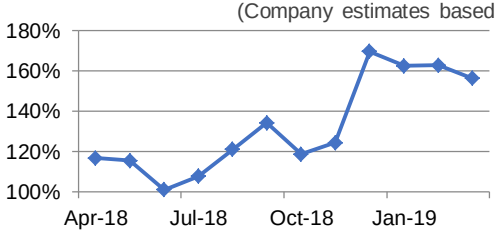
Authentic

Ao-No-Dokutsu

Pasta sauce

■ *Ao-No-Dokutsu* YoY Monthly Comparison

(Company estimates based on SRI × SCI-P data)



Frozen pasta

Healthy

Low Sugar/Dietary Fiber | Vegetable/Lycopene | Popular Ravioli

Nisshin | *Ma・Ma Watashi-Omoi-No* Frozen | *Ma・Ma* Pasta Sauce | *Smart Table* Frozen Western-style dishes

7. Expanding Demand for Raw Material for Pharmaceuticals "EPA-E" from Nisshin Pharma

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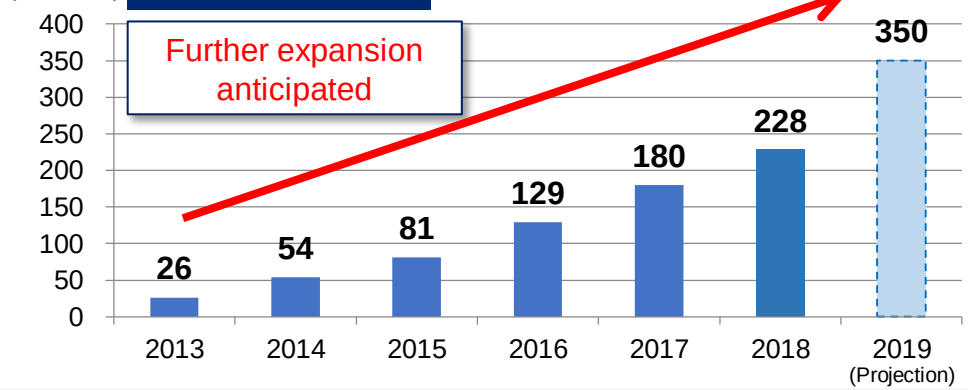
- **In March, Amarin Corporation plc (Amarin) submitted an application for FDA approval of an additional indication for high cholesterol treatment "Vascepa"**
- **To meet increased demand likely for "EPA-E," a pharmaceutical raw material, the Group is preparing to bolster its capabilities**

- "Vascepa" has been approved as a treatment for patients diagnosed with severe hypertriglyceridemia, or levels of neutral fat in the bloodstream higher than 500 mg/dl (about 3.8 million people in the US)
- In clinical trials, Amarin found that patients with mild cases of high cholesterol who took "Vascepa" together with commonly prescribed statins for lowering cholesterol had **a 25% lower risk of heart attack, heart failure and other cardiovascular events**. These results prompted filing of an application for an additional indication in March 2019
- If the additional indication for lowering the risk of cardiovascular events among statin users in the **US** with mild high cholesterol (approx. 38 million people) is approved, the number of applicable patients will rise dramatically, with significant business growth anticipated
- Amarin is boosting its salesforce from 150 to 400 agents, while also entering licensing agreements for the development and sale of "Vascepa" with partners in **Canada**, **the Middle East** and **China**. Amarin plans to apply for approval in **Europe** in 2019, which should lead to growth in demand beyond the US going forward

Amarin Net Sales



Future Schedule

Action	Approval of additional indication
Application to FDA for additional indication	Application filed March 2019
Approval of additional indication	Near end of Jan. 2020*

* Amarin has publicly stated that while the FDA application screening period is normally 10 months, expedited cases are also possible.

8. Development of Management Structure for Increasing Ability to Execute Growth Strategies (1)

– Transition to “a Company Structure with an Audit & Supervisory Committee”

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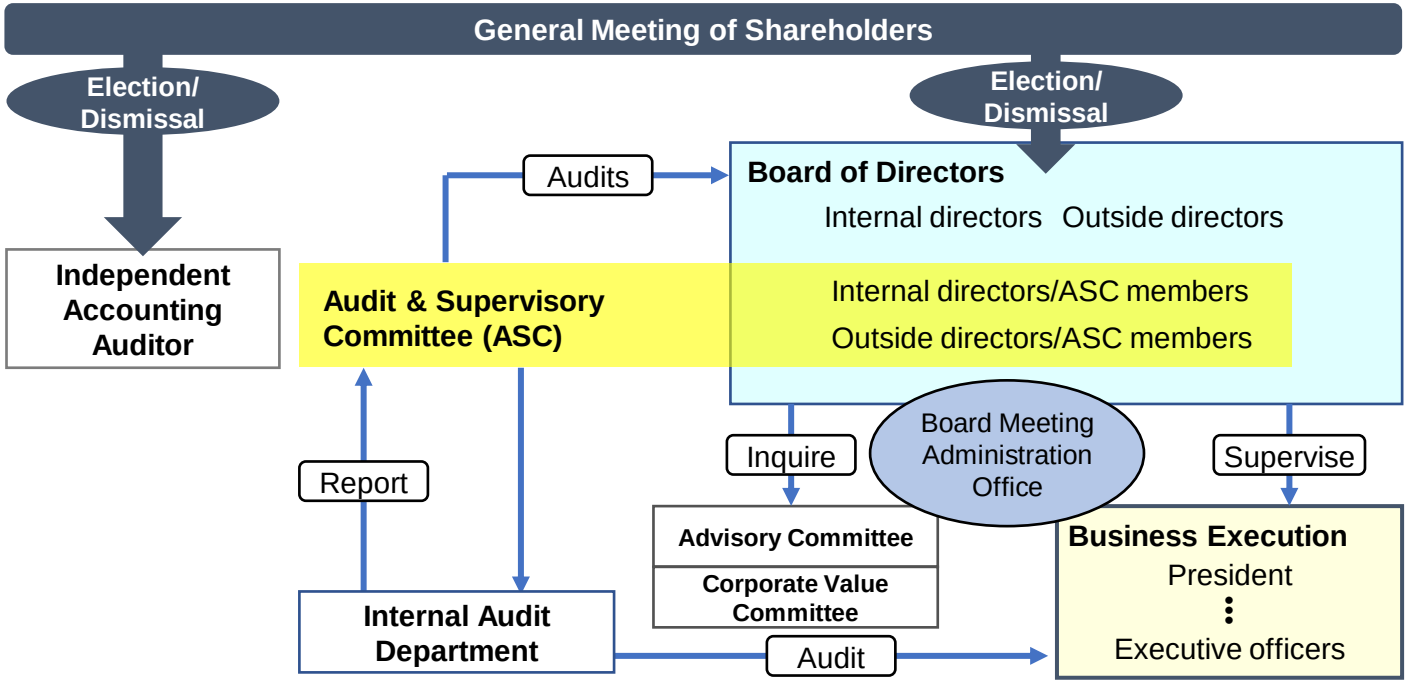
To enhance the oversight functions of the Board of Directors and achieve a more robust corporate governance system, the Company is transitioning to a new structure (a Company with an Audit & Supervisory Committee), while also making changes to the executive officer system

- The Company adopt a company structure with an Audit & Supervisory Committee in which directors who are Audit & Supervisory Committee members possess the decision-making authority at the Board of Directors; in parallel, the Company will increase the percentage of outside directors and strengthen supervision of business execution of the Board of Directors
- The Audit & Supervisory Committee will be responsible for auditing the appropriateness and validity of business execution, a step that will further enhance management transparency; the Internal Audit Department will be placed under the direct authority of the Audit & Supervisory Committee, with the aim of ensuring robust audits
- The scope of authority of executive directors will be revised to speed up management decision-making, in a move to enhance operational flexibility

New Management Structure



8. Development of Management Structure for Increasing Ability to Execute Growth Strategies (2)
– Composing a Diverse Board of Directors

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Board of Directors Encompassing 4 Diverse Perspectives

(1) Full-time directors at holding company, responsible for Group-wide coordination
(2) Directors with concurrent positions managing subsidiaries of main businesses, well-versed in market environment and management of main businesses
(3) Outside directors with independent third-party perspectives, either as corporate managers or positions rooted in the public interest
(4) Directors with decision-making authority within the Board of Directors, who are also Audit & Supervisory Committee members responsible for audits of the appropriateness and validity of business execution

	Internal Directors (8 men)	Outside Directors (5 men, 1 woman)
Holding Company	(1) President Vice President and in charge of General Administration Division Head of Finance and Accounting Division Head of R&D and Quality Assurance Division	(3) Experience in corporate management Experience in administration Experience in financial institution management
Main Businesses	(2) Head of Flour Milling Head of Processed Food Head of Prepared Dishes and Other Prepared Foods	
Audit & Supervisory Committee	(4) Experience in accounting and finance Outside directors comprise more than half of the Audit & Supervisory Committee, delivering a powerful audit structure with direct authority over the Internal Audit Department	(3) Attorney (4) Accountant Attorney

Organizations Consisting Solely of Outside Directors

Advisory Committee

Receiving inquiries from the Board of Directors, this body deliberates the nomination of representative directors and management-level remuneration

Corporate Value Committee

Upon receiving purchase proposals for consideration, this body investigates from the perspective of whether the purchase will result in preservation or improvement of corporate value and shared interests with shareholders

III. Initiatives for Sustainable “Cyclical Growth”

1. Initiatives for Sustainable “Cyclical Growth” (1)
– NNI “Compass for the Future”

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- The Nisshin Seifun Group is working to **realize sustainable growth by leveraging its strengths to overcome and transform risks into business opportunities**, accurately identifying both opportunities and threats that emerge from non-continuous changes in the environment caused by social issues and technological innovation. As a result, the Group strives to create a cycle of social contribution through the creation of its own added value
- We will further strengthen the link between “**the realization of our corporate principle**” and “**the maximization of our corporate value**” by pursuing management that develops a strong link between our business strategies and contributions to environment (E) and society (S), both associated with the new cross-value chain the Group is striving for as well as business sustainability, while enhancing governance (G), which serves to improve corporate value. In doing so, we are determined to develop a corporate group that enjoys ongoing active support from all stakeholders

Guided by Our Corporate Principle, Contribute to Society through Added Value from Each Business

Image of Nisshin Seifun Group “Cyclical Growth”

Population Statistics

Population growth globally, but decline in Japan/ Societal aging/Labor shortages/Urbanization/ Growth in inbound foreign human resources

Environment and Food Resources

Global warming/Industrial waste pollution/ Food resource depletion

Food and Health

Increased safety consciousness/Health consciousness/Diversifying food preferences/Food technology innovations/Market entry by other industries

4th Industrial Revolution

More sophisticated automation, AI technology/ e-commerce and logistics

Globalization

Progress of international trade negotiations/ Expansion in emerging markets/ geopolitical risk

Identify and Transform Social Issues into Opportunities

Nisshin Seifun Group	Nisshin Flour Milling
Nisshin Foods	Oriental Yeast
Nisshin Pharma	Nisshin Petfood
Nisshin Engineering	NBC Meshtec

Create New Added Value to Contribute to Society

Wheat flour-related ingredients – part of the food infrastructure

Proposing processed foods & deli/prepared dishes for the table every day for all temperature ranges

Fine chemicals and biotechnology to support health and medical care

Pet food that makes pets and people happy

Powder and mesh technology to support the world’s manufacturing

1. Initiatives for Sustainable “Cyclical Growth” (2)
– Nisshin Seifun Group CSR Framework

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- Clarify **CSR Approach** Based on **Our Corporate Principle**, and Articulate **5 Important Business-related Issues**
- Integrate CSR with Management Strategies and Aim for Sustainable, Cyclical Growth

5 Important CSR Issues

- Provision of safe, healthy food and responsible consumer communication
- Promote stable and sustainable procurement of raw materials and ingredients
- Address food waste and discarded containers
- Address climate change and water problems
- Maintain healthy, worker-friendly labor environments

Nisshin Seifun Group CSR Framework

Social Issues Surrounding the Group

CSR Approach
Unique CSR for Confronting Social Issues

(1) Corporate governance
(2) Fair business practices
(3) Information management
(4) Information disclosure and dialogue
(5) Responsibility to consumers and quality assurance
(6) Respect for human rights
(7) Employee satisfaction
(8) Natural environment
(9) Social projects
(10) Creation of social value

Corporate Code of Conduct
Employee Action Guidelines

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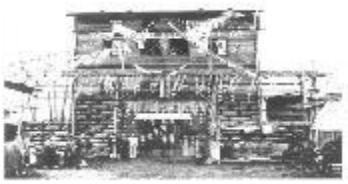
Corporate Philosophy



Guiding Philosophies:
- **“The basis of business is built on trust”**
- **“In tune with the changing climate”**

Opening ceremony for Tatebayashi Flour Milling Co., Ltd. (Tatebayashi-machi, Gunma Prefecture; currently Tatebayashi City)

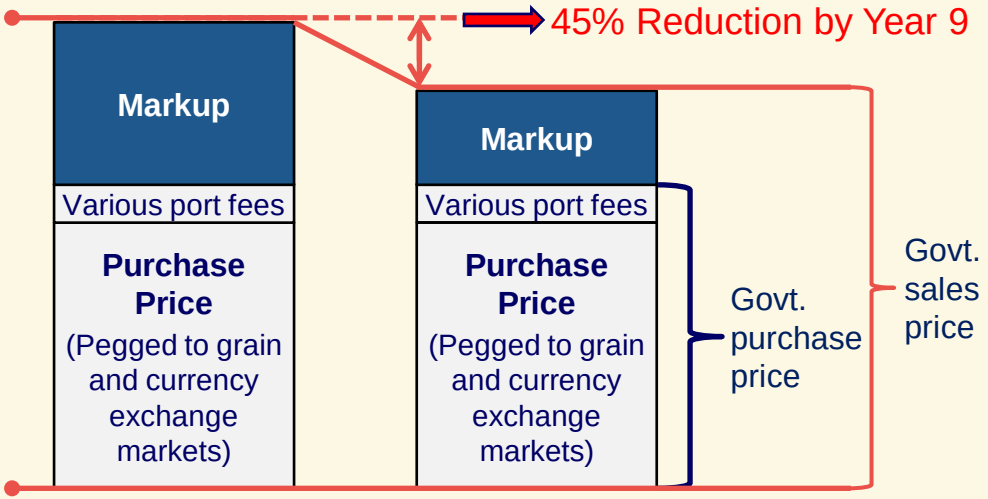
IV. Progress of International Trade Negotiations

1. International Trade Negotiations (1)
– Agreements in Japan-EU EPA, TPP11

Main Agreements Concerning Wheat

■ Maintain the current national trade system, reduce markup (marginal profit collected by government) by 45% by year 9. For certain categories, use SBS approach to establish country-by-country and EU frameworks.

<Image of Government Sales Prices for Imported Wheat>



Main Wheat Product Agreements

Item	Tax rate			Framework Volumes	
				Japan-EU EPA	TPP11
	Current	Japan-EU EPA	TPP11 Agreements	(Effective start) → (Year 6)	(Effective start) → (Year 6)
Roasted wheat, wheat flour (national trade items)	¥90/kg (for wheat flour)	Immediately nontaxable within framework + markup (Tax rate maintained outside of framework)	Immediately nontaxable within framework + markup (Tax rate maintained outside of framework)	3,800 tons → 4,400 tons	12,500 tons → 17,500 tons
Wheat flour products	16% - 28%	Immediately nontaxable within framework (Tax rate maintained outside of framework)	Immediately nontaxable within framework (Tax rate maintained outside of framework)	12,400 tons → 17,200 tons	21,800 tons → 30,500 tons
Macaroni/spaghetti	¥30/kg	Tariff repeal by year 11	60% tariff reduction by year 9	-	-
Biscuits	13% - 20.4%	Tariff repeal by years 6 to 11	Tariff repeal in year 6	-	-

1. International Trade Negotiations (2)
– Our Perspective

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Our Perspective on International Trade Negotiations

Wheat is used as an ingredient in an array of food products. Considering the impact on wheat producers, the flour milling industry, the food product industry and consumers at all stages, **consistency in import control mechanisms** pertaining to wheat and wheat-related products is essential.

In particular, US withdrawal from the TPP resulted in **no markup reduction for US-produced wheat**. There is concern that in response to this, wheat price imbalances based on country of origin or class could trigger market turmoil. To avoid this, the markup for US wheat must be reduced by the same amount as wheat produced in Canada and Australia.

Nisshin Seifun Group Response

(1) We **continue to enact measures to strengthen cost competitiveness** to win out against overseas flour milling companies and imports even if tariffs and other border control mechanisms are lowered.

(2) It is critical that we continue to maintain business basis in Japan, to **stably supply customers with safe, reliable wheat products**. To this end, we will **petition** the government **to lower markups** in order to avoid any potential damage to the flour milling and food product industries.

The first round of meetings for the Trade Agreement on Goods (TAG) was held in the US in April 2019. Agreement was reached to expedite negotiations at a high-level summit that took place the same month. With several news outlets reporting hopes for a general agreement by this summer, we are paying close attention to these developments.

(Ref.) The Wheat Market

The Wheat Market (1)

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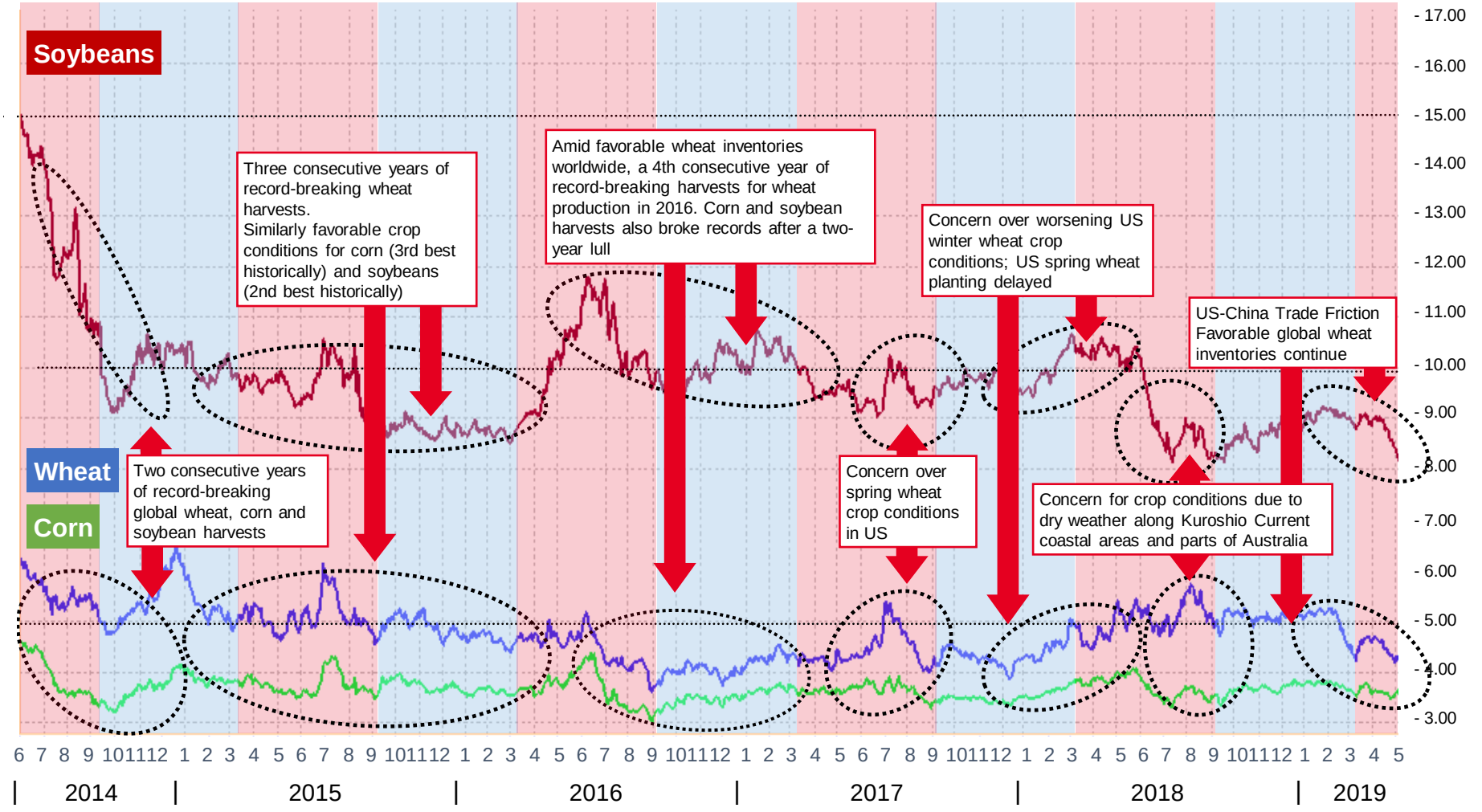
[Grain Market Trends]

Chicago Futures Market (US$/Bu)



Note: The background colors of the graph denote period for calculation of wheat sales price by Japan's Ministry of Agriculture, Forestry and Fisheries

The Wheat Market (2)

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[April 2019 – Wheat Price Revision] (Period for price revision calculation: 2nd week of Sep. 2018 - 1st week of March 2019)

- While the wheat market (Chicago) expected a decline in revenues, tracking dry weather in the EU and Australia, no major volatility occurred thanks largely to upwardly revised production forecasts for Russia. Nevertheless, wheat import prices declined on lower ocean freight rates, which were affected by fuel oil prices.

April 1, 2019 – Japanese govt. lowers sales prices for five classes of imported wheat by an average of 1.7%

July 10, 2019 – Nisshin Flour Milling Inc. lowers commercial wheat flour prices

[Factors Driving Future Wheat Market Changes]

Price-increasing Factors

- Return to US products by China to meet grain demand
  (Pending direction of US-China trade talks)
- Concern of reduced planting area in US following 2019 delay in spring wheat planting

Price-decreasing Factors

- While production volume and inventories will decline slightly from the previous year, global wheat inventories expected to remain favorable
- Favorable crop conditions likely to accompany steady growth in US winter wheat for production in 2019

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Fiscal 2019 Results Briefing

Results, Forecasts

May 16, 2019

Nisshin Seifun Group Inc.

Contents

1. Fiscal 2019 Results
2. Segment Results
3. Non-operating Income (Expenses) / Extraordinary Income (Losses)
4. Statements of Cash Flows
5. Fiscal 2020 Forecasts

1. Fiscal 2019 Results (1)

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(Millions of yen)	Fiscal 2018 Results	Fiscal 2019 Results	YoY difference	YoY change	Forecasts difference	Forecasts change
Net sales [Overseas sales]	**540,094** **[96,290]**	**565,343** **[103,739]**	+25,248 [+7,448]	+4.7% [+7.7%]	+343 [+1,139]	+0.1% [+1.1%]
Flour Milling	234,799	**245,943**	+11,143	+4.7%	(2,056)	(0.8)%
Processed Food	254,000	**258,783**	+4,783	+1.9%	(216)	(0.1)%
Others	51,295	**60,616**	+9,321	+18.2%	+2,616	+4.5%
Operating profit [Overseas operating profit]	**27,200** **[4,033]**	**26,916** **[3,880]**	(284) [(152)]	(1.0)% [(3.8%)]	(583) [(719)]	(2.1)% [(15.6%)]
Flour Milling	9,957	9,179	(778)	(7.8)%	(920)	(9.1)%
Processed Food	13,473	13,421	(51)	(0.4)%	(78)	(0.6)%
Others	3,613	4,088	+474	+13.1%	+388	+10.5%
Adjustments*	155	226	+70	+45.6%	+26	+13.3%
Ordinary profit	**31,800**	**32,062**	+262	+0.8%	+62	+0.2%
Profit attributable to owners of parent	**21,339**	**22,268**	+929	+4.4%	+268	+1.2%

* Intersegment transaction eliminations

(Reference)

Operating profit before amortization of goodwill, others	29,440	**29,172**	(268)	(0.9)%	(527)	(1.8)%

* Figures rounded down to nearest million yen

1. Fiscal 2019 Results (2)

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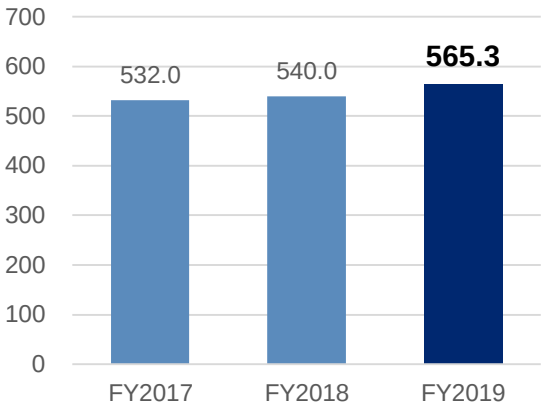
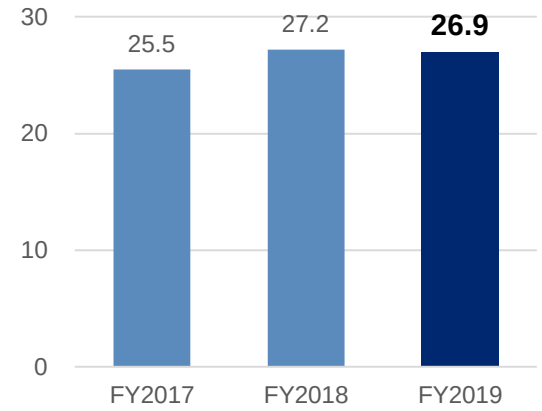
Net sales

(Billions of yen)



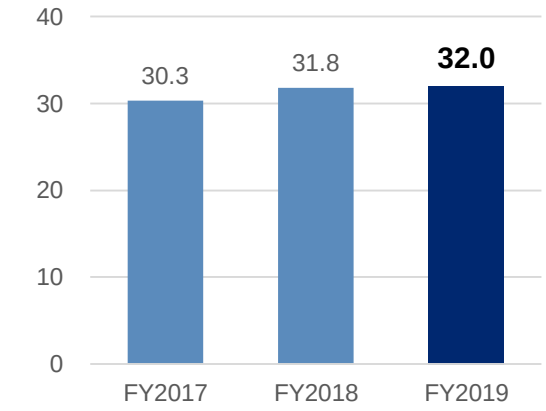
Operating profit

(Billions of yen)



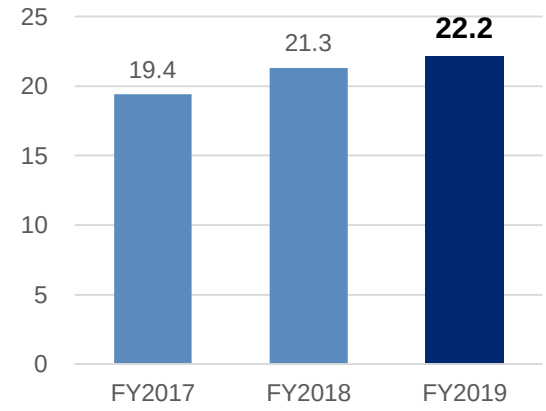
Ordinary profit

(Billions of yen)



Profit attributable to owners of parent

(Billions of yen)



* Figures rounded down to nearest 100 million yen

- Net sales was higher due to the effects from wheat flour price revisions accompanying revised wheat prices, and progress on large-scale construction projects in the engineering business.
- Operating profit was lower due to higher strategic costs, including enhancing human resources, R&D, more robust advertising and promotions, and expenses related to the purchase of Allied Pinnacle Pty Ltd., coupled with a decrease in the US flour milling business resulting from intense competition. The decline came despite growth in shipments of raw materials for pharmaceuticals to the US and favorable progress on construction projects for large-scale facilities.

Net sales:	YoY changes +4.7%
Operating profit:	YoY changes (1.0)%
Ordinary profit:	YoY changes +0.8%
Profit attributable to owners of parent:	YoY changes +4.4%

2. Segment Results (1)

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Analysis of Net Sales by Segment (YoY Difference)

Flour Milling ¥+11.1 billion

(Billions of yen)

Domestic wheat flour shipments (down 1.1% year on year)	(1.9)
Flour price revisions, others accompanying revised wheat prices	+7.3
Bran prices	+0.3
Overseas sales, others	+5.4

Processed Food ¥+4.8 billion

(Billions of yen)

・Processed food sales	+2.9
Household-use flour sales	(0.3)
Prepared mix product sales	+1.3
Pasta-related sales	+0.1
Frozen food sales	(1.6)
Prepared dishes and other prepared foods sales	+3.0
Overseas processed food sales	+0.8
Other	(0.4)
・Oriental Yeast sales	+0.4
Nisshin Pharma sales	+1.5

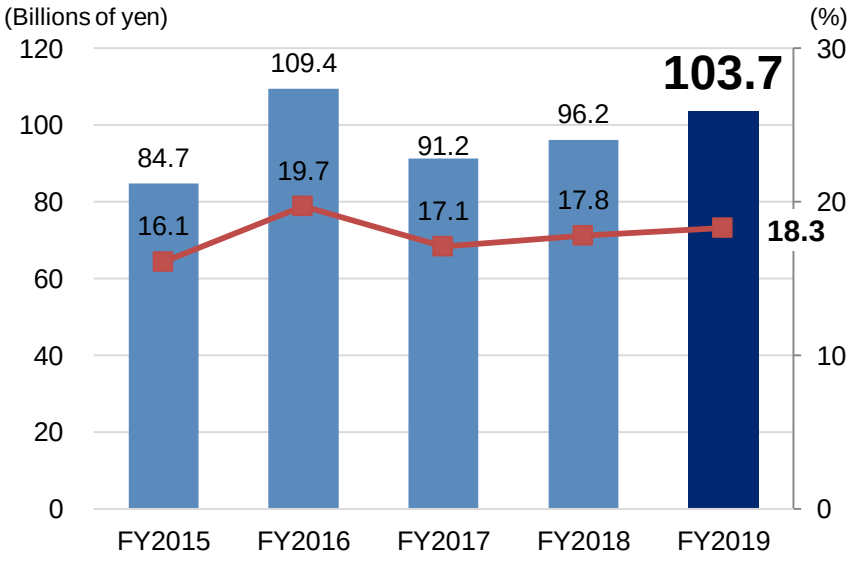
Others ¥+9.3 billion

(Billions of yen)

Nisshin Petfood sales	(0.2)
NBC Meshtec sales	(0.5)
Facility construction sales, others (Nisshin Engineering, others)	+10.0

[Ref.] Overseas sales

* Line graph indicates overseas sales ratio



2. Segment Results (2)

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Analysis of Operating Profit by Segment (YoY Difference)

Flour Milling ¥(0.8) billion

(Billions of yen)

Domestic wheat flour shipment volume	(0.3)
Sales expansion costs	(0.1)
Bran prices	+0.5
Cost related	(0.5)
Overseas subsidiaries, others	(0.4)

Others ¥+0.5 billion

(Billions of yen)

Sales	+1.1
Cost related, others	(0.6)

Processed Food ¥(0.1) billion

(Billions of yen)

Shipment volume	+1.6
Sales expansion costs	(0.1)
Cost related	(1.5)
Overseas subsidiaries, others	(0.1)

Adjustment ¥+0.1 billion

(Billions of yen)

Intersegment transaction eliminations	+0.1

3. Non-operating Income (Expenses) / Extraordinary Income (Losses)

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(Millions of yen)	Fiscal 2018 Results	Fiscal 2019 Results	YoY difference	Comments * Figures rounded down to nearest million yen
Operating profit	**27,200**	**26,916**	**(284)**	
Non-operating income	**5,084**	**5,751**	**+666**	
Interest income	305	458	+152	
Dividend income	2,412	2,655	+243	
Share of profit of entities accounted for using equity method	1,771	1,647	(123)	
Other	595	990	+394	
Non-operating expenses	**485**	**605**	**+120**	
Interest expenses	221	257	+36	
Loss on disaster	–	108	+108	
Other	263	239	(24)	
Total non-operating income (expenses)	**4,599**	**5,146**	**+546**	
Ordinary profit	**31,800**	**32,062**	**+262**	
Extraordinary income	**1,365**	**1,581**	**+216**	
Gain on sales of non-current assets	1,007	201	(805)	
Gain on sales of investment securities	357	1,379	+1,022	
Extraordinary losses	**734**	**529**	**(205)**	
Loss on retirement of non-current assets	605	457	(147)	
Impairment loss	129	72	(57)	
Total extraordinary income (losses)	**630**	**1,051**	**+421**	

4. Statements of Cash Flows

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(Billions of yen)

	Fiscal 2018	Fiscal 2019			
		Results	Change	Highlights	
Cash and cash equivalents at beginning of period	**90.8**	**98.4**	**+7.6**		Cash on hand* **99.4**
Cash flows from operating activities	**42.8**	**39.8**	**(2.9)**	**Profit before income taxes +33.1** **Depreciation and amortization +14.9** **Income taxes paid (7.4)**	
Cash flows from investing activities	**(18.0)**	**(19.1)**	**(1.1)**	**Capital expenditures (payment basis) (18.2)**	
Cash flows from financing activities	**(18.5)**	**(10.5)**	**+8.0**	**Cash dividends paid (9.2)**	
Effect of exchange rate changes on cash and cash equivalents, other	**1.4**	**(0.2)**	**(1.6)**		
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	**–**	**(1.0)**	**(1.0)**		
Cash and cash equivalents at end of period	**98.4**	**107.3**	**+8.9**		Cash on hand* **109.3**

*Cash on hand includes deposits exceeding 3 months and operating bonds

[Reference]

	Fiscal 2018	Fiscal 2019	Change	Factors behind changes
Capital expenditures (payment basis)	**19.7**	**18.2**	**(1.4)**	
Depreciation and amortization	**15.5**	**14.9**	**(0.5)**	

* Figures rounded down to nearest 100 million yen

5. Fiscal 2020 Forecasts (1)

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- Net sales growth anticipated atop effects from the purchase of Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd.
- Operating profit growth projected atop effects from new consolidation and firm shipments to the US of raw materials for pharmaceuticals despite the occurrence of strategic costs, including increased PMI expenses from the purchase of Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd.
  Ordinary profit expected to dip slightly due to the payment of interest on lease liabilities pertaining to non-current assets leased by Allied Pinnacle Pty Ltd.

(Millions of yen)	Fiscal 2019 Results	Fiscal 2020 Forecasts	YoY difference	YoY change
Net sales	565,343	**725,000**	+159,656	+28.2%
Overseas sales [Overseas sales ratio]	103,739 [18.3%]	**169,400 [23.4%]**	+65,660	+63.3%
Operating profit (*)	26,916	**30,000**	+3,083	+11.5%
Overseas operating profit [Overseas operating profit ratio]	3,880 [14.4%]	**6,500 [21.7%]**	+2,619	+67.5%
Ordinary profit	32,062	**31,700**	(362)	(1.1)%
Profit attributable to owners of parent	22,268	**23,300**	+1,031	+4.6%

(*) Amortization of goodwill, others for Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd. incorporated into Fiscal 2020 forecasts is based on pre-PPA estimates, and is thus subject to change.

* Figures rounded down to nearest million yen

5. Fiscal 2020 Forecasts (2)

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Net Sales by Segment

(Billions of yen)

	Forecasts	YoY difference
Flour Milling	**315.0**	**+69.0**
Processed Food	**352.0**	**+93.2**
Others	**58.0**	**(2.6)**
Total	**725.0**	**+159.6**

Flour Milling ¥+69.0 billion

(Billions of yen)

Domestic wheat flour shipments (up 1% YoY)	+2.2
Flour price revisions, others accompanying revised wheat prices	+3.9
Bran prices	+0.2
Overseas sales, others	+62.7

Processed Food ¥+93.2 billion

Domestic processed food sales	+2.4
Overseas processed food sales	+0.5
Prepared dishes and other prepared foods sales	+86.9
Oriental Yeast Co., Ltd. sales	+2.5
Nisshin Pharma Inc. sales	+0.9

Others ¥(2.6) billion

Nisshin Petfood Inc. sales	+0.4
NBC Meshtec Inc. sales	+0.6
Facility construction sales, others (Nisshin Engineering, others)	(3.6)

5. Fiscal 2020 Forecasts (3)

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Operating Profit by Segment

(Millions of yen)

	Forecasts	YoY difference
Flour Milling	11,000	+1,820
Processed Food	14,600	+1,178
Others	4,100	+11
Adjustments*	300	+73
Total	30,000	+3,083

* Intersegment transaction eliminations

Flour Milling ¥+1.8 billion

(Billions of yen)

Domestic wheat flour shipment volume	+0.2
Sales expansion costs	(0.1)
Bran prices	+0.1
Cost related	(0.7)
Overseas subsidiaries, others	+2.3

Processed Food ¥+1.2 billion

Shipment volume	+1.7
Sales expansion costs	+0.3
Cost related	(1.0)
Overseas subsidiaries, others (incl. Oriental Yeast, Pharma exports)	+0.2

Others ¥+0.0 billion

Sales	+0.0
Cost related, others	+0.0

5. Fiscal 2020 Forecasts (4)

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Non-operating Income (Expenses)

(Millions of yen)

	Fiscal 2019 Results	Fiscal 2020 Forecasts	YoY difference
Operating profit	**26,916**	**30,000**	**+3,083**
Net financial income	**2,856**	**300**	**(2,555)**
Share of profit of entities accounted for using equity method	**1,647**	**1,000**	**(647)**
Other	**642**	**400**	**(242)**
Non-operating income (expenses)	**5,146**	**1,700**	**(3,446)**
Ordinary profit	**32,062**	**31,700**	**(362)**

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.