

First Six Months of Fiscal 2021 Results Briefing Meeting

October 29, 2020

Nisshin Seifun Group Inc.



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I. First Six Months of Fiscal 2021 and Fiscal 2021 Forecasts

1. First Six Months of Fiscal 2021

- ▶ **Net sales declined**, reflecting lower sales in the flour milling business due to the impact of lower wheat flour prices following wheat price revisions and lower demand due to **the novel coronavirus pandemic**, as well as a temporary decrease in facility construction completion; these and other factors outweighed positive effects from the new consolidation of Tokatsu Foods Co., Ltd. in the first quarter.
- ▶ **Operating profit declined** due to earnings deterioration in the flour milling business and prepared dishes and other prepared foods business due to the novel coronavirus, although profit was lifted by a recovery in performance in the U.S. flour milling business, coupled with brisk performance in the processed food business in Japan and raw materials for pharmaceuticals, as well as effects from cost reduction. On the other hand, operating profit for the Group overall **was in line with forecasts**, although there were a mix of positives and negatives regarding earnings in each business.

(Millions of yen)	First Six Months of Fiscal 2021 Results	Forecasts		First Six Months of Fiscal 2020 Results	
			Change		Change
Net sales	335,944	345,000	(2.6)%	346,518	(3.1)%
Overseas sales ratio	22.6%	—	—	24.1%	—
Operating profit	12,356	11,500	+7.4%	14,124	(12.5)%
Ordinary profit	13,652	12,000	+13.8%	15,113	(9.7)%
Profit attributable to owners of parent	9,057	7,000	+29.4%	13,519	(33.0)%

* Figures rounded down to nearest million yen

2. Fiscal 2021 Forecasts

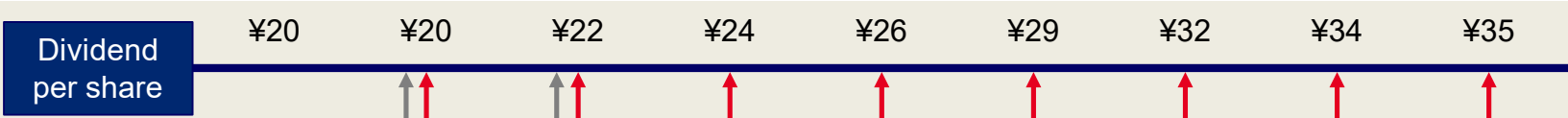
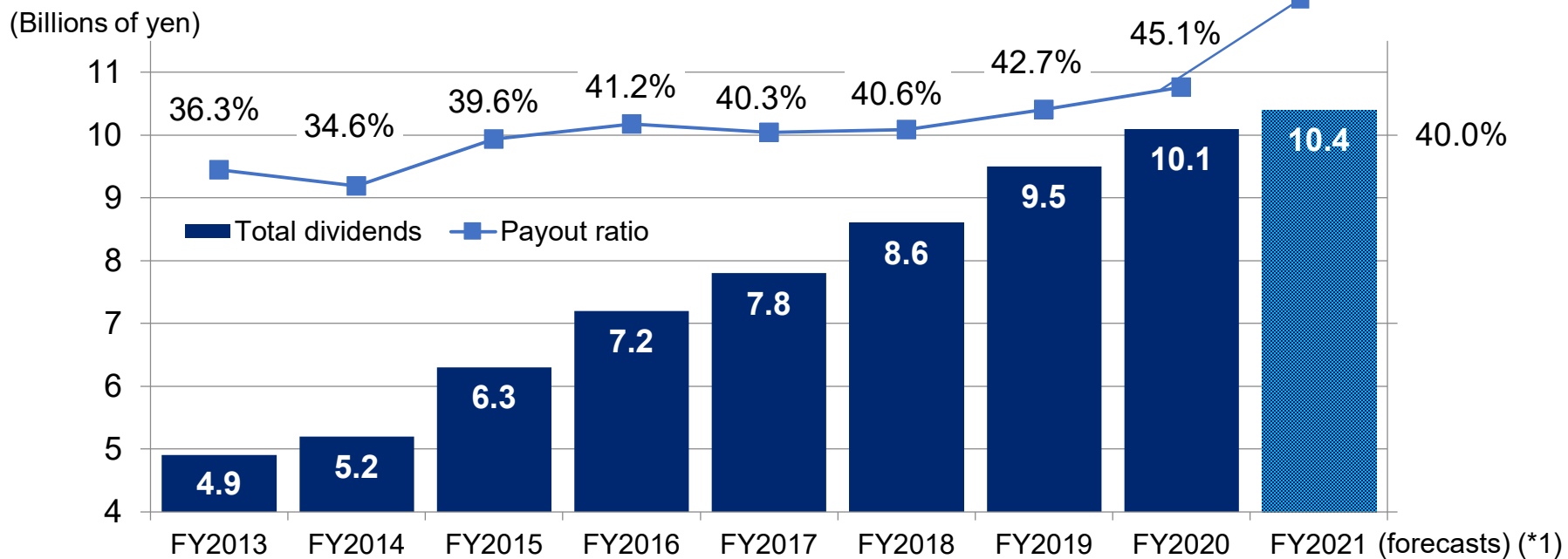
- ▶ **Net sales are likely to decline**, reflecting lower sales in the flour milling business due to the impact of lower wheat flour prices following wheat price revisions and lower demand due to the novel coronavirus pandemic, as well as a temporary decrease in facility construction completion and effects from transfer of the pet food business; these and other factors will likely outweigh positive effects from the new consolidation of Tokatsu Foods Co., Ltd. in the first quarter.
- ▶ **Operating profit is projected to decline**, as earnings deterioration in the flour milling business (Japan, Australia, etc.) and prepared dishes and other prepared foods business due to the novel coronavirus, along with a temporary decline in facility construction completion, outweigh a recovery in performance in the U.S. flour milling business, brisk performance in raw materials for pharmaceuticals and profit growth in the processed food business in Japan, as well as effects from cost reduction.
- ▶ Full-year performance forecasts **remain unchanged**, taking into account the presumption that demand in the processed food business in Japan in the second half of the year will be less robust compared to the first half of the year.

(Millions of yen)	Fiscal 2021 Forecasts	Fiscal 2020 Results	YoY difference	YoY change
Net sales	700,000	712,180	(12,180)	(1.7)%
Overseas sales ratio	22.5%	23.3%	—	—
Operating profit	26,000	28,852	(2,852)	(9.9)%
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

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**



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

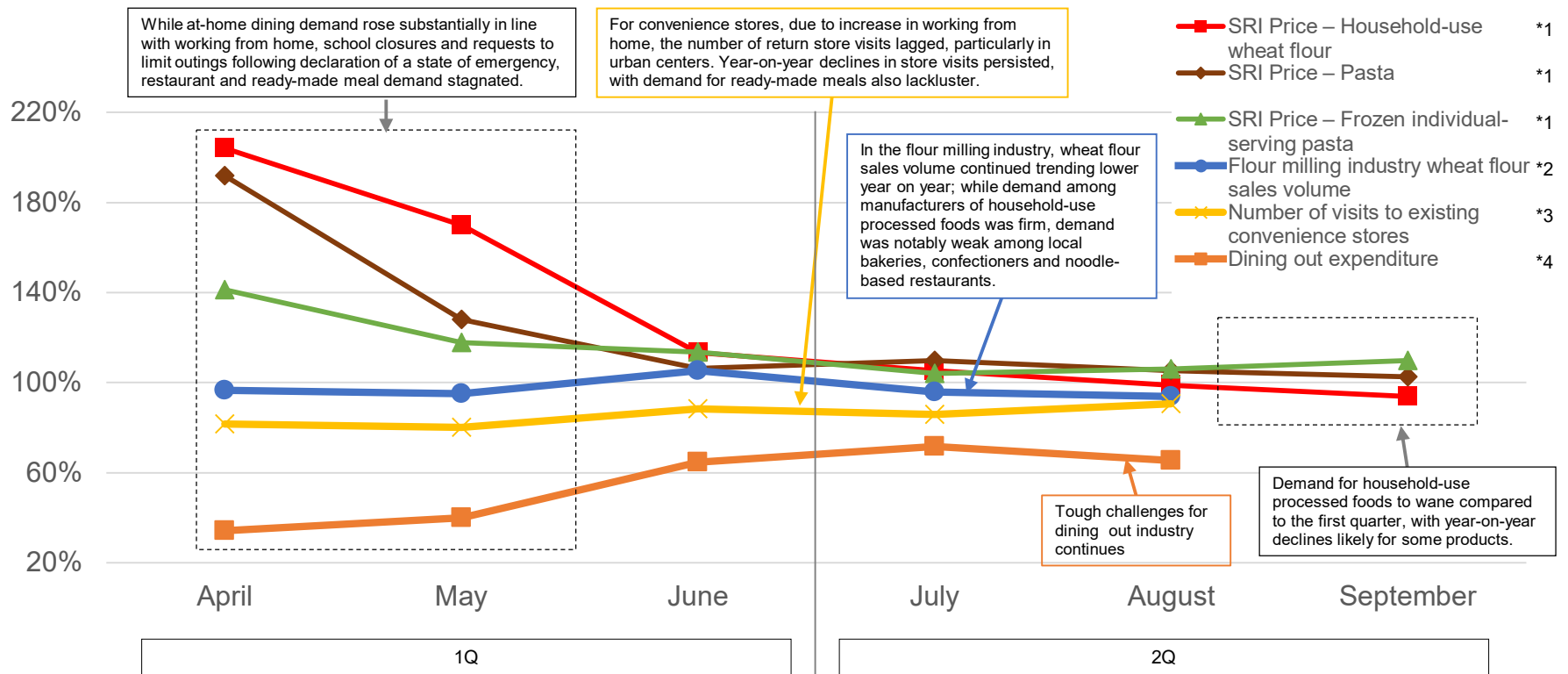
II. Impact of the Novel Coronavirus Pandemic on the Group and Related Countermeasures

1. Impact of the Novel Coronavirus Pandemic (Japan)

– Demand Trends in Each Market

- April to September saw a mix of **highly impactful factors**, both positive and negative, emerge in the operating environments of each business due to measures in response to the novel coronavirus pandemic.
- Outside of household-use wheat flour and pasta and other household-use processed foods, **an environment characterized by lower year-on-year performance continued**; however, even for those household-use processed foods, the operating environments in the first and second quarters were drastically different.

■ Relevant Market Trends for Individual Group Businesses



While at-home dining demand rose substantially in line with working from home, school closures and requests to limit outings following declaration of a state of emergency, restaurant and ready-made meal demand stagnated.

For convenience stores, due to increase in working from home, the number of return store visits lagged, particularly in urban centers. Year-on-year declines in store visits persisted, with demand for ready-made meals also lackluster.

In the flour milling industry, wheat flour sales volume continued trending lower year on year; while demand among manufacturers of household-use processed foods was firm, demand was notably weak among local bakeries, confectioners and noodle-based restaurants.

Tough challenges for dining out industry continues

Demand for household-use processed foods to wane compared to the first quarter, with year-on-year declines likely for some products.

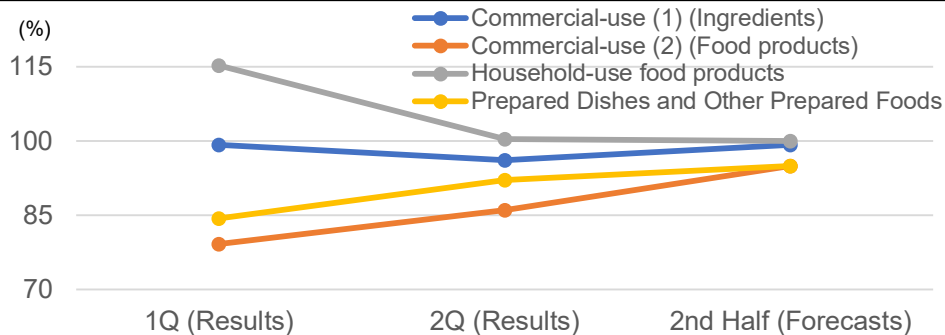
*1 "SRI Price" (household-use wheat flour, pasta, frozen individual-serving pasta) is a year-on-year comparison of overall four-week market price for each month.
 *2 Source: "Flour milling industry wheat flour sales volume" based on Monthly Supply-Demand Trends for Unpolished Wheat and Wheat Flour at Flour Milling Factories from Seifunshinkokai (Flour Milling Promotion Association). * August figures based on Company's own data.
 *3 Source: "Number of visits to existing convenience stores" based on Convenience Store Statistics Investigation Monthly Report from the Japan Franchise Association.
 *4 Source: "Dining out expenditure" based on year-on-year comparison of monthly percent change for two-person and larger households from the Ministry of Internal Affairs and Communications' "Survey of Household Economy."

2. Impact of the Novel Coronavirus Pandemic (Japan)

– Group Demand Trends in Fiscal 2021

- In the first half of the year, the first quarter saw **declines** in demand for commercial-use ingredients and food products and also in prepared dishes and other prepared foods, reflecting the impact of stay-at-home requests due to the pandemic. In contrast, demand for household-use food products **increased**. In the second quarter, while declarations of emergency were rescinded, the failure to contain the virus, particularly in urban centers, **stymied recovery** in demand for commercial-use ingredients and food products, and for prepared dishes and other prepared foods. Demand for household-use food products overall also **showed signs of waning**.
- Similarly, while the second half is seeing a repeated pattern of growth and contraction in virus cases, economic activity is set to **rebound** more robustly than in the first half thanks most notably to the government's **emergency measures to combat the novel coronavirus**. Accordingly, demand for commercial-use ingredients and food products, and prepared dishes and other prepared foods, is projected to **gradually recover**.

■ Group Demand Trends in Individual Businesses in Fiscal 2021 (YoY)



* Adjustment made for Tokatsu Foods in Prepared Dishes and Other Prepared Foods in 1Q of previous year

■ Status of Commercial-use Ingredients

[First-half Results]

- Commercial-use wheat flour trending similarly to trends in wheat flour shipment volume for the flour milling industry as a whole.
- Shipment volume expected to decline around 2% due to the impact of the novel coronavirus.
- While demand from household-use processed food manufacturers was firm, centered on noodle dishes in the first quarter, this increased demand gradually tapered off.
- While demand particularly from local bakeries, confectioners, noodle restaurants and other specialty stores is gradually recovering, performance remained well below the previous year.

[Second-half Projections]

- Continuing impact of the novel coronavirus
- Full-year commercial-use wheat flour shipment volume projected to decline approx. 1 to 2% compared to the previous year

■ Status of Processed Food (Household-use, Commercial-use)

[First-half Results]

- In household-use processed foods, first-quarter performance was brisk across all products; however, in addition to demand trending lower since August, consumption of current inventories and stock of room-temperature household-use processed foods by the distribution sector, retail stores and households led to less robust sales.
- Weak sales of commercial-use processed foods, largely tracking lackluster restaurant demand.
- Sales of commercial-use prepared mix also continue to face challenges, reflecting weak demand for dining out, donuts and other areas.

[Second-half Projections]

- In household-use processed foods, despite the absence of demand growth triggered in the fourth quarter of the previous year by the outbreak of the novel coronavirus, we are targeting sales performance comparable to the previous year.
- In commercial-use processed foods, while a gradual recovery trend in restaurant demand is likely, a return to pre-pandemic performance levels is not expected this term.

■ Status of Prepared Dishes and Other Prepared Foods

[First-half Results]

- April and May saw weak prepared dishes demand in urban centers and tourist sites.
- Although customer visits to existing convenience stores continue to recuperate, prepared dishes demand was weak as visits fell well short of pre-pandemic levels.
- Sales of Initio Foods Inc., involved in Japanese prepared dishes for supermarkets, improved year on year, benefitting from the launch of its Kyushu Plant last year.

[Second-half Projections]

- Customer visits to convenience stores are set to recover compared to the second quarter, with a similar trend in prepared dishes demand; however, a return to pre-pandemic performance levels is not expected this term.

3. Impact of the Novel Coronavirus Pandemic (Overseas)

– Demand Trends by Area and Business

- In the overseas business, the impact of the novel coronavirus on demand differs by **area**.
- In **North America**, first-half demand for wheat flour for household-use processed food manufacturers was firm.

Area	Business	Local Sales Volume (YoY)		Status
		1H Results	2H Projections	
North America	Flour Milling			Demand for products for household-use processed food manufacturers was firm in the first half (calculated excluding the closure of a plant in Minnesota in December 2019)
	Processed Food	—	—	U.S.-based pasta plant continues the uninterrupted supply of products to the Japanese market.
Oceania	Flour Milling (wheat flour)			In Australia, while demand for products for household-use processed food manufacturers was firm, issues that emerged in shipment composition worsened. In New Zealand, demand declined on the loss of shipments to some key customers.
	Flour Milling (excl. wheat flour)			Demand for prepared mix for bakeries, as well as bakery-related ingredients, declined due to limits on outings in response to the novel coronavirus.
East Asia Southeast Asia	Flour Milling			Demand for wheat flour and related products, typically seen as relatively luxury items, declined in the wake of economic stagnation caused by limited outings as measures to combat the novel coronavirus and reduced tourism demand.
	Processed Food			<ul style="list-style-type: none"> • Lower demand for prepared mix due to the impact of the novel coronavirus. Local demand was particularly lower in Southeast Asia. • Pasta sauce plants in Thailand and Vietnam continue the uninterrupted supply of products to the Japanese market.
South and West Asia	Processed Food	—	—	<ul style="list-style-type: none"> • Pasta plant in Turkey continues the uninterrupted supply of products to the Japanese market. • New yeast plant in India awaiting the full-scale restart of construction.

4. Countermeasures for Novel Coronavirus Pandemic

– Initiatives for Achieving Performance Forecasts

The Group is strengthening measures to address **expansion in demand for at-home dining**, a trend in step with the formation of new lifestyles and other social changes, as well as related **growth sales channels**. Similarly, the Group is **reviewing and enhancing the efficiency of its operations** adapted to these social changes and eyeing **cost improvements**, with the aim of achieving its performance forecasts.

■ Group Initiatives for Addressing New Lifestyles and Operating Environment Changes

(1) Responding to Growth Markets

Response to Increased At-home Dining Demand and Growth Sales Channels

- **Establish flexible structure for boosting production and launch new products to address increase in cooking at home**
 - ➡ Processed Food Business
- **Respond to uptake in takeout and delivery demand**
 - ➡ Domestic Flour Milling Business, Processed Food Business
- **Strengthen e-commerce**
 - ➡ Processed Food Business
- **Strengthen development and proposal of high-value-added products**
 - ➡ Prepared Dishes and Other Prepared Foods Business
- **Strengthen sales promotion through mail-order sales**
 - ➡ Healthcare Foods Business

(2) Initiatives to Review Operations and Enhance Efficiency (Cost Improvement)

Response to New Lifestyles and Operational Review

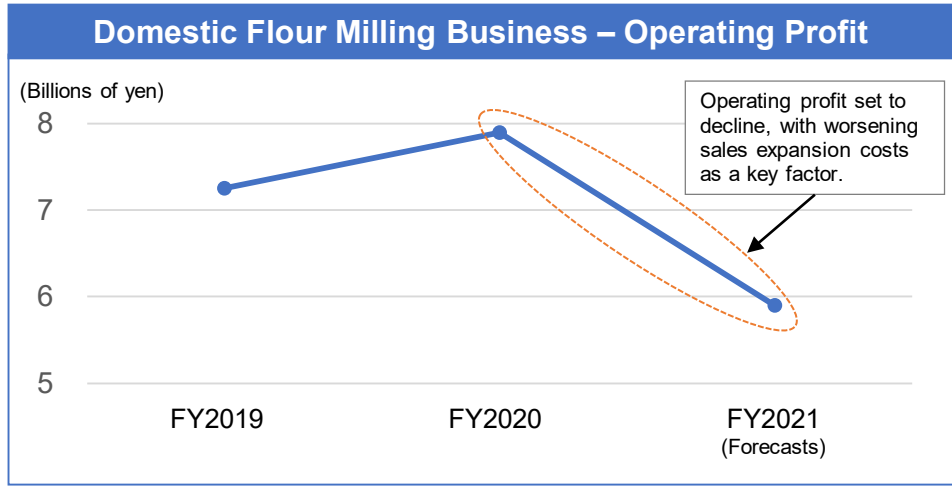
- **Use of telework and Web-based platform utilization for internal meetings and business negotiations**
 - ➡ Employed companywide
- **Cost reduction initiatives (advertising expenses, travel expenses, etc.)**
 - ➡ Employed companywide
- **Promotion of operational efficiency through the Business Transformation Project**
 - ➡ Employed companywide
- **Initiatives to improve productivity**
 - ➡ Overseas Flour Milling Business (Australia), Prepared Dishes and Other Prepared Foods Business

III. Individual Group Business Responses to the Novel Coronavirus Pandemic and Long-term Vision “NNI ‘Compass for the Future’” Initiatives

1. Initiatives to Stimulate Performance Recovery in the Domestic Flour Milling Business



- In light of impact from the novel coronavirus pandemic, in line with initial projections, shipment volume for commercial-use wheat flour is expected to **decline by roughly 1 to 2% from the previous year** in fiscal 2021.
- Operating profit for the domestic flour milling business is expected to benefit from improved earnings atop various cost reductions and rising bran prices from the second half of the term, despite **worsening sales expansion costs** due to deterioration in the product mix.

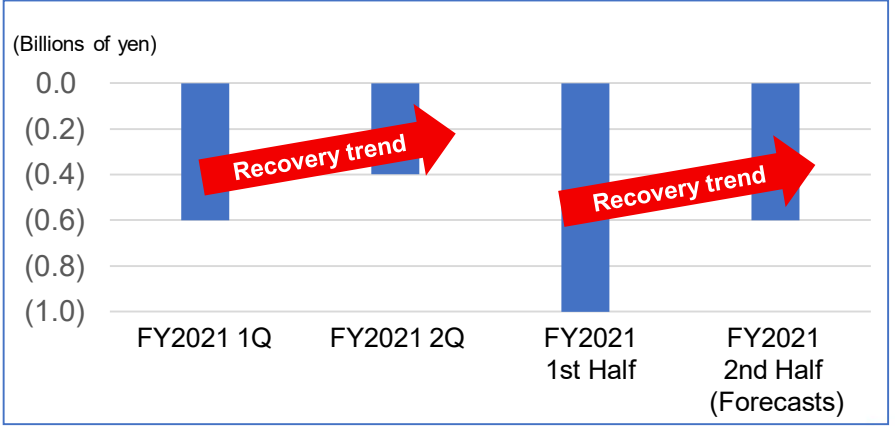


- ### Worsening Sales Expansion Costs and Second-half Outlook
- Deterioration in the product mix is the main factor in worsening sales expansion costs.
 - Demand from household-use processed food manufacturers is firm, reflecting increased demand for at-home dining in light of requests to limit outings as measures to combat the novel coronavirus. In contrast, demand from local bakeries, confectioners, noodle restaurants and other specialty stores is lackluster. Changes in sales composition mainly due to these factors is driving deterioration in the product mix.
 - In the second half, while a recovery trend is likely in product mix deterioration in step with a rebound in economic activity, the pace of recovery is expected to be more subdued than initially projected.

Initiatives to Improve Sales Expansion Costs

- In the second half, while sales expansion costs are expected to improve, improvement initiatives will also be bolstered.
- (1) Support for noodle restaurant takeout and delivery**
 - Develop and strengthen recipe proposals for noodles resistant of deterioration during delivery.
 - (2) Sales support for local bakeries, confectioners and other specialty stores**
 - Introduce our clients to prepared dishes delivery companies and support sales channel expansion.
 - (3) Respond to growing health consciousness**
 - Strengthen proposal of whole grain and other high-value-added products
 - (4) Strengthen proposals and sales to chain restaurants through newly established National Sales Department**
 - (5) Strengthen proposals and sales to frozen food manufacturers through newly established Frozen Food Team**

Fiscal 2021 Sales Expansion Costs (YoY Change)



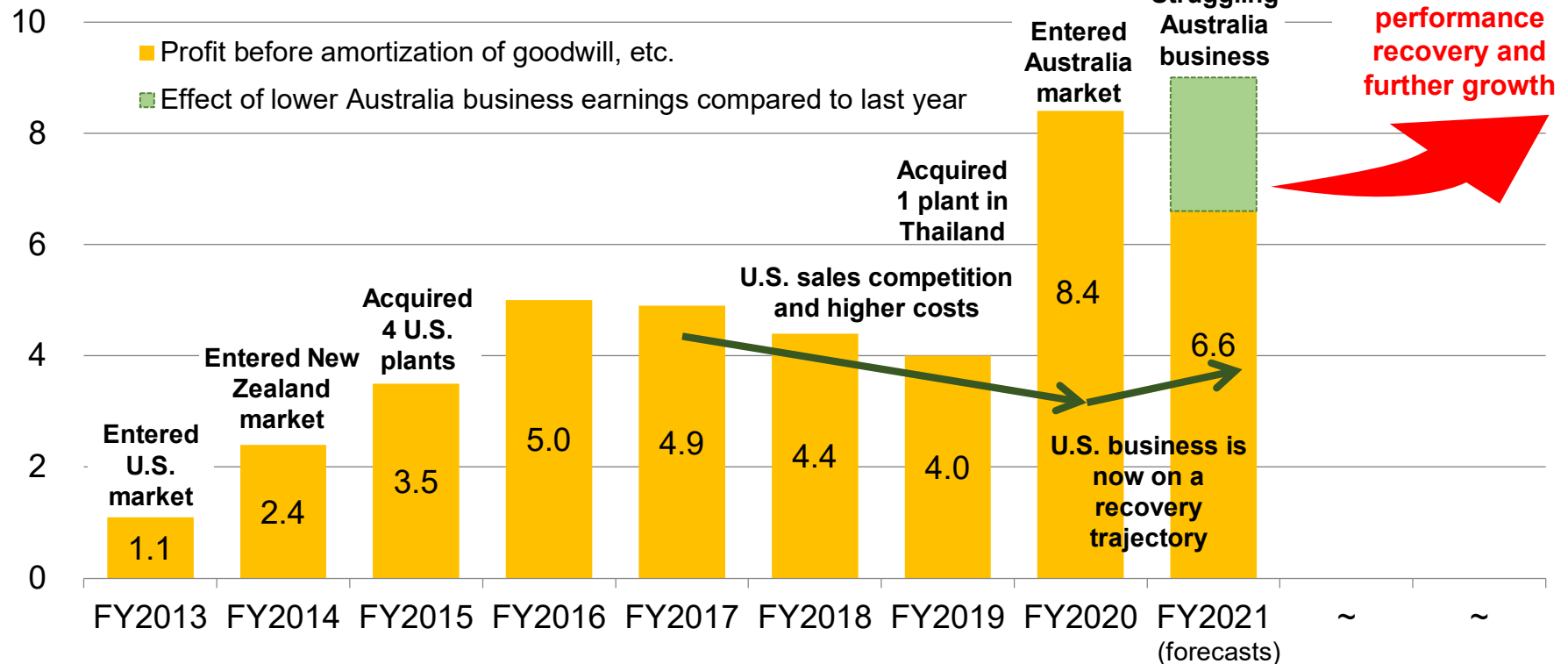
2. Overseas Flour Milling Business Growth Strategies (1)

– Outlook for the Overseas Flour Milling Business

- 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.**
- **U.S. business**, struggled last year, has now switched to **a recovery trajectory.** We will fully solidify the recovery in performance over the next year or two, with sights on further growth.
- In **the Australia business** acquired last year, demand faltered due to the impact of the novel coronavirus pandemic, **exacerbating the effects of issues** that had just emerged following a year of PMI. Following a comprehensive set of decisions, action is already underway to **resolve these issues.**

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

(Billions of yen)



2. Overseas Flour Milling Business Growth Strategies (2)

– Performance Recovery in the U.S. Flour Milling Business

Status of Performance Recovery in the U.S. Business (Miller Milling Company, LLC) and the Path to Further Growth

Performance Recovery Initiatives

- Management structure enhancement**
 - Replaced entire local management team last year, including CEO, to promote management under a new structure
- Sales price revision**
 - Steadily implement sales margin improvements based on in-depth, cumulative sales activities and relationships of trust with clients
- Production efficiency improvement**
 - New Prague Plant in Minnesota closed in December 2019, leading to more efficient production structure. Concentration of management resources in growth regions.
 - Production engineers from Japan are sent to sites abroad to strengthen sharing of Japanese production expertise. This is raising the quality of manufacturing operations, leading to improved productivity.

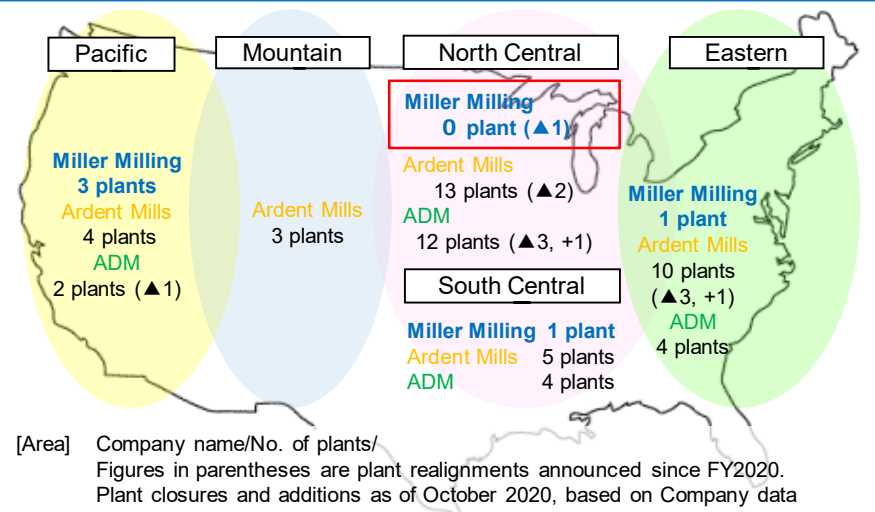
Solidify performance recovery over the next one to two years.

Future Initiatives for Growth

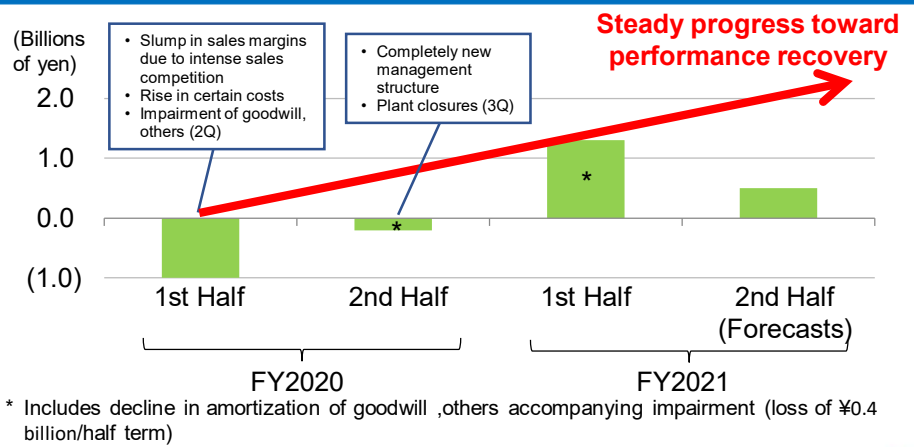
- Design and Implementation of Effective Sales Strategies Tailored to Client Characteristics**
 - Divide clients into segments based on fine-grained market analysis and implement appropriately tailored sales strategies.
- Expand share in high-value-added markets**
 - Bolster sales of organic flour and other products, with "differentiation" as a keyword.
- Strengthen ties between Group operations in North America**
 - Also explore the sale of prepared mix.

Targeting Further Growth Together with Performance Recovery

Plant Locations of Major U.S. Flour Milling Companies and Plant Realignment Status



FY2020, 2021 U.S. Flour Milling Business Operating Profit (YoY Change)



2. Overseas Flour Milling Business Growth Strategies (3)

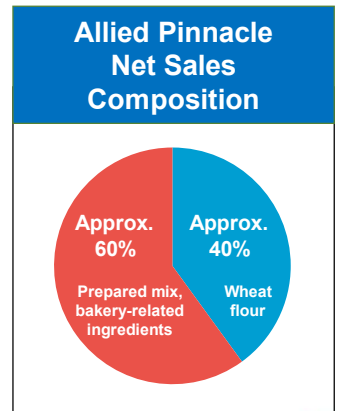
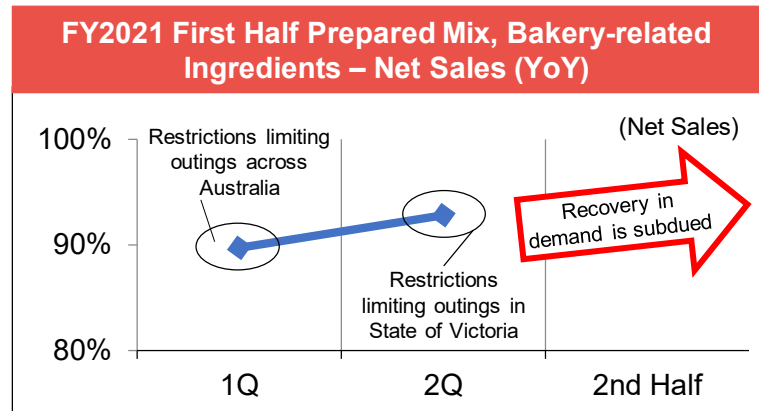
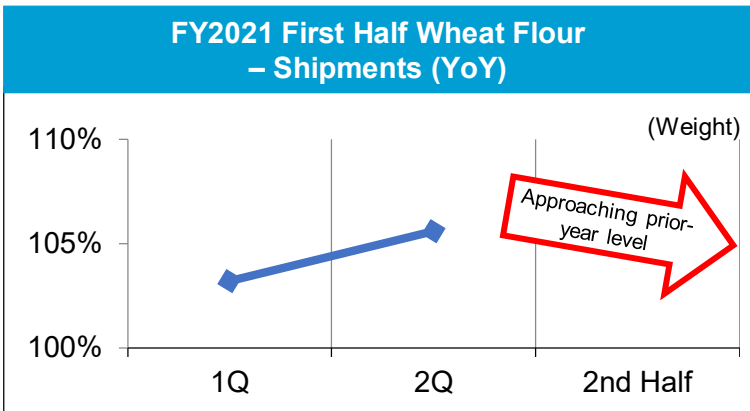
– Status of Australia Flour Milling Business



- The Australia flour milling business (Allied Pinnacle Pty Ltd.) saw a decrease in sales of prepared mix for bakeries and bakery-related ingredients due to the impact of the novel coronavirus pandemic. Although demand from household-use processed food manufacturers for wheat flour was firm, deterioration in shipment composition led to lower earnings year on year.
- The pandemic exacerbated the effects of issues in production and distribution that had just emerged through a year of PMI following acquisition.

Key Factors in Worsening First-half Performance

Sales	In the first half, wheat flour shipments surpassed prior-year results. In contrast, net sales of prepared mix for in-store bakeries and bakery-related ingredients fell dramatically year on year, impacted by orders to limit outings as part of measures to combat the novel coronavirus. Conditions are equally bleak in the second half due to the pandemic.
Production and Distribution	<p>Worsening production efficiency in line with sharp demand volatility in prepared mix and bakery-related ingredients due to the pandemic.</p> <ul style="list-style-type: none"> • Deterioration in production efficiency, mainly from a decline in production line operating efficiency due to worsening production balance and overloading. • Organizational coordination issues in the first quarter (inadequate divisional coordination) led to losses from the disposal of products due to shipment date expiration. <p>Worsening distribution efficiency mainly from sharp demand volatility and sudden closure of key clients to combat the novel coronavirus.</p> <ul style="list-style-type: none"> • Improvement benefits from the Distribution Improvement Project were negated in the first half. Similar benefits should emerge in the second half.



2. Overseas Flour Milling Business Growth Strategies (4)

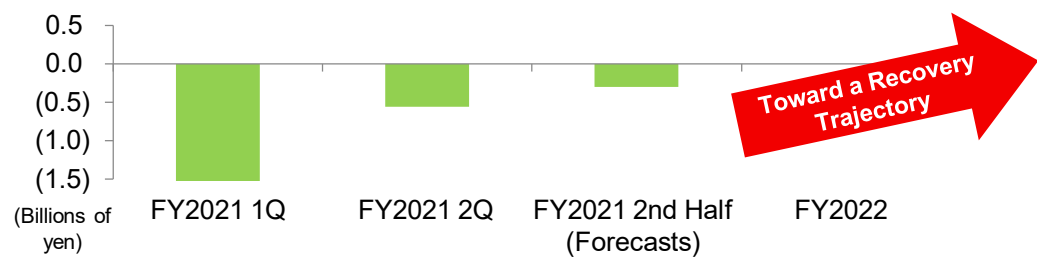
– Performance Improvement Measures and Initiatives for Growth in the Australia Business



- Swift steps to improve currently identified issues should enable **recovery** and build a **base for growth** in 2 to 3 years, including this year.
- **New Product Development staff** will also **be augmented** to strengthen backup structure for sales expansion.

Performance Improvement Measures	Specifics
(1) Initiatives for Sales Expansion	<p>(1) Sales Expansion in Australia Deepen sales to existing clients and strengthen sales of prepared mix and bakery-related ingredients in new channels.</p> <p>(2) Export Expansion Leverage Group sales channels to expand exports of prepared mix and bakery-related ingredients to New Zealand and Southeast Asia.</p> <p>(3) Bolster Backup Structure for Sales Expansion Augment New Product Development staff by five more employees compared to last year to strengthen product proposal capabilities. Tie these efforts to sales expansion within Australia and via exports.</p>
(2) Production-side Improvements	<p>(1) Enhance Supply-Demand Management Tie launch of a cross-divisional organization in the first quarter to “inventory visualization,” “maintenance of proper inventory levels” and “maintenance of appropriate line operation efficiency.”</p> <p>(2) Improve Production Efficiency Scrap/consolidate inefficient production lines and review related staffing from the second quarter (also consider consolidating plants). Prevent future production trouble by systematically conducting appropriate repairs and upgrades from a long-term perspective.</p>
(3) Distribution-side Improvements	<p>The Distribution Improvement Project started in February 2020. Through integrated management of delivery companies, the project seeks to raise load and transport efficiency, while working in inventory management through greater operational efficiency linked to appropriate inventory levels to reduce distribution-related costs.</p>

FY2021 Australia Flour Milling Business – Operating Profit (YoY Change)



- Factors Unique to FY2020**
- Second quarter saw emergence of several hundred million yen in temporary PMI expenses
 - Second half saw, in addition to higher distribution costs, distribution costs worsen from waning distribution efficiency caused by wildfires
 - Fourth quarter saw production efficiency worsen

3. Overseas Processed Food Business Growth Strategies

– Expansion of Yeast and Commercial Prepared Mix Businesses

- **New yeast plant in India** awaiting the full-scale restart of construction.
- Strengthen sales in **Vietnam**, with sights on future prepared mix business expansion in Asia.

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

- Key construction personnel from Japan momentarily repatriated. Halt and await restart of full-scale construction. New plant projected to begin operating roughly six months following restart of full-scale construction.

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

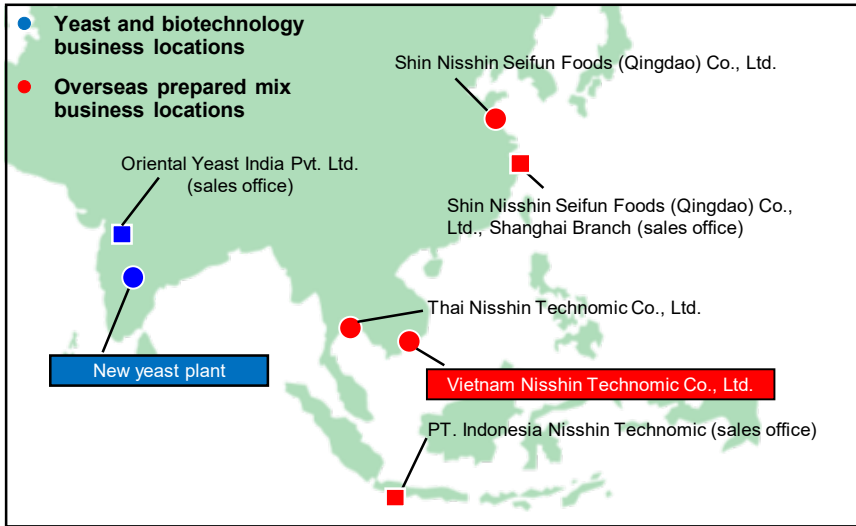
Good potential for development as a production and export base for processed foods together with well-qualified human resources

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



Overview of plant in Vietnam

- [Production capacity] 9,000 t/year
- [Operation started] January, 2020
- [Investment] Approx. ¥1.7 billion



4. Processed Food Business Initiatives

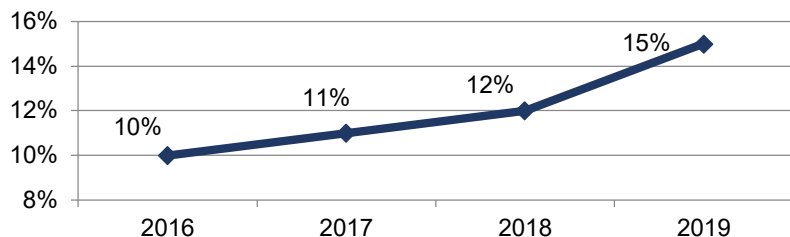
– Differentiation Strategy for Household-use Processed Foods and Sales Recovery Measures for Commercial-use Processed Foods

- In household-use processed foods, while **performance** through the midpoint of the first half of the term **was strong thanks to growth in at-home dining demand**, **demand** for room-temperature products **is more subdued**. Promote **development of value-added products** reflecting changes in food demand due to measures to combat the novel coronavirus
- In commercial-use processed foods, performance fell year on year, impacted by weak restaurant demand. Implement various measures to spur recovery in sales.

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



New Products Tailored to Increase in Cooking at Home

- As more people cook at home, launch in fall and winter the sale of new and revamped products, including 20 room-temperature items and 13 frozen items, based on the concepts “easy-to-prepare and convenient,” “restaurant dining at home” and “dishes families can make together,” and centered on the theme of fun to prepare, smart cooking at home.

Nissin “Make in a Cup” Series Okonomiyaki (savory Japanese pancake) set and Chijimi (savory Korean pancake) set



The Evolution of Simple and Convenient Cooking

Ao-No-Dokutsu GRAZIA (frozen) For a delicious moment of elegant, luxurious bliss



* Packaging-free product with enclosed tray
Celebrating 25 Years of Ao-No-Dokutsu

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.

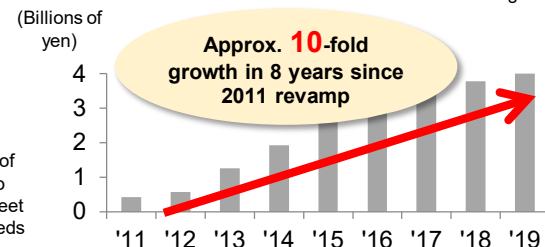
The Making of *FineFast*



A new style of spaghetti to thoroughly meet consumer needs

Hayayude Series Sales

Source: Intage SRI



Household- and Commercial-use Processed Food Measures During the Coronavirus Pandemic

- Respond to growth markets; strengthen development and proposals targeting the restaurant dining market

Measures for the Growth Market of Household-use Processed Foods

- Establish structure for boosting production
 - ➡ Raise 10 - 40% depending on product category
- Bolster response to growth in at-home dining through launch of new products
- Strengthen e-commerce and other growth sales channels
 - ➡ Reinforce sales via Amazon, LOHACO and similar platforms
- Conduct digital marketing-driven sales promotions

Shipment Recovery Measures for Commercial-use Processed Foods

- Respond to increased delivery demand
 - ➡ Proposal of products with greater ability to time changes
- More robust e-commerce sales to restaurant companies
- Strengthen sales of commercial-use prepared mix to household-use frozen food manufacturers experiencing growth

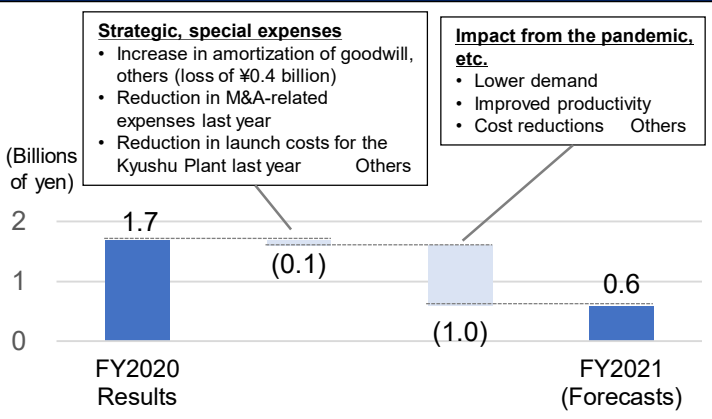
5. Prepared Dishes and Other Prepared Foods Business Growth Strategies

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



- **Prepared dishes demand** in urban centers and at tourist sites **declined** due to impact from the novel coronavirus pandemic. While operating profit for the full year is projected **to decline ¥1.1 billion year on year, the extent of decline should be smaller** than initial estimates thanks to more robust initiatives to enhance productivity and reduce costs.
- **No change in direction of growth strategies, with steady progress in production line automation**

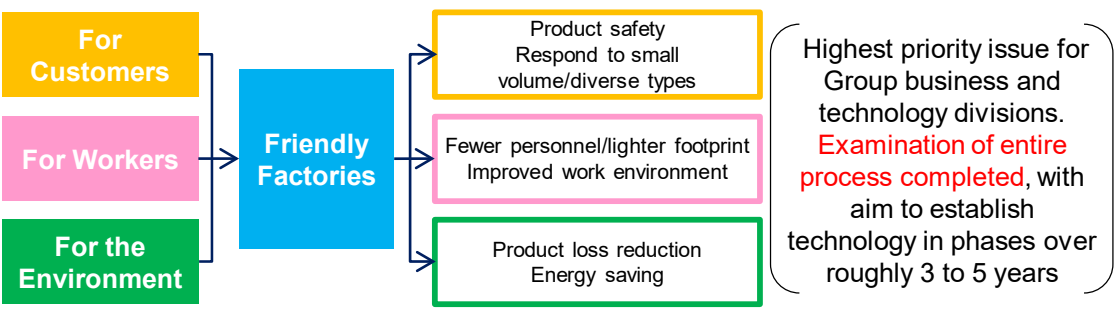
Prepared Dishes and Other Prepared Foods Business – Analysis of Change in Operating Profit



* Tokatsu Foods Co., Ltd. consolidated in July 2019

Future Vision for Prepared Dish Plants

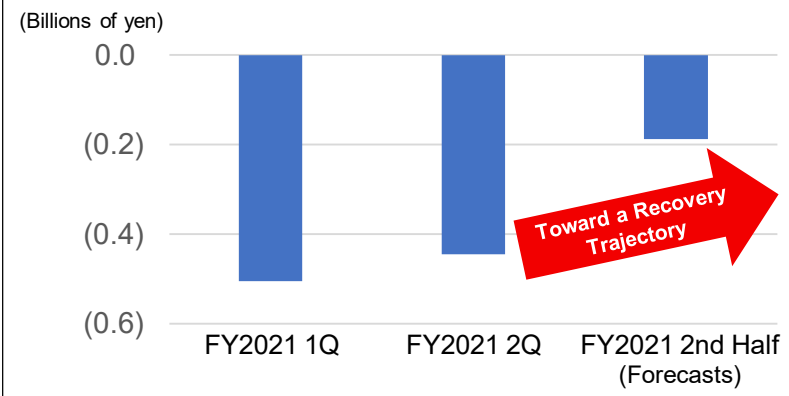
In pursuit of an ideal model for future prepared dish plants, we made strides in examining ways to put automation technology into practice. The aim is to develop “friendly factories” that generate both social and economic value



Performance Recovery Initiatives

- **Sales recovery through stronger development and proposals and initiatives to bolster sales**
 - (1) Greater development and proposal of high-value-added products
 - (2) More robust development and proposal of seasonal products
 - (3) Bolster sales of Japanese New Year dishes (premium price, high profit margin)
- **Enhance productivity and reduce costs to improve profitability**
 - (1) Reduce nighttime production shifts through production line consolidation
 - (2) Prior capital investment plans undergo comprehensive revision to meet changes in demand trends, and include steps to hold capital investment to a minimum
 - (3) Speed up implementation of labor-streamlining measures to reduce production costs

FY2021 Prepared Dishes and Other Prepared Foods – Operating Profit (YoY Change)



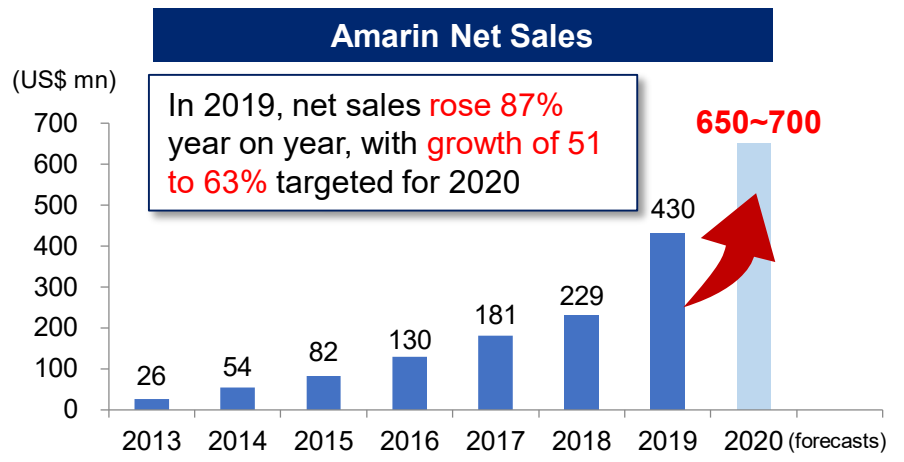
6. Expanding Demand for Raw Material for Pharmaceuticals “EPA-E” from Nisshin Pharma



- Demand for Vascepa®, a treatment for high cholesterol from Amarin Corporation plc (hereinafter, “Amarin”), **grew steadily** despite slower growth in prescriptions due to the novel coronavirus pandemic.
- 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**

Amarin Recent Topics

- Slower growth in prescriptions due to the impact of the novel coronavirus pandemic
- Currently in legal dispute with generic drug manufacturer regarding Vascepa® patent
- Development outside the U.S.
 - Canada: Drug efficacy approval in January 2020, with sales launched from February 2020
 - Middle East (Lebanon, UAE): Sales launched in Lebanon in June 2018 and UAE in February 2019
 - Europe: Anticipated approval of sale in early 2021
 - China: Currently in clinical trials, with expected end of trials in late 2020



Legal Dispute Between Amarin and Generic Drug Manufacturer Concerning Vascepa® Patent

- Amarin’s patent in the U.S., currently in dispute, pertains to the efficacy of Vascepa® for existing patients with serious illness
- The patent for Vascepa® remains effective for patients with less severe illness, estimated to outnumber patients with serious illness 10 to 1 in the U.S.; Amarin holds exclusive sales rights through December 2022
- Generic drug manufacturer received FDA approval for a generic of Vascepa®
- After losing in federal court in September 2020, Amarin filed a request in October for hearing by the U.S. Supreme Court, and is currently awaiting a decision by the court on this request
- Amarin’s view is that the start of generic sales will not seriously affect its own Vascepa® sales for the time being

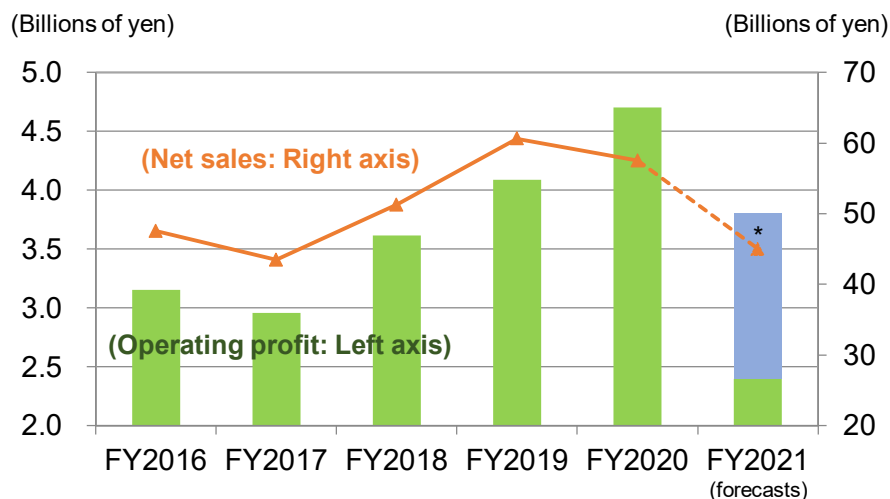
Business Opportunities and Risk Recognition

- ### Opportunities
- Demand growth in the U.S. (Effect of additional indication)
 - New development in other countries/regions (Europe, China)
 - 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

7. Others Segment Status

- In the engineering business, the outlook is for a **decrease in completion of projects**, reflecting an anticipated **temporary decline in facility construction**
- For the operating profit forecasts, while lower earnings are expected, **the extent of decline will narrow** compared to initial estimates thanks to extensive construction management in the engineering business and stronger initiatives to reduce various costs.
- As part of business portfolio enhancement, we carried out the transfer of the pet food business at the end of March 2020. In the current business term, only outsourced production will take place, with the pet food business set to terminate at the end of the term.

Others Segment Net Sales, Operating Profit



* Represents upward revision of operating profit forecasts in the Others Segment

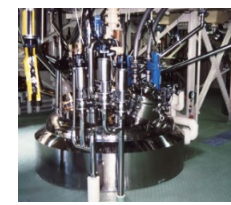
Features of the Engineering Business

- 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 granular material 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

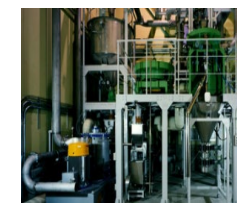
Prepared dish plants



Toiletry product plants



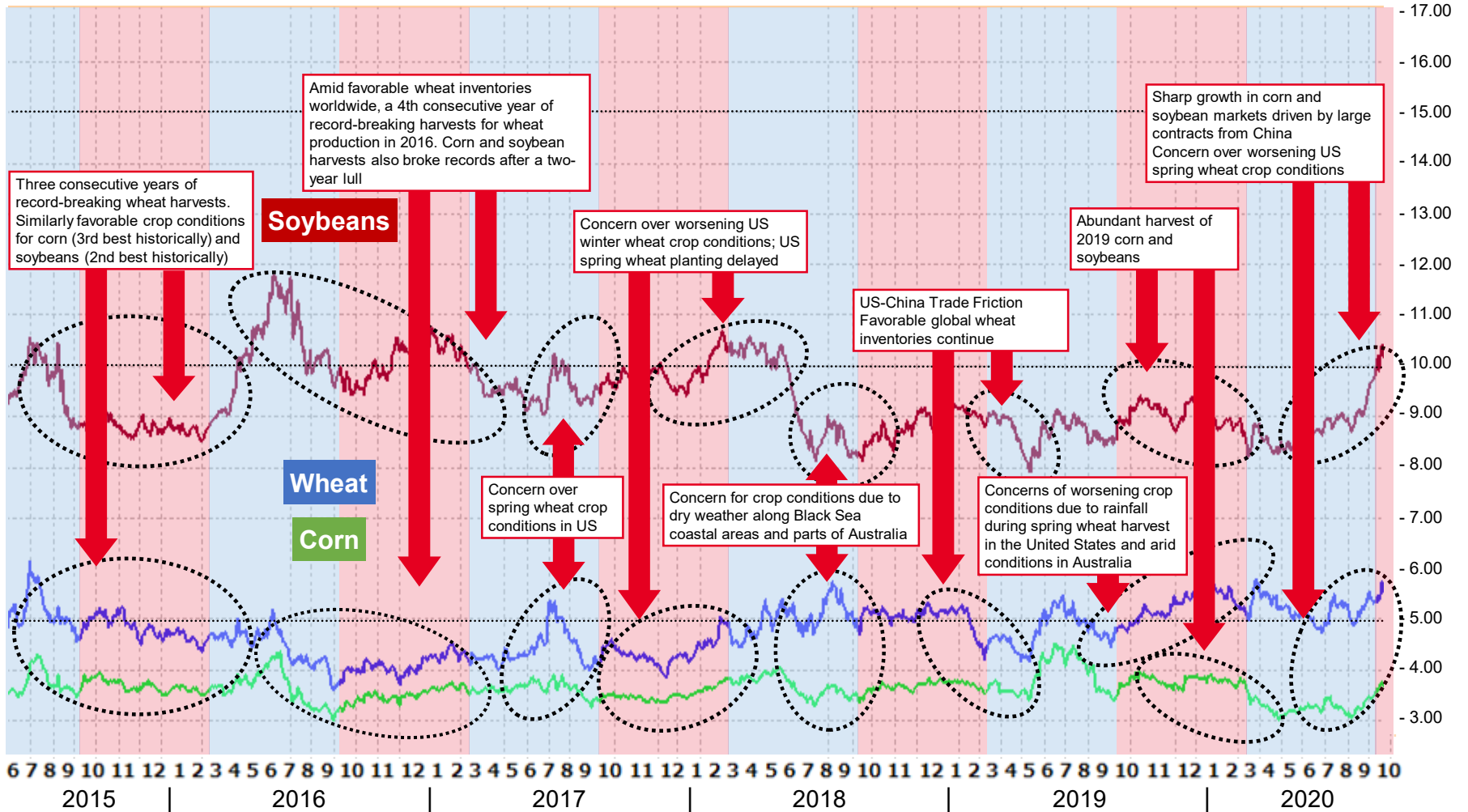
Electronic materials plants



(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

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

Market prices for wheat (Chicago) fell due to rising wheat inventory rates worldwide, coupled with steady crop growth at major wheat production sites. Similarly, import prices for wheat declined, reflecting a higher yen in currency exchange, along with a downturn in marine freight rates due to lower transportation demand.



Oct. 1, 2020 – Government lowers average sales price for five classes of imported wheat by 4.3%

Jan. 12, 2021 – Nisshin Flour Milling Inc. lowers prices for commercial-use wheat flour

[Factors Driving Future Wheat Market Changes]

Price-increasing Factors

- Concerns of worsening crop conditions following delays in planting of North American winter wheat for harvest in 2021
- Concerns of rising market prices accompanying growth in grain exports to China

Price-decreasing Factors

- Favorable global wheat inventory outlook following ample production volume for 2020 wheat harvest

First Six Months of Fiscal 2021 Results Briefing Results, Forecasts

October 29, 2020

Nisshin Seifun Group Inc.



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2. Analysis of Segment Results
3. Non-operating Income (Expenses) /
Extraordinary Income (Losses) (Results)
4. Statements of Cash Flows (Results)
5. Fiscal 2021 Forecasts

1. First Six Months of Fiscal 2021 Results (1)

Delivering Good Health and Reliability



(Millions of yen)

	First Six Months of Fiscal 2020 Results	First Six Months of Fiscal 2021 Results	YoY difference	YoY change	Forecasts difference	Forecasts change
Net sales	346,518	335,944	(10,573)	(3.1)%	(9,055)	(2.6)%
[Overseas sales]	[83,609]	[76,076]	[(7,532)]	[(9.0)%]	–	–
Flour Milling	154,898	140,840	(14,058)	(9.1)%	–	–
Processed Food	107,283	106,485	(798)	(0.7)%	–	–
Prepared Dishes and Other Prepared Foods	53,373	70,584	+17,211	+32.2%	–	–
Others	30,962	18,034	(12,928)	(41.8)%	–	–
Operating profit	14,124	12,356	(1,767)	(12.5)%	+856	+7.4%
[Overseas operating profit]	[1,783]	[960]	[(822)]	[(46.1)%]	–	–
Flour Milling	4,338	2,037	(2,301)	(53.0)%	–	–
Processed Food	6,013	8,009	+1,996	+33.2%	–	–
Prepared Dishes and Other Prepared Foods	1,287	339	(948)	(73.6)%	–	–
Others	2,384	2,003	(380)	(16.0)%	–	–
Adjustments*	100	(32)	(132)	–	–	–
Ordinary profit	15,113	13,652	(1,461)	(9.7)%	+1,652	+13.8%
Profit attributable to owners of parent	13,519	9,057	(4,461)	(33.0)%	+2,057	+29.4%

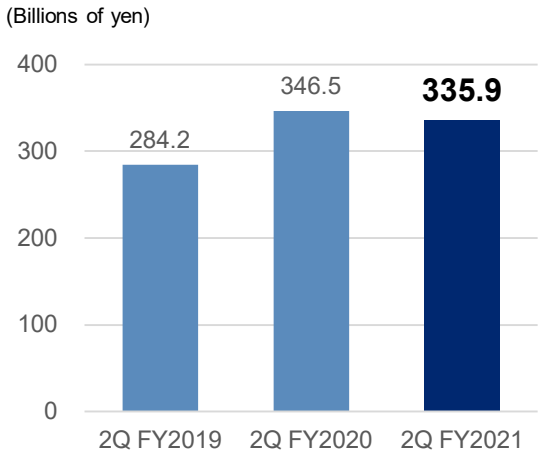
* Intersegment transaction eliminations

* Figures rounded down to nearest million yen

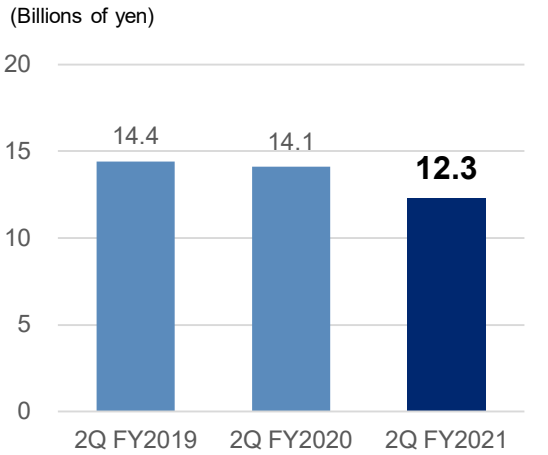
1. First Six Months of Fiscal 2021 Results (2)



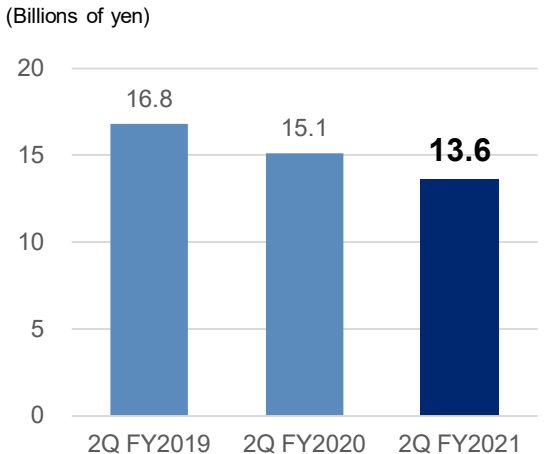
Net sales



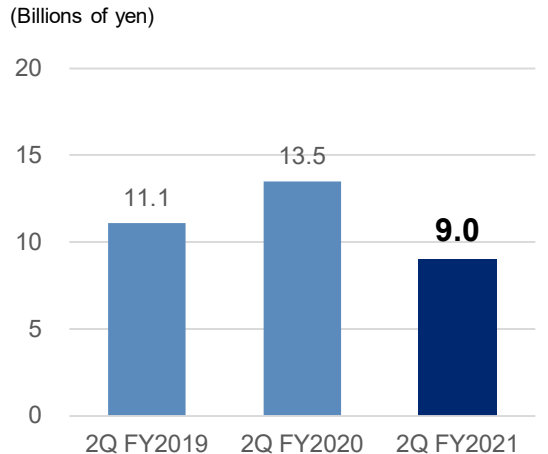
Operating profit



Ordinary profit



Profit attributable to owners of parent



➤ **Net sales declined**, reflecting lower sales in the flour milling business due to the impact of lower wheat flour prices following wheat price revisions and lower demand due to **the novel coronavirus pandemic**, as well as a temporary decrease in facility construction completion; these and other factors outweighed positive effects from the new consolidation of Tokatsu Foods Co., Ltd. in the first quarter.

➤ **Operating profit declined** due to earnings deterioration in the flour milling business and prepared dishes and other prepared foods business due to the novel coronavirus, although profit was lifted by a recovery in performance in the U.S. flour milling business, coupled with brisk performance in the processed food business in Japan and raw materials for pharmaceuticals, as well as effects from cost reduction.

On the other hand, operating profit for the Group overall **was in line with forecasts**, although there were a mix of positives and negatives regarding earnings in each business.

Net sales:	YoY changes (3.1)%
Operating profit:	YoY changes (12.5)%
Ordinary profit:	YoY changes (9.7)%
Profit attributable to owners of parent:	YoY changes (33.0)%

* Figures rounded down to nearest 100 million yen

2. Analysis of Segment Results (1)

Analysis of Net Sales (YoY Difference)

(Billions of yen)

Flour Milling

¥(14.1) billion

Domestic wheat flour shipments (down 2.2% year on year)	(1.8)
Flour price revisions, others accompanying revised wheat prices	(4.5)
Bran prices	+0.0
Overseas sales, others	(7.8)

Processed Food

¥(0.8) billion

Processed food sales	(0.4)
Household-use flour sales	+0.4
Prepared mix product sales	(1.1)
Pasta-related sales	+1.1
Frozen food sales	(0.1)
Overseas processed food sales	(0.9)
Other	+0.2
Oriental Yeast sales	(1.4)
Nisshin Pharma sales	+1.0

Prepared Dishes and Other Prepared Foods

¥+17.2 billion

Effects of new consolidation of Tokatsu Foods, others	+17.2
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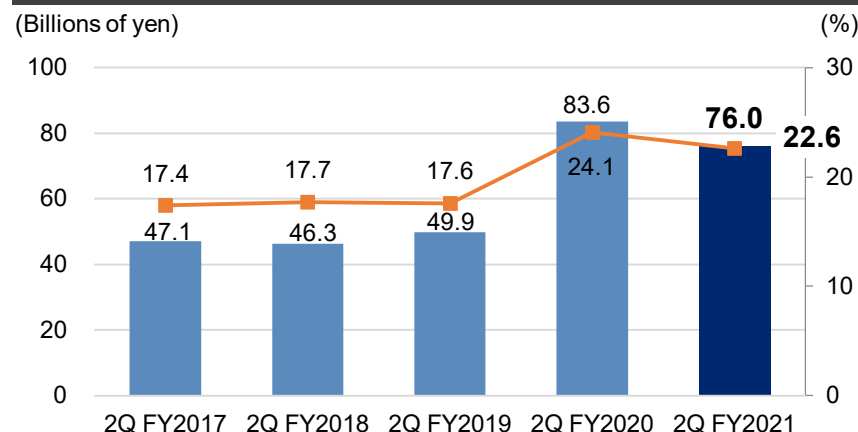
Others

¥(12.9) billion

Nisshin Petfood sales	(1.6)
NBC Meshtec sales	(0.6)
Facility construction sales, others (Nisshin Engineering, others)	(10.7)

[Ref.] Overseas sales

* Line graph indicates overseas sales ratio



2. Analysis of Segment Results (2)

Analysis of Operating Profit (YoY Difference)

(Billions of yen)

Flour Milling

¥(2.3) billion

Domestic wheat flour shipment volume	(0.4)
Sales expansion costs	(1.0)
Bran prices	+0.0
Cost related	+0.2
Overseas subsidiaries, others	(1.1)

Processed Food

¥+2.0 billion

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

Prepared Dishes and Other Prepared Foods

¥(1.0) billion

Impact of the novel coronavirus, others	(1.0)
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Others

¥(0.4) billion

Sales	(1.4)
Cost related, others	+1.0

Adjustment

¥(0.1) billion

Intersegment transaction eliminations	(0.1)
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3. Non-operating Income (Expenses) / Extraordinary Income (Losses) (Results)

(Millions of yen)

	First Six Months of Fiscal 2020 Results	First Six Months of Fiscal 2021 Results	YoY difference	Comments
[Non-operating Income (Expenses)]				
Net financial income	(47)	91	+139	
Share of profit of entities accounted for using equity method	819	848	+ 28	
Other	217	355	+138	
Total non-operating income (expenses)	989	1,295	+306	

[Extraordinary Income (Losses)]				
Gain on sales of investment securities	2	1,133	+1,130	Reduction of cross-shareholdings
Gain on step acquisitions	7,272	–	(7,272)	Previous year: Consolidation of Tokatsu Foods
Impairment loss	(3,906)	–	+3,906	Previous year: A drop in the results of the U.S. flour milling business
Other	(214)	(141)	+73	
Total extraordinary income (losses)	3,154	992	(2,162)	

* Figures rounded down to nearest million yen

4. Statements of Cash Flows (Results)

Delivering Good Health and Reliability



(Billions of yen)

	First Six Months of Fiscal 2020 Results	First Six Months of Fiscal 2021		YoY difference	
		Results	Highlights		
Cash and cash equivalents at beginning of period	107.3	56.5		(50.8)	Cash on hand* 57.2
Cash flows from operating activities	10.9	25.4	Profit before income taxes +14.6 Depreciation and amortization +10.8 Decrease in working capital +8.3 Income taxes paid (6.8)	+14.5	
Cash flows from investing activities	(90.3)	(8.2)	Capital expenditures (payment basis) (9.8)	+82.1	
Cash flows from financing activities	19.5	(9.7)	Cash dividends paid (5.0)	(29.2)	
Effect of exchange rate change on cash and cash equivalents	0.0	0.2		+0.2	
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	0.7	—		(0.7)	
Cash and cash equivalents at end of period	48.2	64.3		+16.0	Cash on hand* 64.9

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

	First Six Months of Fiscal 2020 Results	First Six Months of Fiscal 2021 Results	YoY difference	Highlights
Capital expenditures (construction basis)	10.9	7.5	(3.4)	Previous year: Yeast plant construction in India
Depreciation and amortization	10.1	10.8	+0.6	

* Figures rounded down to nearest 100 million yen

5. Fiscal 2021 Forecasts (1)

- ▶ **Net sales are likely to decline**, reflecting lower sales in the flour milling business due to the impact of lower wheat flour prices following wheat price revisions and lower demand due to the novel coronavirus pandemic, as well as a temporary decrease in facility construction completion and effects from transfer of the pet food business; these and other factors will likely outweigh positive effects from the new consolidation of Tokatsu Foods Co., Ltd. in the first quarter.
- ▶ **Operating profit is projected to decline**, as earnings deterioration in the flour milling business (Japan, Australia, etc.) and prepared dishes and other prepared foods business due to the novel coronavirus, along with a temporary decline in facility construction completion outweigh a recovery in performance in the U.S. flour milling business, brisk performance in raw materials for pharmaceuticals and profit growth in the processed food business in Japan, as well as effects from cost reduction.
- ▶ Full-year performance forecasts **remain unchanged**, taking into account the presumption that demand in the processed food business in Japan in the second half of the year will be less robust compared to the first half of the year.

(Millions of yen)	Fiscal 2020 Results	Fiscal 2021 Forecasts	YoY difference	YoY change
Net sales	712,180	700,000	(12,180)	(1.7)%
Overseas sales [Overseas sales ratio]	166,188 [23.3%]	157,800 [22.5%]	(8,388)	(5.0)%
Operating profit	28,852	26,000	(2,852)	(9.9)%
Overseas operating profit [Overseas operating profit ratio]	3,878 [13.4%]	3,100 [11.9%]	(778)	(20.1)%
Ordinary profit	31,434	27,000	(4,434)	(14.1)%
Profit attributable to owners of parent	22,407	17,000	(5,407)	(24.1)%

* Figures rounded down to nearest million yen

5. Fiscal 2021 Forecasts (2)

Net Sales by Segment

(Billions of yen)

	Forecasts	YoY difference
Flour Milling	293.0	(13.7)
Processed Food	216.0	(2.0)
Prepared Dishes and Other Prepared Foods	146.0	+16.0
Others	45.0	(12.5)
Total	700.0	(12.2)

Flour Milling

¥(13.7) billion

(Billions of yen)

Domestic wheat flour shipments (down 1.5% YoY)	(2.4)
Flour price revisions, others accompanying revised wheat prices	(5.5)
Bran prices	+0.2
Overseas sales, others	(6.0)

Processed Food

¥(2.0) billion

Domestic processed food sales	(1.6)
Overseas processed food sales	(0.8)
Oriental Yeast sales	(1.1)
Nisshin Pharma sales	+1.5

Prepared Dishes and Other Prepared Foods **¥+16.0 billion**

Effects of new consolidation of Tokatsu Foods, others	+16.0
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Others

¥(12.5) billion

Nisshin Petfood sales	(4.0)
NBC Meshtec sales	(0.3)
Facility construction sales, others (Nisshin Engineering, others)	(8.2)

5. Fiscal 2021 Forecasts (3)

Operating Profit by Segment

(Billions of yen)

	Forecasts	YoY difference
Flour Milling	6.0	(3.3)
Processed Food	15.5	+2.6
Prepared Dishes and Other Prepared Foods	0.6	(1.2)
Others	3.8	(0.9)
Adjustments*	0.1	(0.1)
Total	26.0	(2.9)

* Intersegment transaction eliminations

Flour Milling

¥(3.3) billion

(Billions of yen)

Domestic wheat flour shipment volume	(0.5)
Sales expansion costs	(1.6)
Bran prices	+0.0
Cost related	+0.2
Overseas subsidiaries, others	(1.4)

Processed Food

¥+2.6 billion

Shipment volume	(0.5)
Sales expansion costs	+1.2
Cost related	+1.3
Overseas subsidiaries, others (incl. Oriental Yeast, Nisshin Pharma exports)	+0.6

Prepared Dishes and Other Prepared Foods

¥(1.2) billion

Impact of the novel coronavirus, others	(1.2)
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Others

¥(0.9) billion

Sales	(1.2)
Cost related, others	+0.3

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.