

# First Six Months of Fiscal 2022 Results Briefing Meeting

November 1, 2021

**Nisshin Seifun Group Inc.**



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# I. First Six Months of Fiscal 2022 and Fiscal 2022 Forecasts

# 1. First Six Months of Fiscal 2022

- ▶ Excluding effects from the application of an accounting standard regarding revenue recognition, **net sales increased** year on year, mainly atop an ongoing sales rebound in the prepared dishes and other prepared foods business, a recovery in facility construction completion, and both higher wheat market prices and foreign currency exchange effects in the overseas flour milling business. These factors outweighed a decline in revenue from transfer of the pet food business. However, with application of the accounting standard regarding revenue recognition, **sales were lower** year on year.
- ▶ **Operating profit was higher** year on year, as improved earnings from the flour milling business in Japan, primarily atop higher sales prices for bran (a milling byproduct), brisk performance in the overseas flour milling business and steady recovery in the prepared dishes and other prepared foods business overcame the absence of strong results in the processed food business in Japan reported last year and lower shipments of raw materials for pharmaceuticals.

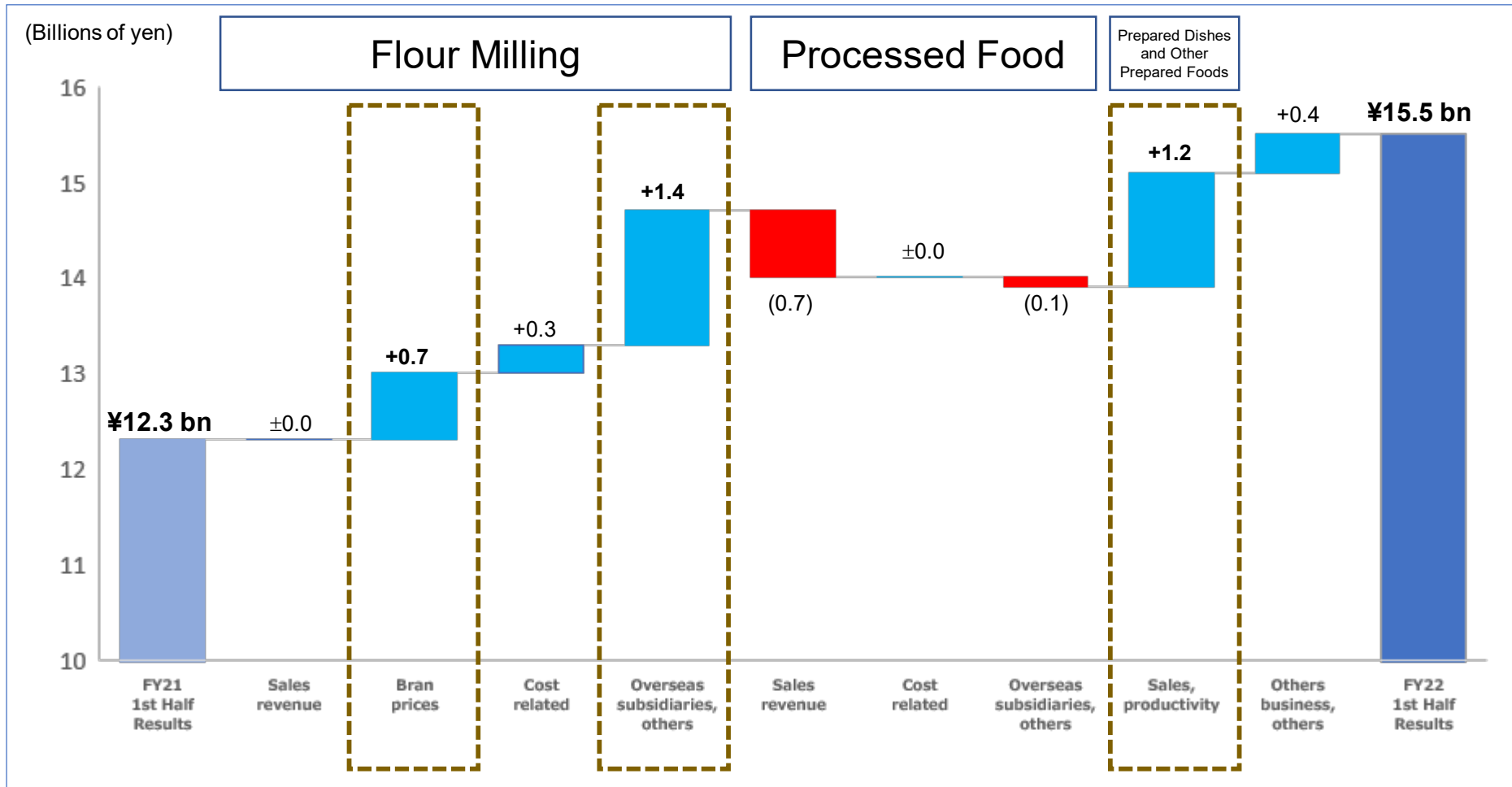
\* Figures rounded down to nearest million yen

(Millions of yen)	First Six Months of Fiscal 2022 Results	Forecasts		First Six Months of Fiscal 2021 Results	
			Change		Change
Net sales	<b>325,727</b>	<b>330,000</b>	<b>(1.3)%</b>	<b>335,944</b>	<b>(3.0)%</b>
Overseas sales ratio	<b>26.5%</b>	—	—	<b>22.6%</b>	—
Operating profit	<b>15,568</b>	<b>14,400</b>	<b>+8.1%</b>	<b>12,356</b>	<b>+26.0%</b>
Ordinary profit	<b>17,425</b>	<b>15,600</b>	<b>+11.7%</b>	<b>13,652</b>	<b>+27.6%</b>
Profit attributable to owners of parent	<b>9,957</b>	<b>9,100</b>	<b>+9.4%</b>	<b>9,057</b>	<b>+9.9%</b>

\*The effect on net sales of the application of an accounting standard regarding revenue recognition was a reduction of **¥29.3 billion**. **Net sales actually increased by ¥19.1 billion (up 5.7%)**.

# 2. 2Q Operating Profit – Difference vs. FY2021

➤ Operating profit for the first half was **¥3.2 billion higher** than a year earlier, attributable primarily to **higher sales prices for bran (a milling byproduct) in the flour milling business in Japan, brisk performance in the overseas flour milling business and steady recovery in the prepared dishes and other prepared foods business.**

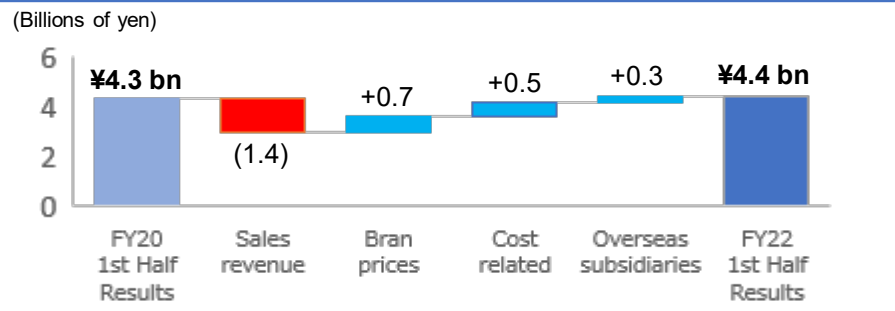


# 3. 2Q Operating Profit – Difference vs. FY2020



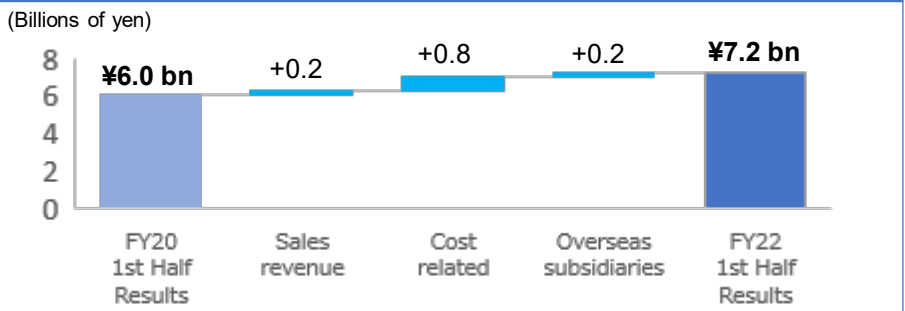
➤ Operating profit for the first half was **¥1.4 billion higher** than two years earlier. The main factor was **strong processed food business performance**. Recovery trends were also noted in results outside of the processed food business, putting performance substantively a short step away from pre-pandemic profit levels.

## Flour Milling



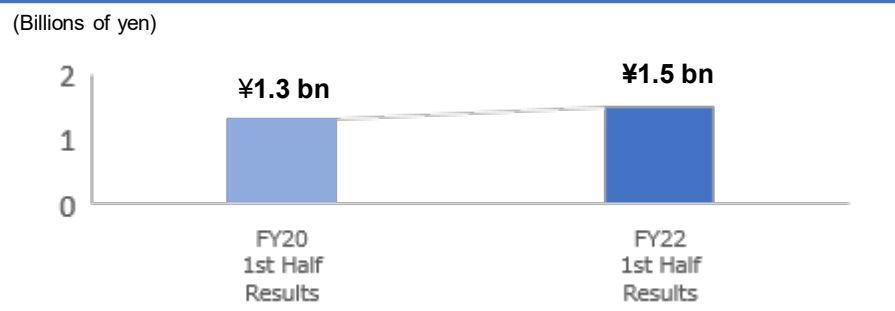
While recovery in sales revenue is ongoing, this was covered by rising bran prices, cost-related items and overseas subsidiary performance

## Processed Food



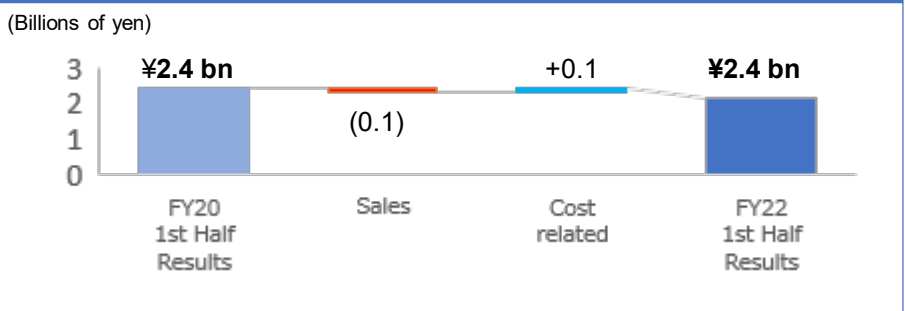
Robust sales of household-use processed foods and containment of cost-related items lifted performance above FY2020 first-half results

## Prepared Dishes and Other Prepared Foods



Sales failed to recover to pre-pandemic levels, with first-half performance also impacted by inclement summer weather. Since Tokatsu Foods was consolidated in FY2020 2Q, if the effects of the consolidation is excluded, performance has yet to return to FY2020 first-half levels.

## Others



Recovery in facility construction completion, coupled with robust mesh cloths business held results in line with FY2020, which saw strong first-half business performance.

# 4. Fiscal 2022 Forecasts

- ▶ As with first-half results, **net sales** will likely **be lower** year on year due to the application of an accounting standard regarding revenue recognition.
- ▶ **Operating profit** is expected **to grow** year on year, lifted largely by expected improvement in earnings from the flour milling business in Japan, mainly from higher sales prices for bran (a milling byproduct), and firm performance in the overseas flour milling and the prepared dishes and other prepared foods businesses.
- ▶ **Business forecasts remain unchanged**, reflecting lingering market environment uncertainty in the second half, coupled with an aggressive approach to brand strategic investment in branding with the change in corporate name of a subsidiary.

\* Figures rounded down to nearest million yen

(Millions of yen)	Fiscal 2022 Forecasts	Fiscal 2021 Results	YoY difference	YoY change
Net sales	<b>670,000</b>	<b>679,495</b>	<b>(9,495)</b>	<b>(1.4)%</b>
Overseas sales ratio	<b>25.8%</b>	<b>22.9%</b>	<b>—</b>	<b>—</b>
Operating profit	<b>29,200</b>	<b>27,197</b>	<b>+2,002</b>	<b>+7.4%</b>
Ordinary profit	<b>31,300</b>	<b>29,886</b>	<b>+1,413</b>	<b>+4.7%</b>
Profit attributable to owners of parent	<b>19,300</b>	<b>19,011</b>	<b>+288</b>	<b>+1.5%</b>

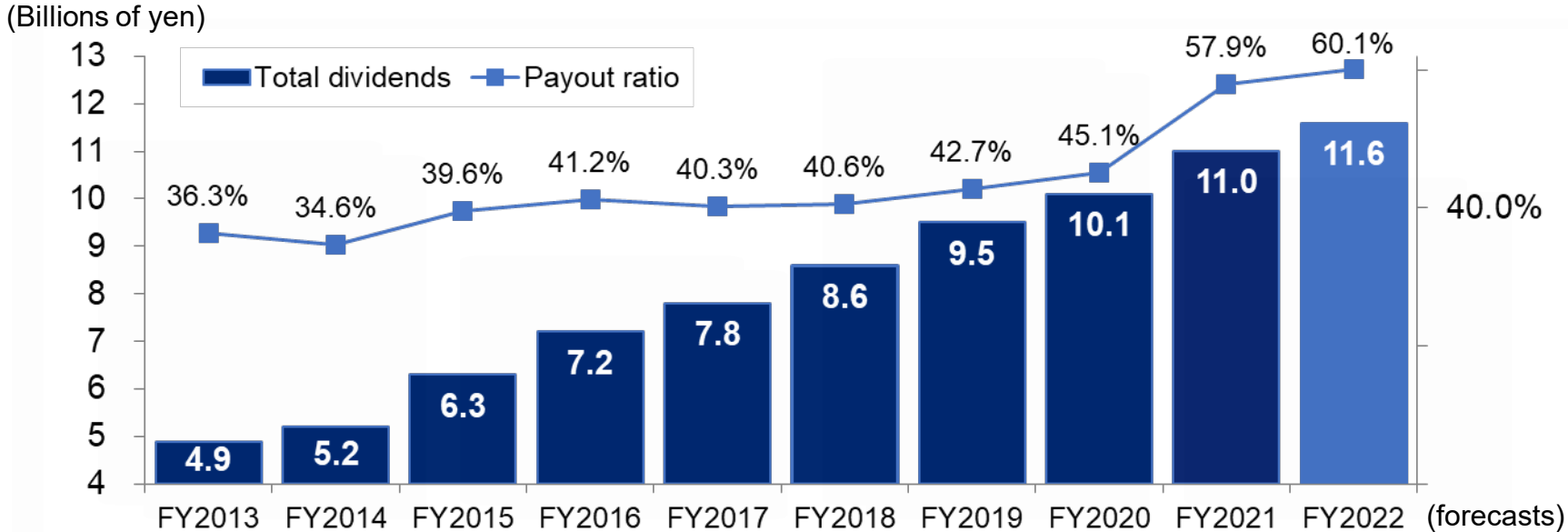
\*The likely effect on net sales of the application of an accounting standard regarding revenue recognition is a reduction of ¥60.0 billion. Net sales actually expected to increase by ¥50.5 billion (up 7.4%).

# 5. Shareholder Returns



## Trends in Total Dividends and Payout Ratio

- Set baseline payout ratio to **40% or more**
- Dividend for fiscal year ending March 31, 2022 scheduled to increase by **¥2**, for actual dividend increase **for 9th consecutive term**.



¥20    ¥20    ¥22    ¥24    ¥26    ¥29    ¥32    ¥34    ¥37    ¥39

Dividend per share

Actual dividend increase scheduled to occur for 9th consecutive term (\*1)

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

¥10.0 billion in treasury shares purchased in fiscal year ended March 31, 2018

(\*1) For the fiscal year ending March 31, 2022, the dividend per share is scheduled to increase by ¥2.

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



## **II. Initiatives for the Nisshin Seifun Group “NNI ‘Compass for the Future’” Long- term Vision**

# 1. Domestic Flour Milling Business

Construction in the Mizushima district of the City of Kurashiki (Okayama Pref.) of a **new eco-conscious plant equipped with the latest in automation and digital technologies**, with goals of **enhancing cost competitiveness** and **BCP responsiveness** – a step toward a stronger business base.

## Implementation Status of Structural Reforms

- Shutting smaller plants while consolidating production in large coastal plants
- The construction of this new plant will complete consolidation under a large coastal plant in the Chugoku and Shikoku area as well, following similar steps previously taken in the Kanto, Kansai and Kyushu areas (the Okayama Plant and Sakaide Plant will be closed)
- Operation of the new plant will raise the proportion of large coastal plants among the Company's flour milling plants from 83% to 92%.

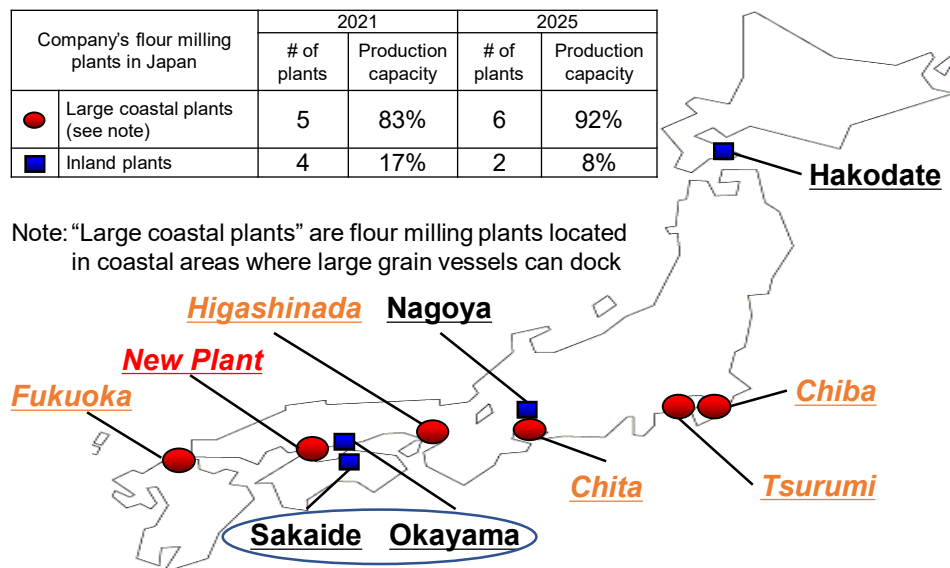
## Overview of the New Plant

- ◆ Total cost: approx. ¥14.0 billion
- ◆ Production capacity: 550 tons/day (raw material basis)
- ◆ Start of construction: around Jan. 2023
- ◆ Scheduled start of operations: around May 2025
- ◆ This **eco-conscious "smart plant"** will be **installed with solar panels** and **feature cutting-edge automation and digital technologies**
- ◆ Site is directly linked to wheat silos accessible by large grain vessels, **enabling low-cost operations** with respect to raw material shipping; also **enhances BCP responsiveness**

## Production structure for domestic flour milling business

Company's flour milling plants in Japan	2021		2025	
	# of plants	Production capacity	# of plants	Production capacity
● Large coastal plants (see note)	5	83%	6	92%
■ Inland plants	4	17%	2	8%

Note: "Large coastal plants" are flour milling plants located in coastal areas where large grain vessels can dock

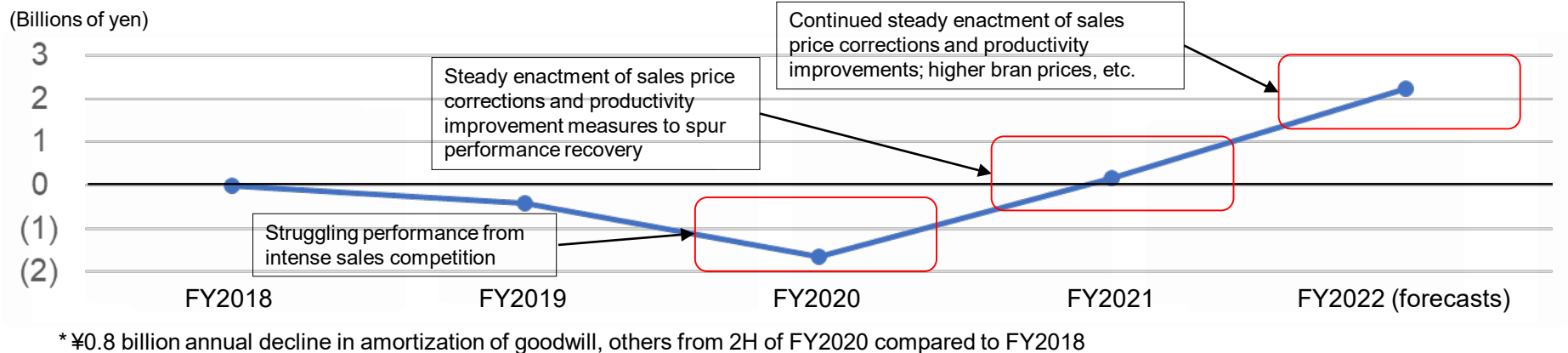


\* Scheduled to close upon completion of new plant

## 2. Overseas Flour Milling Business (U.S. Flour Milling Business)

Steady implementation of a range of initiatives : **Brisk performance exceeding levels prior to intense sales competition**  
Going forward, **maintain stable earnings base and aim for additional growth**

### Full-year Operating Profit for the U.S. Flour Milling Business (vs. FY2018, after amortization of goodwill, others)



### Future U.S. Flour Milling Business Initiatives

- Efforts to revise sales prices and improve productivity will continue; market growth anticipated atop population growth, maintaining a stable earnings base
- The U.S. and Canada flour milling businesses will raise their presence in the North American market by deepening ties across manufacturing and sales areas, and through synergies enabled by leveraging the management resources of both companies
- Promotion of differentiation strategy utilizing existing customer base (prepared mix, others)
- Search for acquisition opportunities that contribute to growth

# 3. Overseas Flour Milling Business (Australia Flour Milling Business)

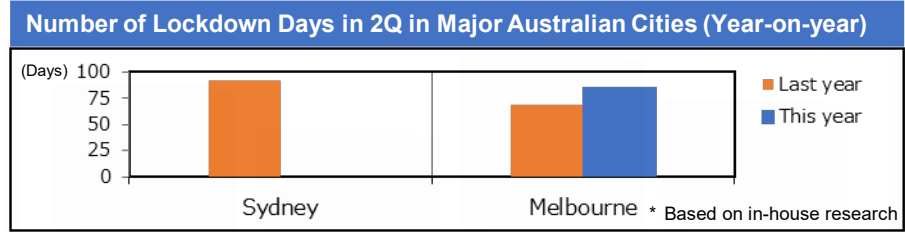
– Australian Market Situation



In Australia, compared to the same period a year earlier, the second quarter saw **strict regulations on outings implemented** across a wide area **due to lockdown**, impacting consumer purchasing behavior and resulting in an adverse business environment for the Company. In particular, **sales of high-value-added prepared mix and bakery-related ingredients continued to languish**.

- ### Key Behavior Restrictions in Australia Due to Lockdown
- All unnecessary or avoidable **outings prohibited** (Grocery shopping permitted once daily by 1 member of household)
  - **Retailers closed**, with exception of supermarkets, grocers and pharmacies, and other restrictions

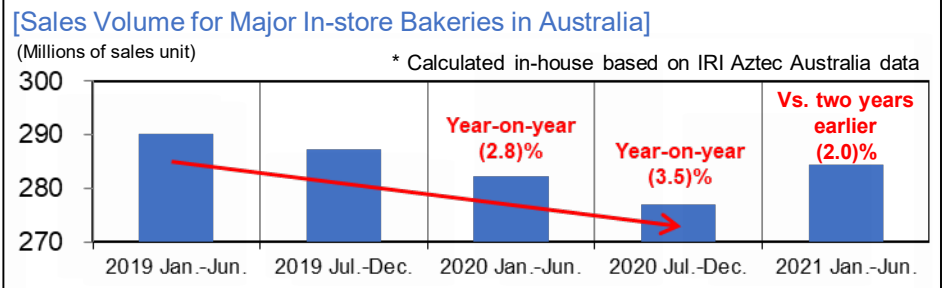
- ### Changes in Consumer Purchasing Behavior Due to Behavior Restrictions
- Decline in shopping frequency and time spent at supermarkets and other stores
  - Increase in purchasing from nearby supermarkets and via EC instead of major supermarkets



- Belt-tightening trend from sense of economic uncertainty
- Increased demand for recognizable brands with long shelf life

## Trends at In-store Bakeries of Major Supermarket

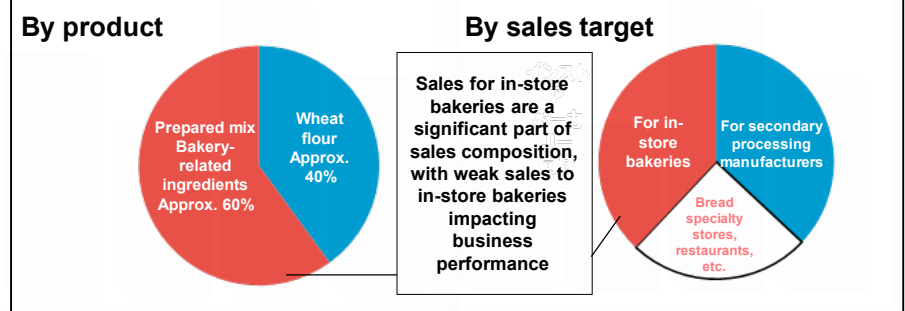
- Decline in fresh bakery demand as shopping frequency declined and demand shifted to wholesale bread with longer shelf life
  - Decline in in-store bread production volume due to outing restrictions and labor shortages in shop management and breadmaking staff due to border closings (many professional bakers immigrate from other countries)
- ⇒ **Weak sales of prepared mix, etc. from Allied Pinnacle; below previous year and pre-pandemic levels**



## Trends among Wheat Flour Secondary Processing Manufacturers

- Firm sales centered on household-use products
  - Firm sales of supermarket-shelf bagged bread
- ⇒ **Robust shipments of Allied Pinnacle wheat flour; surpassed pre-pandemic levels**

## Impact on the Australia Flour Milling Business (Sales Composition Basis)



### 3. Overseas Flour Milling Business (Australia Flour Milling Business) (2)

– Performance Recovery Initiatives

Delivering Good Health and Reliability



Progress on production-side initiatives largely in line with expectations. In contrast, sales-side initiatives were delayed due mainly to the lockdown. **Recovery measures** going forward **will prioritize sales-side efforts**

Performance Recovery Measures	Specifics	1st Half Progress
(1) Sales Side	<ul style="list-style-type: none"> <li>■ Sales expansion in Australia                             <ul style="list-style-type: none"> <li>• Strengthen joint efforts with in-store bakeries of major clients</li> <li>• Strengthen product proposals for in-store bakeries (prepared mix for maintaining softness of long-term products in step with market changes, health-conscious bakery-related ingredients)</li> <li>• Proposal of training program for grooming bakery professionals and improvements in store operations, others</li> </ul> </li> <li>• Sales channel expansion...Capture new transactions with supermarkets where no transactions currently exist</li> <li>• Expanded product lineup through more robust development of new products (prepared mix, bakery-related ingredients)</li> </ul>	△ Delays in initiatives emerged due to behavior restrictions caused by lockdown
	<ul style="list-style-type: none"> <li>■ Growth in exports                             <ul style="list-style-type: none"> <li>• For NZ                                     <ul style="list-style-type: none"> <li>Expansion of sales to NZ local supermarkets, others through stronger ties with Champion Flour Milling Ltd. (Sales expertise guidance, sales support through dispatch of personnel, etc.)</li> </ul> </li> <li>• For Southeast Asia, China and other areas                                     <ul style="list-style-type: none"> <li>Sales expansion to local supermarkets, convenience stores, etc. from stronger ties with local Group bases and Tokyo Headquarters</li> </ul> </li> </ul> </li> </ul>	× Sales activities stagnant due to inability to conduct visits anywhere worldwide because of the novel coronavirus
(2) Production Side	<ul style="list-style-type: none"> <li>• Improved productivity through production line automation (packaging lines), better insourcing (prepared mix), others</li> </ul>	○ Progress in line with expectations
(3) Cost Side	<ul style="list-style-type: none"> <li>• Distribution and storage cost reductions from distribution improvement project, others</li> </ul>	△ Beneficial effects from measures cancelled out by higher fuel costs

### FY2022 Business Outlook and Future Recovery in Business Performance (Operating profit)

- Operating profit expected to be on par with the previous year due to effects from the lockdown, despite plans to cut the previous-year earnings decline by about half
- Aim in FY2024 to recover profit to FY2020 levels (prior to pandemic, first year after acquisition) through multifaceted sales-, production- and cost-side initiatives

# 4. Overseas Processed Food Business

## – India Yeast Business

**Enter the yeast business in the India market**, home to the world's second largest population with excellent prospects for bread market growth in step with economic development. Aim for **full-scale operations** from around **next summer**

### Status of preparations for launch of the India yeast business

#### Status of plant construction

- Construction of plant buildings and delivery of the bulk of machinery completed
- Resume construction halted due to the pandemic, followed by steady dispatch of personnel from Japan to the site  
⇒ Aim for **full-scale operations** from around **next summer**

#### Sales

- Striving to develop routes ahead of yeast sales through sale of bread improvers, cake gelatin and cake mixes
- Launch of online technology sales together with product line introductions

#### Personnel-related

- Implement a sequence of broad-based training. Aim for smooth business launch

Aim for **profitability one year from start of operations**



### Bread Market Situation in India

- Due to the effect of the novel coronavirus pandemic, small and medium-sized bakeries have seen sales decline against a backdrop of labor shortages. Nevertheless, sales remain firm among major bakeries that primarily use fresh yeast. Further growth can be expected going forward
- There is no change in supply capacity for yeast in India, with supplies of fresh yeast still insufficient; dry yeast is being imported

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

#### India market growth potential

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

#### Outstanding technology from Japan

Supply cost-competitive, high-quality products

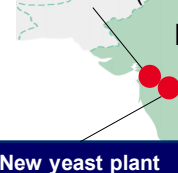
#### Prime location

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

Oriental Yeast India Pvt. Ltd.  
(sales office)



[Overview of new plant]  
Location : Maharashtra, India  
Production capacity : 100 t/day  
(fresh yeast basis)  
Investment : Approx. ¥15.7 billion

# 5. Domestic Processed Food Business

**From January 1, 2022, Nisshin Foods Inc. will change its corporate name to Nisshin Seifun Welna Inc.** The goal of this change is to become a company with global ambitions through a new brand strategy. This move will serve as an opportunity to assess market changes and further accelerate an eco-conscious, **high-value-added strategy** anchored by the concepts of **“easy-to-prepare and convenient,” “authentic” and “healthy.”**

## Purpose of Corporate Name Change

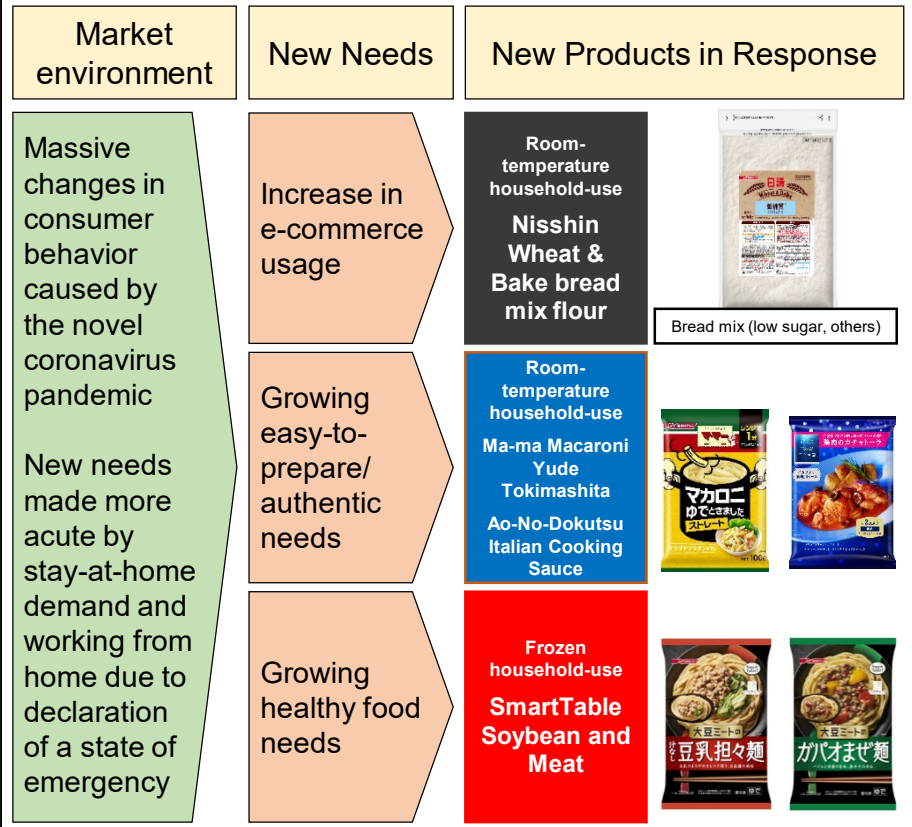
By capping the company trade name with “Welna,” currently used as the Group’s brand for overseas markets, we aim to be a globally expanding enterprise through a new brand strategy targeting domestic and overseas markets, using Nisshin Foods’ 60th anniversary in 2022 as an opportunity to pursue next-stage growth.

\*“Welna” stands for “Wellness by nutrition from nature,” and is a Group brand launched for overseas markets that encapsulates the Group’s continued commitment to this mission.

## Brand Strategy Investment

Plans for aggressive brand strategic investment accompanying the change in corporate name in the second half, next term and beyond

## New Products Tailored to Coming Market Changes



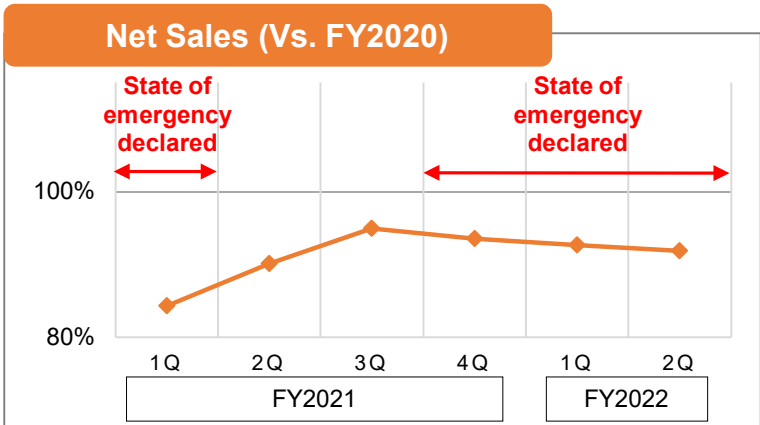
**Steadily shift business model toward sophisticated product development and commercialization** built on pursuing delicious flavor and high production efficiency

## Sales-side Initiatives

**Sales recovery through initiatives to strengthen proposals and sales**

- Strengthen proposal of high-value-added products
- Strengthen timely proposal of products with fast-selling market potential

**Due mainly to declaration of a state of emergency, lower demand for prepared dishes particularly in urban areas, causing net sales to also fall short of pre-pandemic levels this term**



\* For FY2022, net sales are prior to application of a new accounting standard (revenue recognition)  
 \* For 1Q of FY2020, net sales assume consolidation of Tokatsu Foods Co., Ltd.

## Production- and Cost-side Initiatives

**Labor cost reductions**

- Reduction in total labor hours from improved employee work proficiency
- Installation of progress management monitor in plants, making results more visible to employees
- Lighter work burden via automation, reducing efficiency decline from errors and fatigue
- Improved line operation rate from SKU revision and product line revisions for each plant and line

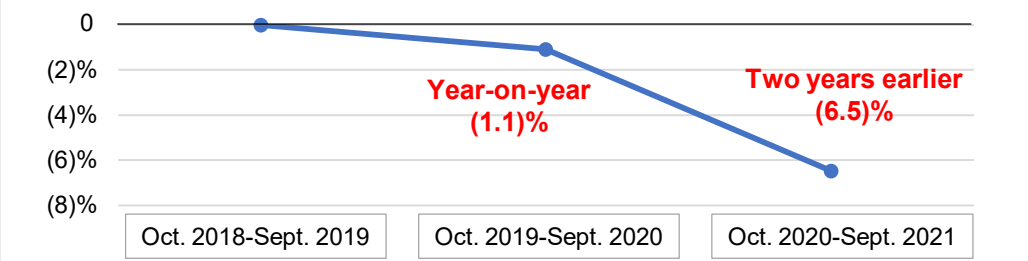
**Raw material cost ratio reduction**

- Product revisions and development of premium-priced products

**General expense reductions**

- Extensive reduction of expenses through ICT technology utilization, including remote work and Web-based meetings

## Breakeven Point for Net Sales



\* Breakeven point for net sales set to 0 for Oct. 2018-Sept. 2019



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

- VASCEPA® from Amarin Corporation plc (“Amarin”) saw **sluggish growth in prescriptions** due to the novel coronavirus pandemic
- Over the medium term, Amarin sales are projected to increase atop **sales in Europe and other markets outside the US**
- We will decisively meet demand while pursuing measures to enhance productivity

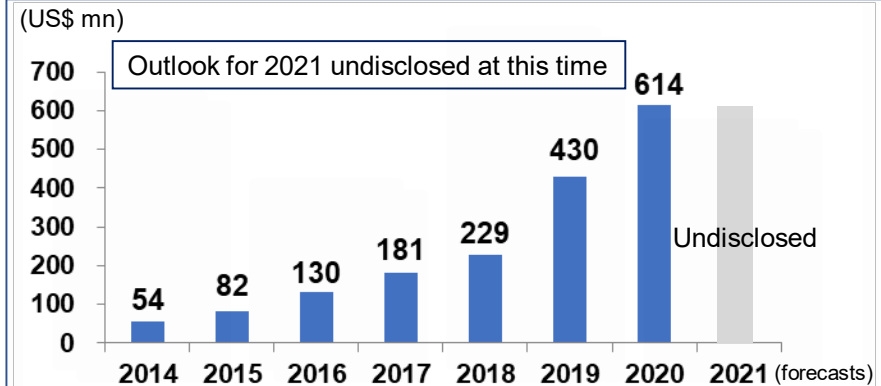
## Amarin Recent Topics

- The number of VASCEPA® prescriptions in the US continued to stall due largely to the novel coronavirus pandemic and growth in generics. Accordingly, Amarin inventories at the end of the 2nd quarter rose compared to the end of 1st quarter. This will likely impact Amarin’s plans for procurement of raw materials for pharmaceuticals.
- Amarin is taking steps to expand business negotiations with entities involved in healthcare through a new sales structure merging real and virtual elements; pursuing actions to enhance marketing efficiency and grow sales.

## Amarin Business Development in Markets Outside the US

- Sales to launch in September in Germany, a first for the EU. Sales approval applications also submitted in the UK, France, Italy, Denmark and Sweden. Because exclusive marketing rights in Europe last for 10 years, future growth is anticipated
- Sales partnership agreement between Canada sales partner HLS and major pharmaceutical company Pfizer
- Approval projected by the end of 2021 in China, with an expected market rivaling the US and Europe in size.

## Amarin Net Sales



## Business Opportunities and Risk Recognition

### Opportunities

- Demand recovery in the US
- Develop in markets outside the US (Europe, China, others)
- Increase in number of patients suffering from cardiovascular disease worldwide

### Risks

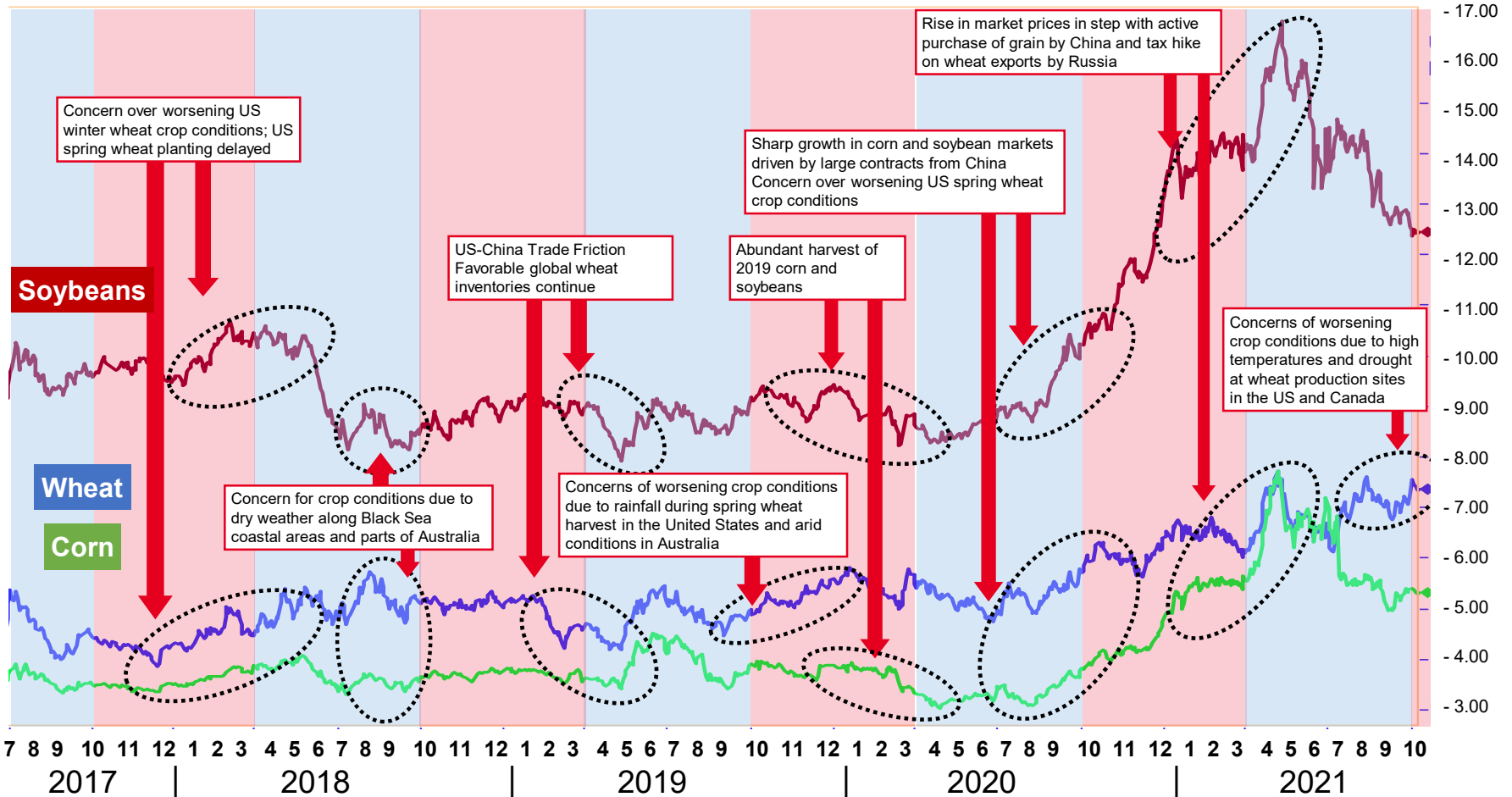
- Increase in sale of generic medication
- Impact from the protracted presence of the novel coronavirus pandemic
- Intensifying competition in the EPA-E pharmaceutical raw material market from new entrants

↻ May also become an opportunity

## III. 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. 2021: Wheat price revisions]

(Period for price revision calculation: 2nd week of March 2021 to 1st week of September 2021)

The wheat market (Chicago) was characterized since the start of the year by vigorous purchasing of US- and Canada-produced wheat by China, along with rising wheat prices internationally, particularly as an alternative to high-priced corn for use as livestock feed. Furthermore, harvests worsened at production sites in the northern US and southern Canada for wheat earmarked for Japan due to high temperatures and drought, keeping prices elevated. Wheat import prices also rose, reflecting rising marine shipping fees atop recovering transport demand, coupled with the yen's ongoing depreciation in currency exchange markets.

- Oct. 1, 2021 – Japanese government's price for five classes of imported wheat rose by an average of 19.0%
- Dec. 20, 2021 – Nisshin Flour Milling Inc. to raise prices for commercial-use wheat flour

## [Factors Driving Future Wheat Market Changes]

### Price-increasing Factors

- Concerns of supply-demand tightness largely accompanying lower production volume for the 2021 crop of North America-produced wheat
- Concerns of decreased crop acreage mainly in line with irrigation water shortages for the 2022 crop of North America winter wheat

### Price-decreasing Factors

- Continued outlook of favorable global wheat inventories
- Weaker export competitiveness for US-produced wheat accompanying favorable harvests in Australia and Black Sea coastal areas

## IV. Group Sustainability Initiatives

## Strengthen measures targeting 5 “CSR Priorities” to achieve “sustainable social development” and “long-term improvement in corporate value”

### Five Priorities

Fields contributing to SDGs

#### ■ Provide safe and healthy food and responsible consumer communication

- Ensuring food safety
- Responsible consumer communication
- Contribution to healthy diets



#### ■ Enable secure and sustainable raw material procurement

- Ensuring stable wheat procurement
- Sustainable raw materials procurement



#### ■ Efficiently handle product and packaging waste

- Reducing food waste
- Reducing packaging waste

Setting of new medium- and long-term targets for environmental issues



#### ■ Address climate change and water resource issues

- Climate change adaptation and mitigation
- Water resource conservation



#### ■ Provide working environments that are healthy and fulfilling

- Respect for diversity
- Cultivation of human resources
- Employee working environments and health



### Meaning of Our Initiatives to Combat Climate Change

- The same as today, realizing a future characterized by stable prices and procurement for high-quality wheat is crucial for achieving the sustainable growth of all Group businesses.
- Achieving carbon neutrality (effectively net zero CO<sub>2</sub> emissions) by mid-century is widely considered one vital element for ensuring a future where wheat procurement risk is low. We believe the meaning behind the Group’s proactive measures to combat climate change is found here.

\* Please refer to p. 36 of the Nisshin Seifun Group’s 2021 Integrated Report for more documentation of the impact of climate change on wheat.



<https://www.nisshin.com/english/shareholders/integrated.html>

## Endorsement of TCFD Recommendations and Clarification of Participation in TCFD Consortium

Newly create medium- to long-term environmental objectives and accelerate implementation of related measures to “Address climate change and water resource issues” and “efficiently handle product and packaging waste”

### Responding to climate change

- Promote reductions in CO<sub>2</sub> emissions and contribute to building a decarbonized society through active adoption of cutting-edge energy-saving technologies and renewable energy utilization in order to mitigate the impact of climate change and minimize business risk

#### 2030 Targets

- Reduce CO<sub>2</sub> emissions from Group-owned facilities by 50% compared with the fiscal 2014 level

#### 2050 Targets

- Reduce CO<sub>2</sub> emissions from Group-owned facilities to net zero
- Reduce CO<sub>2</sub> emissions across our supply chains

#### Key Action Toward Reductions

- Adopt solar power generation equipment
  - ⇒ Flour milling in Japan: Higashinada Plant, Tsurumi Plant, Scheduled Construction of New Plant in Mizushima District
  - US flour milling: Fresno Plant, Nisshin Foods: Tatebayashi Plant
- Switch to supplying 100% of electric power from solar and biomass power generation
  - ⇒ Kanda-Nishiki Head Office Bldg. and Koamicho Bldg.
- Promote CO<sub>2</sub> reductions in the supply chain (household-use, commercial-use)
  - ⇒ Nisshin Foods: Fast-boil spaghetti, IQF series (commercial-use frozen short pasta), others



### Water resource conservation

- Promote reductions in water usage at plants; take actions for effective use of limited water resources, collaborating with suppliers at every stage of the supply chain

#### 2040 Targets

- Reduce the amount of water used in plants per unit of production by 30% compared with the fiscal 2022 level

#### Key Action Toward Reductions

- More efficient water usage through adoption of water-saving equipment and IoT
  - Create an onsite water circulation system at plants through waste water reuse
    - ⇒ OY India Pvt. Ltd.: New plant in India (scheduled to begin operating next summer)
- and others

## Responding to Food Waste

- Work with suppliers at every stage of the supply chain to promote reduction of food waste to help realize a sustainable food system



### 2030 Targets

- **Reduce food waste, from the procurement of raw materials to the delivery of products to customers, by 50% or more** compared with the fiscal 2017 level
- Work with **our partners to reduce food waste at all supply chain stages**

### Key Actions Toward Reductions

- Reduce loss from the production process; reduce damage to products and packaging
- Work to simplify product delivery rules; improve supply-demand forecast accuracy
- Reduce product returns and disposal through changes to shelf life labeling
- Develop technology to combat degradation and improve quality of frozen and chilled types of prepared dishes
- Divert to material recycling (livestock feed, fertilizer, yeast, repurposing, etc.)
- Utilization by food banks, others

## Responding to packaging and container waste

- Promote reduction in use of fossil fuel-derived plastic containers, contribute to encouraging plastic resourcification



### 2030 Targets

- **Reduce the amount of fossil fuel-derived plastics used by at least 25%** compared with the fiscal 2020 level
- **Promote plastic recycling**, such as by using environmentally-friendly package designs
- **Increase the use of sustainable packaging materials**, such as biomass plastics, recycled plastics, recycled paper and FSC-certified paper

### Key Actions Toward Reductions

- Promotion of 3R (reduce, reuse, recycle) + renewables  
 ⇒ Nissin Foods:  
 Adoption of paper trays for frozen food product  
 Ma-Ma “Karada Ni, Oishi Koto” mochi wheat risotto



- Product package and container design enabling easy sorting and material/chemical recycling, others



# First Six Months of Fiscal 2022 Results Briefing Results, Forecasts

November 1, 2021

**Nisshin Seifun Group Inc.**



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# 1. First Six Months of Fiscal 2022 Results (1)

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\* Figures rounded down to nearest million yen

(Millions of yen)	First Six Months of Fiscal 2021 Results	First Six Months of Fiscal 2022 Results	YoY difference	YoY change	Forecasts difference	Forecasts change
Net sales	<b>335,944</b>	<b>325,727</b>	(10,216)	(3.0)%	(4,272)	(1.3)%
[Overseas sales]	<b>[76,076]</b>	<b>[86,373]</b>	[+10,297]	[+13.5%]	–	–
Flour Milling	140,840	147,213	+6,373	+4.5%	–	–
Processed Food	106,485	90,607	(15,877)	(14.9)%	–	–
Prepared Dishes and Other Prepared Foods	70,584	68,333	(2,251)	(3.2)%	–	–
Others	18,034	19,572	+1,538	+8.5%	–	–
Operating profit	<b>12,356</b>	<b>15,568</b>	+3,211	+26.0%	+1,168	+8.1%
[Overseas operating profit]	<b>[960]</b>	<b>[2,460]</b>	[+1,499]	[+156.1%]	–	–
Flour Milling	2,037	4,441	+2,404	+118.0%	–	–
Processed Food	8,009	7,193	(815)	(10.2)%	–	–
Prepared Dishes and Other Prepared Foods	339	1,504	+1,164	+343.3%	–	–
Others	2,003	2,354	+351	+17.5%	–	–
Adjustments* <sup>1</sup>	(32)	74	+107	–	–	–
Ordinary profit	<b>13,652</b>	<b>17,425</b>	+3,772	+27.6%	+1,825	+11.7%
Profit attributable to owners of parent	<b>9,057</b>	<b>9,957</b>	+899	+9.9%	+857	+9.4%

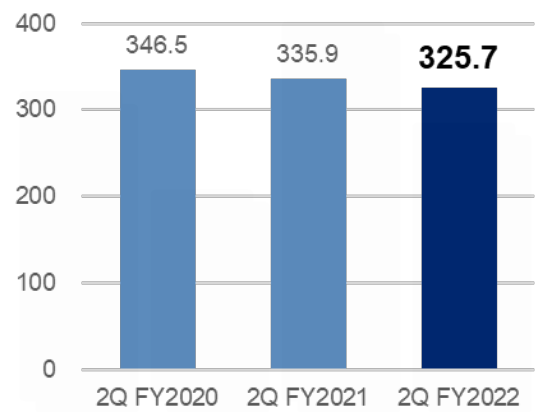
\* The effect on net sales of the application of an accounting standard regarding revenue recognition was a reduction of ¥29.3 billion. Net sales actually increased by ¥19.1 billion (up 5.7%).

\*1: Intersegment transaction eliminations

# 1. First Six Months of Fiscal 2022 Results (2)

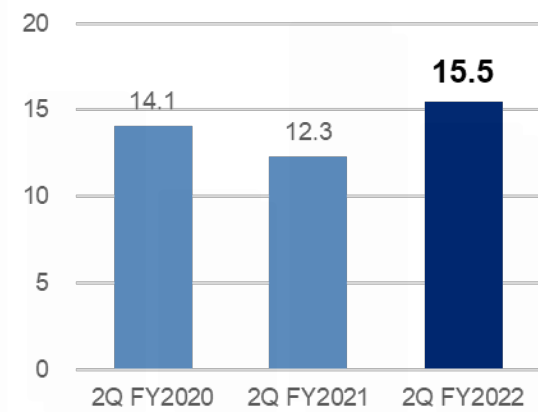
## Net sales

(Billions of yen)



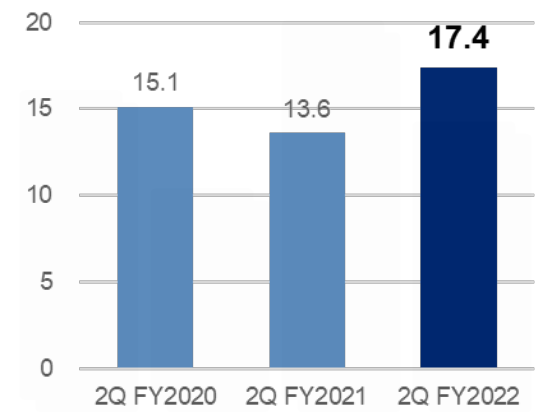
## Operating profit

(Billions of yen)



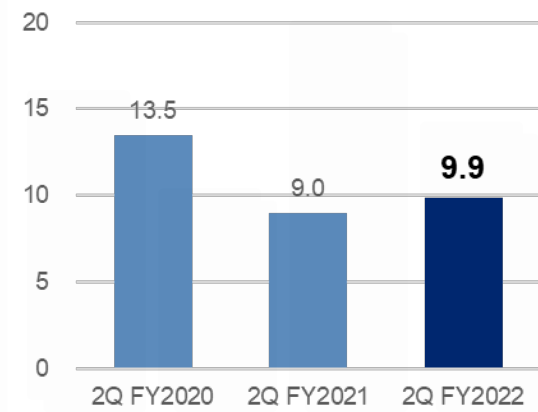
## Ordinary profit

(Billions of yen)



## Profit attributable to owners of parent

(Billions of yen)



➤ Excluding effects from the application of an accounting standard regarding revenue recognition, **net sales increased** year on year, mainly atop an ongoing sales rebound in the prepared dishes and other prepared foods business, a recovery in facility construction completion, and both higher wheat market prices and foreign currency exchange effects in the overseas flour milling business. These factors outweighed a decline in revenue from transfer of the pet food business.

However, with application of the accounting standard regarding revenue recognition, **sales were lower** year on year.

**Operating profit was higher** year on year, as improved earnings from the flour milling business in Japan, primarily atop higher sales prices for bran (a milling byproduct), brisk performance in the overseas flour milling business and steady recovery in the prepared dishes and other prepared foods business overcame the absence of strong results in the processed food business in Japan reported last year and lower shipments of raw materials for pharmaceuticals.

Net sales:	YoY changes	(3.0)%
Operating profit:	YoY changes	+26.0%
Ordinary profit:	YoY changes	+27.6%
Profit attributable to owners of parent:	YoY changes	+9.9%

\* 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

¥+6.4 billion

Domestic wheat flour shipments (up 0.2% year on year)	+0.2
Flour price revisions, others accompanying revised wheat prices	+0.5
Bran prices	+0.7
Overseas sales, others	+12.6
Effect of application of new accounting standard (revenue recognition)	(7.6)

### Processed Food

¥(15.9) billion

Processed food sales* <sup>1</sup>	(1.0)
Household-use flour sales	(0.5)
Prepared mix product sales	+0.2
Pasta-related sales	+0.3
Frozen food sales	+0.1
Overseas processed food sales	+1.5
Other	(2.6)
Oriental Yeast sales* <sup>1</sup>	+1.6
Nisshin Pharma sales* <sup>1</sup>	(1.1)
Effect of application of new accounting standard (revenue recognition)	(15.4)

\*1: Excluding effect of application of new accounting standard (revenue recognition)

### Prepared Dishes and Other Prepared Foods

¥(2.2) billion

Prepared dishes and other prepared foods sales* <sup>1</sup>	+4.1
Effect of application of new accounting standard (revenue recognition)	(6.3)

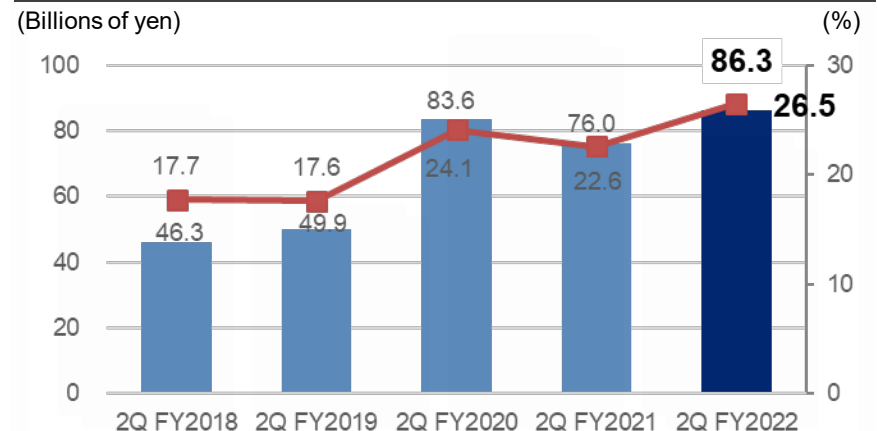
### Others

¥+1.5 billion

Nisshin Petfood sales	(4.7)
NBC Meshtec sales	+1.1
Facility construction sales, others (Nisshin Engineering, others)	+5.1

## [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

¥+2.4 billion

Domestic wheat flour shipment volume	+0.0
Sales expansion costs	+0.0
Bran prices	+0.7
Cost related	+0.3
Overseas subsidiaries, others	+1.4

#### Prepared Dishes and Other Prepared Foods

¥+1.2 billion

Increase in sales, others	+1.2
<b>Others</b> ¥+0.3 billion	
Sales	+1.2
Cost related, others	(0.9)

#### Processed Food

¥(0.8) billion

Shipment volume	+0.2
Sales expansion costs	(0.9)
Cost related	+0.0
Overseas subsidiaries, others (incl. Oriental Yeast, Nisshin Pharma exports)	(0.1)

#### Adjustments

¥+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 2021 Results	First Six Months of Fiscal 2022 Results	YoY difference	Comments
[Non-operating Income (Expenses)]				
Net financial income	91	49	(42)	
Share of profit of entities accounted for using equity method	848	1,498	+649	
Other	355	309	(46)	
Total non-operating income (expenses)	1,295	1,856	+561	

[Extraordinary Income (Losses)]				
Gain on sales of investment securities	1,133	648	(485)	Reduction of cross-shareholdings
Other	(141)	(393)	(252)	
Total extraordinary income (losses)	992	255	(737)	

\* Figures rounded down to nearest million yen

# 4. Statements of Cash Flows (Results)

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(Billions of yen)

	First Six Months of Fiscal 2021 Results	First Six Months of Fiscal 2022		YoY difference	
		Results	Highlights		
Cash and cash equivalents at beginning of period	56.5	59.1		+2.6	Cash on hand*1 61.7
Cash flows from operating activities	25.4	29.3	Profit before income taxes +17.6 Depreciation and amortization +11.1 Decrease in working capital +3.3 Income taxes paid (6.8)	+3.9	
Cash flows from investing activities	(8.2)	(8.4)	Capital expenditures (payment basis) (9.9)	(0.2)	
Cash flows from financing activities	(9.7)	(10.5)	Cash dividends paid (5.9)	(0.8)	
Effect of exchange rate change on cash and cash equivalents	0.2	(0.5)		(0.8)	
Cash and cash equivalents at end of period	64.3	68.8		+4.5	Cash on hand*1 71.4

\*1: Cash on hand includes deposits exceeding 3 months and operating bonds

	First Six Months of Fiscal 2021 Results	First Six Months of Fiscal 2022 Results	YoY difference	Highlights
Capital expenditures (construction basis)	7.5	8.1	+0.6	
Depreciation and amortization	10.8	11.1	+0.3	

\* Figures rounded down to nearest 100 million yen



# 5. Fiscal 2022 Forecasts (1)

- ▶ As with first-half results, **net sales** will likely **be lower** year on year due to the application of an accounting standard regarding revenue recognition.
- ▶ **Operating profit** expected **to grow** year on year, lifted largely by expected improvement in earnings from the flour milling business in Japan, mainly from higher sales prices for bran (a milling byproduct), and firm performance in the overseas flour milling and the prepared dishes and other prepared foods businesses.
- ▶ **Business forecasts remain unchanged**, reflecting lingering market environment uncertainty in the second half, coupled with an aggressive approach to brand strategic investment accompanying the change in corporate name of a subsidiary.

\* Figures rounded down to nearest million yen

(Millions of yen)	Fiscal 2021 Results	Fiscal 2022 Forecasts	YoY difference	YoY change
Net sales	<b>679,495</b>	<b>670,000</b>	<b>(9,495)</b>	<b>(1.4)%</b>
Overseas sales [Overseas sales ratio]	155,626 [22.9%]	172,700 [25.8%]	+17,073	+11.0%
Operating profit	<b>27,197</b>	<b>29,200</b>	<b>+2,002</b>	<b>+7.4%</b>
Overseas operating profit [Overseas operating profit ratio]	2,959 [10.9%]	4,200 [14.4%]	+1,240	+41.9%
Ordinary profit	<b>29,886</b>	<b>31,300</b>	<b>+1,413</b>	<b>+4.7%</b>
Profit attributable to owners of parent	<b>19,011</b>	<b>19,300</b>	<b>+288</b>	<b>+1.5%</b>

\* The likely effect on net sales of the application of an accounting standard regarding revenue recognition is a reduction of ¥60.0 billion.  
Net sales actually expected to increase by ¥50.5 billion (up 7.4%).

# 5. Fiscal 2022 Forecasts (2)

## Net Sales by Segment

(Billions of yen)

	Forecasts	YoY difference
Flour Milling	<b>301.0</b>	<b>+15.2</b>
Processed Food	<b>185.0</b>	<b>(29.7)</b>
Prepared Dishes and Other Prepared Foods	<b>139.0</b>	<b>(3.8)</b>
Others	<b>45.0</b>	<b>+8.8</b>
<b>Total</b>	<b>670.0</b>	<b>(9.5)</b>

### Flour Milling

¥+15.2 billion

(Billions of yen)	
Domestic wheat flour shipments (up 0.8% YoY)	+1.2
Flour price revisions, others accompanying revised wheat prices	+8.2
Bran prices	+1.1
Overseas sales, others	+21.7
Effect of application of new accounting standard (revenue recognition)	(17.0)

### Processed Food

¥(29.7) billion

Domestic processed food sales* <sup>1</sup>	(4.1)
Overseas processed food sales	+2.9
Oriental Yeast sales* <sup>1</sup>	+3.1
Nisshin Pharma sales* <sup>1</sup>	(1.6)
Effect of application of new accounting standard (revenue recognition)	(30.0)

### Prepared Dishes and Other Prepared Foods

¥(3.8) billion

Prepared dishes and other prepared foods sales* <sup>1</sup>	+9.2
Effect of application of new accounting standard (revenue recognition)	(13.0)

### Others

¥+8.8 billion

Nisshin Petfood sales	(7.6)
NBC Meshtec sales	+0.9
Facility construction sales, others (Nisshin Engineering, others)	+15.5

\*1: Excluding effect of application of new accounting standard (revenue recognition)

# 5. Fiscal 2022 Forecasts (3)

## Operating Profit by Segment

(Billions of yen)

	Forecasts	YoY difference
Flour Milling	8.9	+2.6
Processed Food	13.0	(2.4)
Prepared Dishes and Other Prepared Foods	2.6	+1.3
Others	4.5	+0.3
Adjustments*1	0.2	+0.2
<b>Total</b>	<b>29.2</b>	<b>+2.0</b>

\*1: Intersegment transaction eliminations

### Flour Milling

¥+2.6 billion

	(Billions of yen)
Domestic wheat flour shipment volume	+0.2
Sales expansion costs	+0.4
Bran prices	+0.8
Cost related	(0.6)
Overseas subsidiaries, others	+1.8

### Processed Food

¥(2.4) billion

Shipment volume	+0.2
Sales expansion costs	(0.5)
Cost related	(1.3)
Overseas subsidiaries, others (incl. Oriental Yeast, Nisshin Pharma exports)	(0.8)

### Prepared Dishes and Other Prepared Foods

¥+1.3 billion

Increase in sales, others	+1.3
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### Others

¥+0.3 billion

Sales	+2.2
Cost related, others	(1.9)

## 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.