

First Six Months of Fiscal 2020 Results Briefing Meeting

October 31, 2019

Nisshin Seifun Group Inc.



Contents



- I. First Six Months of Fiscal 2020 and Fiscal 2020 Forecasts
- II. Long-term Vision “NNI ‘Compass for the Future’” Initiatives
- III. Progress of International Trade Negotiations
- IV. The Wheat Market

I. First Six Months of Fiscal 2020 and Fiscal 2020 Forecasts

1. First Six Months of Fiscal 2020

- ▶ **Net sales were higher** primarily from the new consolidation of Australian flour milling company Allied Pinnacle Pty Ltd. (hereinafter, Allied Pinnacle) and the comprehensive prepared dishes supplier, Tokatsu Foods Co., Ltd.
- ▶ **Operating profit was lower**, largely reflecting an increase in amortization of goodwill accompanying evaluation of assets (purchase price allocation, or PPA) for new consolidated subsidiaries, a downturn in the performance of the U.S. flour milling business and a rise in strategic costs tied to business development.
On the other hand, **we met performance forecasts** thanks to firm shipments of raw materials for pharmaceuticals, better-than-expected progress on facility construction and improved sales expansion costs in core businesses (Flour Milling, Processed Food).
- ▶ For extraordinary income and losses, we posted ¥7.2 billion in gain on the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary upon completing its step acquisition, and posted an impairment loss of ¥3.9 billion as a precautionary measure to address a temporary downturn in the performance of the U.S. flour milling business.

(Millions of yen)	First Six Months of Fiscal 2020 Results	Forecasts		First Six Months of Fiscal 2019 Results	
			Change		Change
Net sales	346,518	346,000	+0.1%	284,289	+21.9%
Overseas sales ratio	24.1%	24.0%	—	17.6%	—
Operating profit	14,124	13,900	+1.6%	14,406	(2.0)%
Ordinary profit	15,113	14,700	+2.8%	16,809	(10.1)%
Profit attributable to owners of parent	13,519	14,800	(8.6)%	11,108	+21.7%

* Figures rounded down to nearest million yen

2. Fiscal 2020 Forecasts

- ▶ **Net sales growth** anticipated from continuation of trends from the first half of the year, including effects from the new consolidation of Australian flour milling company Allied Pinnacle and the comprehensive prepared dishes supplier, Tokatsu Foods Co., Ltd., despite lower wheat flour prices following revision of wheat prices.
 - ▶ **Operating profit growth** projected, reflecting effects of new consolidation, higher shipments of raw materials for pharmaceuticals, brisk facility construction performance and improved sales expansion costs in core businesses (Flour Milling, Processed Food), along with wheat flour prices revisions and other performance recovery measures already instigated to minimize and contain worsening performance in the U.S. flour milling business.
- Full-year forecasts to be lowered**, accounting for more-than-anticipated growth in amortization of goodwill, etc., accompanying PPA for newly consolidated subsidiaries

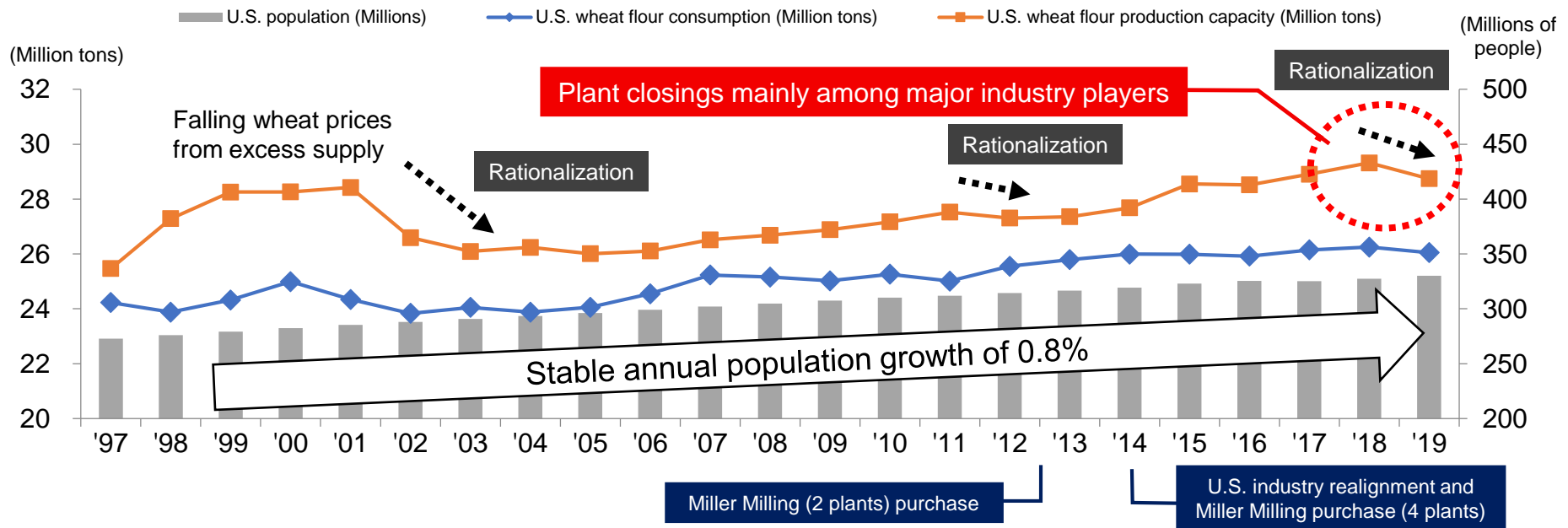
(Millions of yen)	Fiscal 2020 Forecasts	Forecasts announced in May 2019		Fiscal 2019 Results	
			Change		Change
Net sales	715,000	725,000	(1.4)%	565,343	+26.5%
Overseas sales ratio	23.4%	23.4%	—	18.3%	—
Operating profit	29,500	30,000	(1.7)%	26,916	+9.6%
Ordinary profit	31,000	31,700	(2.2)%	32,062	(3.3)%
Profit attributable to owners of parent	22,000	23,300	(5.6)%	22,268	(1.2)%

* Figures rounded down to nearest million yen

3. U.S. Flour Milling Business Status and FY2020 Outlook (1)

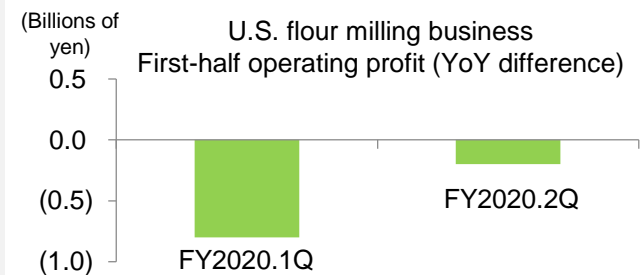
– Supply and Demand Environment in the Flour Milling Industry

- U.S. wheat flour demand to **grow stably**, driven by population growth and modest growth trends
- In contrast, periodic supply capacity volatility is likely due to “scrap and build” efforts by industry players. An industry downturn is currently underway, with **supply and demand** projected to continue moving **to an adjustment phase**



Principal factors in downturn in U.S. flour milling business performance

- Fall in sales margins accompanying **intensifying sales competition in the flour milling industry**
- **Loss of room to reduce raw material purchasing costs** due to low, stagnant grain market prices
- **Higher costs in step with strategic investments**, including depreciation, etc. from operation of new lines
- **Higher business infrastructure costs**, including expenses related to personnel, power and distribution in the U.S.



3. U.S. Flour Milling Business Status and FY2020 Outlook (2)

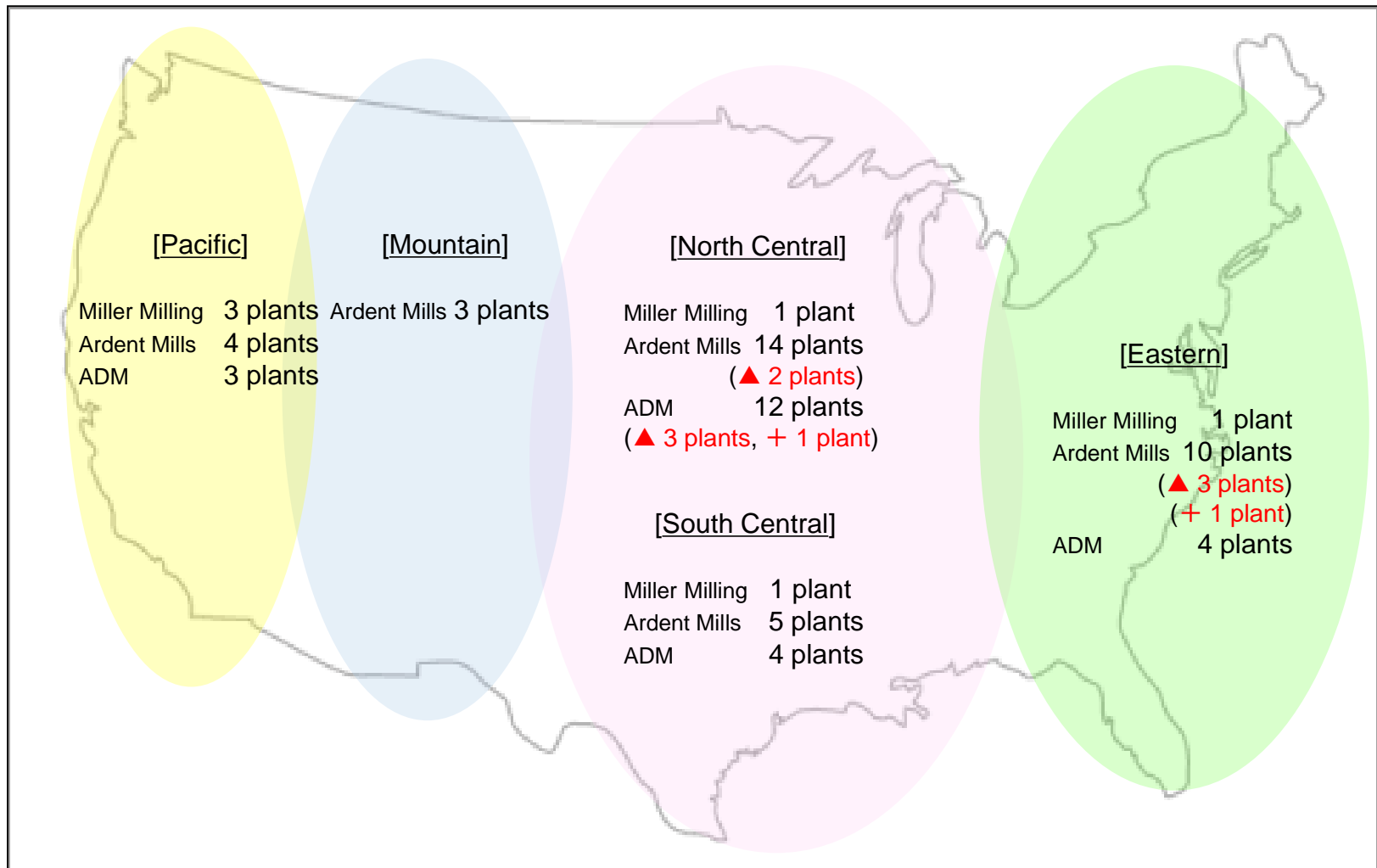
– Plant Locations and Changes for Major Flour Milling Companies

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Plant Locations and Status of “Scrap and Build” for Major U.S. Flour Milling Companies

[Area] Company/No. of plants/(“▲” = closure planned, “+” = new facility planned)



3. U.S. Flour Milling Business Status and FY2020 Outlook (3)

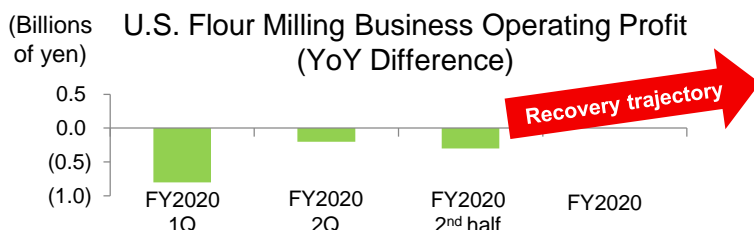
– Performance Recovery Measures for Miller Milling

Promotion of performance recovery measures through **new sales strategies** responsive to environment changes and **structural cost reductions**

- (1) Accelerate price revision negotiations accounting for environment changes in the U.S. flour milling industry; maintain **appropriate profit levels**
- (2) Augment packaging lines and raise the percentage of packaged products; develop sales of technology in artisan bread and other retail markets; take steps to **expand share in growing high-value-added segments**, including the organic market
- (3) Promote measures to **enhance productivity** (boost manufacturing efficiency, enhance facility efficiency in light of area strategy)

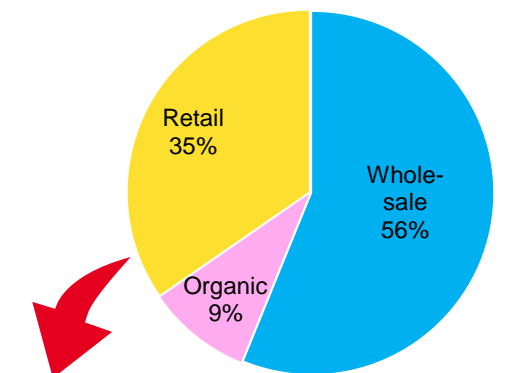
Direction for U.S. flour milling business

Promote the three measures above, set **goal of turning business to a recovery trajectory this FY**

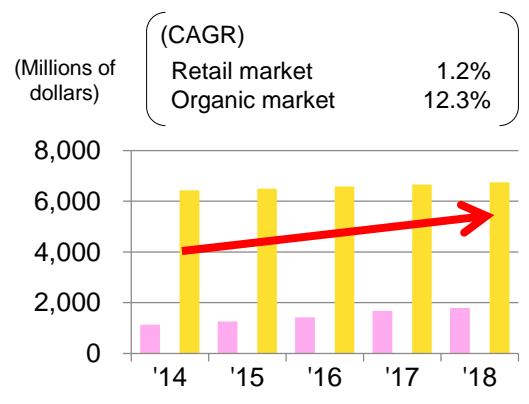


Plant Location, Market	Competitive Environment, Individual Strategies
(Population data from U.S. Census Bureau; production capacity share calculated by the Company based on "Grain & Milling Annual 2019")	
<ul style="list-style-type: none"> ■ Virginia Region (1 plant) • Population: 18 million (CAGR 0.7%) 	<ul style="list-style-type: none"> ■ 6 competitors/Production capacity share 42% (1st) • Productivity enhancement measures
<ul style="list-style-type: none"> ■ California Region (3 plants) • Population: 39 million (CAGR 0.8%) 	<ul style="list-style-type: none"> ■ 8 competitors/Production capacity share 30% (2nd) • Packaging line augmentation; become organic certified; productivity enhancement measures
<ul style="list-style-type: none"> ■ Texas Region (1 plant) • Population: 27 million (CAGR 1.7%) 	<ul style="list-style-type: none"> ■ 7 competitors/Production capacity share 26% (2nd) • Packaging line augmentation • Stronger marketing utilizing new lines • Productivity enhancement measures
<ul style="list-style-type: none"> ■ Minnesota Region (1 plant) • Population: 21 million (CAGR 0.3%) 	<ul style="list-style-type: none"> ■ 9 competitors/Production capacity share 9% (4th) • Productivity enhancement measures

Composition of U.S. Bakery Market



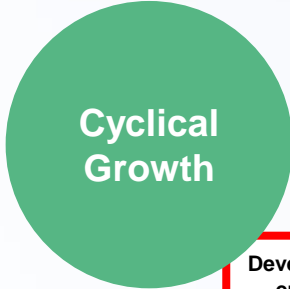
High-Value-Added Market Scale Trends



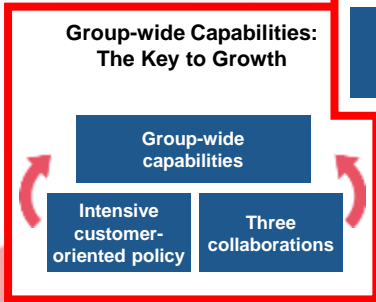
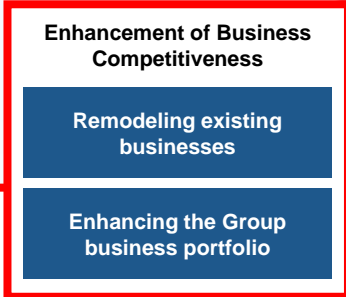
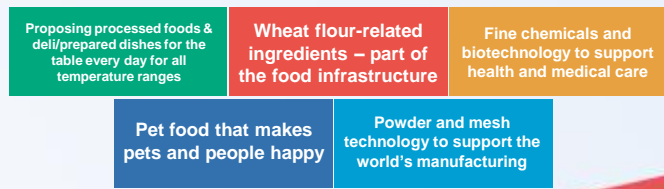
II. Long-term Vision “NNI ‘Compass for the Future’” Initiatives

1. “NNI ‘Compass for the Future’”

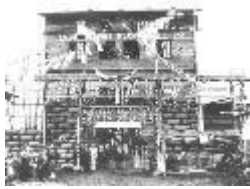
– Grand Design



<Target Vision>



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”



2. Overseas Flour Milling Business Growth Strategies

– Full-scale Oceania Market Entry

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Australia-based Allied Pinnacle performance trending in line with base scenario projected prior to acquisition

Leverage Group-wide capabilities to accelerate **strategic PMI activities**

- Company name: Allied Pinnacle Pty Ltd.
- Wheat flour production capacity: 3,500 tons/day (wheat basis)
- Market share: Approx. 40% of market (No. 1 in Australia) (excluding industrial applications for use in starch production)
- Strategic investment: ¥46.8 billion (1AUD=¥79)



Picton Plant (outside Sydney)

➤ Rationale and Purpose of Purchase

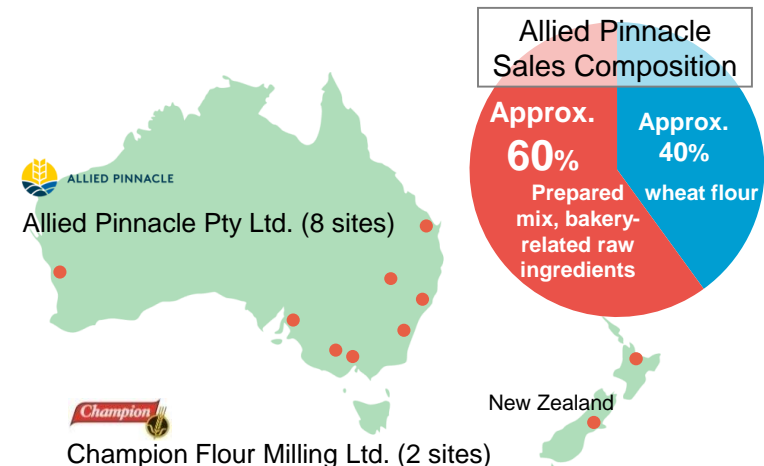
- **Australia is a growth market, with annual population growth of approx. 1.6%** (population of approx. 25 million in 2017). Further growth projected from infusion of the Group's technology and expertise into the solid business base of the Australian market leader
- **Australia is a major wheat producer** (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
- Promote global collaboration between existing flour milling and mix bases and Allied Pinnacle. Aiming for **stable growth in business of providing ingredients to bakeries in Asia and Oceania**
- 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

Strategic PMI Activities

Exchange personnel and expertise from Japan and Australia to create new set of best practices

- **Embed governance**, including internal control systems, and **share business processes**
- Improve administration level and productivity through audits with Japanese **production technology** and standards of **quality and safety** in mind
- Accelerate **R&D by integrated Japan-Australia teams**; more proactive client proposals
- Start **sales strategies for new markets** outside of Australia
- Build **local network for raw wheat**

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



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.)

- sales of quality dough improvers have begun ahead of full-scale launch of yeast business next summer

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

Build plant in outskirts of Pune, a location rich in molasses (key ingredient) and water resources

Comprehensive environmental countermeasures

Zero Liquid Discharge System for plant

Overview of plant in India

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

New plant under construction

Vietnam Nisshin Technomic Co., Ltd.

- Leverage newly established local R&D center for advance launch of prepared mix proposal activities

ASEAN market growth potential

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

Prime location

Good potential for development as a production and export base for processed foods together with well-qualified human resources

Outstanding technology from Japan

Supply differentiated products tailored to client needs

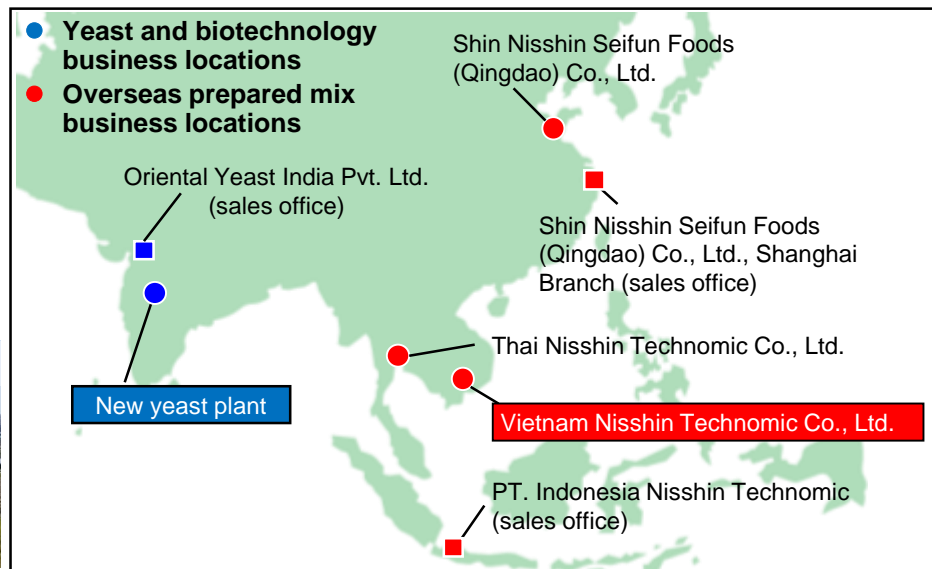
Collaboration with Thailand and China

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

Overview of plant in Vietnam

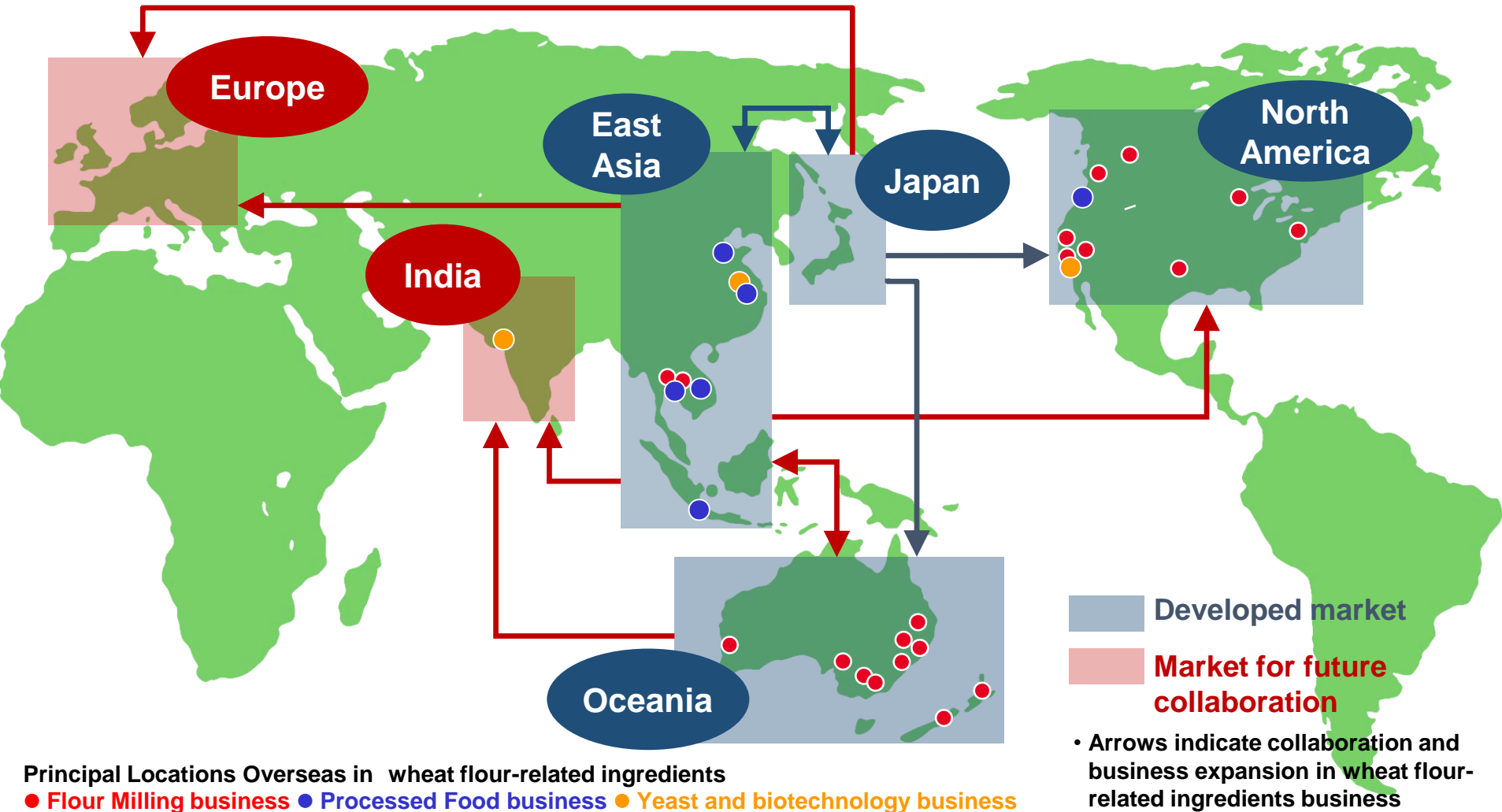
- [Production capacity] 9,000 t/year
- [Completion date] Winter FY2020
- [Investment] Approx. ¥1.7 billion

New plant under construction



4. Group Overseas Business Growth Strategies

Business areas steadily expanding in wheat flour, prepared mix, yeast and other bakery-related ingredients; capitalize on Group-wide capabilities to **strengthen global collaboration in wheat flour-related ingredients business**



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

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

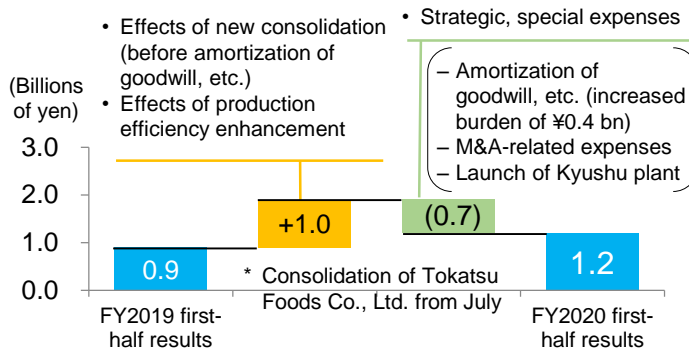
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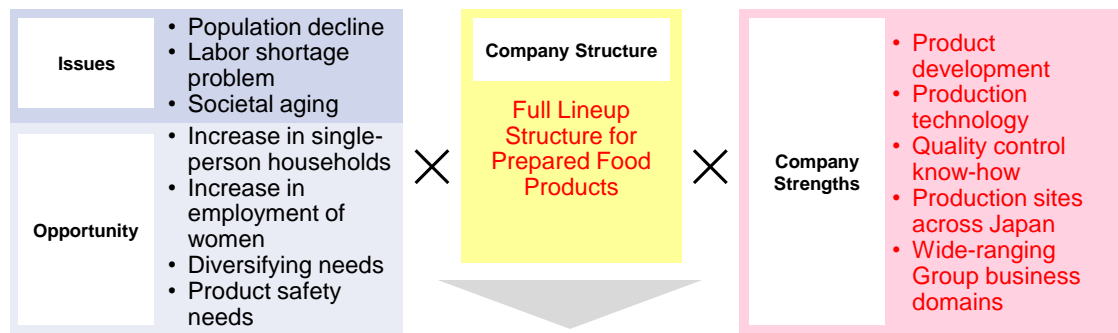
- **New business structure initiated** to establish position as a “**maker of a comprehensive range of prepared dishes and other prepared foods**”
- **Off to a favorable start**, with ¥53.3 billion in net sales (up 122% year on year) and ¥1.2 billion in operating profit (up 35% year on year, up 70% before amortization of goodwill, etc.) for the first half of FY2020

Prepared Dishes and Other Prepared Foods Business – Analysis of Change in Operating Profit

(First-half FY2020)



Prepared Dishes and Other Prepared Foods Business Model



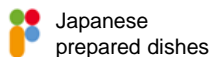
Switch to a highly practical business model

Group Prepared Dishes and Other Prepared Foods Business Structure

Nissin Seifun Group Inc.: Business Development Division

Newly established to enhance prepared dishes and other prepared foods business management structure (June 2019)

Initio Foods Inc.



Established March 2004

Joyous Foods Co., Ltd.



Consolidated subsidiary from January 2016

Tokatsu Foods Co., Ltd.



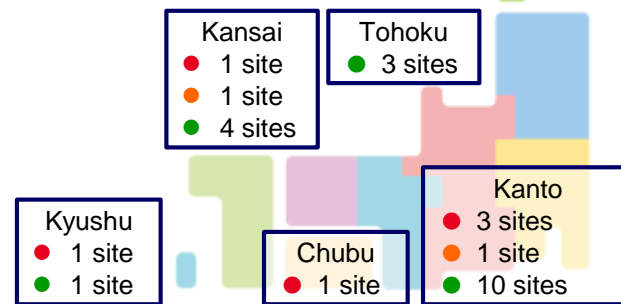
Bento lunch boxes, seasoned rice balls, sandwiches, other prepared foods

Equity-method affiliate from December 2012
Consolidated subsidiary from July 2019

(Production Sites)

As of May 2019

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



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

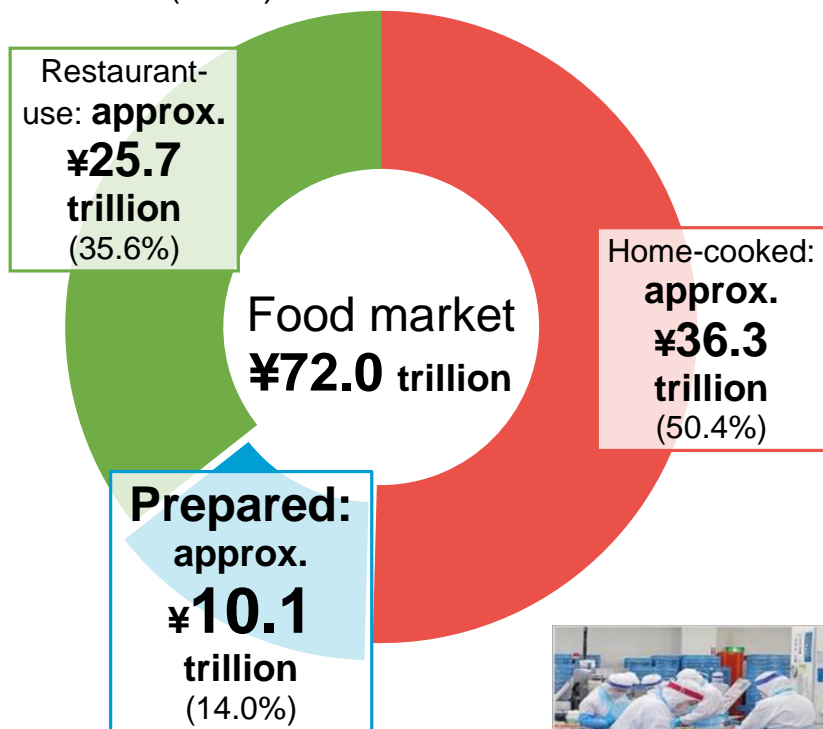
– Scale and Growth of Market for Prepared Dishes

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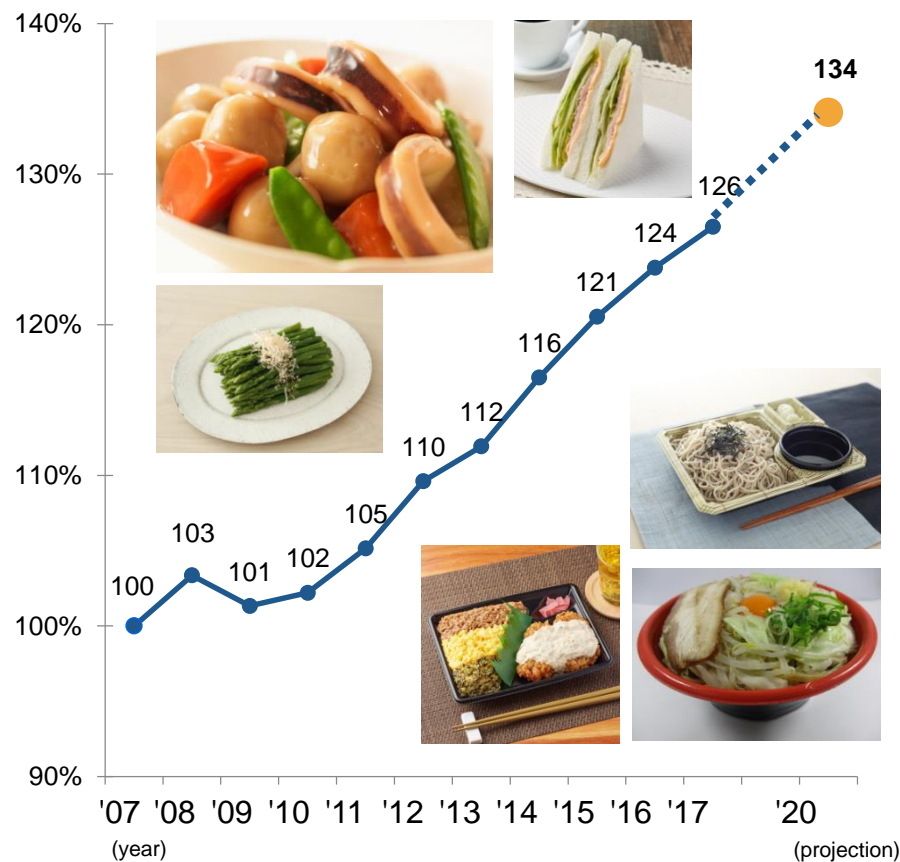
- **Significant prepared dish market growth**, reflecting increases in employment of women, population aging, and single-headed households
- Provide **diverse products to a wide range of markets** by leveraging **Group-wide capabilities** with a focus on R&D

■ Proportion of “Home-cooked, Prepared and Restaurant-use Dishes” in the Food Market (2017)



Initio Foods

■ “Prepared Dish” Growth Rate (2007 as benchmark year, set to 100)



* “Home-cooked” based on Company estimates
 * “Restaurant-use” based on Japan Foodservice Association website
 * “Prepared” based on “Ready-made Meal White Paper” published by Japan Ready-made Meal Association

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

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**”

Ma•Ma Hayayude Spaghetti

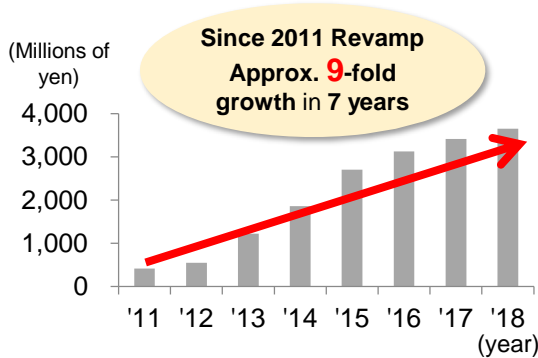
- Sustain consistent and strong hayayude (fast-cook) pasta performance
- Introduce new products made from whole-grain flour

Ma•Ma Hayayude Spaghetti Series



New products made from whole grain

Hayayude Series Sales (Source: Intage SRI)



Commercial-use

- Expand commercial-use sales by augmenting supply structure for Hayayude Spaghetti

Ma•Ma THE PASTA

- Reform quality, package design and review price ranges to **boost added value**

Quality Design

Changes in sauce combinations, ingredients and production methods



Sauté Neapolitan cooked over high, direct heat



Rich Parmigiano-Reggiano

(*) Source: Intage SRI

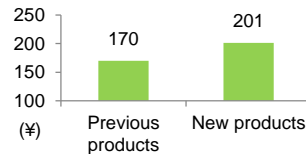
Package Design

Switch from horizontal to vertical packaging to boost in-store visibility



(Previous package)

Sales Units/Meal (*)



- Growing name recognition through digital marketing and other media



Conduct SNS campaign and Web advertising

Labeled Functional Food Products – “Karada-ni, Oishii-koto.” (Deliciousness Your Body Will Love)

- Enter the growing functional food products market
- Utilize Group technology to uphold “health” and “deliciousness”

“Karada-ni, Oishii-koto.” Series

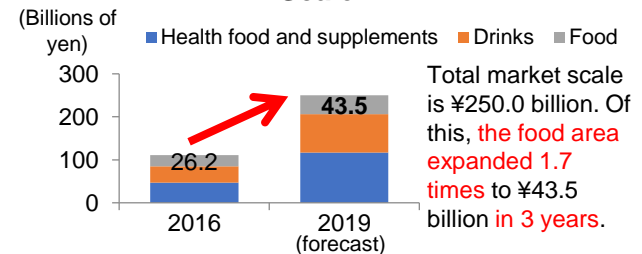


Pancake mix

Pasta sauce

risotto

Labeled Functional Food Product Market Scale



“Market Analysis by Labeled Function” from H-B Foods Marketing Compendium 2019, No. 3, compiled by Fuji Keizai

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

- FDA expected to approve additional indication for high-cholesterol treatment “Vascepa®” from Amarin Corporation plc (hereinafter, “Amarin”) by the end of 2019
- **Completed production capacity upgrade** at Nisshin Pharma **in September** to meet growing demand for pharmaceutical raw material “EPA-E”

Vascepa® Sales Status to Date

- Vascepa® is a treatment for high cholesterol containing high-purity EPA-E, sold by Amarin in the U.S. since 2013
- Utilizing proprietary refinement technology, Nisshin Pharma has from the start supplied high-purity EPA-E to Amarin
- In March 2019, Amarin applied to the U.S. FDA for approval of an additional indication for the drug, which is currently under review (Approval decision set to occur by December 28, 2019)
If approved, the number of applicable patients for Vascepa® in the U.S. will rise dramatically (from approx. 3.8 million to approx. 38 million); demand for the pharmaceutical raw material is also expected to rise accordingly

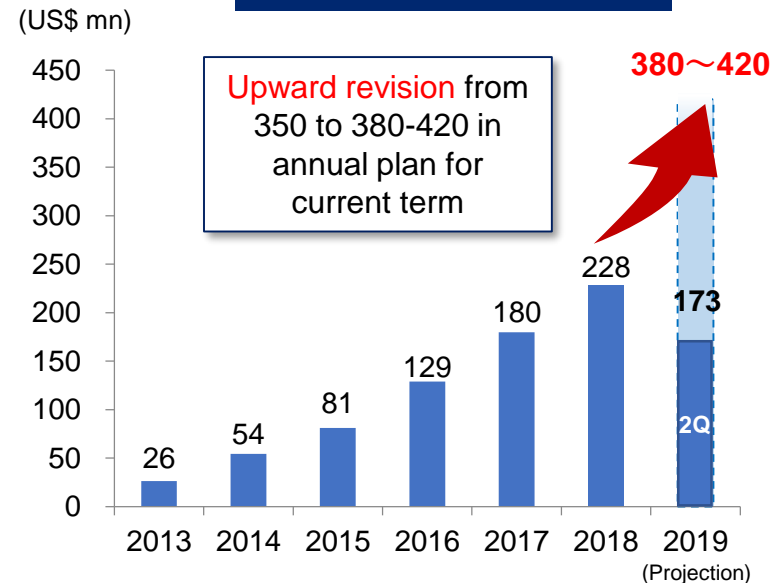
Raise Nisshin Pharma Production Capacity for EPA-E

- With growth in demand for pharmaceutical raw material EPA-E on the horizon, Nisshin Pharma **completed production capacity upgrades for this purpose in September**
Further capacity upgrades are being considered with close attention to market trends

Amarin Recent Topics

- Sales force set to double from 400 to 800 people by the end of 2019
- Development outside the U.S.
 - Canada: Decision on current indication under review scheduled to occur by the end of 2019
 - Middle East (Lebanon/UAE): Sales approval granted but sales start date currently undecided
 - China: Clinical trials currently underway
 - Europe: Amarin announced application plan in 2019

Amarin Net Sales

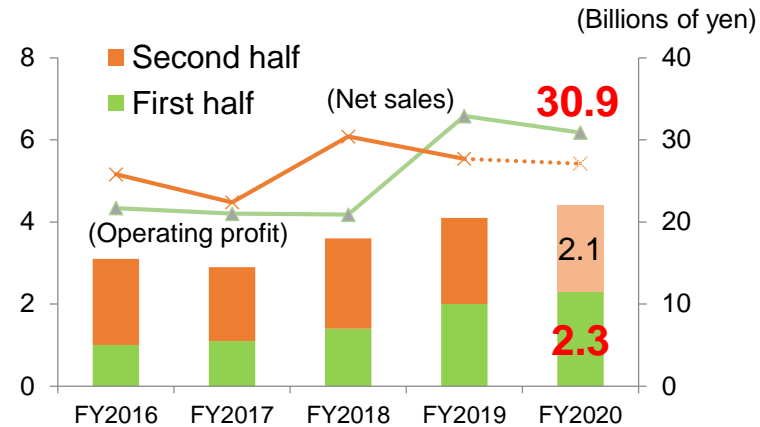


8. Others Segment Status

Record-setting operating profit in first half of FY2020, led by the engineering business.

Brisk performance to continue in the full-year outlook

- Net sales ¥30.9 billion (down ¥1.9 billion, or 5.8%)
- Operating profit ¥2.3 billion (up ¥0.3 billion, or 14.6%)



Pet Food Business

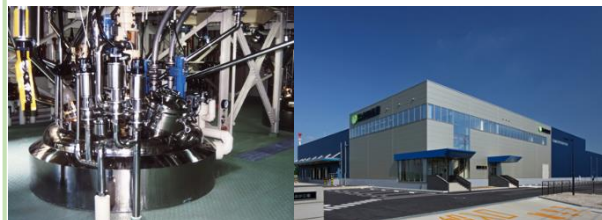
- Brisk sales of “JP Style Wa No Kiwami,” “Kaiseki” and other high-value-added products, expanding to roughly 40% of sales composition
- While the scale of therapeutic pet food, another high-value-added business, remains small, the average annual growth rate is 40%



“Dietics” therapeutic pet food

Engineering Business

- Facility construction is moving apace. With strengths in user-oriented plant design and global top-level grinding technology, orders for plants in various fields, including food, toiletries, metals and electronic materials, are growing steadily



Toiletry product plant

Prepared food plant

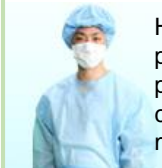


Biomass fuel facility

Electronic materials plant

Mesh Cloth Business

- Robust sales of high-performance mesh cloth for solar panel printing, medical applications
- In contrast, performance in mesh cloth for printing digital circuits used in smartphones and other devices, along with automotive filters, has weakened temporarily due to trade friction between the U.S. and China



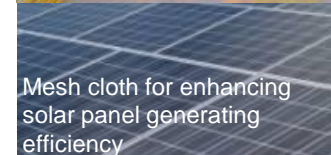
High-performance protective clothing, masks



Bolting mesh for flour milling



Anti-viral wipes

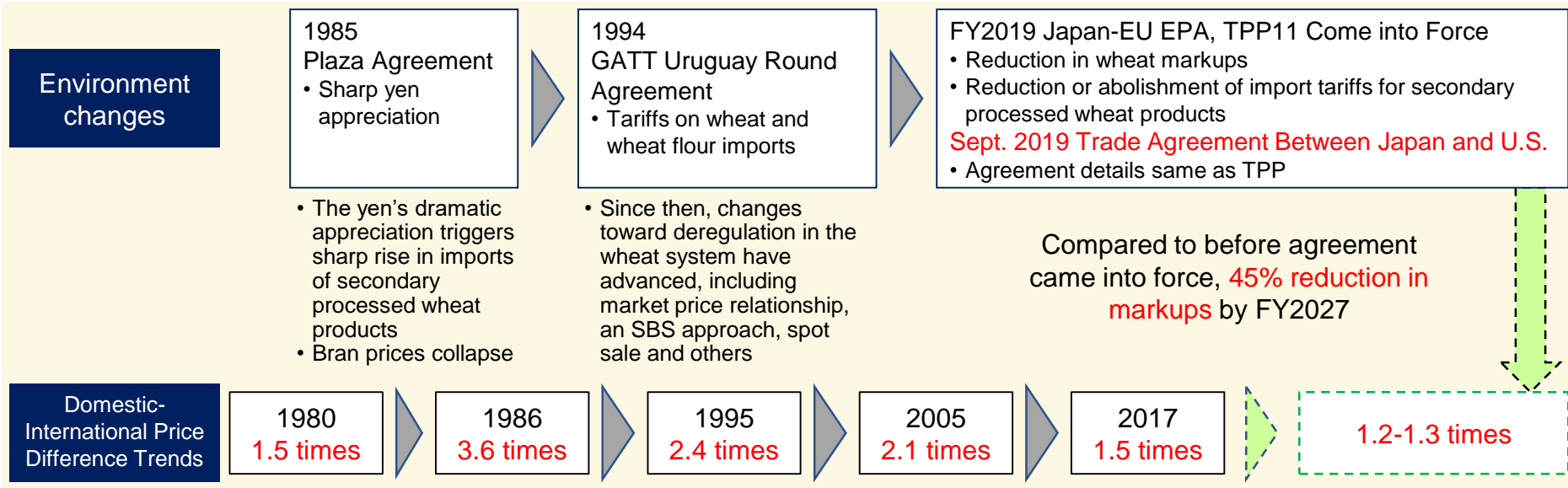


Mesh cloth for enhancing solar panel generating efficiency

III. Progress of International Trade Negotiations

1. International Trade Negotiations (1)

- **A final trade agreement between Japan and U.S. was reached at the Japan-U.S. summit held September 25, 2019, a major step forward in reducing markups on U.S.-grown wheat**
- **Compared to prior to the cooperative agreement, wheat markups are set to decline 45% by FY2027, with the domestic-international price difference projected to shrink to 1.2 - 1.3 times**



International Trade Negotiations – Our Perspective

- 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.

Nisshin Seifun Group Response

- 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.
- It is critical that we continue to maintain the foundations of our business 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.

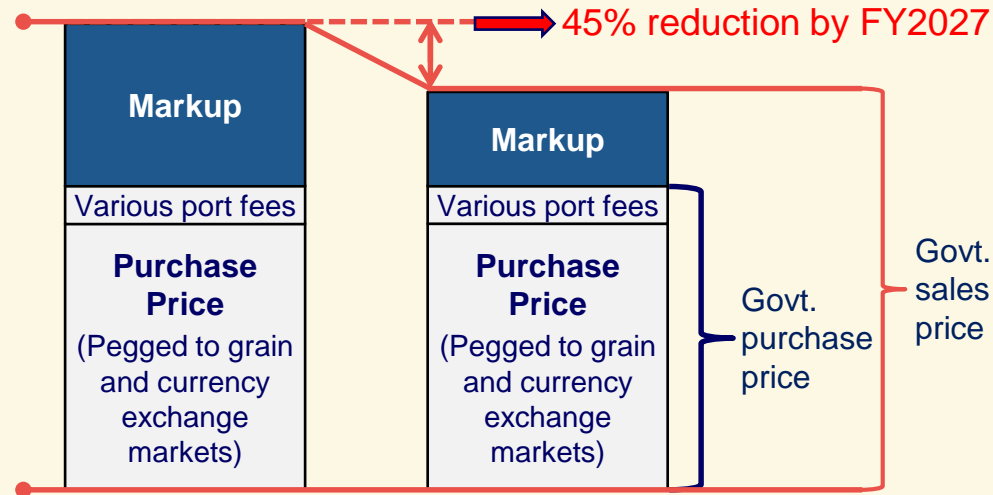
1. International Trade Negotiations (2)

– Agreements in TPP11, Japan-EU EPA and Trade Agreement Between Japan and U.S.

Main Agreements Concerning Wheat

- Maintain the current national trade system, reduce markup (margin of profit collected by government) by 45% by FY2027. 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

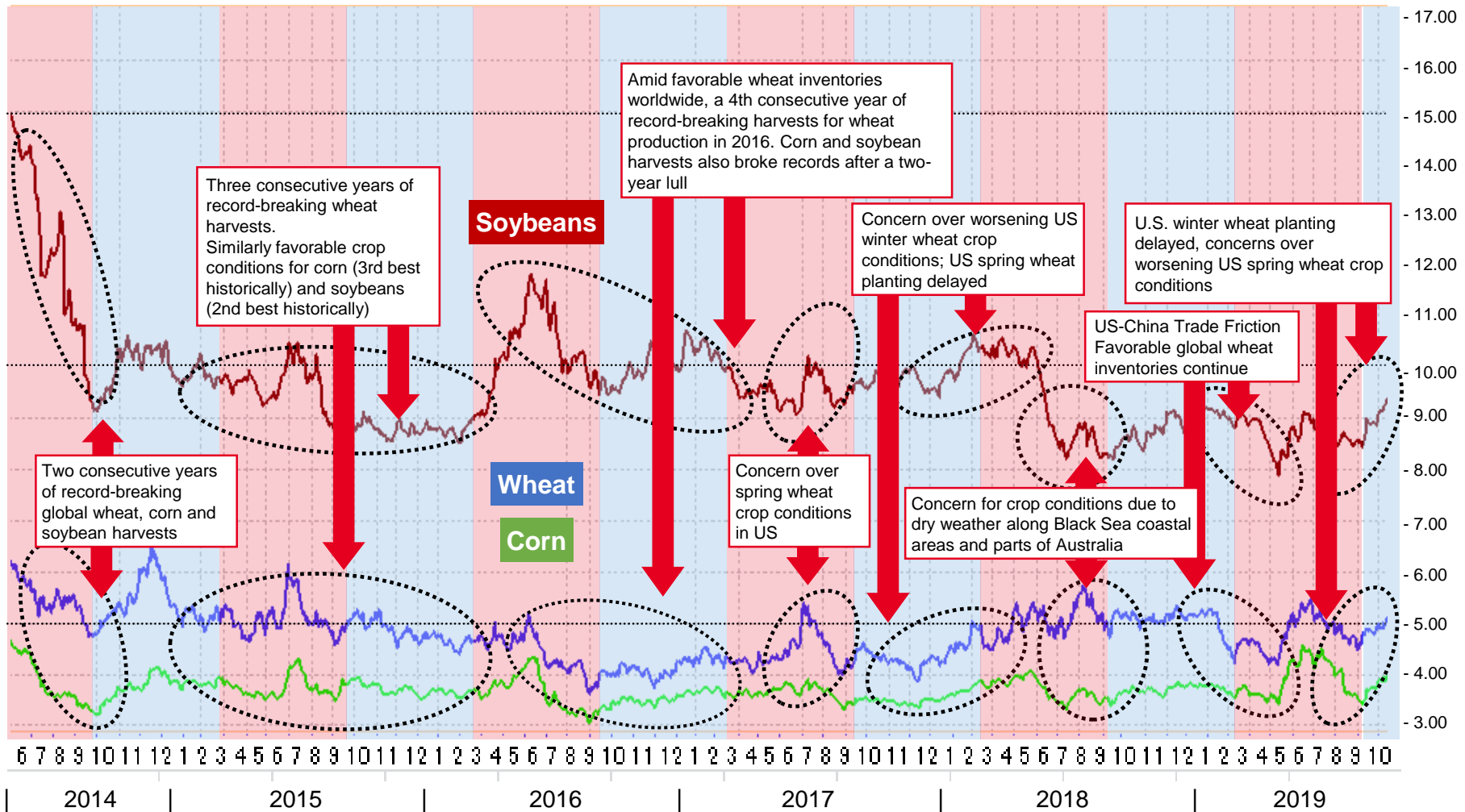
Item	Tax rate			Framework Volumes			
	Current	TPP11	Trade Agreement Between Japan and U.S.	Japan-EU EPA	TPP11	Trade Agreement Between Japan and U.S.	Japan-EU EPA
		Effective start – Dec. 2018	Effective start expected in FY2020	Effective start – Feb. 2019	(Volume framework for FY2024)		
Roasted wheat, wheat flour (national trade items)	¥90/kg (for wheat flour)	Immediately nontaxable within framework + markup (Tax rate maintained outside of framework)	No framework established	Immediately nontaxable within framework + markup (Tax rate maintained outside of framework)	17,500 tons	-	4,400 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)	30,500 tons	12,000 tons	17,200 tons
Macaroni/spaghetti	¥30/kg	60% tariff reduction by FY2027		Tariff abolishment by FY2029	-	-	-
Biscuits (excl. sweet biscuits)	13% - 15%	Tariff abolishment by FY2024		Tariff abolishment by FY2024	-	-	-

IV. The Wheat Market

The Wheat Market (1)

[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

[October 2019 – Wheat Price Revision] (Period for price revision calculation: 2nd week of Mar. 2019 - 1st week of Sept. 2019)

A bearish wheat market (Chicago) is expected, reflecting both anticipated growth in U.S.-grown harvests and projections of favorable global supply volume. With a higher yen also predicted for exchange rates, wheat import prices were lowered.



Oct. 1, 2019 – Japanese govt. lowers sales prices for five classes of imported wheat by an average of 8.7%

Jan. 10, 2020 – Nisshin Flour Milling Inc. lowers commercial wheat flour prices

[Factors Driving Future Wheat Market Changes]

Price-increasing Factors

- Concerns of worsening crop conditions caused by rains during harvest season for North American-grown spring wheat produced in 2019
- Concerns of reduced planting area in the US due to delays in planting the 2020 winter wheat crop

Price-decreasing Factors

- Favorable global wheat inventory outlook accompanying higher production volume for wheat produced in 2019
- Decline in competitiveness of U.S.-grown wheat from successful plantings in Europe and the Black Sea coastal region

First Six Months of Fiscal 2020 Results Briefing Results, Forecasts

October 31, 2019

Nisshin Seifun Group Inc.



Contents



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

1. First Six Months of Fiscal 2020 Results (1)

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(Millions of yen)

	First Six Months of Fiscal 2019 Results	First Six Months of Fiscal 2020 Results	YoY difference	YoY change	Forecasts difference	Forecasts change
Net sales	284,289	346,518	+62,228	+21.9%	+518	+0.1%
[Overseas sales]	[49,996]	[83,609]	[+33,612]	[+67.2%]	—	—
Flour Milling	120,668	154,898	+34,230	+28.4%	—	—
Processed Food	106,742	107,283	+541	+0.5%	—	—
Prepared Dishes and Other Prepared Foods	23,994	53,373	+29,379	+122.4%	—	—
Others	32,884	30,962	(1,922)	(5.8)%	—	—
Operating profit	14,406	14,124	(282)	(2.0)%	+224	+1.6%
[Overseas operating profit]	[2,048]	[1,783]	[(264)]	[(12.9)%]	—	—
Flour Milling	4,965	4,338	(626)	(12.6)%	—	—
Processed Food	6,343	6,013	(329)	(5.2)%	—	—
Prepared Dishes and Other Prepared Foods	954	1,287	+332	+34.9%	—	—
Others	2,080	2,384	+304	+14.6%	—	—
Adjustments*	63	100	+36	—	—	—
Ordinary profit	16,809	15,113	(1,696)	(10.1)%	+413	+2.8%
Profit attributable to owners of parent	11,108	13,519	+2,411	+21.7%	(1,280)	(8.6)%

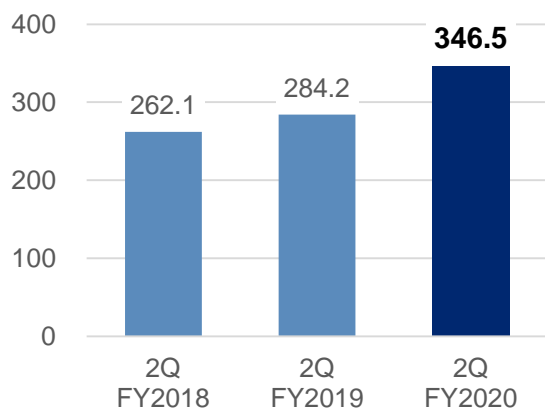
* Intersegment transaction eliminations

* Figures rounded down to nearest million yen

1. First Six Months of Fiscal 2020 Results (2)

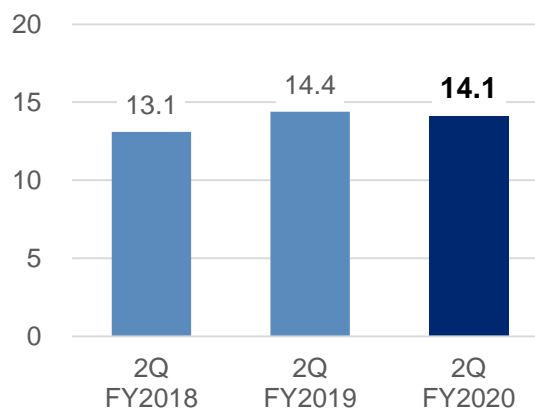
Net sales

(Billions of yen)



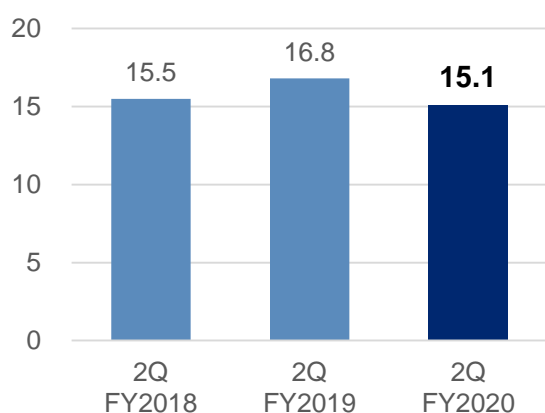
Operating profit

(Billions of yen)



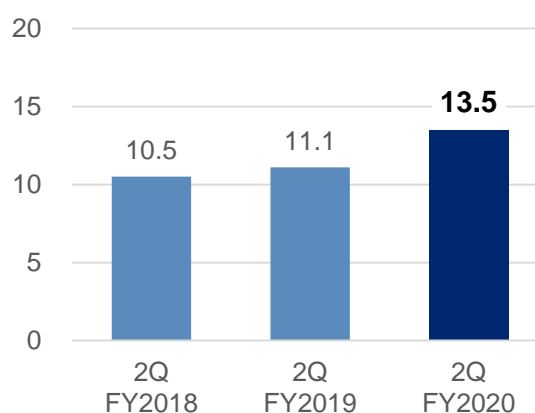
Ordinary profit

(Billions of yen)



Profit attributable to owners of parent

(Billions of yen)



- ▶ **Net sales were higher** primarily from the new consolidation of Australian flour milling company Allied Pinnacle Pty Ltd. (hereinafter, Allied Pinnacle) and the comprehensive prepared dishes supplier, Tokatsu Foods Co., Ltd.
- ▶ **Operating profit was lower**, largely reflecting an increase in amortization of goodwill accompanying evaluation of assets (purchase price allocation, or PPA) for new consolidated subsidiaries, a downturn in the performance of the U.S. flour milling business and a rise in strategic costs tied to business development. On the other hand, **we met performance forecasts** thanks to firm shipments of raw materials for pharmaceuticals, better-than-expected progress on facility construction and improved sales expansion costs in core businesses (Flour Milling, Processed Food).
- ▶ For extraordinary income and losses, we posted ¥7.2 billion in gain on the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary upon completing its step acquisition, and posted an impairment loss of ¥3.9 billion as a precautionary measure to address a temporary downturn in the performance of the U.S. flour milling business.

Net sales:	YoY changes +21.9%
Operating profit:	YoY changes (2.0)%
Ordinary profit:	YoY changes (10.1)%
Profit attributable to owners of parent:	YoY changes +21.7%

* Figures rounded down to nearest 100 million yen

2. Segment Results (1)

Analysis of Net Sales by Segment (YoY Difference)

Flour Milling

¥+34.2 billion

(Billions of yen)

Domestic wheat flour shipments (down 0.5% year on year)	(0.5)
Flour price revisions, others accompanying revised wheat prices	+1.8
Bran prices	+0.2
Overseas sales, others	+32.7

Processed Food

¥+0.5 billion

(Billions of yen)

Processed food sales	(0.1)
Household-use flour sales	(0.1)
Prepared mix product sales	(0.2)
Pasta-related sales	+0.5
Frozen food sales	+0.4
Overseas processed food sales	+0.2
Other	(0.9)
Oriental Yeast sales	(0.3)
Nisshin Pharma sales	+0.9

Prepared Dishes and Other Prepared Foods

¥+29.4 billion

(Billions of yen)

Effects of new consolidation of Tokatsu Foods, others	+29.4
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Others

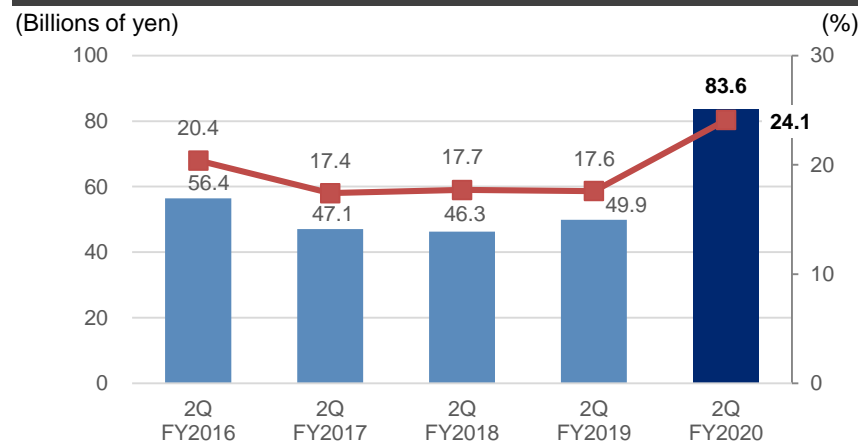
¥(1.9) billion

(Billions of yen)

Nisshin Petfood sales	(0.1)
NBC Meshtec sales	(0.3)
Facility construction sales, others (Nisshin Engineering, others)	(1.5)

[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

¥(0.6) billion

(Billions of yen)

Domestic wheat flour shipment volume	(0.1)
Sales expansion costs	+0.2
Bran prices	+0.1
Cost related	(0.3)
Overseas subsidiaries, others	(0.5)

Processed Food

¥(0.3) billion

(Billions of yen)

Shipment volume	(0.1)
Sales expansion costs	+0.3
Cost related	(0.8)
Overseas subsidiaries, others (incl. Oriental Yeast, Pharma exports)	+0.3

Prepared Dishes and Other Prepared Foods

¥+0.3 billion

(Billions of yen)

Effects of new consolidation of Tokatsu Foods, others	+0.3
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Others

¥+0.3 billion

(Billions of yen)

Sales	(0.3)
Cost related, others	+0.6

Adjustment

¥+0.0 billion

(Billions of yen)

Intersegment transaction eliminations	+0.0
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3. Non-operating Income (Expenses) / Extraordinary Income (Losses)

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(Millions of yen)	First Six Months of Fiscal 2019 Results	First Six Months of Fiscal 2020 Results	YoY difference	Comments * Figures rounded down to nearest million yen
Operating profit	14,406	14,124	(282)	
Non-operating income	2,570	2,933	+363	
Interest income	188	295	+106	
Dividend income	1,273	1,358	+84	
Share of profit of entities accounted for using equity method	695	819	+123	
Other	412	460	+48	
Non-operating expenses	167	1,944	+1,776	
Interest expenses	106	1,701	+1,595	Increase in interest expenses accompanying a rise in lease obligations, etc.
Other	61	242	+181	
Total non-operating income (expenses)	2,403	989	(1,413)	
Ordinary profit	16,809	15,113	(1,696)	
Extraordinary income	90	7,339	+7,249	
Gain on sales of non-current assets	73	64	(9)	
Gain on sales of investment securities	16	2	(13)	
Gain on step acquisitions	–	7,272	+7,272	Consolidation of Tokatsu Foods
Extraordinary losses	194	4,185	+3,991	
Loss on retirement of non-current assets	194	278	+84	
Impairment loss	–	3,906	+3,906	Early application of impairment of some goodwill ,etc. , in light of a temporary downturn in the performance of the U.S. flour milling business
Total extraordinary income (losses)	(103)	3,154	+3,258	

4. Statements of Cash Flows

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(Billions of yen)

	First Six Months of Fiscal 2019 Results	First Six Months of Fiscal 2020 Results			
		Results	Change	Highlights	
Cash and cash equivalents at beginning of period	98.4	107.3	+8.9		Cash on hand* 109.3
Cash flows from operating activities	15.9	10.9	(4.9)	Profit before income taxes +18.2 Income taxes paid (5.7)	
Cash flows from investing activities	(8.1)	(90.3)	(82.2)	Capital expenditures (payment basis) (12.2) Purchase of shares of subsidiaries (77.1)	
Cash flows from financing activities	(3.6)	19.5	+23.2	Proceeds from long-term loans payable +10.0 Proceeds from issuance of bonds +19.8 Cash dividends paid (4.7)	
Effect of exchange rate change on cash and cash equivalents	(0.5)	0.0	+0.6		
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	(1.0)	0.7	+1.7		
Cash and cash equivalents at end of period	100.9	48.2	(52.6)		Cash on hand* 50.3

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

[Reference]

	First Six Months of Fiscal 2019	First Six Months of Fiscal 2020	Change	Factors behind changes
Capital expenditures (payment basis)	7.7	12.2	+4.4	Current term: Yeast plant construction in India
Depreciation and amortization	7.2	10.1	+2.9	

* Figures rounded down to nearest 100 million yen

5. Fiscal 2020 Forecasts (1)

- ▶ **Net sales growth** anticipated from continuation of trends from the first half of the year, including effects from the new consolidation of Australian flour milling company Allied Pinnacle and the comprehensive prepared dishes supplier, Tokatsu Foods Co., Ltd., despite lower wheat flour prices following revision of wheat prices.
 - ▶ **Operating profit growth** projected, reflecting effects of new consolidation, higher shipments of raw materials for pharmaceuticals, brisk facility construction performance and improved sales expansion costs in core businesses (Flour Milling, Processed Food), along with wheat flour prices revisions and other performance recovery measures already instigated to minimize and contain worsening performance in the U.S. flour milling business.
- Full-year forecasts to be lowered**, accounting for more-than-anticipated growth in amortization of goodwill, etc., accompanying PPA for newly consolidated subsidiaries

(Millions of yen)	Fiscal 2019 Results	Fiscal 2020 Forecasts	YoY difference	YoY change	Difference from May 2019 forecasts	Change from May 2019 forecasts
Net sales	565,343	715,000	+149,656	+26.5%	(10,000)	(1.4)%
Overseas sales [Overseas sales ratio]	103,739 [18.3%]	167,500 [23.4%]	+63,760	+61.5%	(1,900)	(1.1)%
Operating profit	26,916	29,500	+2,583	+9.6%	(500)	(1.7)%
Overseas operating profit [Overseas operating profit ratio]	3,880 [14.4%]	5,000 [16.9%]	+1,119	+28.8%	(1,500)	(23.1)%
Ordinary profit	32,062	31,000	(1,062)	(3.3)%	(700)	(2.2)%
Profit attributable to owners of parent	22,268	22,000	(268)	(1.2)%	(1,300)	(5.6)%

* Figures rounded down to nearest million yen

5. Fiscal 2020 Forecasts (2)

Net Sales by Segment

(Billions of yen)

	Forecasts	YoY difference
Flour Milling	309.0	+63.0
Processed Food	218.0	+3.0
Prepared Dishes and Other Prepared Foods	131.0	+87.2
Others	57.0	(3.6)
Total	715.0	+149.6

Flour Milling

¥+63.0 billion

(Billions of yen)

Domestic wheat flour shipments (up 0.3% YoY)	+1.0
Flour price revisions, others accompanying revised wheat prices	+1.3
Bran prices	+0.2
Overseas sales, others	+60.5

Processed Food

¥+3.0 billion

Domestic processed food sales	+0.1
Overseas processed food sales	+0.2
Oriental Yeast sales	+0.9
Nisshin Pharma sales	+1.8

Prepared Dishes and Other Prepared Foods **¥+87.2 billion**

Effects of new consolidation of Tokatsu Foods, others	+87.2
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Others

¥(3.6) billion

Nisshin Petfood sales	+0.4
NBC Meshtec sales	(0.0)
Facility construction sales, others (Nisshin Engineering, others)	(4.0)

5. Fiscal 2020 Forecasts (3)

Operating Profit by Segment

(Millions of yen)

	Forecasts	YoY difference
Flour Milling	10,200	+1,020
Processed Food	13,100	+249
Prepared Dishes and Other Prepared Foods	1,600	+1,028
Others	4,400	+311
Adjustments*	200	(26)
Total	29,500	+2,583

* Intersegment transaction eliminations

Flour Milling

¥+1.0 billion

(Billions of yen)

Domestic wheat flour shipment volume	+0.1
Sales expansion costs	+0.4
Bran prices	+0.1
Cost related	+0.0
Overseas subsidiaries, others	+0.4

Processed Food

¥+0.3 billion

Shipment volume	+0.3
Sales expansion costs	+0.4
Cost related	(1.1)
Overseas subsidiaries, others (incl. Oriental Yeast, Pharma exports)	+0.7

Prepared Dishes and Other Prepared Foods

¥+1.0 billion

Effects of new consolidation of Tokatsu Foods, others	+1.0
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Others

¥0.3 billion

Sales	(0.3)
Cost related, others	+0.6

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	29,500	+2,583
Net financial income	2,856	100	(2,756)
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	1,500	(3,646)
Ordinary profit	32,062	31,000	(1,062)

* Figures rounded down to nearest million yen

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.