

Fiscal 2020 Results Briefing Meeting

May 18, 2020

Nisshin Seifun Group Inc.



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(Ref.) The Wheat Market

I. Fiscal 2020 Results

1. Fiscal 2020 Results

- ▶ **Net sales increased**, reflecting significant contribution from effects of new consolidation of Australia-based Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd.
- ▶ **Operating profit was higher** atop brisk performance from Prepared Dishes and Other Prepared Foods (including from new consolidation), raw materials for pharmaceuticals and facility construction, despite decreased profitability in the U.S. flour milling business, coupled with an increase in costs for personnel and logistics in existing businesses
- ▶ Fiscal 2020 results **fell short of forecasts**, with **the impact of the novel coronavirus pandemic** resulting in lower demand for commercial-use food ingredients and prepared dishes and other prepared foods, as well as a slowdown in facility construction and higher logistics costs domestically and globally; this despite the pandemic also triggering intermittent spikes in demand for household-use products

(Millions of yen)	Fiscal 2020 Results	Forecasts		Fiscal 2019 Results	
			Change		Change
Net sales	712,180	715,000	(0.4)%	565,343	+26.0%
Overseas sales ratio	23.3%	23.4%	—	18.3%	—
Operating profit	28,852	29,500	(2.2)%	26,916	+7.2%
Ordinary profit	31,434	31,000	+1.4%	32,062	(2.0)%
Profit attributable to owners of parent	22,407	22,000	+1.9%	22,268	+0.6%

* Figures rounded down to nearest million yen

II. Impact of the Novel Coronavirus Pandemic on the Group and Subsequent Countermeasures

1. Measures to Safeguard the Group's Social Mission

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The Group's mission, and source of its corporate value, **is to ensure the stable supply of food staples to support the functioning of society**; to safeguard our mission, we are focused on **continuing business based on a BCP (business continuity plan)** including the following:

(1) Transition to an emergency framework

A Novel Coronavirus Pandemic Countermeasures Headquarters to be established based on the BCP. Measures to focus on extensive efforts to prevent infection, and transition to a business continuity structure under an emergency framework

(2) Ensuring employee safety

Following emergency framework adoption, measures to focus on instituting a telecommuting structure and immediate disbursement of masks from emergency stockpiles to employees, as well as thorough temperature checks and hand sanitizing to **prevent infection among employees**

(3) Production continuity

Maintain **full operational status, including holidays**, to ensure food supply stability. To retain employees vital to production, as necessary shift temporarily to a minimal-staff structure to **firmly maintain supply continuity**

(4) Raw material securement

Under national trade guidelines, with highest priority given to wheat supply stability, partner closely with the Ministry of Agriculture, Forestry and Fisheries to **consistently stockpile a 2.3-month supply of raw wheat. Secure necessary volumes of other food raw ingredients as warranted**

(5) Maintain logistics

To safeguard bulk transport, responsible for over half of wheat flour logistics, work together with Japan Logistic Systems Corp. and other logistics companies **under existing cooperative relationships** to jointly promote **emergency response measures**. Adjust order and delivery lead times and **maintain logistics functions** to meet rising demand for household-use products

(6) Emphasis on clients

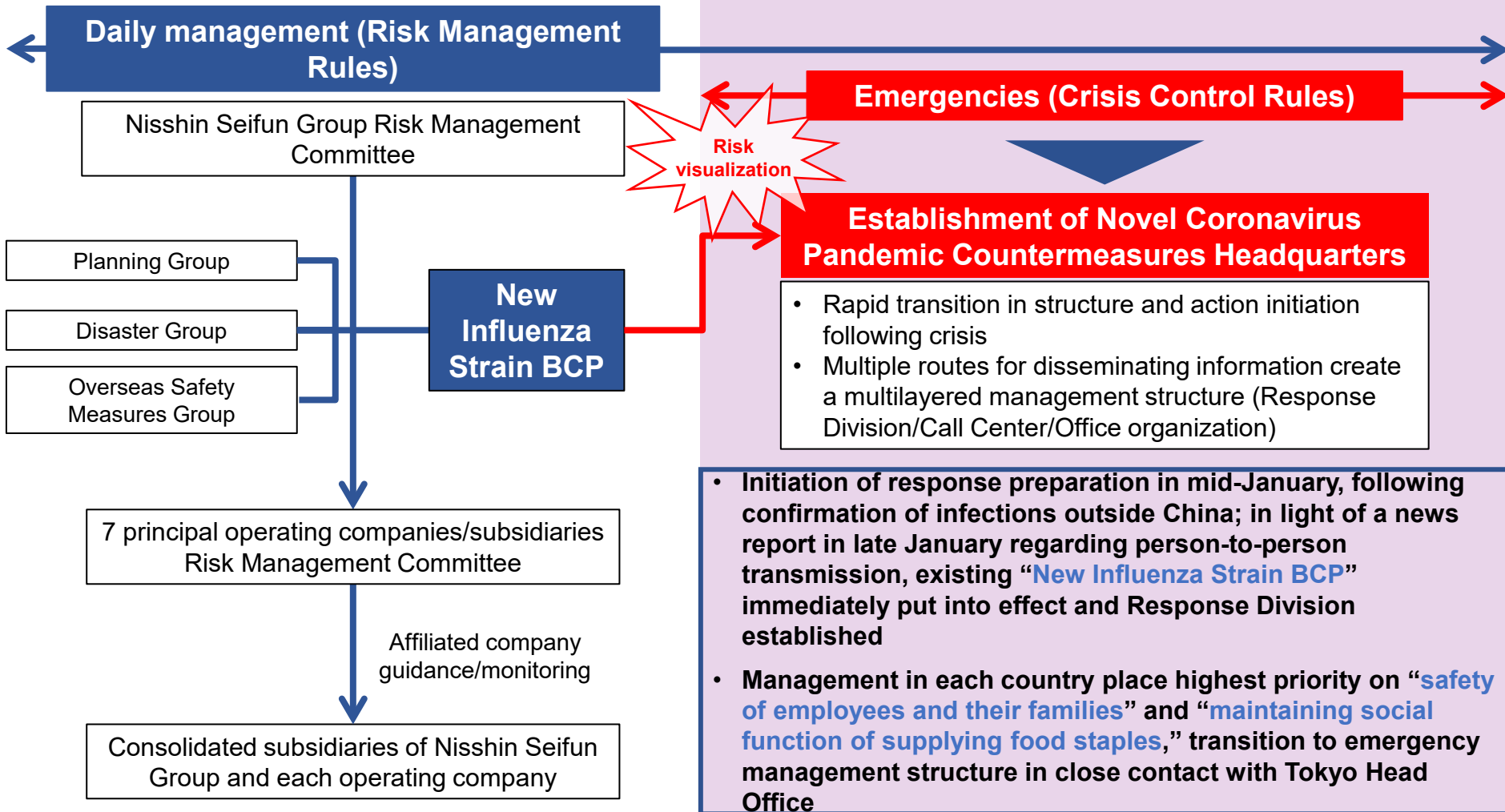
To maintain **trusting relationships with customers**, the most vital management base, and to support customer production and sales activities, sales divisions will continuously enact **information sharing, delivery adjustments** and other appropriate steps

(7) Financial base

With **emergency response capabilities** that reflect **the public nature of our operations** and **business continuity resilience** in mind, place emphasis on our already **robust financial base**. Ensure the sustainability of the Company's social and economic value going forward

2. Group Emergency Response Framework

Ensure the effectiveness of emergency response capabilities through a two-step approach tied to **everyday risk management** built on emergency scenarios and **crisis control when emergencies arise**



3. Group Emergency Response Actions (Specific Measures)

Group Response	Thorough Infection Prevention	<p>Thorough prevention of infection among employees</p> <ul style="list-style-type: none"> • Body temperature (at home/upon arrival) of 37.5 degrees Celsius or higher barred from site entry • Enactment of handwashing, hand sanitizing at site entry; masks worn by all employees while working; measurement of body temperature and mask wearing also enacted for all visitors
	Work Systems	<p>Rapid change in work regulations based on emergency measures</p> <ul style="list-style-type: none"> • As a rule, all head office and sales department employees shift to working from home or staggered on-site work schedule • Promote shift of entire meeting structure, including Management Meeting, to online format; as a rule, domestic and international business travel prohibited
	Other infection prevention measures	<ul style="list-style-type: none"> • Direction to avoid going out for unnecessary or non-urgent reasons • Direction to basically stay home during the Golden Week holiday (long holiday from late April to early May)
	Staff, Sales Departments	<p>Conduct operations with a minimally staffed work structure</p> <ul style="list-style-type: none"> • As a rule, all employees work from home to prevent infection. Specified dates and tasks for on-site work must be approved by officer in charge • To maintain trusting relationships with customers, the most vital management base, and support customer production and sales activities, sales divisions continuously enact information sharing, delivery adjustments and other appropriate steps
Division-level response	Operating company lines Departments (excluding plants)	<p>Thorough infection prevention, continuation of operations for supply stability</p> <ul style="list-style-type: none"> • On-site work with minimal staffing for departments involved in product supply, including supply/demand management and logistics. Maximize use of staggered on-site work schedules • Under national trade guidelines, with highest priority given to wheat supply stability, partner closely with the Ministry of Agriculture, Forestry and Fisheries to consistently stockpile a 2.3-month supply of raw wheat. Secure necessary volumes of other food raw ingredients as warranted • Work together with Japan Logistic Systems Corp. and other logistics companies under existing cooperative relationships to jointly promote emergency response measures. Adjust order and delivery lead times and maintain logistics functions to meet rising demand for household-use products. Prevent close staff contact in departments by delegating offices and creating operation teams to address tasks. Ensure backup system is in place should infection cases emerge
	Domestic Plants	<p>Retain and strengthen supply stability</p> <ul style="list-style-type: none"> • To meet rising demand for household-use processed foods, retain full operational status at processed food plants, while ending the sale of certain retail items to enhance production efficiency. Additionally, strengthen structure for supply stability, including through innovative approaches such as repurposing commercial-use product production lines for production of household-use products • At flour milling plants, structures already exist for the stable supply of wheat flour as part of everyday risk management; continue to thoroughly conduct fundamentals to prevent infection and respond flexibly to changes in demand
	Overseas Sites	<p>As in Japan, ensure employee safety and retain/strengthen supply stability</p> <ul style="list-style-type: none"> • Repatriation of families of any employees posted abroad. Employees posted abroad also repatriated, with the exception of those absolutely essential to business continuity. • In the U.S., where the situation is more severe, temporarily shift to an operational structure with minimal staffing to retain personnel essential to production; assemble backup teams comprised of retained personnel. Transition to a structure for firmly maintaining supply continuity • Production continuity at overseas production bases for pasta, pasta sauces and other products, and continuation of import operations in Japan

4. Impact of Novel Coronavirus (Domestic)

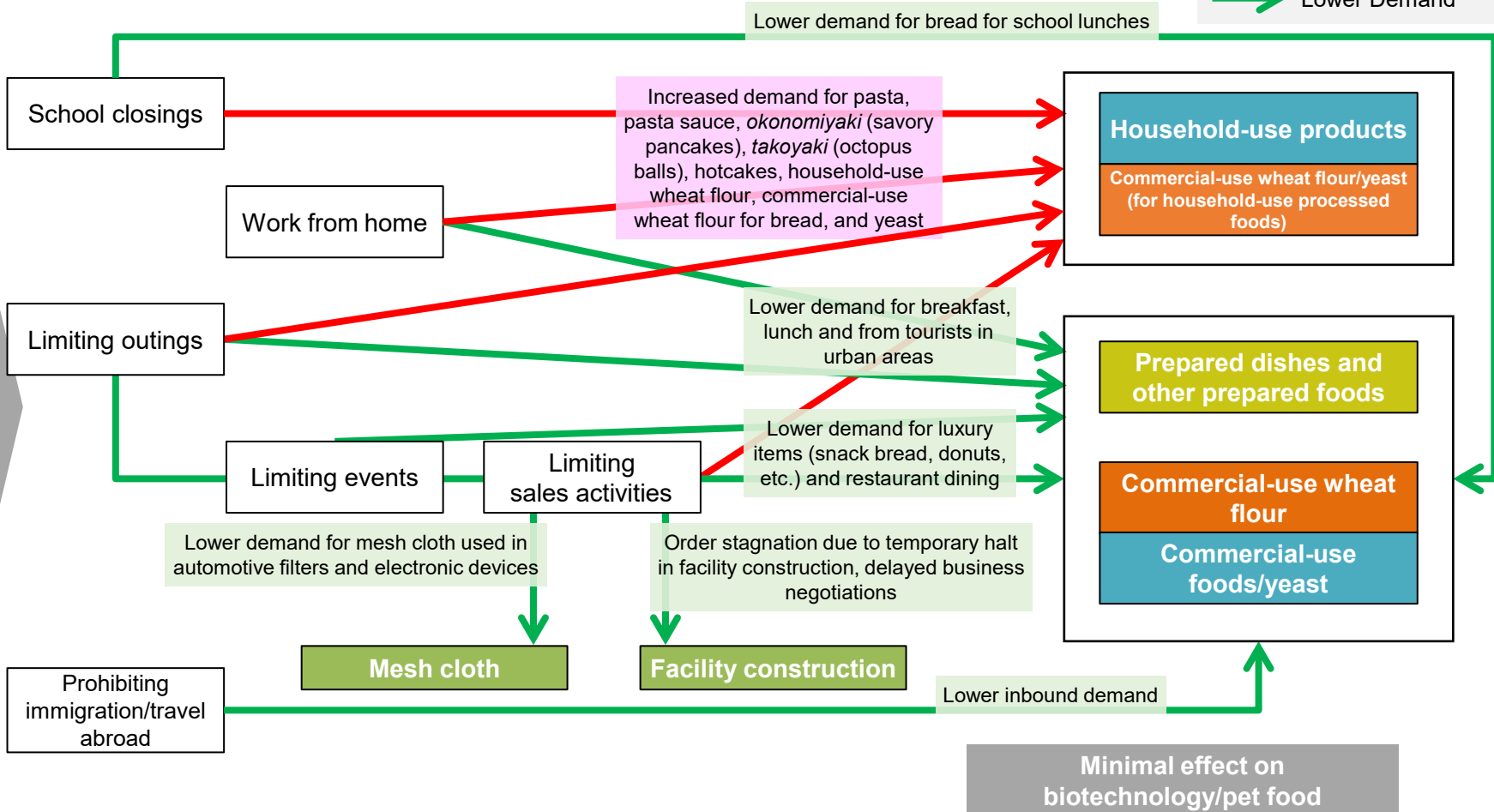
– Impact on demand of national and other measures to combat infection

Positive and negative effects emerge in the Company's business portfolio from impact on demand related to national and other measures to combat the novel coronavirus

Relationship between National and Other Novel Coronavirus Countermeasures and Changes in Demand

→ Increased Demand
→ Lower Demand

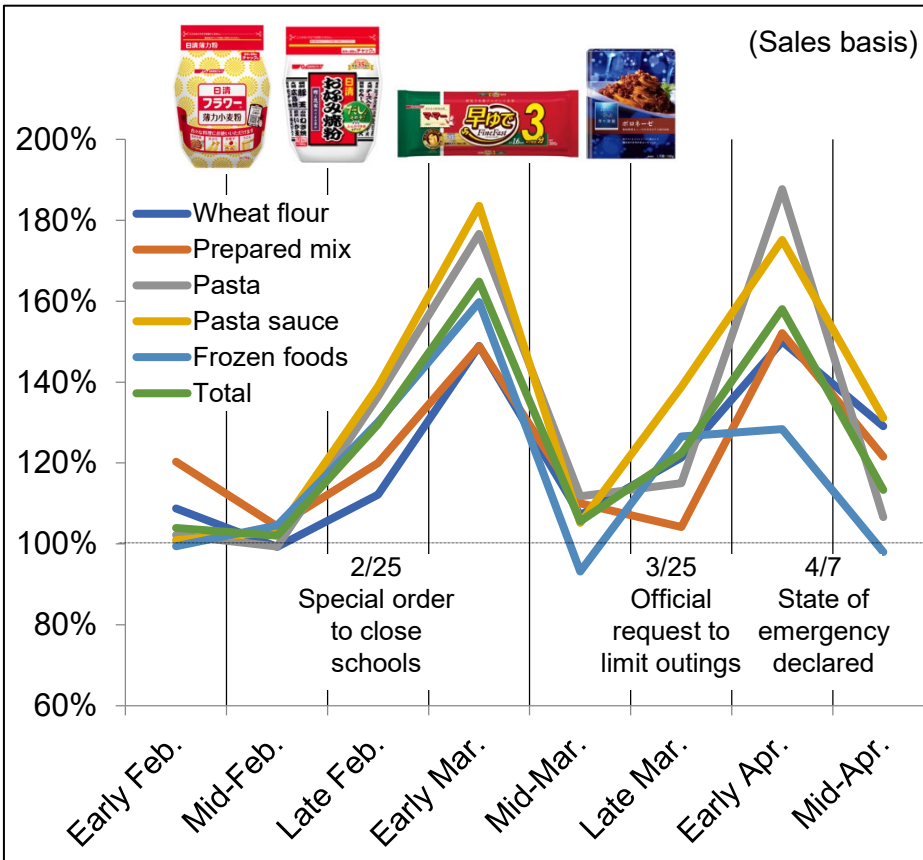
Measures Taken to Prevent Novel Coronavirus Infection



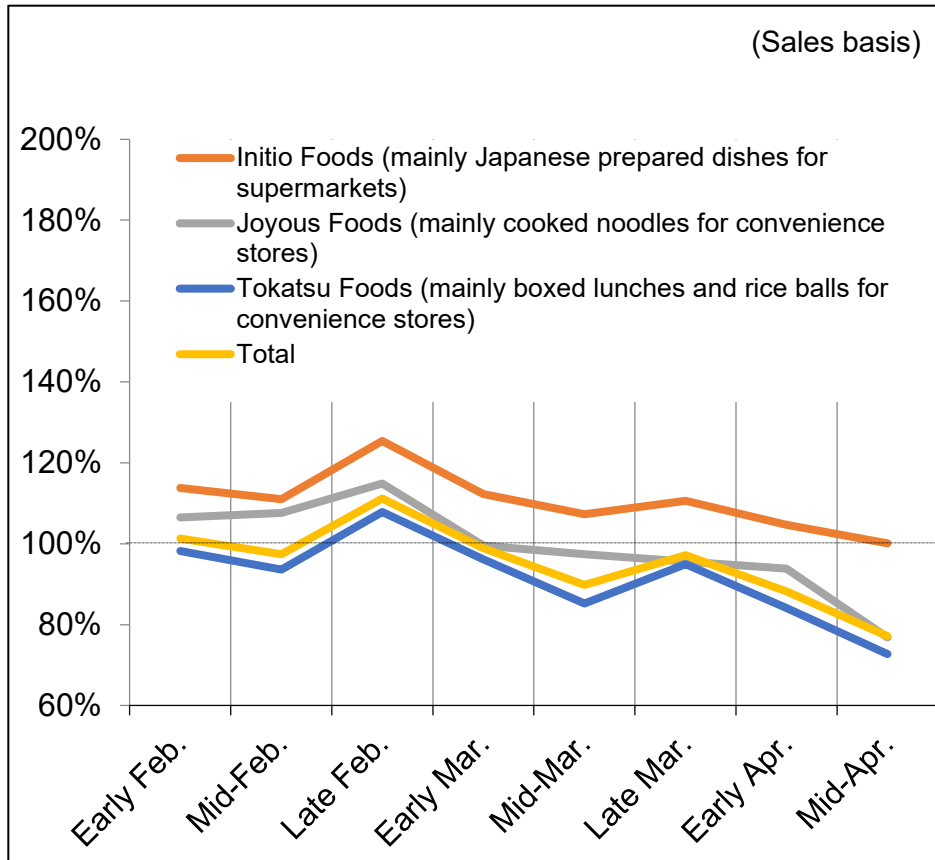
5. Changes in Product Demand in the Aftermath of the Novel Coronavirus Pandemic (1) (Household-use)

- Special order to close schools at the end of February led to **explosive growth in demand for household-use processed foods**. This change in demand continued intermittently following official requests to limit outings and declaration of a state of emergency from late March
- Sales of **prepared dishes and other prepared foods** for supermarkets were on par with the previous year. Demand was lower from convenience stores in urban areas and at tourist sites

Year-on-year Sales of Household-use Processed Foods



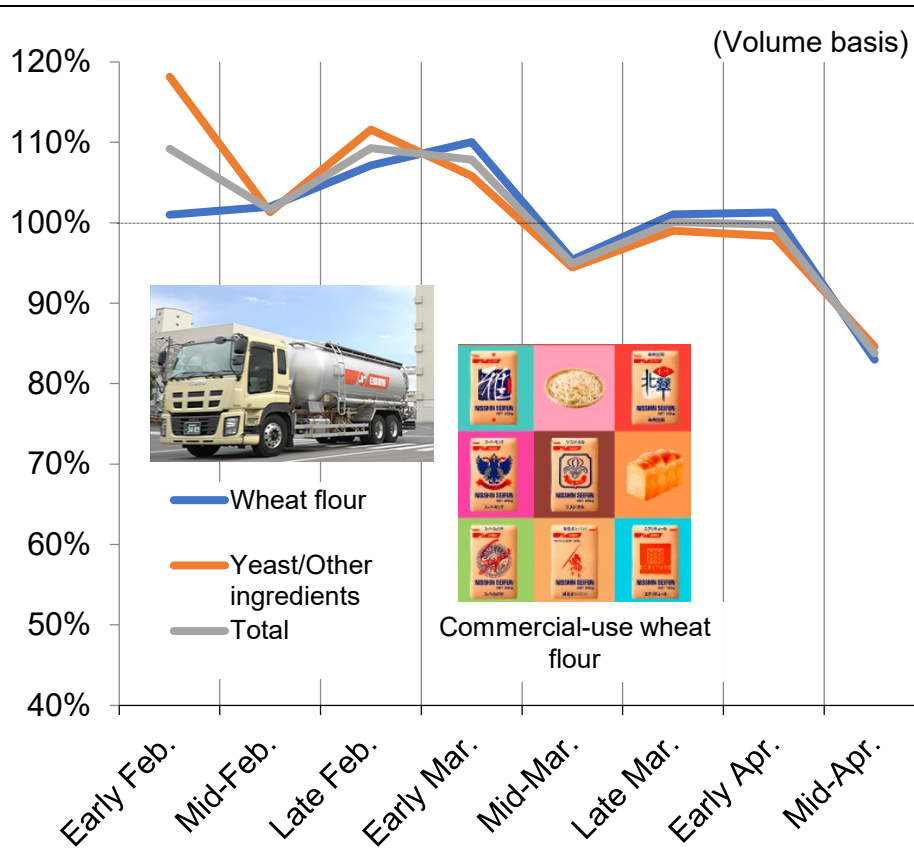
Year-on-year Sales of Prepared Dishes and Other Prepared Foods



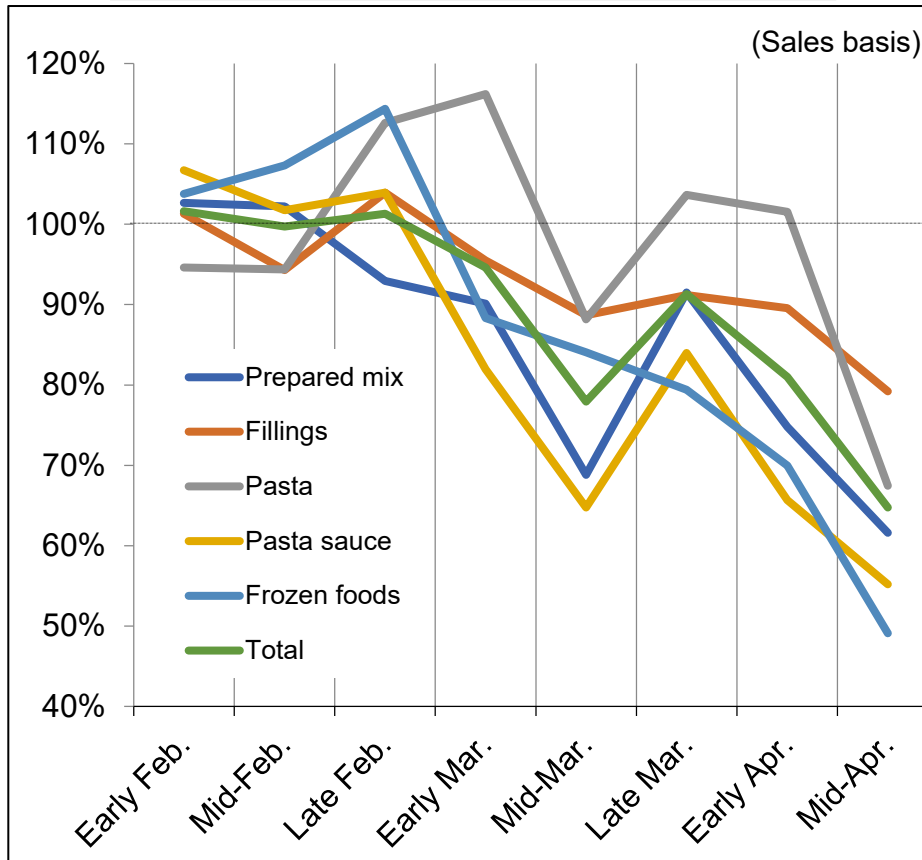
5. Changes in Product Demand in the Aftermath of the Novel Coronavirus Pandemic (2) (Commercial-use)

- Sales of commercial-use wheat flour, yeast and other food ingredient products fell slightly below prior-year levels, reflecting lower consumption overall in Japan and stagnation in inbound demand
- Demand for commercial-use processed foods was significantly lower, reflecting weak restaurant dining demand

Year-on-year Sales of Commercial-use Food Ingredients



Year-on-year Sales of Commercial-use Processed Foods



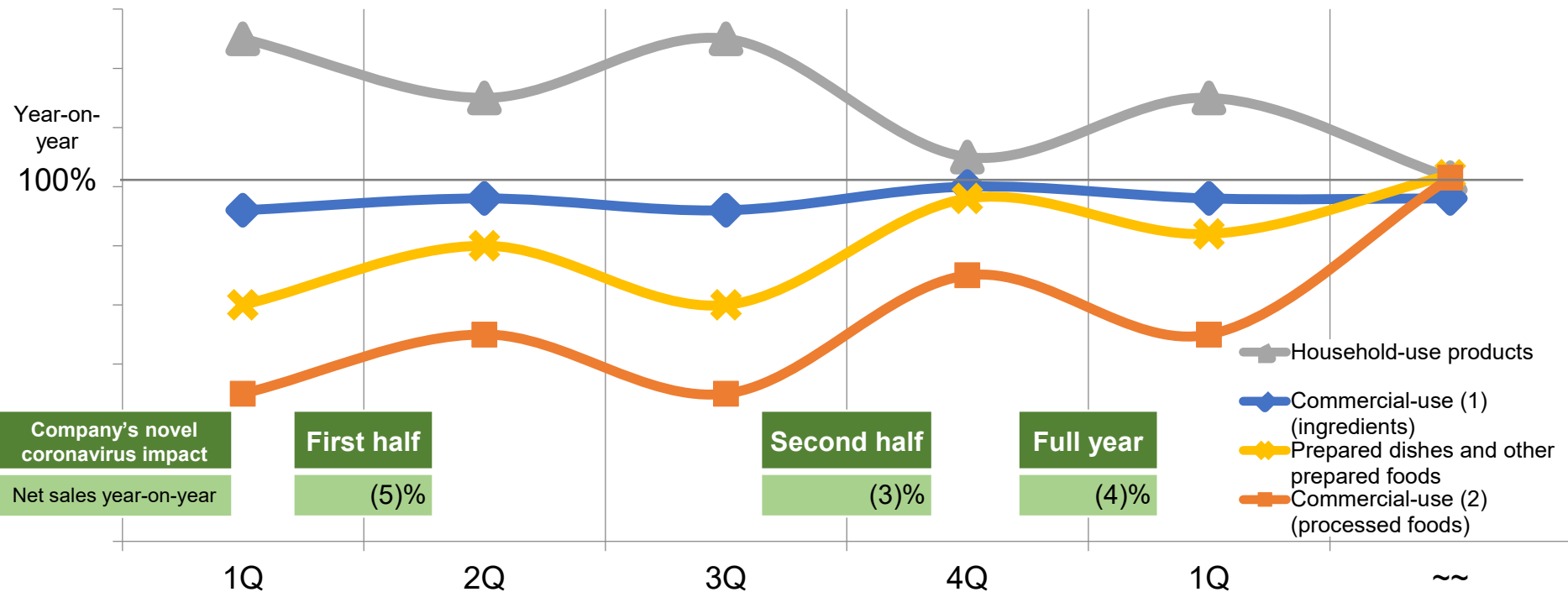
6. Impact of the Novel Coronavirus (Domestic)

– Assumed Changes in Demand for FY2021 (Timeline)

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- Economic activity to undergo change in waves in fiscal 2021, reflecting a **pattern of temporary growth and retreat in infection cases** throughout the year. A **turn toward recovery** expected **over time** pending the effectiveness of measures to contain infection.
- In terms of waves of change in demand, a cycle will continue whereby demand will shift to household-use products in times of stagnant economic activity, and shift to commercial-use products and prepared dishes and other prepared foods when economic activity restarts



Novel coronavirus Impact on the Others Segment in FY2021 (Assumed)

- Facility construction Lower revenue due to impact of temporary freeze in capital investment, lack of sales activities
- Mesh cloth Lower revenue due to automotive industry stagnation

7. Impact of the Novel Coronavirus (Overseas)

– Status of Overseas Business in Each Region

North America

- Demand will decline in the flour milling business. Amid rising personnel costs, this will be absorbed through margin improvement (see p. 18)
- U.S. pasta plants will steadily supply products for the Japanese market

South and West Asia

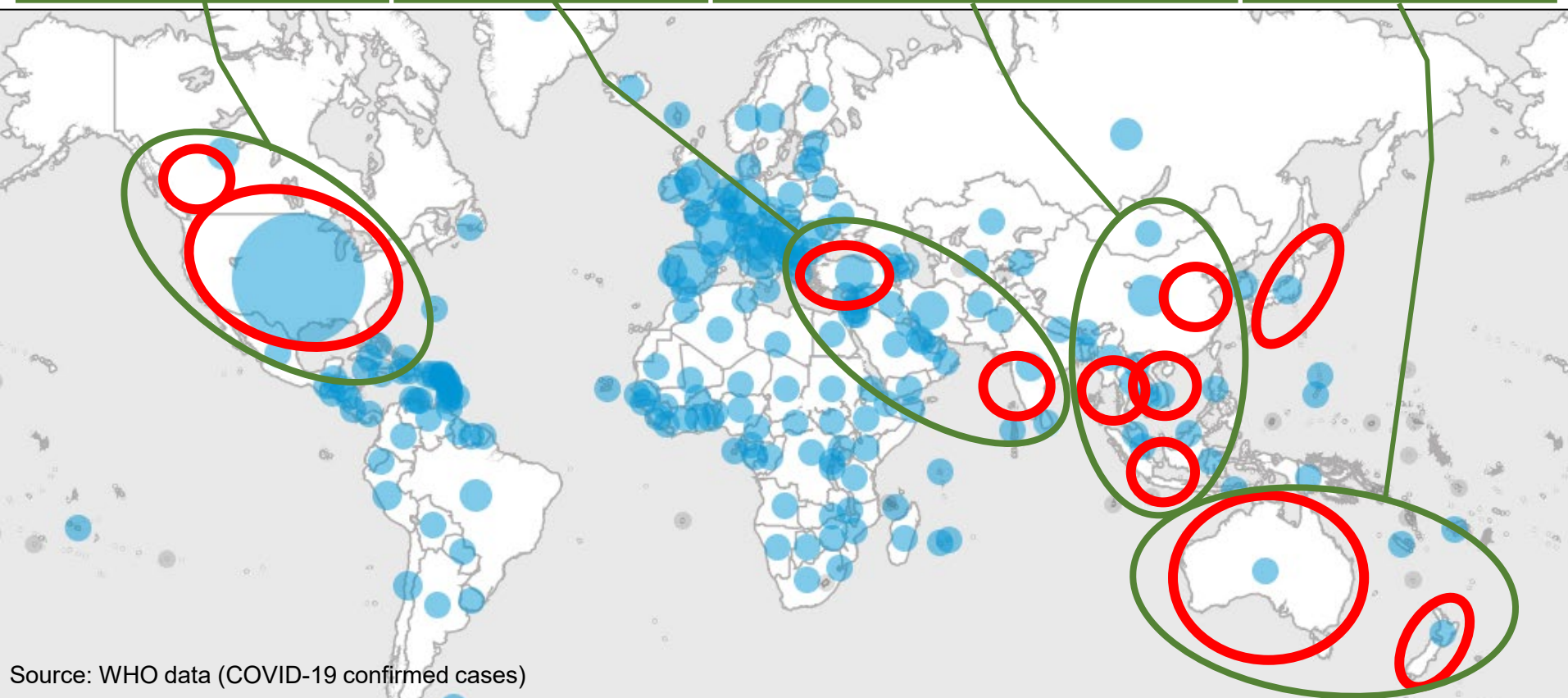
- Turkey-based pasta plant will steadily supply products for the Japanese market
- New construction of yeast plant in India temporarily postponed

Southeast Asia

- In the flour milling business, sales will be on par with the previous year, with declining demand matched by influx of new customers
- Prepared mix business will see lower demand
- Pasta sauce plants in Thailand and Vietnam will steadily supply products for the Japanese market

Oceania

- Lower demand in the flour milling business, including from stagnant inbound demand (see p. 18)



Source: WHO data (COVID-19 confirmed cases)

III. Fiscal 2021 Forecasts

1. Fiscal 2021 Forecasts (1)

- ▶ **Net sales will see declines** from transfer of the pet food business and a temporary decrease in facility construction completion covered by the effects of new consolidation in the prepared dishes and other prepared foods business. Nevertheless, net sales expected to decline on lower demand due to the impact of the novel coronavirus pandemic on flour milling, prepared dishes and other prepared foods, and facility construction
- ▶ **Operating profit will see declines in earnings** from transfer of the pet food business and a temporary decrease in facility construction completion covered by a performance recovery in the overseas flour milling business and the domestic processed food and raw materials for pharmaceuticals businesses. Nevertheless, lower earnings are expected from lower demand due to the impact of the novel coronavirus pandemic

(Millions of yen)	Fiscal 2021 Forecasts	Fiscal 2020 Results	YoY difference	YoY change
Net sales [Impact of novel coronavirus]	700,000	712,180	(12,180) [(27,200)]	(1.7)% [(4)%]
Overseas sales ratio	23.2%	23.3%	—	—
Operating profit [Impact of novel coronavirus]	26,000	28,852	(2,852) [(3,000)]	(9.9)% [(10)%]
Ordinary profit	27,000	31,434	(4,434)	(14.1)%
Profit attributable to owners of parent	17,000	22,407	(5,407)	(24.1)%

* Figures rounded down to nearest million yen

1. Fiscal 2021 Forecasts (2)

– Initiatives for Achieving Performance Targets

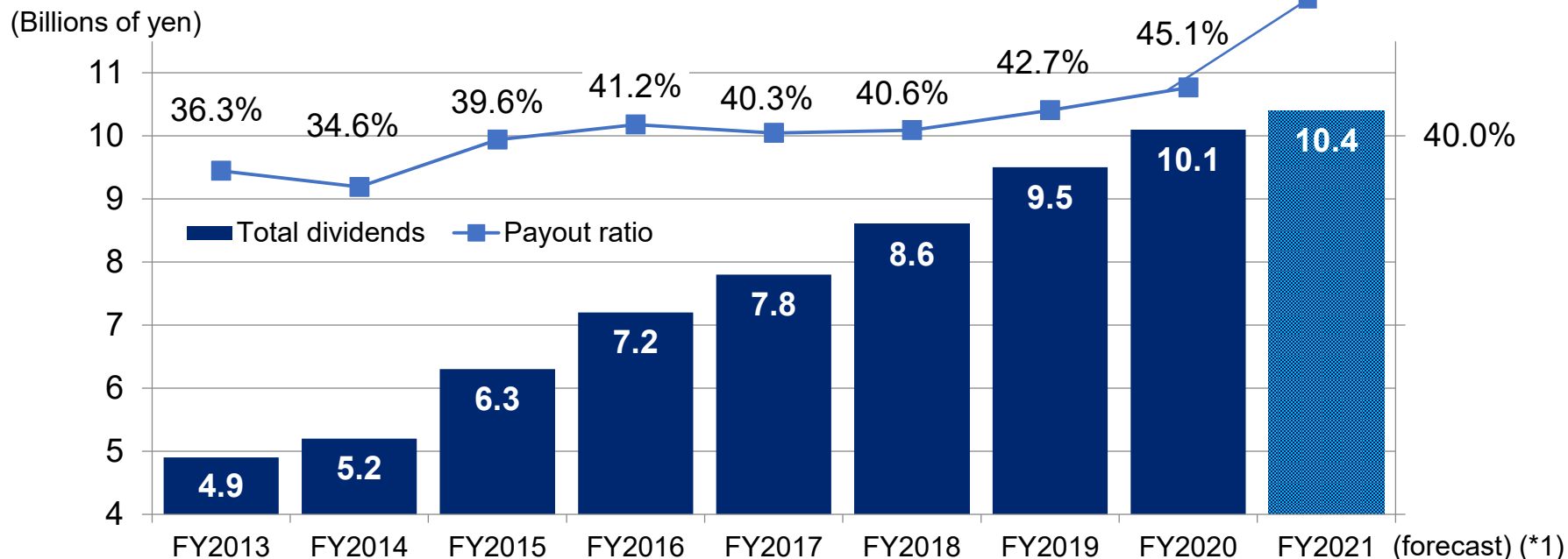
To adapt to social changes as new lifestyle patterns form, while retaining our presence as a trusted company, our basic stance is to continue to make strategic investments to this end, with emphasis on long-term sustainability in stably providing food staples and other products and services to consumers

■ Group initiatives focused on new lifestyle patterns, management environment changes

Changes in behavior	Changes in markets	Company response to achieving fiscal 2021 targets
<ul style="list-style-type: none"> Fewer outing opportunities 	<ul style="list-style-type: none"> Weaker performance at bakeries, confectioners and other specialty and street-level stores due to the pandemic Restaurant industry stagnation due to limited outings 	<ul style="list-style-type: none"> Secure a business sphere surrounding a base of important clients <ul style="list-style-type: none"> Revitalize the market for bakeries, confectioners and other specialty and street-level stores generating diverse food options Provide high-value-added ingredients offering convenience and other benefits for restaurant dining
<ul style="list-style-type: none"> Increased time spent at home 	<ul style="list-style-type: none"> Increased frequency of at-home cooking 	<ul style="list-style-type: none"> Continued supply stability <ul style="list-style-type: none"> Enhance flexibility of supply systems, including supplying household-use products utilizing commercial-use lines
	<ul style="list-style-type: none"> Reevaluation of necessities and standard goods Rising needs for variety in eating at home 	<ul style="list-style-type: none"> Establishment of new CRM Promotion Department as overarching marketing organization (Processed Food) <ul style="list-style-type: none"> Education regarding mainstay products, including proposal of household menus, development of new products tailored to new dining situations and market needs, brand strengthening through digital marketing
	<ul style="list-style-type: none"> Increased need to shorten at-home cooking time 	<ul style="list-style-type: none"> Product development in the prepared dishes and other prepared foods business to support mealtime <ul style="list-style-type: none"> Product value enhancement with respect to ready-to-eat, functional and delicious food
	<ul style="list-style-type: none"> Further normalization of contactless distribution Increased demand for takeout and delivery 	<ul style="list-style-type: none"> Strengthen digital marketing measures <ul style="list-style-type: none"> Development and enhancement of products for e-commerce Establishment of “National Sales Department” as organization specializing in major restaurant and distribution customers (Flour Milling) <ul style="list-style-type: none"> Strengthen development and proposal of products able to withstand market changes over time
	<ul style="list-style-type: none"> Growing health consciousness due to increased stress, lack of exercise 	<ul style="list-style-type: none"> More robust health food sales promotion <ul style="list-style-type: none"> Ready-to-ship packaging for e-commerce, call center automation
<ul style="list-style-type: none"> Telecommuting as standard work option Decrease in movement frequency 	<ul style="list-style-type: none"> Promotion of corporate Web environment readiness Reduction in meeting/business negotiation opportunities 	<ul style="list-style-type: none"> Secure opportunities to offer proposals to favored partners utilizing IT and appropriately respond to needs Transition of in-house meetings online, promotion of remote approaches to clerical work
<ul style="list-style-type: none"> Changes in cost consciousness due to worsening economic conditions 	<ul style="list-style-type: none"> Review of necessary systems and investments required to safeguard expected profit 	<ul style="list-style-type: none"> Refrain from unnecessary and non-urgent construction, boost efficiency of advertising and promotion Enhance labor productivity through telecommuting and thoroughly boost general expense efficiency

Trends in Total Dividends and Payout Ratio

- Set baseline payout ratio to **40% or more**
- Actual **dividend increase** scheduled to occur for **8th consecutive term**



Dividend per share

¥20 ¥20 ¥22 ¥24 ¥26 ¥29 ¥32 ¥34 ¥35

Actual dividend increase scheduled to occur for 8th consecutive term (*1)

1.1-for-1 stock split, actual dividend increase for 2nd consecutive term (*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.

(*1)

For fiscal 2020, interim dividend per share increased by ¥1, with ¥1 increase scheduled for year-end dividend

Dividend per share set to increase ¥1 for year-end dividend for fiscal 2021

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

1. Overseas Flour Milling Business Growth Strategies (1)

– Outlook for the Overseas Flour Milling Business

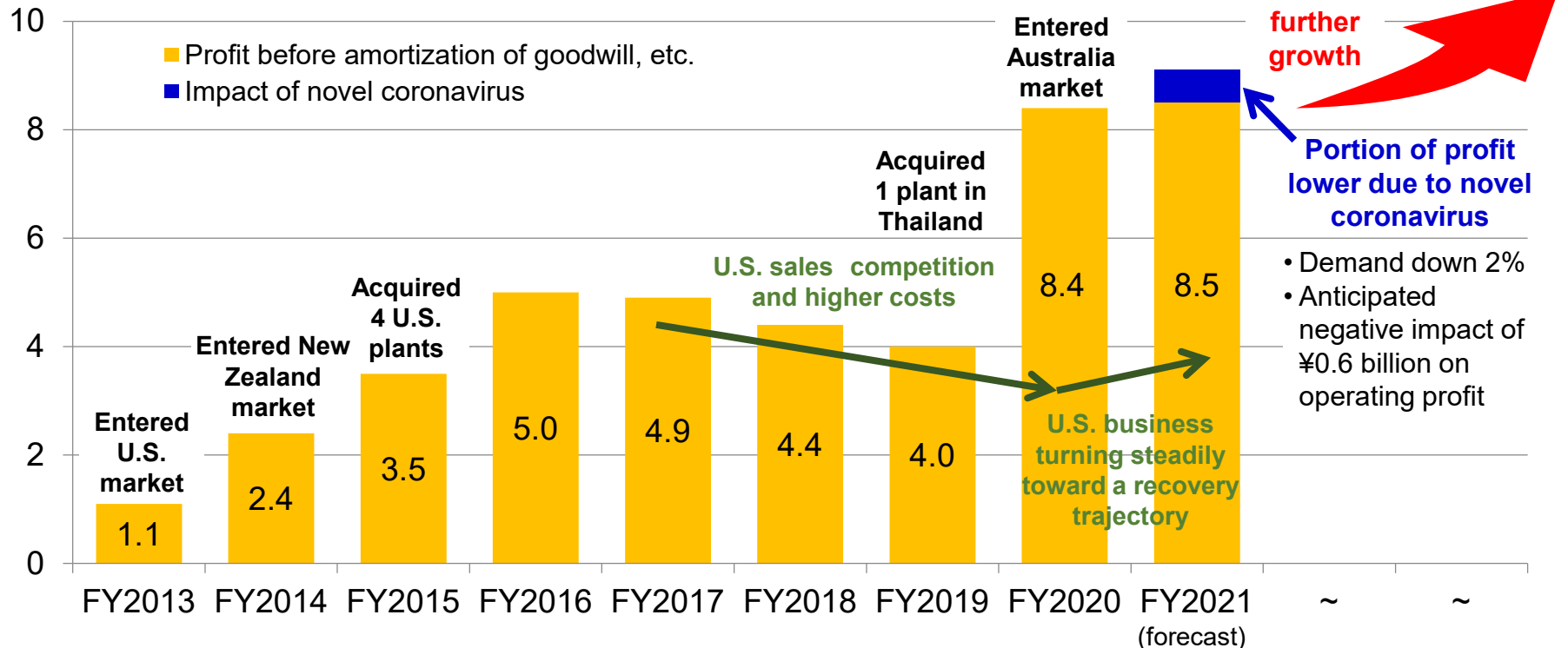
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- The overseas flour milling business will move forward with strategic investments in North America, Asia and Oceania, with the business base set to expand dramatically
- The currently struggling **U.S. business** will turn the corner **toward a recovery trajectory**, with further growth targeted going forward
- With the novel coronavirus pandemic representing a major operating risk worldwide, bases in each country will move quickly to implement preventative measures in close collaboration with the Tokyo head office. While **no barriers to business continuity exist** at the moment, **lower demand is an anticipated risk**

Overseas Flour Milling Business - Operating Profit (Before Amortization of Goodwill, etc.)

(Billions of yen)



1. Overseas Flour Milling Business Growth Strategies (2)

– U.S. Flour Milling Business, Australia Flour Milling Business

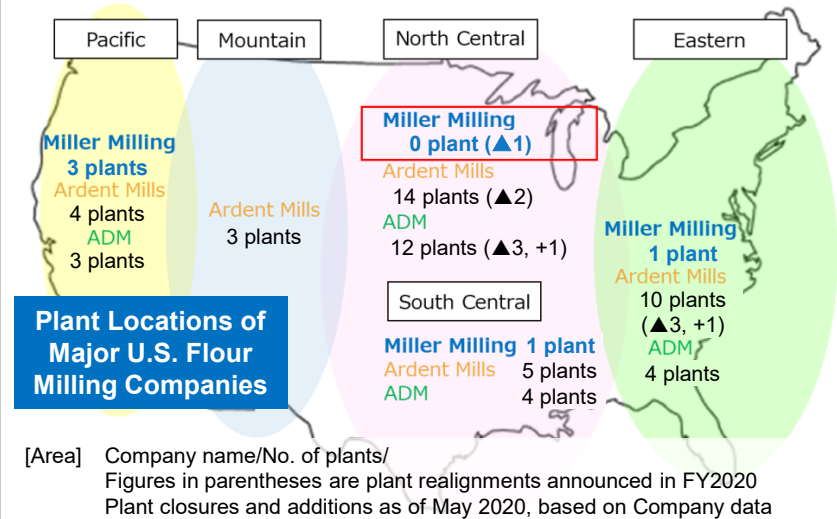
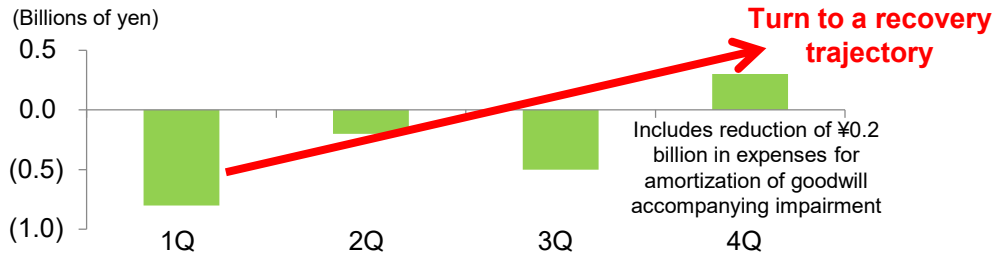
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Status of Performance Recovery in U.S. Flour Milling Business (Miller Milling Company, LLC)

- **New Prague Plant in Minnesota closed in December 2019, leading to more efficient production structure.** Concentration of management resources in growth regions
- **Amid sales competition, conducted even more in-depth sales activities; margin improvement effects also materializing.** U.S. business is steadily **turning to a recovery trajectory**

FY2020 U.S. Flour Milling Business Operating Profit (YoY change)



Initiatives to Enhance Competitiveness for the Australia Flour Milling Business (Allied Pinnacle Pty Ltd.)

- **Smooth progress integrating governance and operations** following acquisition last year
- In contrast, where business plans are concerned, responding to a stagnation in the high-value-added market and inbound demand due to the novel coronavirus, delayed cultivation of new clients, higher logistics costs and worsening production efficiency in bakery-related ingredients is now an issue
- This term, take steps to boost profitability through sales expansion and greater supply system efficiency

FY2020 Australia Flour Milling Business Operating Profit (vs. Plan)



Logistics improvement project

Centralize coordination of transport companies to heighten load and delivery efficiency and **improve logistics costs**

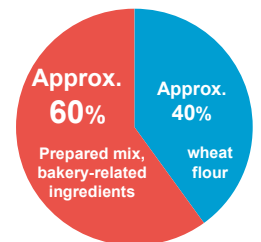
■ Features of Allied Pinnacle Logistics

- Client base with **delivery customers across Australia**
- **Wide range of items**, including bakery-related ingredients, and **complex delivery routes**



- Allied Pinnacle Pty Ltd.
8 flour milling/prepared mix plants

■ Allied Pinnacle Net Sales Composition



2. Overseas Processed Food Business Growth Strategies

– Expansion of Yeast and Commercial Prepared Mix Businesses

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Amid market stagnation caused by the novel coronavirus pandemic, we are looking ahead to future Asia business expansion, completing construction of **a new prepared mix plant in Vietnam**. Construction of **new yeast plant in India** is postponed, pending reopening

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

- Key construction personnel from Japan momentarily repatriated. Construction postponed, pending reopening. New plant scheduled to begin operating about six months after construction restart

Vietnam Nisshin Technomic Co., Ltd.

- Plant operating since January 2020; leverage new R&D Center to move ahead with developing products tailored to increasingly differentiating needs

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

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

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

Prime location

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

Collaboration with Thailand and China

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

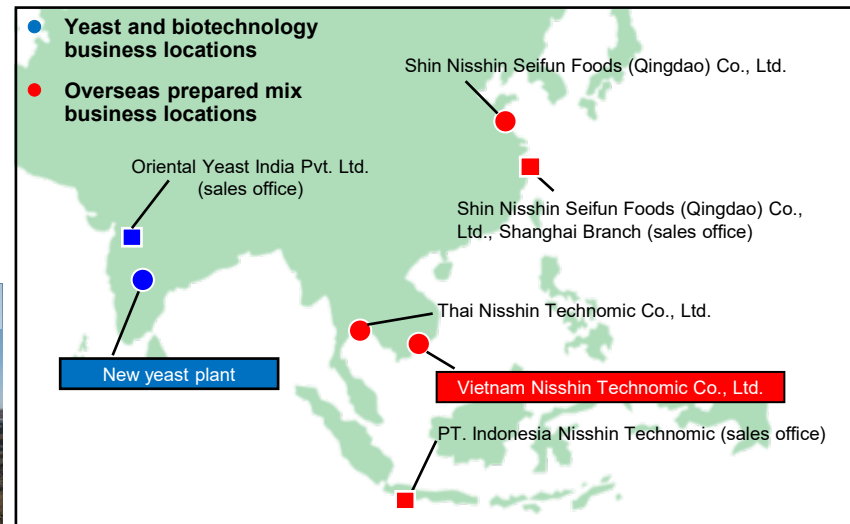
Overview of plant in India

[Production capacity]
100 t/day (fresh yeast basis)

[Completion date]
About six months after construction restart

[Investment]
Approx. ¥15.7 billion

New plant under construction



Overview of plant in Vietnam

[Production capacity]
9,000 t/year

[Operation started]
January, 2020

[Investment]
Approx. ¥1.7 billion

New plant



3. Processed Food Business Differentiation Strategies

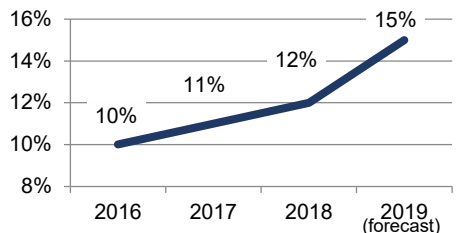
– Development of High-value-added Products

Recognizing market environment changes, promote development of high-value-added products around keywords “**easy-to-prepare and convenient**,” “**authentic**” and “**healthy**”

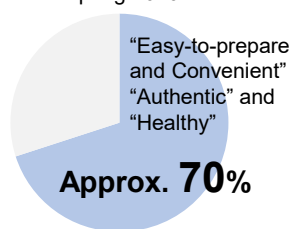
Sales Composition of “Easy-to-prepare and Convenient” “Authentic” and “Healthy” Products

- The sales composition ratio for high-value-added categories in processed foods is **expanding each year**. Anticipate market changes and **further accelerate** key initiatives

Position of “Easy-to-prepare and Convenient” “Authentic” and “Healthy” Household-use Processed Foods in the Sales Composition Ratio



Percentage of New and Revamped Product Lines for Spring 2020



Ma-Ma Hayayude Spaghetti FineFast

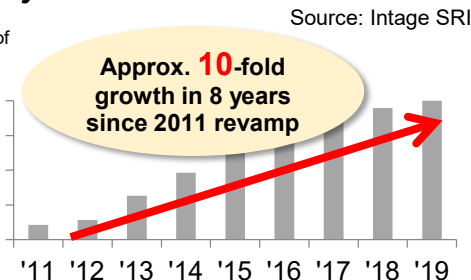
- Fast-cooking *Hayayude Spaghetti* remains a strong and consistent favorite. This spring, the word “*FineFast*” was added to the series name and a new product - roughly 2/3 the size of the original for easy small pot cooking - launched in a bid to enhance the brand.

The Making of FineFast Hayayude Series Sales



A new style of spaghetti to thoroughly meet consumer needs

(Billions of yen)



Ma-Ma THE PASTA

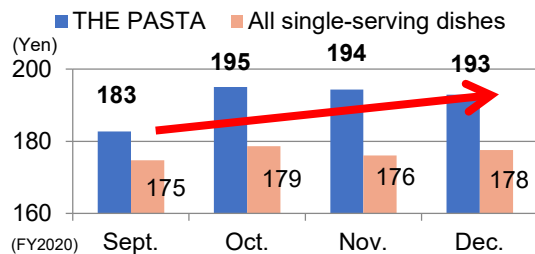
- Successfully **raised value added** through quality design and package design revision, along with review of price point

Package Design

Switch from horizontal to vertical packaging raised in-store visibility



THE PASTA Average Unit Price*



* Source: Intage SRI

Full-scale Commercial-use Development of Hayayude Spaghetti

- Launch of 1.6mm 500g *Hayayude Spaghetti* in spring 2020
- Answer **the labor shortage issues** in the commercial-use market with *Hayayude Spaghetti*

Focus in on the labor shortage issue in the commercial-use food industry, propose “**simple and appealing meals**” linked to resolving this issue



Dry noodles ready in just 3 minutes.

4. Prepared Dishes and Other Prepared Foods Business Growth Strategies

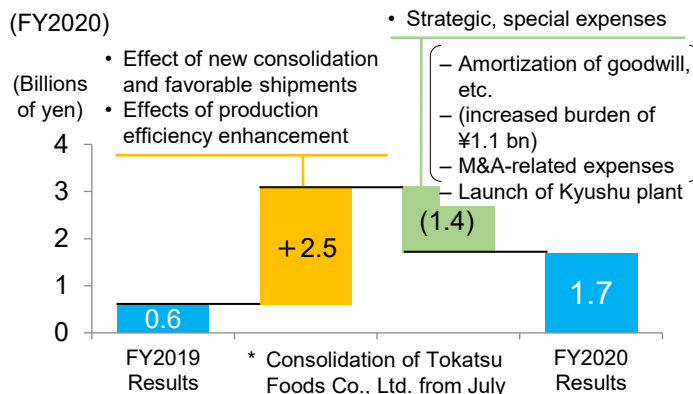
– Becoming a Comprehensive Producer of Prepared Dishes and Other Prepared Foods

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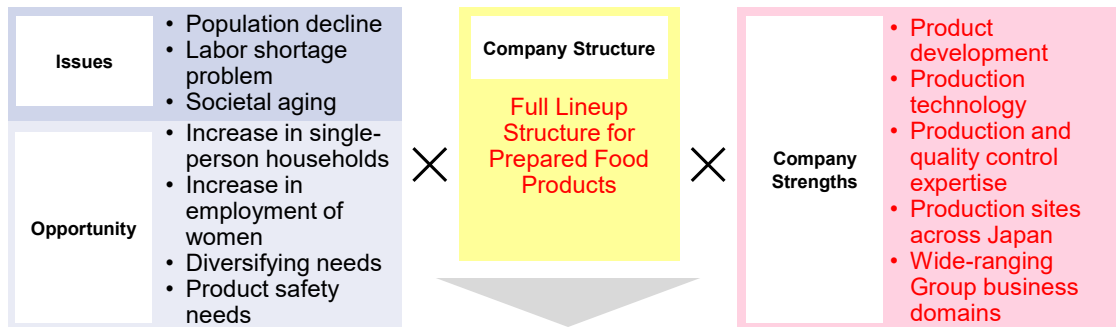


For FY2020, net sales amounted to ¥130 billion (up 97% year on year), with operating profit of ¥1.7 billion (up 104% year on year, 212% before amortization of goodwill, etc.). This **robust performance** for the year **came** despite **slower fourth-quarter demand** from the impact of official orders to limit outings as part of measures to combat the novel coronavirus. Progress was also made in examining a shift to greater automation

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



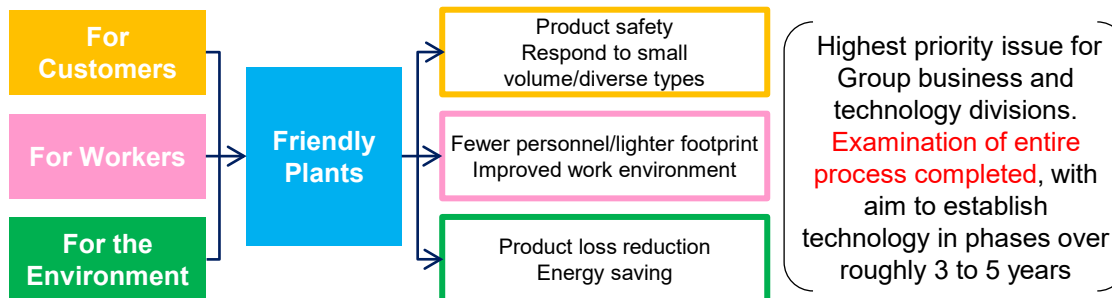
Prepared Dishes and Other Prepared Foods Business Model



Switch to a highly practical business model

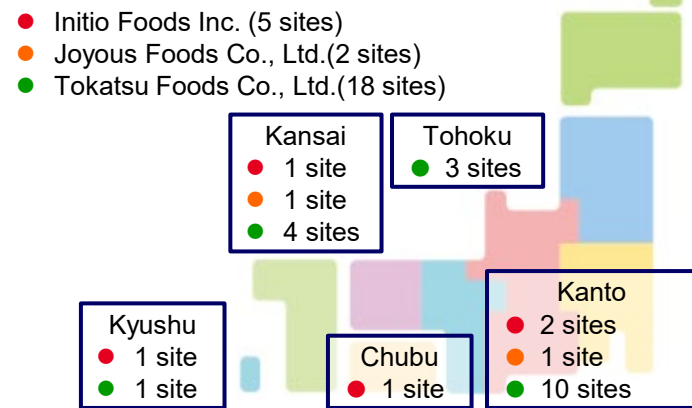
Future Vision for Prepared Dish Plants

In pursuit of **an ideal model for future prepared dish plants**, we made strides in **examining ways to put automation technology into practice**. The aim is to develop “friendly plants” that generate both social and economic value



(Production Sites)

As of March 2020



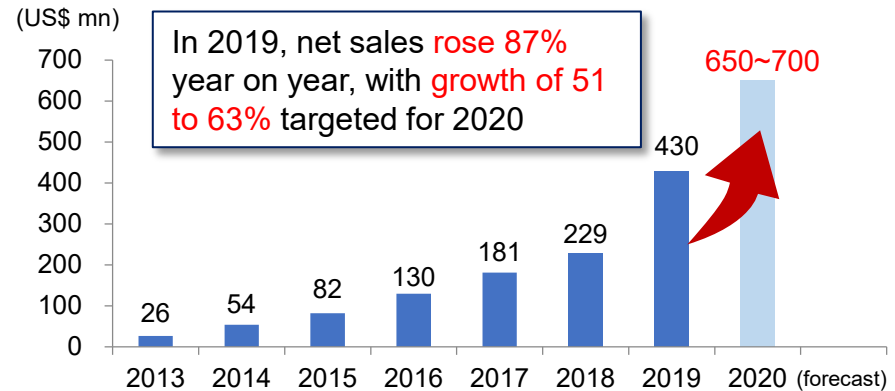
5. Expanding Demand for Raw Material for Pharmaceuticals “EPA-E” from Nisshin Pharma

- Steady growth in demand for “Vascepa®,” a treatment for high cholesterol from Amarin Corporation plc (hereinafter, “Amarin”)
- To meet growing demand for pharmaceutical raw material “EPA-E,” Nisshin Pharma **in September 2019 completed work to augment its production capacity.** Steps are underway to boost productivity in stages through strategic allocation of operators and greater work efficiency. **Further capacity augmentation is also under consideration, while keeping a close watch on market trends**

Vascepa® Sales Status to Date

- In 2013, Amarin launches “Vascepa®,” a treatment for high cholesterol containing high-purity EPA-E, in the U.S. market
- An additional indication was approved in December 2019, a move expected to greatly increase the number of applicable patients in the United States (from approx. 3.8 million to approx. 38 million)
- Nisshin Pharma has continued to supply Amarin with the key pharmaceutical raw material - high-purity EPA-E refined through proprietary technology - since 2012

Amarin Net Sales



Amarin Recent Topics

- Increase sales force from 400 to 800 people
- Currently in litigation regarding patent pertaining to drug efficacy prior to approval of additional indication
- Development outside the U.S.
 - Canada: Drug efficacy approval in January 2020, with sales launched from February 2020
 - Middle East (Lebanon, UAE): Sale approval granted but sales start date currently undecided
 - China: Currently undergoing clinical trials, which should conclude in the second half of 2020
 - Europe: Plans announced by Amarin to gain approval by end of 2020

Business Opportunities and Risk Recognition

Opportunities

- Demand growth in the U.S. (Effect of additional indication)
- New development in other countries/regions (Canada, Middle East, China, Europe)
- Increase in number of patients suffering from cardiovascular disease worldwide

Risks

- Market launch of generic medication
- Intensifying competition in the EPA-E pharmaceutical raw material market from new entrants

6. Others Segment Status (Engineering Business)

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- While the business environment comes in waves, the engineering business has marked firm progress in acquiring orders in the last three years. As a result, the Others Segment **achieved record-high operating profit** in fiscal 2020
- In fiscal 2021, **facility construction is projected to decline temporarily**; capital investment is also becoming sluggish due to the impact of the novel coronavirus pandemic. Coupled with difficulties ahead in conducting sales activities, project completion is expected to decline temporarily

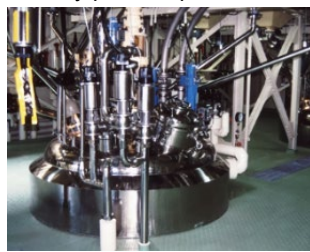
Features of the Engineering Business

- Leveraging world top-level granular material technology and user-oriented plant design as key strengths, we are involved in everything from plants for foods, cosmetics, and metals and electronic materials, to grain silos, silos for housing fuel for biomass power generation, and conveyer equipment
- With automation needs also set to rise over the medium to long term, the order environment for plants is projected to remain strong. We will **reinforce business development efforts, centered on plant engineering** that takes advantage of strengths in granular material technology
- Impact of the novel coronavirus on plant demand remains unclear at this time

Prepared dish plants



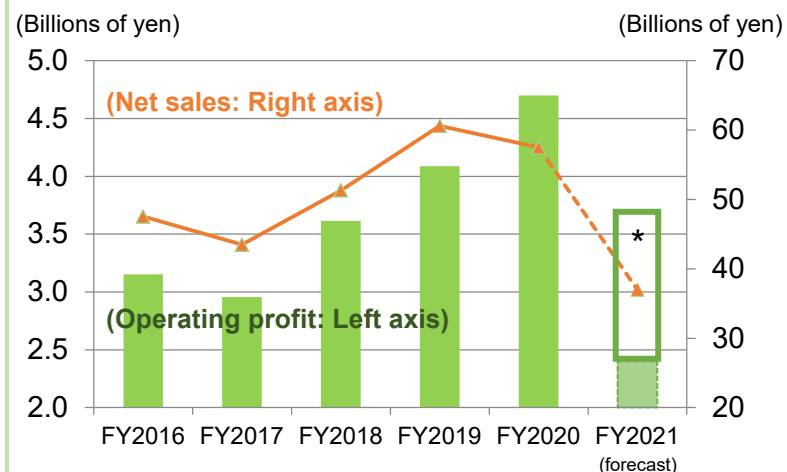
Toiletry product plants



Electronic materials plants



Others Segment Net Sales, Operating Profit



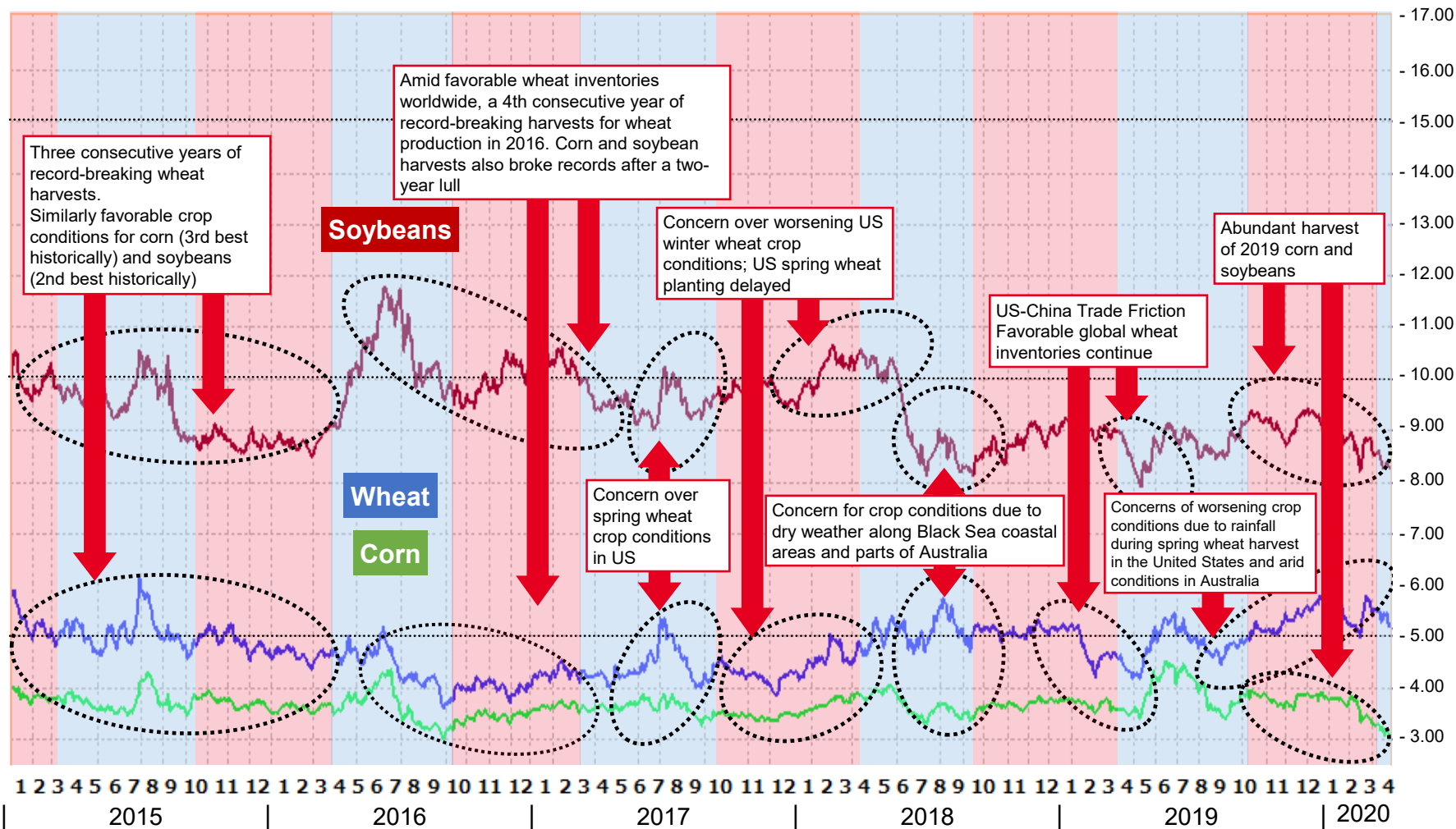
(*) Special Factors

- Profit decline from **transfer of pet food business**
- Lower profit from mesh cloth/facility construction from **impact of the novel coronavirus**

(Ref.) The Wheat Market

[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

[April 2020 – Wheat Price Revision] (Period for price revision calculation: 2nd week of September 2019 to 1st week of March 2020)

Market prices for wheat (Chicago) rose on several factors, including concerns over the impact on planting of U.S. wheat due to a wave of cold weather from September 2019 onward, coupled with lower production projected for Australian wheat due to arid weather there. Marine freight rates also held firm, causing prices for imported wheat to rise.



April 1, 2020 – Government raises average sales price for five classes of imported wheat by 3.1%

June 20, 2020 – Nisshin Flour Milling Inc. raises prices for commercial-use wheat flour

[Factors Driving Future Wheat Market Changes]

Price-increasing Factors

- Concerns of worsening crop conditions for 2020 winter wheat produced in the United States, reflecting developmental concerns due to dry weather and rainfall during harvest time
- In line with delayed planting of North American 2020 spring wheat, concerns of worsening crop conditions

Price-decreasing Factors

- Favorable global wheat inventory outlook accompanying higher production volume for wheat produced in 2019
- Decline in marine freight rates in line with fall in fuel oil prices

Fiscal 2020 Results Briefing

Results, Forecasts

May 18, 2020

Nisshin Seifun Group Inc.



Contents



1. Balance Sheets (Results)
2. Statements of Cash Flows (Results)
3. Fiscal 2020 Statements of Income (Results)
4. Fiscal 2021 Statements of Income (Forecasts)
5. Impact of the Novel Coronavirus
6. Analysis of Segment Results and Forecasts

1. Balance Sheets (1) (Results) [Assets]

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Significant drop in cash on hand due to M&A activity surrounding Australia-based Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd.
Conversely, total assets expanded to ¥666.2 billion atop growth in property, plant and equipment and intangible assets

[Assets] (Billions of yen)	As of March 31, 2019 Results	As of March 31, 2020 Results	YoY difference	Major change
Current assets	268.1	238.9	(29.1)	
Cash on hand	109.3	57.2	(52.0)	Related to acquisition of Allied Pinnacle, Tokatsu Foods
Notes and accounts receivable – trade	76.2	92.2	15.9	
Inventories	73.3	79.8	6.5	
Other	9.2	9.6	0.3	
Non-current assets	326.5	427.2	100.6	
Property, plant and equipment	156.3	208.4	52.1	New consolidation (Allied Pinnacle, Tokatsu Foods)
Intangible assets	10.4	68.7	58.2	
Goodwill	5.0	42.7	37.7	Related to acquisition of Allied Pinnacle, Tokatsu Foods
Other	5.4	25.9	20.5	Related to acquisition of Allied Pinnacle, Tokatsu Foods (Client-related assets)
Investments and other assets	159.8	150.0	(9.7)	
Investment securities	149.6	135.7	(13.9)	Decline in market value, consolidation of Tokatsu Foods
Other	10.1	14.2	4.1	
Total assets	594.7	666.2	71.4	New consolidation (Allied Pinnacle, Tokatsu Foods)

* Figures rounded down to nearest 100 million yen

1. Balance Sheets (2) (Results) [Liabilities/Net Assets]

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Equity ratio fell to 59.3%, reflecting issue of bonds for first time in 32 years and increase in long-term loans payable due to business expansion; **model change in balance sheets** also gaining momentum. However, given heightened importance of long-term sustainability in light of impact from the novel coronavirus pandemic, striking a balance in **raising capital efficiency** and **financial stability** are vital

[Liabilities/ Net Assets] (Billions of yen)	As of March 31, 2019 Results	As of March 31, 2020 Results	YoY difference	Major change
Current liabilities	114.8	131.0	16.2	
Notes and accounts payable – trade	54.9	53.7	(1.2)	
Other	59.8	77.3	17.4	
Non-current liabilities	61.0	126.1	65.0	
Bonds	–	20.0	20.0	
Long-term loans payable	6.7	15.2	8.4	
Lease obligations	0.7	30.9	30.2	New consolidation (Allied Pinnacle, Tokatsu Foods)
Other	53.5	59.8	6.3	
Total liabilities	175.9	257.1	81.2	New consolidation (Allied Pinnacle, Tokatsu Foods)
Shareholders' equity	338.3	350.9	12.6	
Accumulated other comprehensive income	65.6	44.0	(21.5)	
Non-controlling interests, others	14.9	14.0	(0.8)	
Total net assets	418.8	409.0	(9.8)	
Total liabilities and net assets	594.7	666.2	71.4	
(Reference) Equity ratio	67.9%	59.3%	(8.6)%	

* Figures rounded down to nearest 100 million yen

2. Statements of Cash Flows (Results)

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(Billions of yen)	Fiscal 2019	Fiscal 2020		Change	
		Results	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	39.8	38.4	Profit before income taxes +33.2 Depreciation and amortization +21.2 Increase in working capital (6.7) Income taxes paid (10.4)	(1.4)	
Cash flows from investing activities	(19.1)	(96.8)	Capital expenditures (payment basis) (21.9) Purchase of shares of subsidiaries (77.1)	(77.6)	
Cash flows from financing activities	(10.5)	8.3	Proceeds from issuance of bonds +19.8 Cash dividends paid (9.8)	+18.9	
Effect of exchange rate changes on cash and cash equivalents	(0.2)	(1.4)		(1.2)	
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	107.3	56.5		(50.8)	Cash on hand* 57.2

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

(Billions of yen)	Fiscal 2019 (Results)	Fiscal 2020 (Results)	Change	Fiscal 2021 (Forecasts)	Change
Capital expenditures (construction base)	18.7	21.8	+3.1 Effects of new consolidation (Allied Pinnacle, Tokatsu Foods)	14.0	(7.8) Impact of novel coronavirus, others
Depreciation and amortization	14.9	21.2	+6.2 Effects of new consolidation (Allied Pinnacle, Tokatsu Foods)	22.0	+0.7

* Figures rounded down to nearest 100 million yen

3. Fiscal 2020 Statements of Income (Results)

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(Millions of yen)	Fiscal 2019 Results	Fiscal 2020 Results	Fiscal 2020			
			YoY difference	YoY change	Forecasts difference	Forecasts change
Net sales	565,343	712,180	+146,836	+26.0%	(2,819)	(0.4)%
[Overseas sales]	[103,739]	[166,188]	[+62,449]	[+60.2%]	[(1,011)]	[(0.6)%]
Operating profit	26,916	28,852	+1,936	+7.2%	(647)	(2.2)%
[Overseas operating profit]	[3,880]	[3,878]	[(2)]	[(0.1)%]	[(321)]	[(7.7)%]
Non-operating income (expenses)	5,146	2,582	(2,563)	(49.8)%	+1,082	+72.2%
Ordinary profit	32,062	31,434	(627)	(2.0)%	+434	+1.4%
Extraordinary income (losses)	1,051	1,861	+809	+77.0%	–	–
Profit attributable to owners of parent	22,268	22,407	+138	+0.6%	+407	+1.9%
Operating profit before amortization of goodwill, others	29,172	37,241	+8,068	+27.7%	(559)	(1.5)%
ROE	5.5%	5.6%	+0.1%	–	+0.2%	–

* Figures rounded down to nearest million yen

4. Fiscal 2021 Statements of Income (Forecasts)

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(Millions of yen)	Fiscal 2020 Results	Fiscal 2021 Forecasts	YoY	
			difference	change
Net sales	712,180	700,000	(12,180)	(1.7)%
[Overseas sales]	[166,188]	[162,100]	[(4,088)]	[(2.5)%]
Operating profit	28,852	26,000	(2,852)	(9.9)%
[Overseas operating profit]	[3,878]	[4,300]	[+421]	[+10.9%]
Non-operating income (expenses)	2,582	1,000	(1,582)	(61.3)%
Ordinary profit	31,434	27,000	(4,434)	(14.1)%
Profit attributable to owners of parent	22,407	17,000	(5,407)	(24.1)%
Operating profit before amortization of goodwill, others	37,241	34,200	(3,041)	(8.2)%
ROE	5.6%	4.3%	(1.3)%	—

* Figures rounded down to nearest million yen

5. Impact of the Novel coronavirus

- Economic activity to undergo change in waves in fiscal 2021, reflecting **pattern of temporary rise and fall in infection cases** throughout the year. **Turn toward recovery** expected **over time** pending the effectiveness of measures to contain infection.
- Due to impact of the novel coronavirus, **net sales** set to **decline by ¥27.2 billion**, with **operating profit down ¥3.0 billion**.

	Monetary impact of Novel coronavirus (Billions of yen)		Details
	Net sales	Operating profit	
Flour Milling	(6.5)	(1.5)	<ul style="list-style-type: none"> • Anticipated <u>decline of 2%</u> in domestic and overseas <u>shipments</u> • Anticipated <u>deterioration in product mix</u> due to weak shipments to bakeries, confectioners and other specialty stores, street-level stores and restaurants • <u>Measures to curb expenses</u> in light of impact of novel coronavirus
Processed Food	+0.1	+2.3	<ul style="list-style-type: none"> • In Japan, anticipated <u>growth in shipments of household-use products</u>, but <u>lower shipments of commercial-use ingredients and processed foods</u> • <u>Measures to curb expenses</u> in light of impact of novel coronavirus • Anticipated <u>reduction in shipments of overseas processed foods</u> and <u>delayed operational start for yeast plant in India</u>
Prepared Dishes and Other Prepared Foods	(14.8)	(2.9)	<ul style="list-style-type: none"> • Anticipated <u>decline in shipments</u> in urban areas and tourist resorts
Others	(6.0)	(0.9)	<ul style="list-style-type: none"> • Anticipated <u>decline in construction completion</u> due to <u>delayed facility construction</u> in the engineering business
Total	(27.2)	(3.0)	

6. Segment Results (2)

Analysis of Operating Profit (YoY Difference)

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(Billions of yen)

* Red figures in parentheses denote impact of novel coronavirus

Fiscal 2020 Results ¥+1.9 billion

Fiscal 2021 Forecasts ¥(2.9) billion

Flour Milling

¥+0.1 billion

¥(1.2) billion

[(3.0)]

[(1.5)]

Domestic wheat flour shipment volume

(0.0)

(0.6)

*

Sales expansion costs

+0.2

(1.1)

*

Bran prices

+0.1

(0.2)

Cost related

+0.3

+0.1

*

Overseas subsidiaries, others

(0.5) U.S. flour milling business, others

+0.6 U.S. flour milling business recovery, others*

Processed Food

¥+0.0 billion

¥+2.8 billion

[+2.3]

Shipment volume

+0.4

+1.2

*

Sales expansion costs

+0.5 Shift to high-value-added, others

+1.2 Shift to high-value-added, others

*

Cost related

(1.5) Logistics costs, strategic costs, others

+0.5

*

Overseas subsidiaries, others

(including Oriental Yeast, Nisshin Pharma exports)

+0.6 Favorable shipments of EPA-E, others

(0.1) Favorable shipments of EPA-E, expenses for launching yeast plant in India, others

*

Prepared Dishes and Other Prepared Foods

¥+1.2 billion

¥(2.2) billion

[(2.9)]

+1.2 New consolidation, favorable shipments, others

(2.2)

*

Others

¥+0.6 billion

¥(2.3) billion

[(0.9)]

Sales

(0.6)

(2.3)

Temporary decline in construction completion in facility construction, others

*

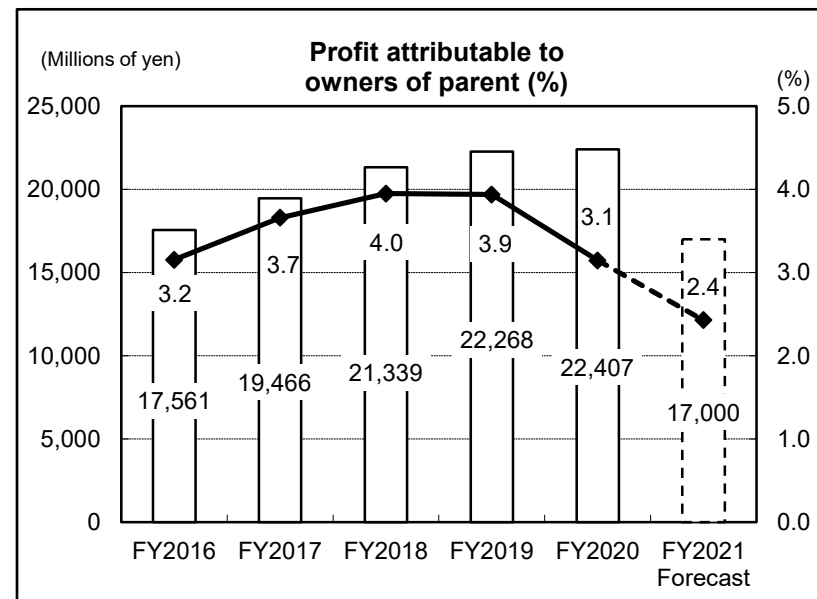
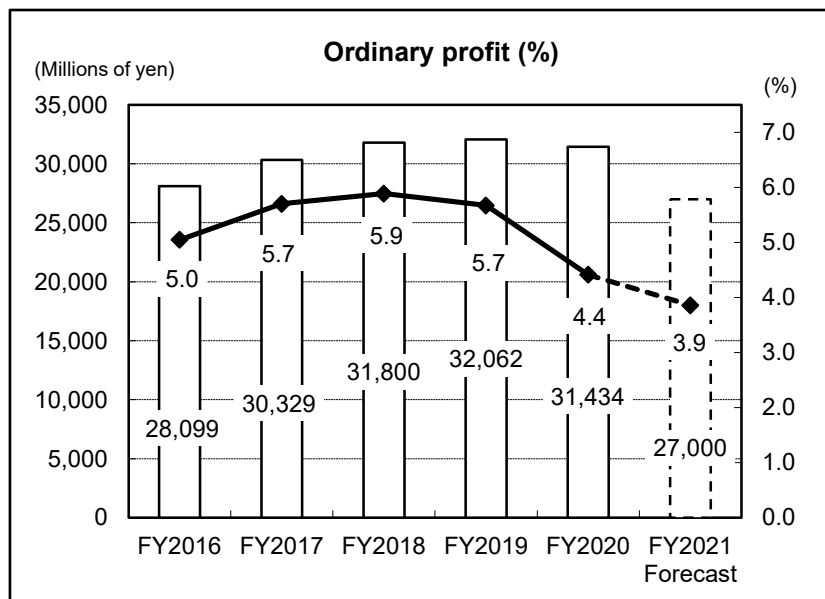
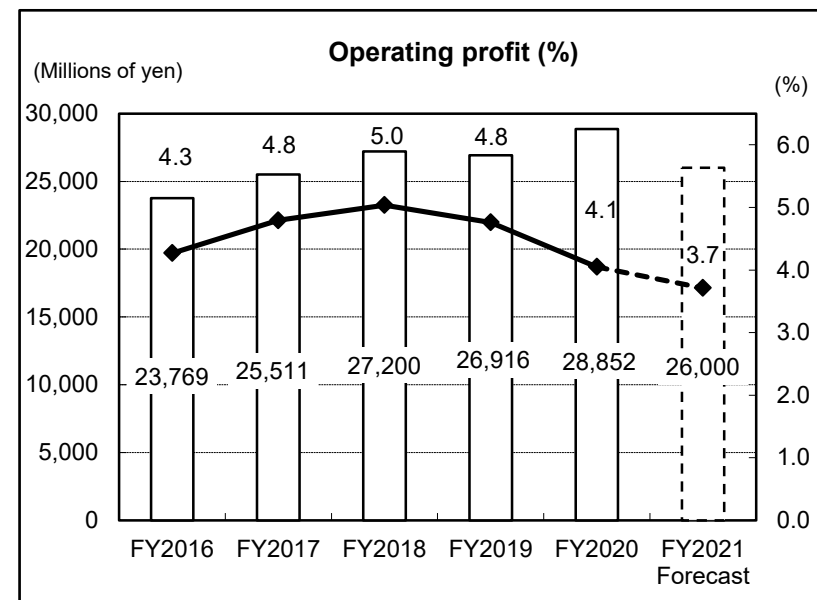
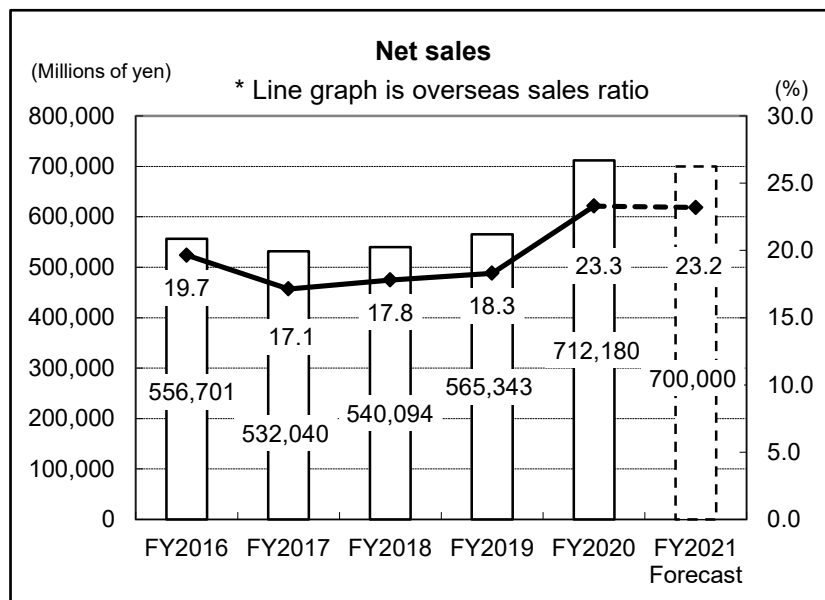
Cost related, others

+1.2 Favorable facility construction, others

+0.0

*

* Line items likely to be affected by novel coronavirus pandemic



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.