

First Six Months of Fiscal 2023 Results Briefing Meeting

October 28, 2022

Nisshin Seifun Group Inc.



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1. First Six Months of Fiscal 2023 and Fiscal 2023 Forecasts

1. Impairment Loss on the Australia Flour Milling Business (Allied Pinnacle Pty Ltd.)

As a result of carefully examining the feasibility of the business plan for the Australia flour milling business and formulating a new business plan after reviewing the market and current business environment that have changed due to the COVID-19 pandemic, impairment loss was recorded in 2Q Fiscal 2023 due to the deviation from the original business plan.

■ Impairment loss

A\$600 million (¥55.8 billion)

[Breakdown]	■ Goodwill	: ¥31.4 billion
	■ Intangibles	: ¥7.7 billion
	■ PP&E	: ¥16.7 billion

*No impact on the Group's results other than the Australia flour milling business

■ Major factors resulting in the impairment loss

- Change in the market due to the impact of strict COVID-19 measures in Australia (such as Allied Pinnacle's sluggish business results due to a slowdown in the in-store bakery market, which is Allied Pinnacle's major customer base)
- Effects of various cost increases beyond expectations due to supply chain disruptions caused by COVID-19 and a sharp rise in prices of resources and grain caused by the situation in Ukraine (such as delay in price pass-through)

■ Outlook for the Australia flour milling business

- Explained in the Medium-Term Management Plan 2026

■ Impact on consolidated financial results

- Results forecast revision (1H: downward revision of quarterly profit; Full year: upward revision of operating profit and ordinary profit, downward revision of profit)
- Amount of decrease in depreciation and amortization burden (estimated to be about ¥6.0 billion annually (estimated to be about ¥2.6 billion in Fiscal 2023))
- The annual dividend remains unchanged from the initial forecast (scheduled to remain unchanged from the previous fiscal year at ¥39 per share)

2. First Six Months Results of Fiscal 2023

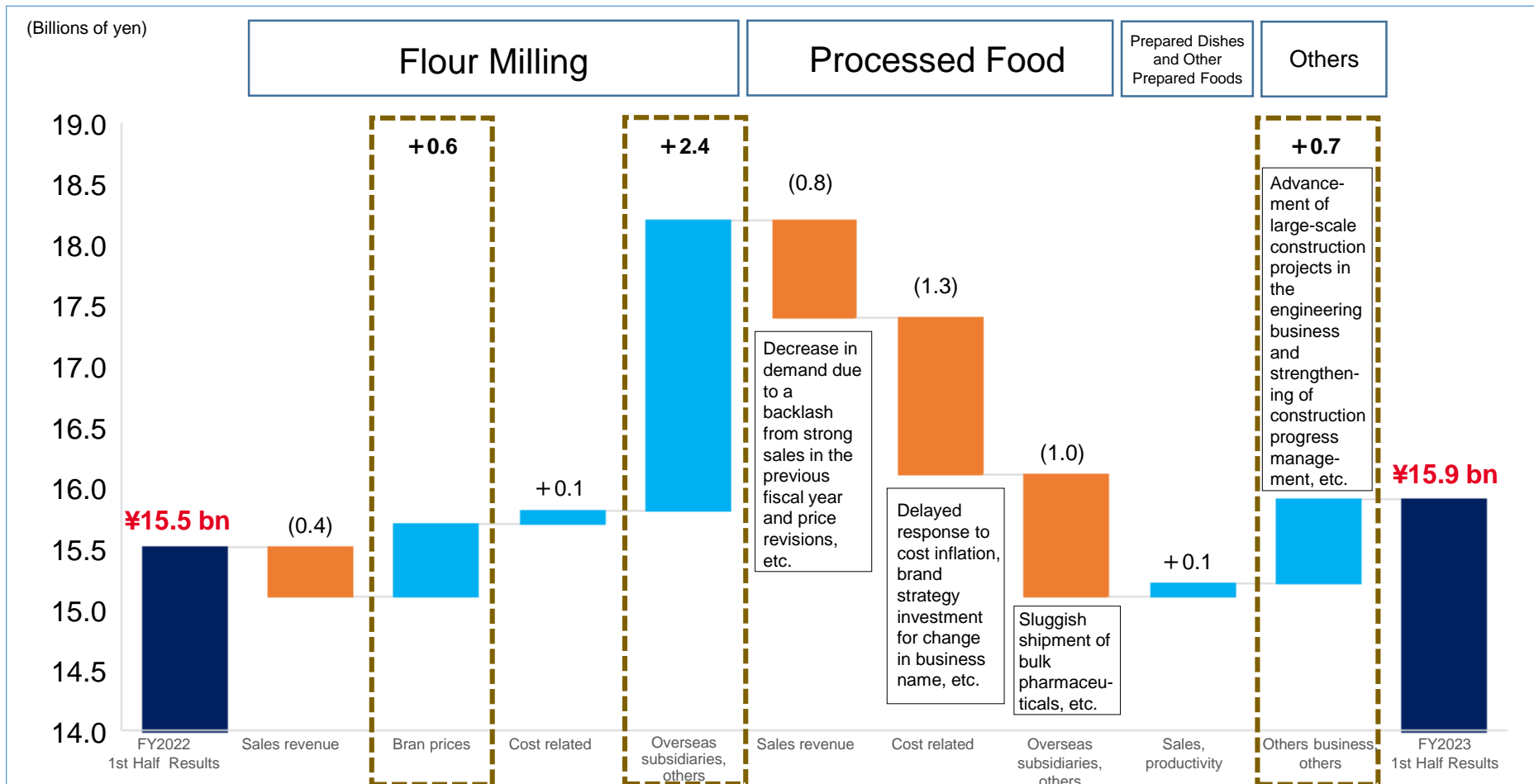
- Net sales **increased** mainly due to the implementation of wheat price revisions in the domestic flour milling business, higher wheat prices in the overseas flour milling business and foreign currency translation effects, and steady sales in the prepared dishes and other prepared foods businesses.
- Operating profit **increased** due to strong bran prices in the domestic flour milling business and favorable performance in the overseas flour milling business.
- Quarterly **loss** due to impairment loss in the Australia flour milling business based on re-examination of the business plan, considering market changes influenced by strict COVID-19 measures in Australia.

* Figures rounded down to nearest million yen

(Millions of yen)	First Six Months of Fiscal 2023 Results	Forecasts (May release)		First Six Months of Fiscal 2022 Results	
			Change		Change
Net sales	388,742	370,000	+5.1%	325,727	+19.3%
Overseas sales ratio	32.6%	—	—	26.5%	—
Operating profit	15,919	15,000	+6.1%	15,568	+2.3%
Ordinary profit	17,220	15,500	+11.1%	17,425	(1.2)%
Profit attributable to owners of parent	(37,795)	9,000	—	9,957	—

3. 2Q Operating Profit – Difference vs. FY2022

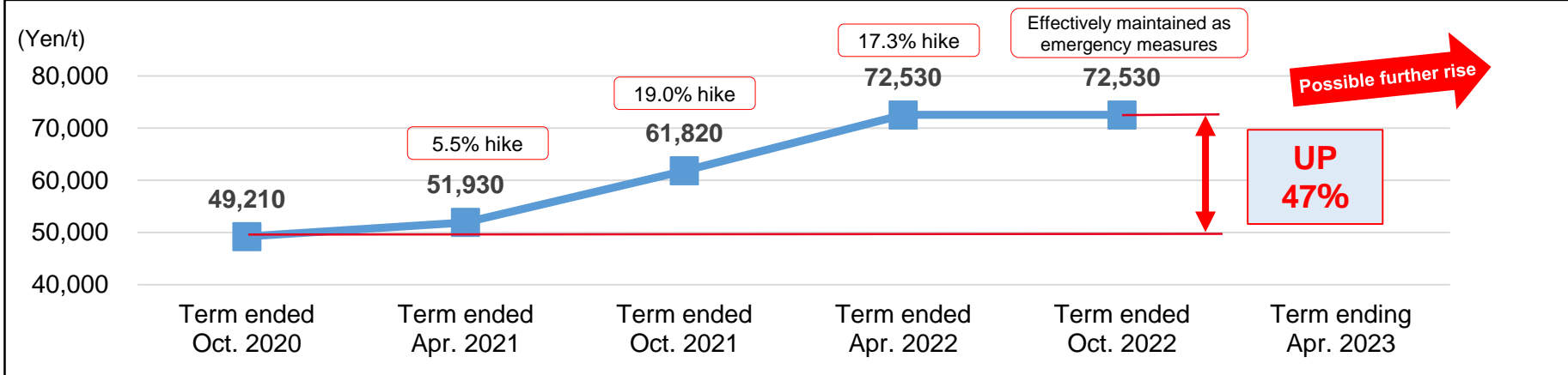
- ▶ Operating profit **increased ¥0.4 billion** from the previous year. Although there were some factors such as a decline in demand in the domestic flour milling and processed food businesses, a delayed response to cost inflation in the food business, and a decrease in shipment of bulk pharmaceuticals, **operating profit increased** due to strong bran prices in the domestic flour milling business and excellent results in the overseas flour milling business, and steady performance in the engineering business in the first-half.



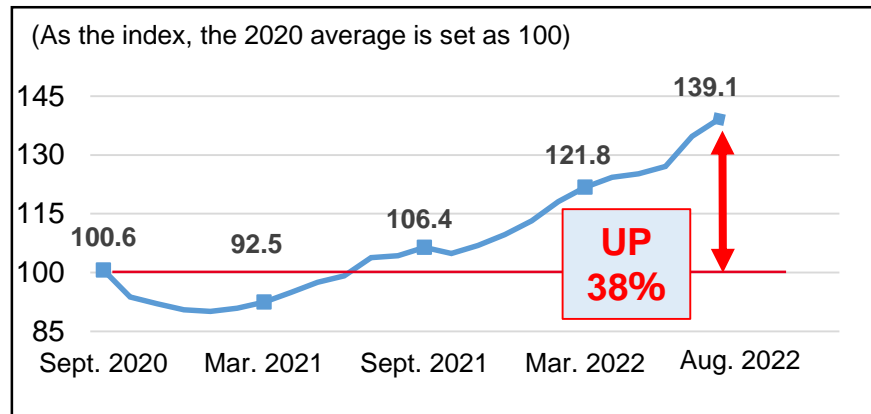
4. State of Food inflation and Cost Inflation

Previously, Food inflation and cost inflation were viewed as issues for Fiscal 2023, but with the wheat price unchanged this time (October), we will continue to address these issues as top priorities on the assumption that they will continue in Fiscal 2024. Although the domestic processed food business, yeast business, and the Australia flour milling business have been behind in price pass-through, they will catch up eventually.

[Trend in the weighted average of government's selling prices (prices after tax) of five classes of imported wheat]

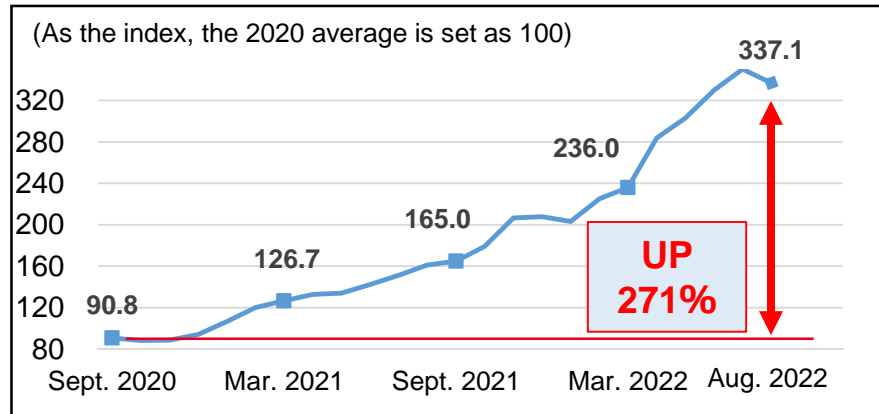


[Trend in domestic corporate goods price index in electricity, city gas and water]



* Source: "Corporate goods price index" by the Bank of Japan

[Trend in imported goods price index in oil, coal and natural gas]



* Source: "Corporate goods price index" by the Bank of Japan

5. Trends in the Grain Market and Foreign Exchange Market

[Grain Market]

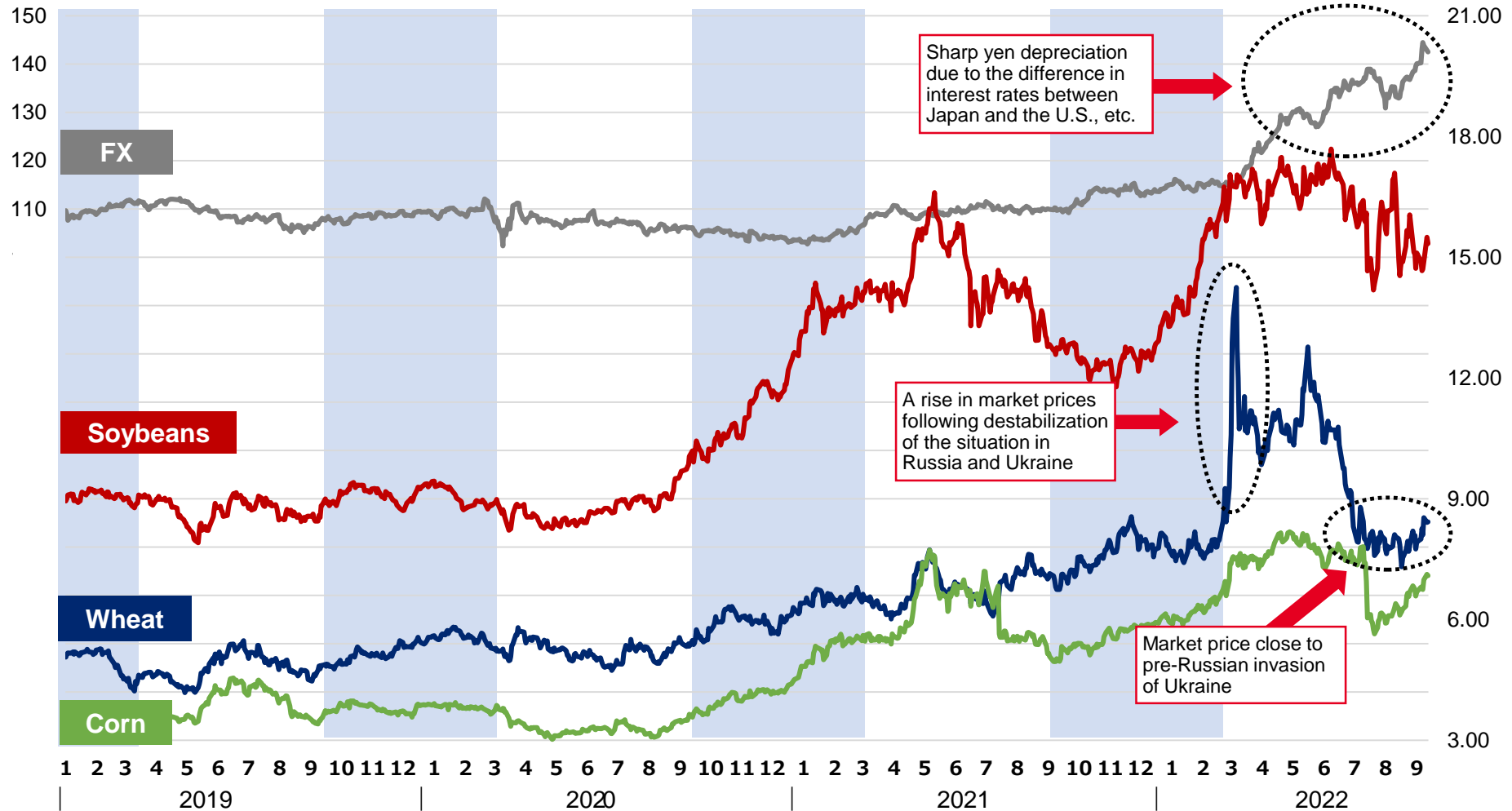
Chicago Futures Market
on the right axis

[FX Market]

Yen/US\$ on
the left axis

FX rate (Yen/US\$)

Grain 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

6. Fiscal 2023 Forecasts

- Net sales are expected to **increase** due to the continued impact of the same factors as in the first half's results.
- Operating profit is expected to **increase** due to steady bran prices in the domestic flour milling business, strong results in the overseas flour milling business, and a decrease in depreciation and amortization resulting from implementing the impairment loss in the Australia flour milling business.
- **Loss** resulting from impairment loss in the Australia flour milling business despite an expected extraordinary gain from the sale of investment securities in the second half.
- Results forecasts had already been announced on October 19. Operating profit and ordinary profit **were revised upward**, while profit **was revised downward**.

* Figures rounded down to nearest million yen

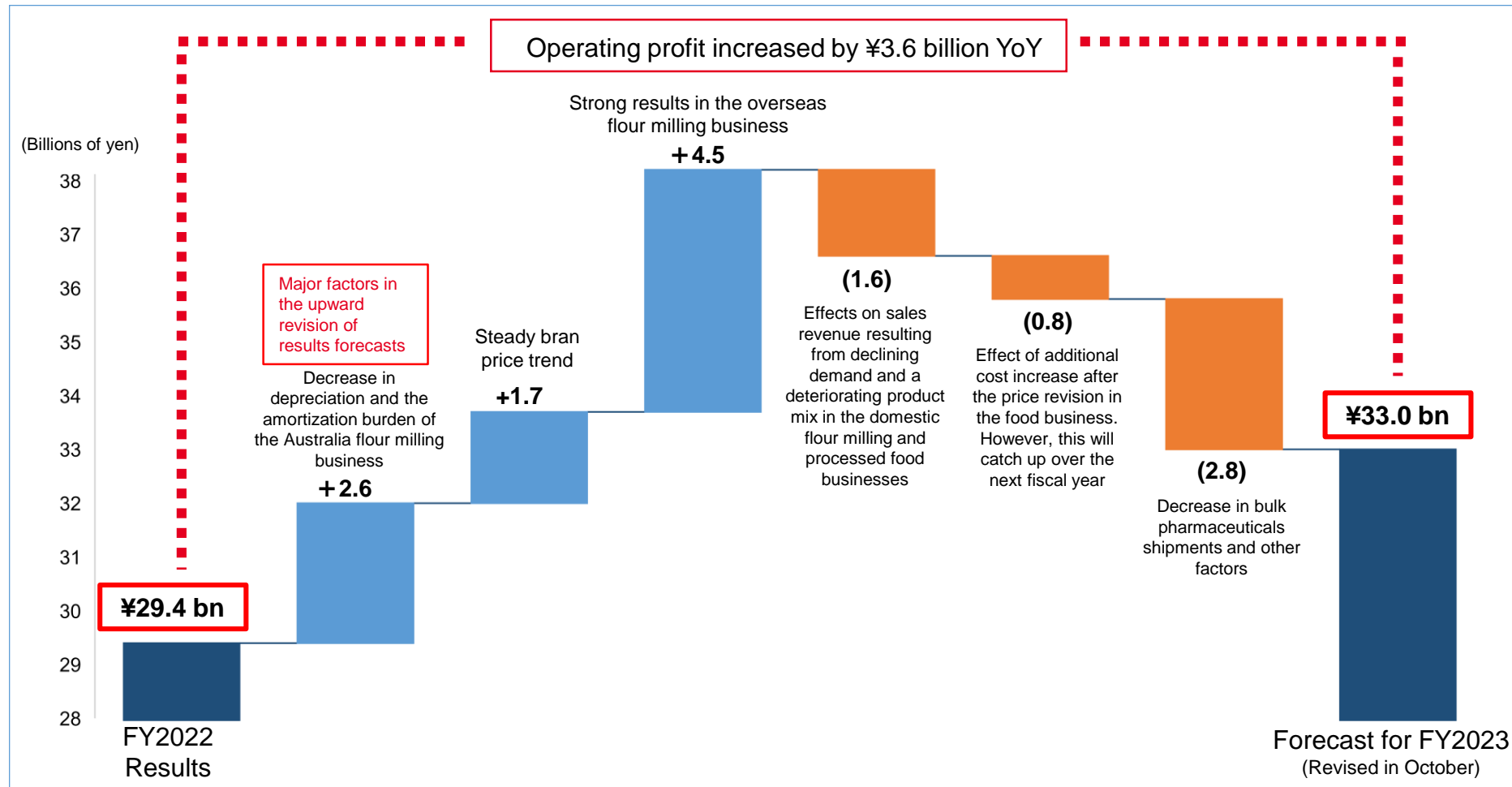
(Millions of yen)	Fiscal 2023 Forecasts	Forecasts (May release)		First Six Months of Fiscal 2022 Results	
			Change		Change
Net sales	780,000	760,000	+ 2.6%	679,736	+ 14.8%
Overseas sales ratio	31.1%	29.9%	—	27.3%	—
Operating profit	33,000	30,000	+ 10.0%	29,430	+ 12.1%
Ordinary profit	35,000	31,000	+ 12.9%	32,626	+ 7.3%
Profit attributable to owners of parent	(18,500)	18,500	—	17,509	—

* Forecasts for FY2023 remain unchanged from those announced on October 19.

7. Full-Year Results Forecasts Operating Profit

- The full-year operating profit forecast **was revised upward to ¥33.0 billion** (an increase of ¥3.6 billion year-on-year (YoY)). This is mainly due to a decrease in depreciation and amortization expenses resulting from the impairment loss on the Australia flour milling business.

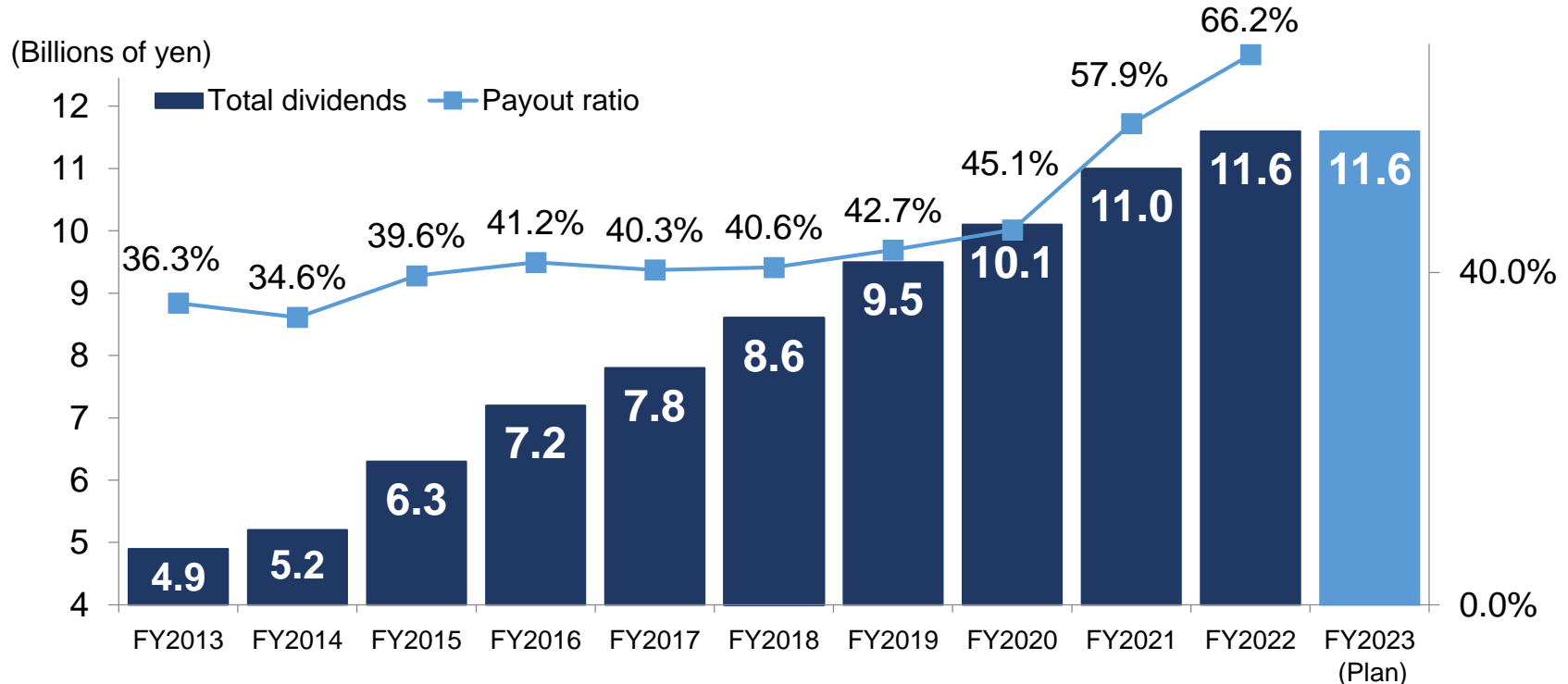
Results forecasts Operating profit analysis (YoY difference)



8. Shareholder Returns

■ Trends in total dividends and payout ratio

- The annual dividend for Fiscal 2023 remains **unchanged from the forecast of ¥39** per share (maintained from the previous fiscal year).
- The level of dividends will be set to reflect business performance, **avoiding dividend cuts as much as possible**, based on a dividend payout ratio of 40% or more.
- **Always proactively consider dividend hikes with an eye on timing** amid aiming for EPS growth.



Dividend per share

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

2. The Nisshin Seifun Group Medium-Term Management Plan 2026

I. Basic Policy

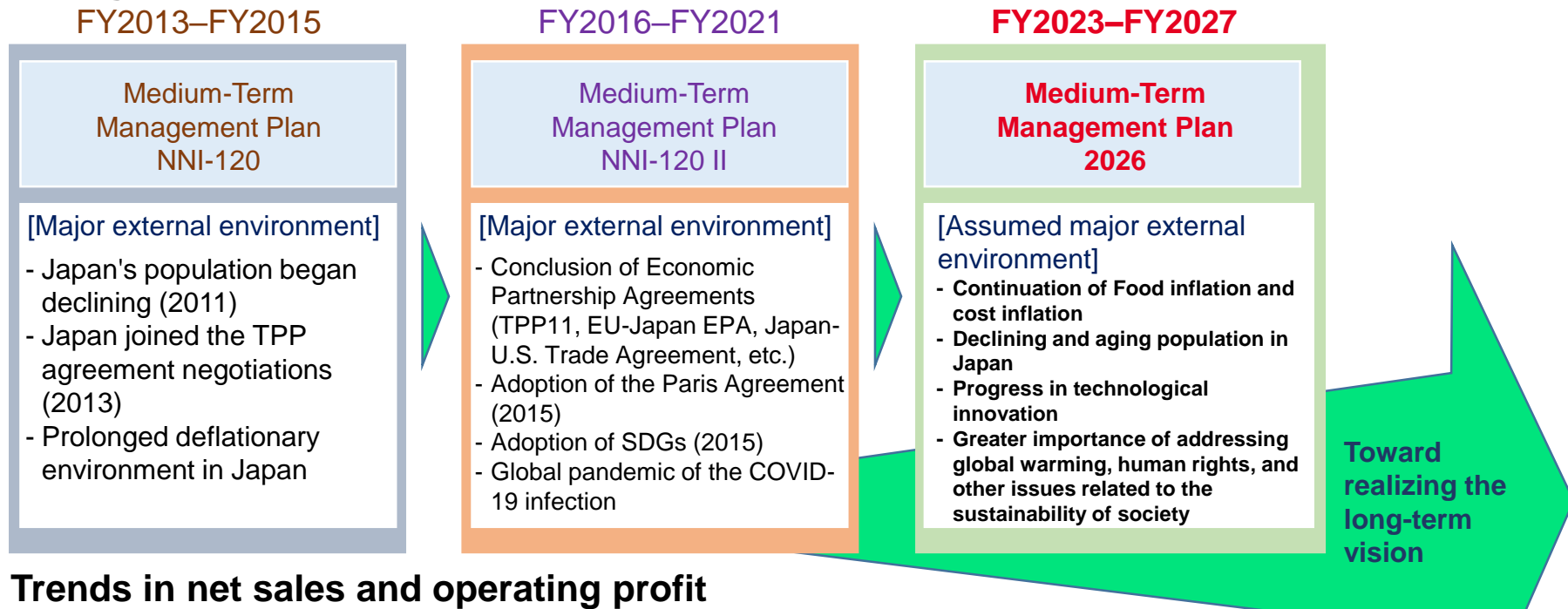
1. Numerical Targets (Fiscal 2027)

	Base year (Fiscal 2022) (Results)	Next year (Fiscal 2024)	Final year (Fiscal 2027)
Net sales	¥679.7 bn	¥840.0 bn	¥900.0 bn
5-year CAGR*	—	—	5.8%
Operating Profit	¥29.4 bn	¥39.0 bn	¥48.0 bn
5-year CAGR	—	—	10.3%
EPS	¥59	¥90	¥110
5-year CAGR	—	—	13.3%
ROE	4.0%	6.4%	7.0%

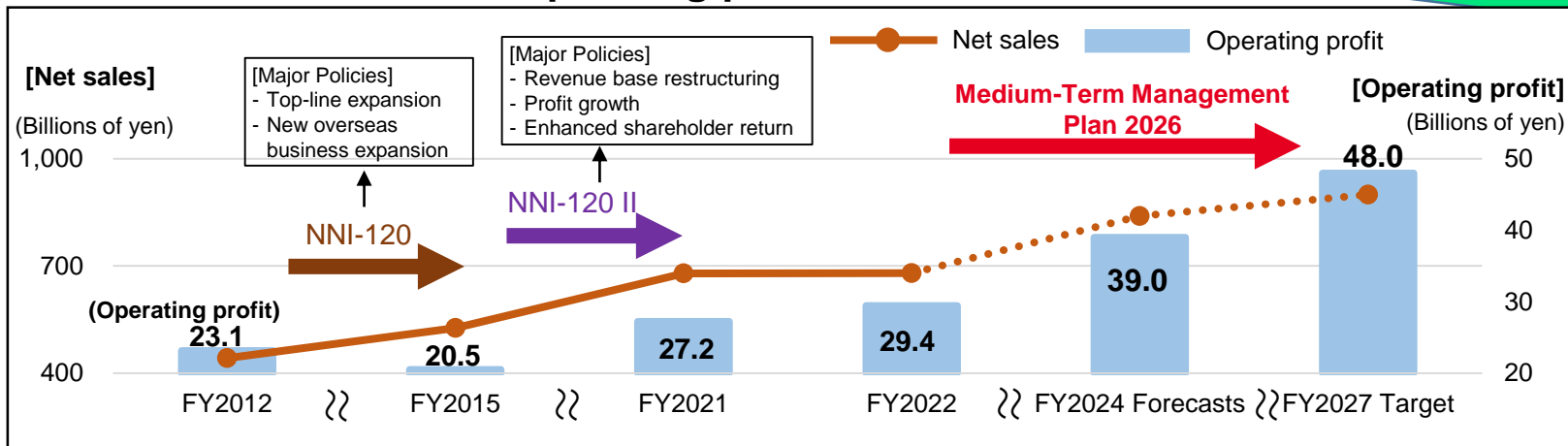
* Compound annual growth rate

2. Position of the Medium-Term Management Plan 2026

■ Recognition of the external environment



■ Trends in net sales and operating profit



3. Basic Policy

Contribute to society through business activities and continue to grow as an integral part of the food industry under two guiding philosophies: “the basis of business is built on trust” and “be in tune with the changing business climate” together with our corporate principle: “contribute to a healthy and fruitful life for all.”

■ Basic policy

(1) Stimulate the Group’s ability to grow by restructuring the business portfolio

(2) Enhance management by clarifying our business’ relationships toward stakeholders

(3) Integrate ESG into management strategy, implement by adapting to social trends

4. Basic Policy (1)

(1) Stimulate the Group's ability to grow by restructuring the business portfolio

Continue to restructure the business portfolio in **business areas where the Group can leverage its strengths**, and **enhance the Group's competitiveness as a whole and in each business based on the four strategies**.

■ Four strategies

Strategy to Enhance Business Competitiveness (See p. 20–)

R&D Strategy (See p. 35)

New Business Development and M&A Strategies (See p. 36)

Digital Strategy (See p. 37)

■ Key topics of Strategy to Enhance Business Competitiveness

1. Continuation and expansion of the domestic flour milling, processed food, and yeast businesses as core businesses
2. Growth strategy for overseas business (locally completed business model)
3. Growth strategies for prepared dishes and other prepared foods business
4. Business direction of healthcare foods and biotechnology businesses
5. Business direction of the engineering and mesh cloth businesses
6. Taking on the challenge of new businesses

Continue EPS growth by promoting business growth with increased earning power and selling power, and by promoting proactive strategic investments.

4. Basic Policy (2)

(2) Enhance management by clarifying our business' relationships toward stakeholders

Recognize that the stable supply of food, including flour and flour-related products, as a staple food, is the primary purpose of the Group's corporate existence, and **aim to be a company that respects all stakeholders and is trusted around the world.**

Shareholders

Realize an appropriate total shareholder return (TSR) by enhancing long-term corporate value.

Customers

Offer value that exceeds customer expectations in all aspects of products and services.

Employees

Ensure appropriate compensation and working environment for employees and support in acquiring necessary skills.

Business partners

Engage with business partners in fair and impartial ways and with a sense of ethics and become equal partners.

Society

Strive to work together with society and become an eco-friendly company.

■ Key topics

- 1) **Strive to earn the trust of all customers and business partners** through the integrated cooperation of Nisshin Seifun Group Inc. (holding company) and all operating companies of the Group.
- 2) Work to revitalize the organization and human resources by **promoting human resource strategies**, allocating human resources that are optimal for the Group as a whole, training management personnel, promoting women's participation and career advancement, and reforming work styles, etc. (See p. 38)

4. Basic Policy (3)

(3) Integrate ESG into management strategy, implement by adapting to social trends

Proactively work on the responsibilities of top management, aiming to maximize corporate value. **Particularly, position E (environment) as the most important management priority in relation to global sustainability.**

E (Environment) (See p. 39–)

- **Maximize the use of energy-saving equipment and renewable energy** to achieve medium- and long-term targets for environmental issues related to climate change, and **consider energy procurement through investment and equity participation in off-site facilities.**

S (Social)

- Execute our business' relationship toward stakeholders in Basic Policy (2).
- Continue to pursue the social mission of stably delivering safe and secure products under the slogan "**Can we explain from the consumer's point of view?**" in all business activities, including quality guarantee.
- **Engage in understanding human rights issues and mitigating human rights risks** by conducting human rights due diligence, including in the supply chain.

G (Governance)

- **Maintain a culture in which corporate governance is discussed by the management, and necessary improvements are implemented** going forward.
- Always review risks and prepare countermeasures during normal circumstances. In an emergency, **the president of Nisshin Seifun Group Inc. and the presidents of operating companies will take the lead and work to avoid the worst-case scenario.**

II. Key Topics in Strategy To Enhance Business Competitiveness

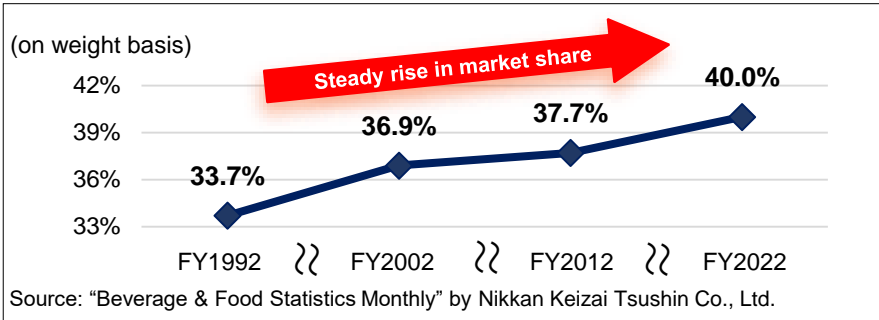
Strengthen business competitiveness by carrying out selection and concentration based on the criteria of "**businesses that are or can become the top in a certain business area** (in terms of competitively significant areas)."

1. Continuation and Expansion of the Domestic Flour Milling, Processed Food, and Yeast Businesses as Core Businesses

We have been building customers' trust and **hold an overwhelming share** of the domestic market. Leverage the strengths cultivated in each business, **increase market share by providing new value**, and maintain reasonable prices. Also, **secure a high level of profit by implementing cost reductions of a different dimension**, and play a central role in the Group going forward.

Domestic flour milling business (Top market shares in Japan)

Trend in the market share of our sales of commercial-use wheat flour

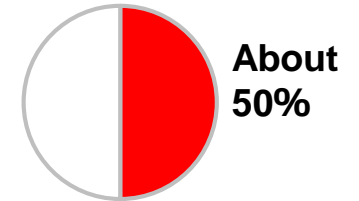


Domestic yeast business (Dominant market share)

Share in yeast production volumes in Japan



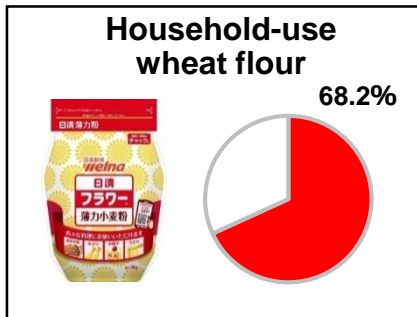
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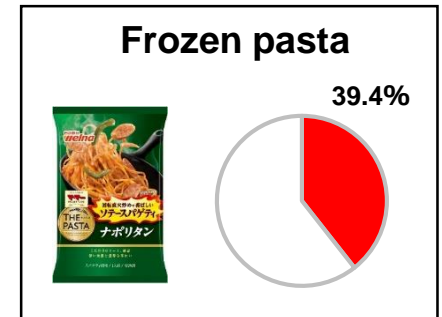
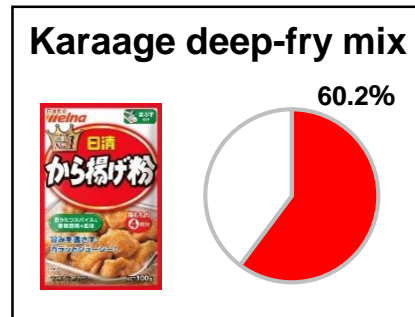
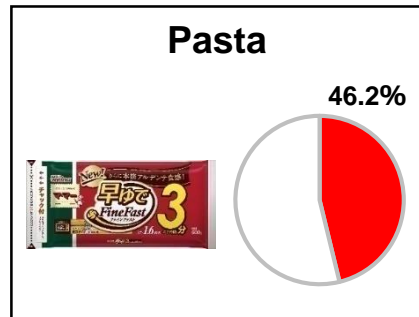
*Company research **Our share**

Domestic processed food business (Broad and deep lineups of top brands)

Provide new value to the market and customers by combining the strengths cultivated in each business



Our share



Source: Intage SRI + The above percentages are market shares in terms of monetary amount in each category. Fiscal 2022 (April to March)

2. Role of Core Businesses

Core businesses **have achieved stable profit growth** and are the foundation of the Group's **stable cash-generating capability**. Continue EPS growth by **proactively using the cash for growth investments** through further enhancement of profit growth and cash-generating capability by bolstering the business foundation of the core businesses.

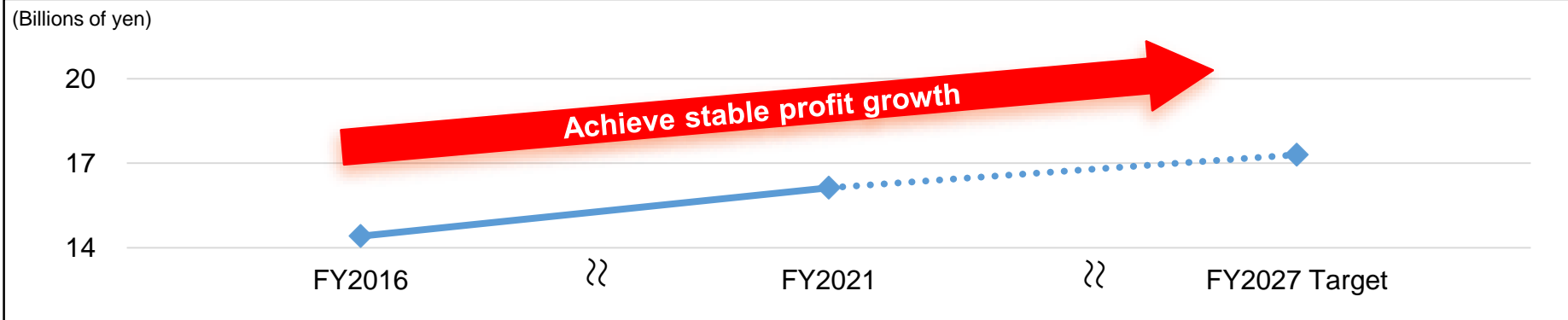
■ Secure a stable business and revenue base for core business

- ▶ Under the international trade agreement, both markups on raw wheat and tariffs on secondary processed wheat products will be reduced in stages, and this will ensure the consistency of border measures to some extent. We judged that **stable operation of our core business in Japan is feasible over the long term**. Therefore, **we will proactively make domestic investments**.

(Projects already decided) “Construction of the new Mizushima Plant,” “Acquisition of Kumamoto Flour Milling Co., Ltd.,” “Business alliance with ZEN-NOH,” etc.

- ▶ **The core business’s revenue base remains solid even amid food inflation**. The passing on of higher costs in the processed food and yeast businesses to prices will catch up going forward. Also, we expect a recovery in demand in the medium term.

■ Trends and targets for operating profit in core businesses



3. Key Topics for the Domestic Flour Milling Business

The most competitive business in the Group, and competitive strength to grow further

Key topic

Details of initiatives and expected effects

Production structure development and cost reduction

■ Development for a low-cost production system that responds to international competition

- 1) Construction of a new plant will be completed and two plants will be closed in Fiscal 2026. Ratio of large waterfront plants increased (from 83% to 92%)
- 2) Achieve further labor savings by introducing digital technology to production plants and establishing automation technology

M&A

■ Acquisition of Kumamoto Flour Milling and PMI implementation and synergy creation

- Strengthen cost competitiveness in the Kyushu area, enter the market for different types of grain flour produced by Kumamoto Flour Milling, etc.

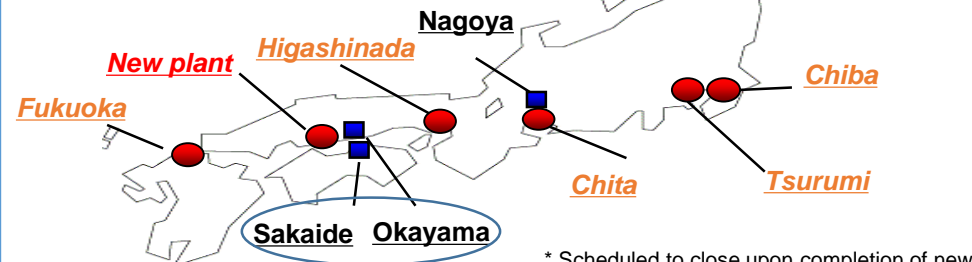
Overview of the New Plant

- ◆ Total cost: approx. ¥14.0 billion
- ◆ Production capacity: 550 tons/day (raw material basis)
- ◆ Start of construction: around May 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 the 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%

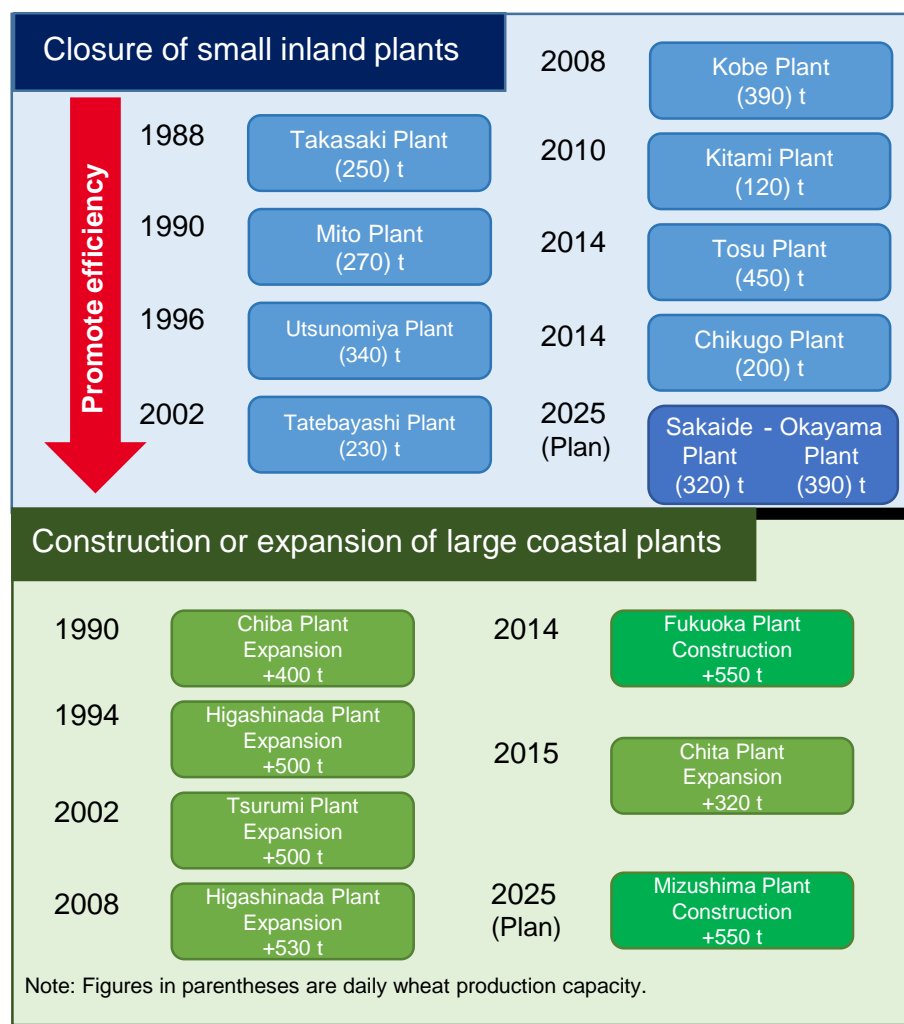
Note: “Large coastal plants” are flour milling plants located in coastal areas where large grain vessels can dock



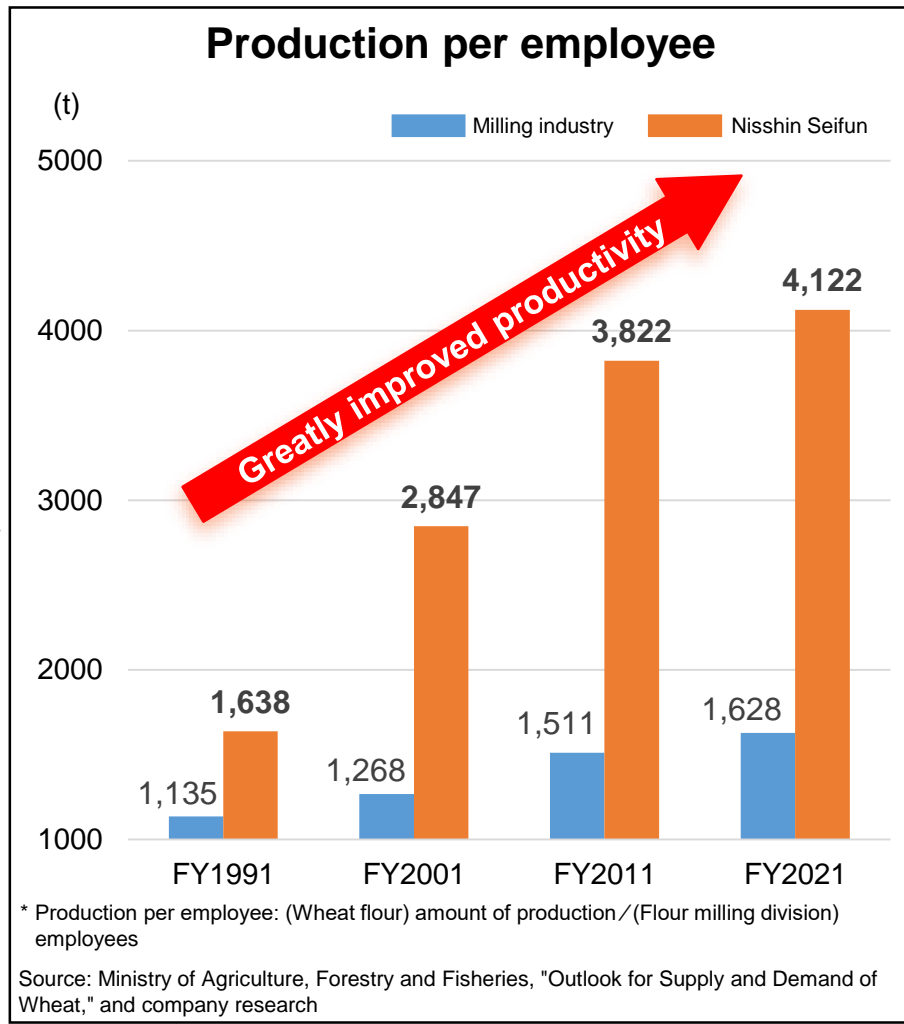
* Scheduled to close upon completion of new plant

4. Domestic Flour Milling Business's Source of Competitiveness

■ Achievements of structural reform initiatives to strengthen competitiveness



■ Achieved productivity substantially higher than the industry average



5. Key Topics for the Domestic Processed Food Business

Nurture and popularize the Nissin Seifun Welna brand and refine it into a "top brand"

Key topic	Details of initiatives and expected effects	
Establishment of the new brand	<ul style="list-style-type: none"> ■ Enhance exposure, establish and expand recognition by continuing to invest in brand strategy through fiscal 2025 and achieve the intended effects of the corporate name change 	
Production structure development and cost reduction	<ul style="list-style-type: none"> ■ Strengthen cost competitiveness through an optimized global production system, including domestic production sites <ul style="list-style-type: none"> ➤ Construction, expansion, and transfer of production at domestic and overseas production plants, etc. 	
Business structure transformation	<p>Targets during the Medium-Term Management Plan</p>	<ul style="list-style-type: none"> ■ Strengthen commercial-use business and frozen foods business, while maintaining and bolstering the room-temperature home-use business, which is our revenue bases <ul style="list-style-type: none"> ➤ Expand net sales of commercial-use business ➤ Expand net sales of frozen foods business
R&D, New business	<p>Targets during the Medium-Term Management Plan</p>	<ul style="list-style-type: none"> ■ Create value by adding value to products targeting "easy-to-prepare and convenience," "authenticity," and "health," and by expanding product lineups for SDGs and Generation Z <ul style="list-style-type: none"> ➤ Expand profit composition of value-added products for household use ➤ Respond to potential growth markets

6. Growth Strategy for Overseas Business (locally based business model)

The driver of profit growth in the Medium-Term Management Plan. In Fiscal 2027, the final year of the Medium-Term Management Plan, we aim to achieve an operating profit from overseas businesses expressed as a percentage of consolidated operating profit of 38% (13% in Fiscal 2022). Proceed with new investments after confirming that the Group's strengths in Japan can be utilized.

Key topics

1. Overseas flour milling business

- Results improvement in the Australia flour milling business
- Initiatives to maintain and strengthen high profitability of the U.S. flour milling business and other businesses

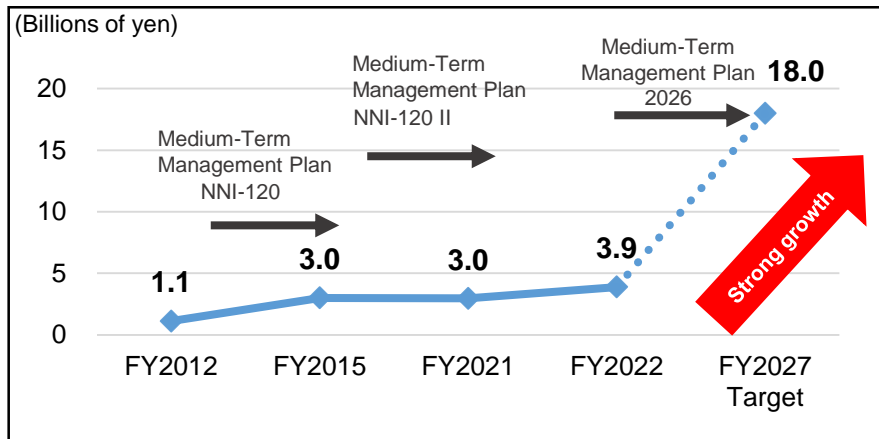
2. Overseas processed food business

- Consider future investments (prepared mixes, pasta, pasta sauces, frozen foods)
- Promote local sales of processed foods for Japan that utilize overseas production sites

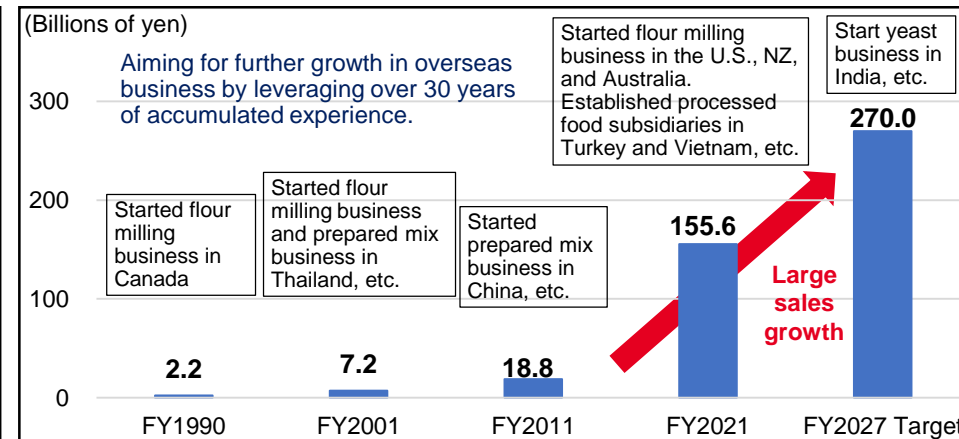
3. India yeast business

- Achieve profit growth through smooth launching and reaching full capacity

Trends in operating profit from overseas businesses



Trends in overseas business (net sales)



7. Overseas Flour Milling Business

Operating profit target for Fiscal 2027 is **expected to be significantly higher** compared to Fiscal 2022. Regarding new investments, search for and consider investment opportunities leveraging accumulated experience.

■ Key topics

1) Australia flour milling business

■ Improve performance in line with revised business plan

➤ Details shown on pp. 28 and 29

2) Overseas flour milling business in the U.S. and other countries

■ Initiatives to maintain and strengthen high profitability

➤ Make necessary investments for business growth and cost reduction, and expand into new business areas with the aim of avoiding sharp fluctuations in profit levels

■ Flour milling business in the U.S. Trend in ordinary profit of Miller Milling Company, LLC

(Billions of yen)



3) Search for investment opportunities in new areas

■ Consideration of new investments

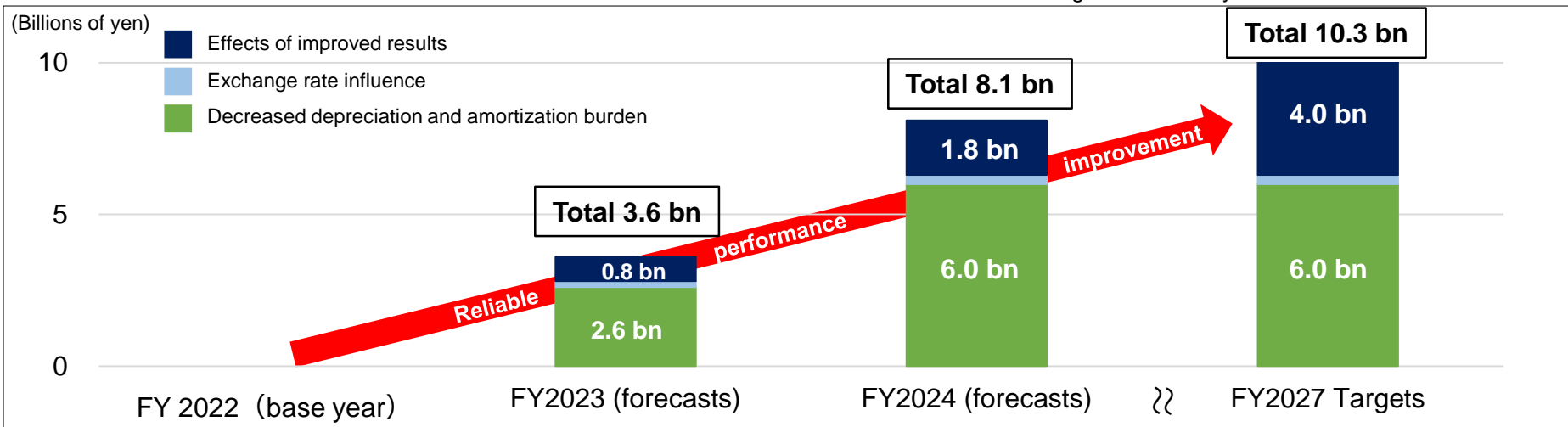
➤ Execute new investments after confirming that they can take advantage of the Group's strengths in Japan. Also, establish a system that enables the Group to make such investments at any time

8. Overseas Flour Milling Business (Australia Flour Milling Business) (1)

In Australia, the market for in-store bakery products, which is a major customer base, has changed dramatically due to the implementation of strict anti-COVID19 measures such as border closures and lockdowns during the approximately two years of the COVID-19 pandemic. In light of these changes and other factors, the Tokyo head office and the local office revised the business plan based on deeper cooperation and discussions with the local CEO. Ensure business results improvement based on the new business plan.

Target for increasing the operating profit (Difference from Fiscal 2022)

* Used exchange rate of 95.0 yen/AUD from Fiscal 2024 onward



Main business environments considered in the new business plan

Changes in the in-store bakery market of our major customers

The in-store bakery market grew at an annual rate of about 6% (in terms of sales value) during the five years before the COVID-19 pandemic (2013–2018). During the two years of the COVID-19 pandemic (2020–2021), the market grew at less than 1% per year, and sales volume declined.

Rising production costs due to labor shortages, continued cost inflation

Recovery in the flow of people in Australia

8. Overseas Flour Milling Business (Australia Flour Milling Business) (2)

In the Australia flour milling business, we intend to maintain the No. 1 market share position (approximately 40%) for wheat flour, which has a stable revenue base. In addition, we will **take four initiatives to recover earnings**.

■ Major initiatives to achieve operating profit targets for Fiscal 2027

1) Continual cost reductions <ul style="list-style-type: none">▶ Address increased costs due to the COVID-19 pandemic<ul style="list-style-type: none">▶ Implement appropriate product price pass-through▶ Implement continuous initiatives to reduce costs<ul style="list-style-type: none">▶ Modify/eliminate production lines, reduce production loss, improve productivity, lift transportation efficiency, etc.	2) Sales growth in core products that leverage our strengths <ul style="list-style-type: none">▶ Wheat flour<ul style="list-style-type: none">▶ Increase transactions with major consumers, etc.▶ Prepared mix and bakery-related raw materials<ul style="list-style-type: none">▶ Expand sales to in-store bakeries by upgrading product lineups with relatively high profit margins and market strengths
3) Selection of profitable markets <ul style="list-style-type: none">▶ Withdraw from unprofitable products and implement profitability improvements▶ Focus on sales of prepared mixes to specialized bakery stores and wheat flour to small- and medium-sized bakeries, franchises, etc.▶ Strengthen value-added products and implementation of product design<ul style="list-style-type: none">▶ Commercialize high-fiber wheat, specialty flours (organic flour, rye flour, etc.), frozen dough, etc.	4) Branding (bakery-related raw materials) <ul style="list-style-type: none">▶ Strengthen the brand power of focused product lines and increase sales by bolstering development and product capabilities, such as frozen dough, to ensure quality superiority over competitors' products

9. Overseas Processed Food Business

Consider future investment in prepared mixes, pasta, pasta sauces, and frozen foods, utilizing our own expertise. In addition, promote local sales of the Nissin Seifun Welna brand at overseas production sites.

■ Key issues

1) Consider future investment

➤ Consider future investment to expand business in prepared mixes, pasta, pasta sauce, and frozen foods produced at overseas production sites

2) Local sales (BtoC) at overseas production sites

➤ Promote local sales of pasta produced in Turkey and the U.S., and pasta sauce, frozen foods, etc. produced in Thailand and Vietnam sites



List of overseas bases ●: Local sales bases of prepared mix ●: Production sites for processed foods for Japan

10. India Yeast Business

The yeast business in India **began operating in August 2022**, although there was a two-year delay due to the COVID-19 pandemic. Following the smooth launch of the business, we plan to **achieve profit contribution through full operation** during the period of the Medium-Term Management Plan.

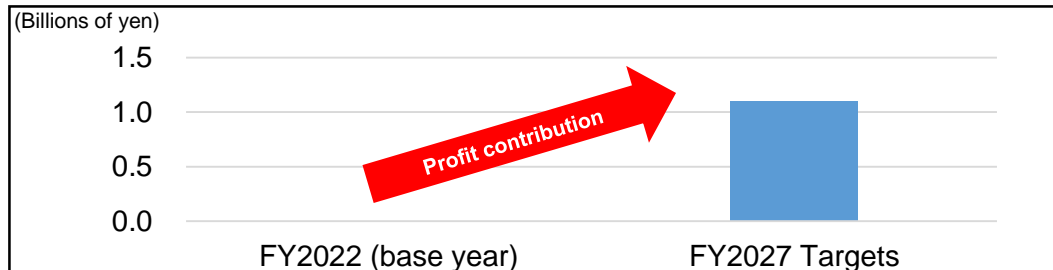
■ Growth potential of the Indian market

- India has a population of approximately 1.4 billion (the second largest in the world). Expected to increase going forward.
- The bread market is expected to grow about 6% per year from 2023 onward.
- Production of major bakeries, mainly using fresh yeast, is expected to increase. (The India yeast business produces fresh yeast)

■ Target presence of the India yeast business in the Indian market

- Aim to become No. 2 (30% share) in the Indian market*1
 - *1: If we reach full production and our competitors' production remains the same
- Production capacity: 33,000 t/year
 - This is higher than the domestic production capacity, which is approximately 24,000 t/year.

■ Target for increase in operating profit (difference from Fiscal 2022)



11. Growth Strategies for Prepared Dishes and Other Prepared Foods Business

The prepared foods market is **one of the few growth markets** in the domestic food industry. We plan to **secure cost competitiveness to beat competitors**, centered on Nissin Seifun Delica Frontier Inc., established to oversee the business.

■ Business characteristics and the Group's strengths

By leveraging the characteristics of Japanese prepared foods and chilled distribution, which are not threatened by imports, we are able to demonstrate labor-saving technologies that our Group has cultivated over the years in this business area.

■ Key topics **Aiming for growth of the Group as a whole**

■ Strengthen R&D capabilities

Chilled and frozen prepared foods, extension of expiration dates, etc.

■ Promote labor saving through automation

Address labor shortages, reduce costs

■ Collaboration with the flour milling and processed foods businesses

Utilize our food-related development capabilities, including wheat flour, prepared mixes, pasta

R&D Strategy Topics



* Entered the market for prepared dishes and other prepared foods in 1999

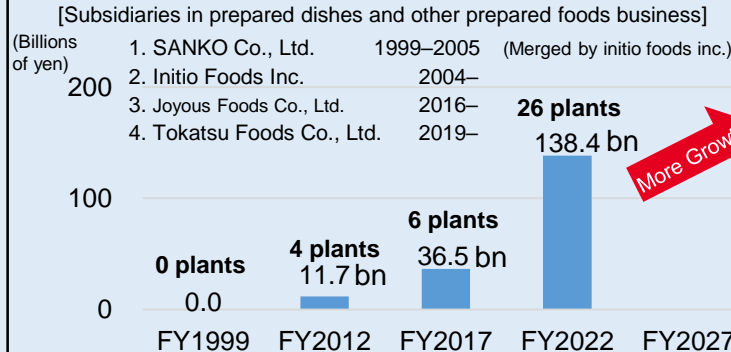
Market size of prepared foods and market growth

(Results in 2021)

- Market Size of Prepared Foods **¥10.1 trillion**
- Market Growth **21% expansion** (compared with 2011)

* Estimated by the Company based on data from the Japan Ready-made Meal Association

Growth of prepared dishes and other prepared foods business [Net sales]



Nissin Seifun Delica Frontier Inc.



Strengthen the business foundation for growth of the prepared dishes and other prepared foods businesses by restructuring the production system, enhancing procurement capabilities, etc., while also ensuring cost competitiveness

12. Others

■ Business direction of healthcare foods and biotechnology businesses

- Aim to achieve growth in healthcare foods and biotechnology businesses through **synergies** between **personal nutrition (proposals of health foods and other products for individual use)**, developed by the healthcare foods business, and **biomarkers (AGEs)**, etc., developed by the biotechnology business.

■ Business direction of the engineering and mesh cloth businesses

- Both businesses have **high technical capabilities and knowledge on a global scale**. Looking ahead while aiming for further business expansion, either on its own or in collaboration with external companies, both businesses will also collaborate in the electronic components market and other customer areas where both technologies are utilized.
- The mesh cloth business aims to grow its profits by leveraging its technological superiority, while considering that its products are expected to **contribute to the environment and to the creation of a sustainable society**.

■ Taking on the challenge of new businesses

- New Business Development and M&A Strategy (see p. 36)

III. Key Strategies to Accelerate the Group's Growth

1. R&D Strategy

Secure competitive advantage in Japan and overseas to **support the Group's growth** and **create circular growth that solves social issues through our business, leading to higher corporate value.**

■ Research topics in focused R&D areas

Food ingredients with health functions

Promote R&D on various health functionalities, centering on wheat ingredients, including effects on preventing metabolic syndrome, brain function, and anti-aging, and **contribute to extending healthy life expectancy** through our business.

Processing technology for prepared dishes and other prepared foods

Strengthen competitiveness by promoting R&D on cooking and processing technologies that improve the taste, aroma, color, texture, and other qualities of prepared foods, as well as microorganism control technologies that lead to longer expiration dates (waste reduction, including in the supply chain).

Food technology

Develop new businesses and secure competitive advantage in existing businesses by engaging in R&D on technologies to solve food-related problems such as the protein crisis and food loss, with an eye to collaborating with startup companies.

Automation

Realize additional labor and energy savings in the prepared dishes and other prepared foods business, the flour milling business, etc., by leveraging digital technology (AI, IOT) and robotics technology.

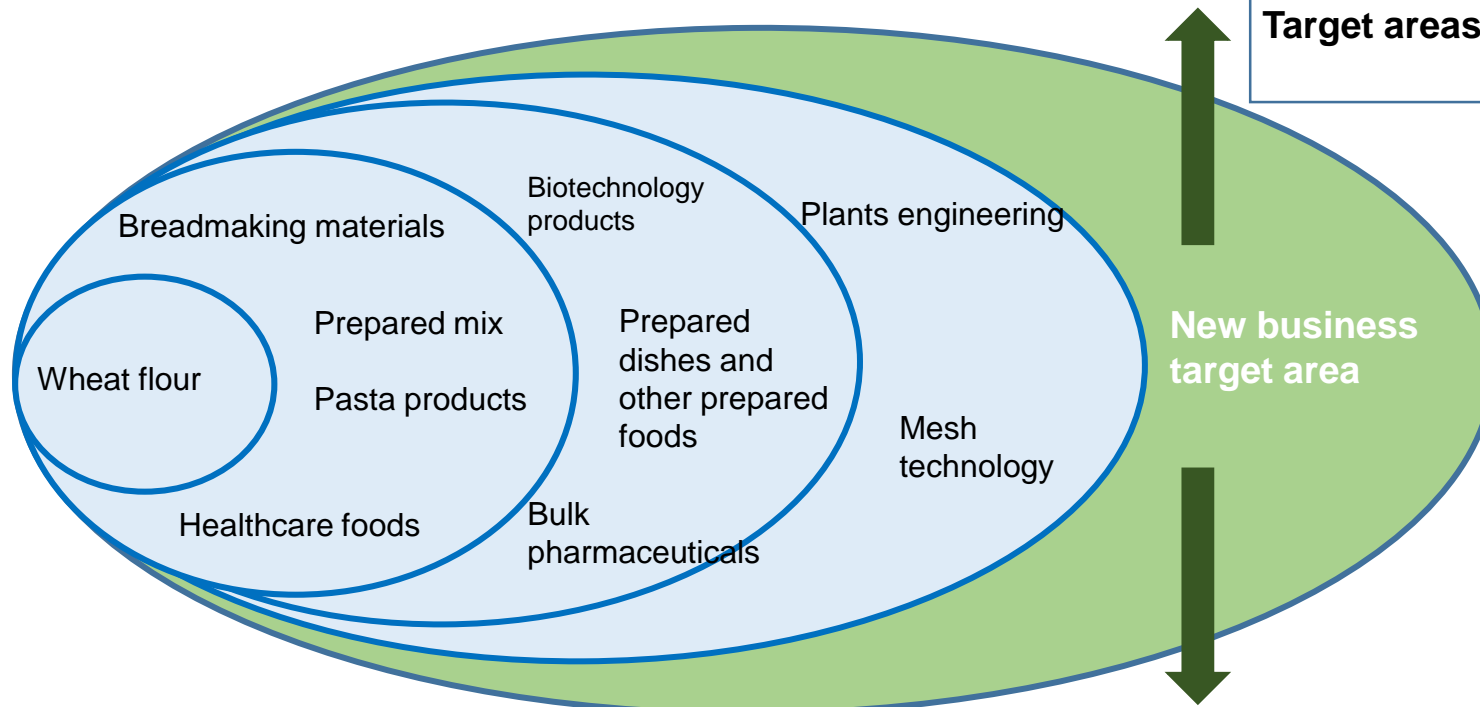
2. New Business Development and M&A Strategy

Secure competitive advantage in existing businesses, acquire and nurture businesses that will become the future core businesses following flour milling, processed foods, yeast, and prepared dishes and other prepared foods, and promote new business development through M&A and collaboration with start-ups, etc., anticipating future innovation in new areas such as food-tech and functional ingredients

Target areas for existing and new businesses

1) Acquire and nurture future growth businesses

Target areas: Food-tech, functional ingredients, etc.



New business target area

 : Existing business areas

 : New business target area

2) Secure competitive advantages in existing businesses

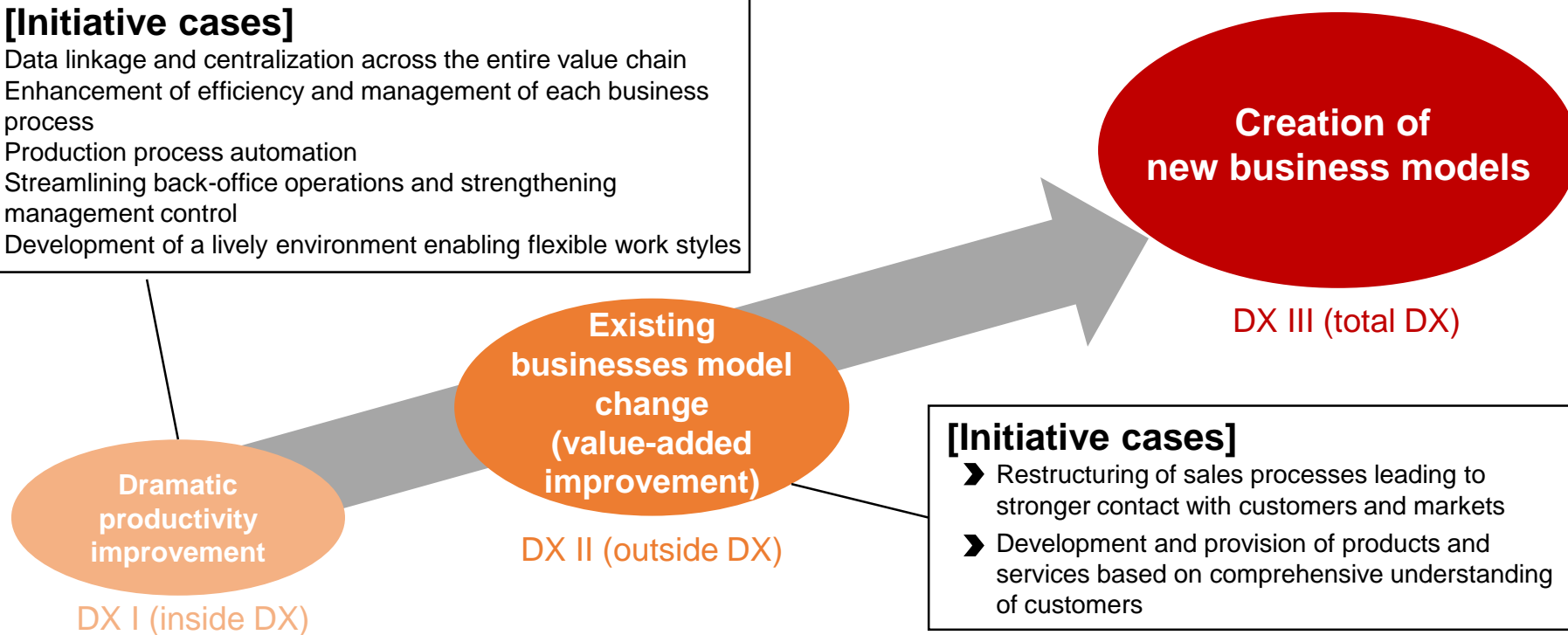
Target area: Peripheral area of existing businesses, etc.

3. Digital Strategy

Create value for each stakeholder through dramatic improvement in productivity, model changes in existing businesses, and creation of new business models by proactively adopting digital technology. Aim to continuously strengthen competitiveness. In addition, promote human resource development as the foundation and reinforce the crisis management system.

[Initiative cases]

- Data linkage and centralization across the entire value chain
Enhancement of efficiency and management of each business process
- Production process automation
- Streamlining back-office operations and strengthening management control
- Development of a lively environment enabling flexible work styles



Human Resource Development

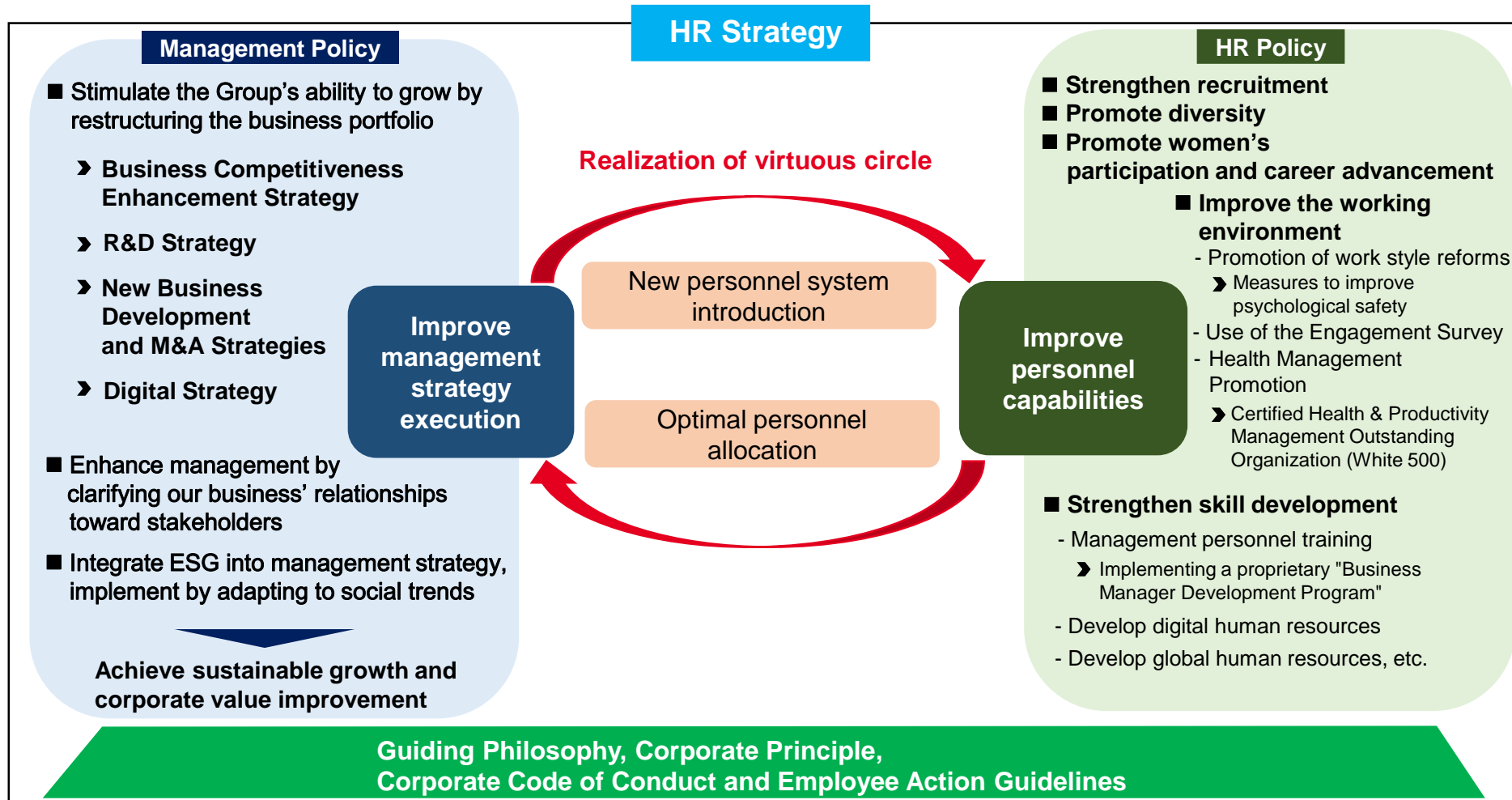
- ✓ Develop core human resources to connect business and technology
- ✓ Raise the digital literacy of all employees

Risk Management

- ✓ Enhance system security features
- ✓ BCP
- ✓ Employee training

4. Human Resource Strategy

Promote human resource strategy as a foundation for enhancing the ability to execute management strategies and becoming a company that the entire world can trust, while respecting all stakeholders.



Achieve sustainable growth and corporate value improvement

Guiding Philosophy, Corporate Principle,
Corporate Code of Conduct and Employee Action Guidelines

IV. Environment Policy

1. The Group's Materiality (CSR Priority)

Facing society's change every day, strive to **contribute to solving social issues through business operations** and balance realization of a sustainable society and corporate growth.

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



Medium-and-long term targets for environmental issues were formulated in August 2021.

■ 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



■ Medium-and-Long Term Targets for Environmental Issues

Responding to climate change	2030	Reduce CO ₂ emissions from Group-owned facilities by 50% compared with the fiscal 2014 level
	2050	Reduce CO ₂ emissions from Group-owned facilities to net zero toward carbon neutrality
Responding to water resources	2040	Reduce the amount of water used in plants per unit of production by 30% compared with the fiscal 2022 level
Responding to food waste	2030	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
Responding to packaging and container waste	2030	Reduce the amount of fossil fuel-derived plastics used by at least 25% compared with the fiscal 2020 level

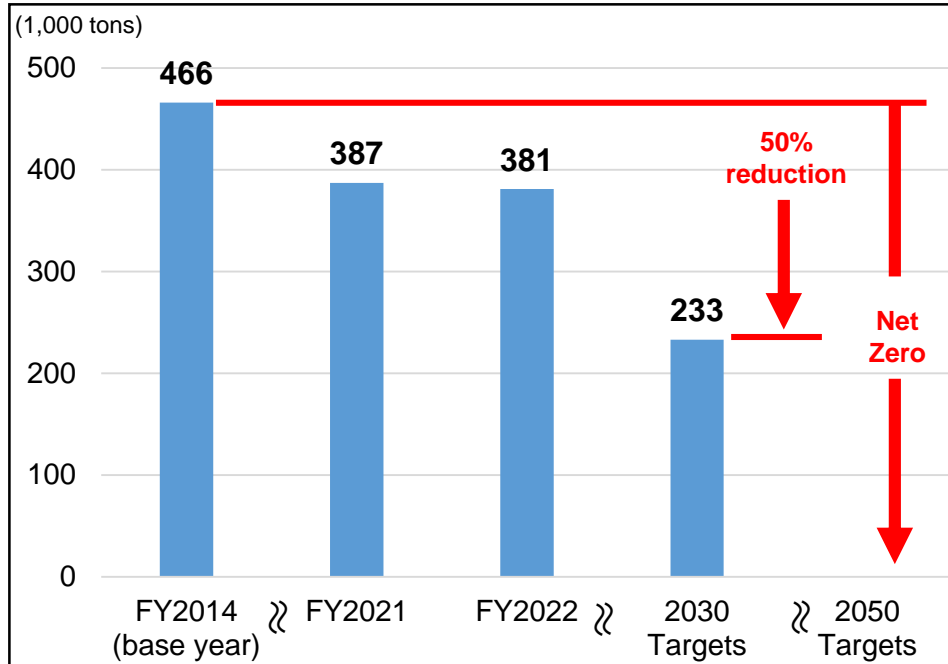
■ Approach to CO₂ reduction

(To achieve targets, the following two initiatives will be undertaken, considering it is difficult to extend normal corporate activities.)

- Not only implement energy-saving activities and shift the power source of in-house facilities to renewable energy, but also **install on-site energy-saving equipment and renewable-energy equipment to the maximum extent possible**
- In addition, we will collect the latest information on technological innovations and schemes in this area and **consider procuring renewable-energy power through off-site investment or funding**

3. Initiatives to Achieve 2030 CO₂ Reduction Targets

■ Trends and reduction targets for CO₂ emissions (Scope 1 and 2)



■ Major initiatives for reducing CO₂ emissions in each business

Flour milling business

- Construction of a new environmentally friendly smart plant in 2025
- Closure of two existing obsolete plants

Processed food business

- Installation of solar power generation equipment at domestic and overseas plants

Yeast and biotechnology business

- Installation of solar power generation equipment at domestic and overseas plants

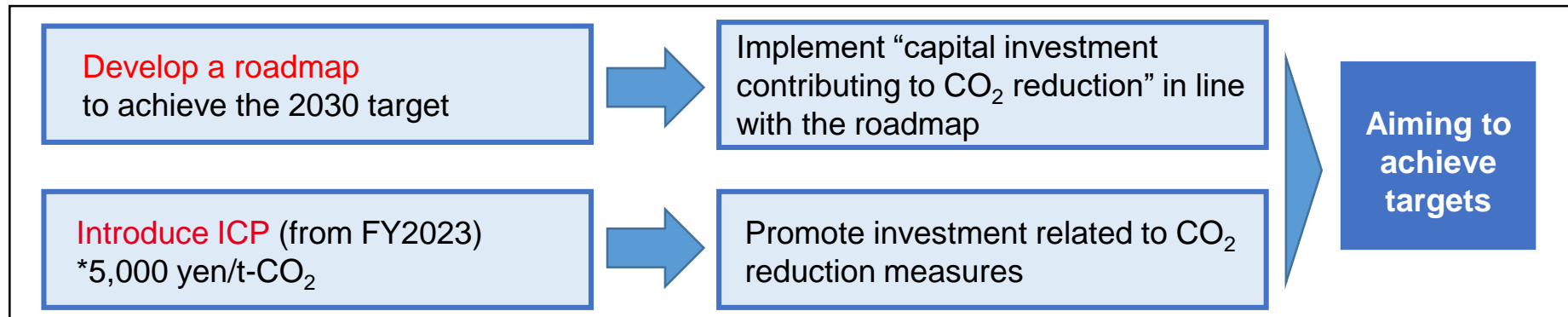
Prepared dishes and other prepared foods business

- Commercialization of ENE-FARM, consideration of new thermal sources

Mesh cloth business

- Adoption of renewable energy for electricity consumption

■ Initiatives to achieve CO₂ emission reduction targets for 2030



V. Capital Policy

1. Capital Policy Approach

Control the capital structure appropriately while maintaining a balance between capital efficiency and financial stability, considering our social responsibility to provide a stable supply of flour and other major foodstuffs.

■ Achieve EPS growth and adequate TSR

- **Continue EPS growth** by proactively using the operating cash flow generated over the five years of the Medium-Term Management Plan, as well as the proceeds from asset sales, in growth investments.
- As a result, we will increase ROE and **achieve an adequate TSR (Total Shareholder Return)**.

■ Profit returns

- Maintain **a dividend payout ratio of 40% or more** and determine the dividend level based on business results. **Although we have dropped the policy of consecutive dividend increases**, we will **always strive to consider dividend increases** based on the timing while aiming for EPS growth. We will consider further returns when we have excess investment funds, etc.

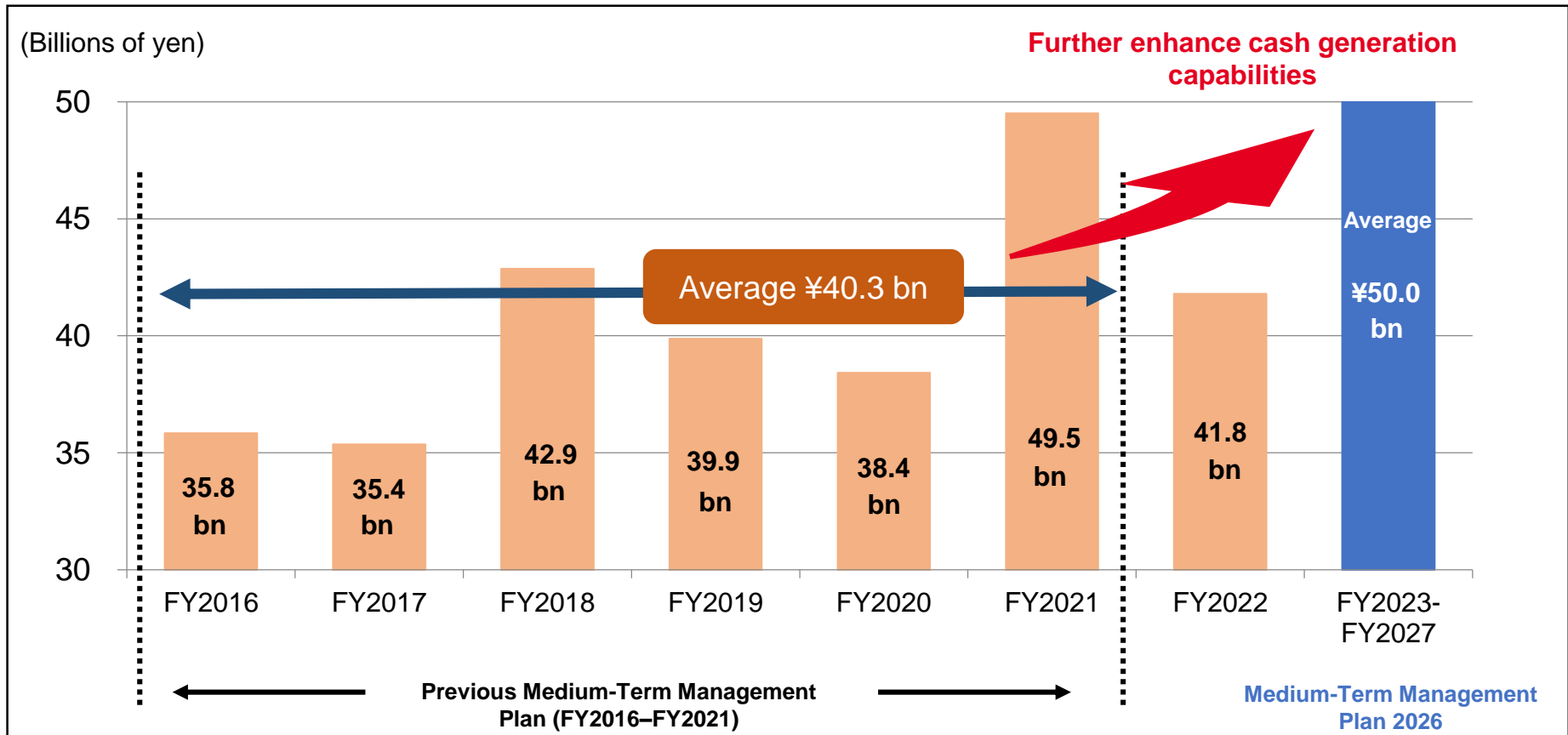
■ Balance sheet (capital structure)

- **Ensure financial stability**, considering the societal significance of the Group's business and business continuity after a disaster of extreme severity.
- **Steadily curtail** cross-shareholdings by reviewing them in light of establishing business relationships, such as reinforcement of business alliances and joint ventures.

2. Operating Cash-Flow Plan

Continue EPS growth by proactively using the cash for growth investments through further enhancement of cash generation capacity, by strengthening the business foundation of core businesses and growing overseas business and prepared dishes and other prepared foods business, etc.

■ Trends and targets of the Group's operating cash flows



3. Cash-Flow Plan for the Five Years of the Medium-Term Management Plan

Execute an optimal cash allocation for continued EPS growth by promoting vigorous growth investments, leveraging not only operating cash flow but also asset sales and interest-bearing debt, as needed.

■ Five-year cumulative cash-flow plan

■ Operating cash flow

Approx. ¥250.0 billion

■ Asset sales, utilization of interest-bearing debt, etc.

■ Growth investment, maintenance and renewal investments

More than ¥220.0 billion
(of which growth investment is ¥110.0 billion or more)

■ Shareholder returns

■ Approach to cash allocation

- Strengthen the ability to generate operating cash flow and secure investment funds through asset sales, etc.
- Proactively utilize for growth investments to achieve sustainable growth and EPS growth
- Strengthen business competitiveness through growth investments such as environmental investment, digital investment, new business development and M&A investments, R&D investment, and human resource development
- If investment funds are insufficient, we will basically use debt financing, and if investment funds are in excess, we will consider further shareholder returns, considering future funding needs.

¥15 billion for environmental investment and ¥15 billion for digital investment as components of growth investment

VI. Details of Final-Year Numerical Targets

1. Numerical Targets for the Final Year (1) Group-wide

■ KGI

Item	Fiscal 2027 Targets	5-year CAGR* ¹ [3-year CAGR]	(Reference) Fiscal 2024 Forecasts	(Base year) Fiscal 2022 Results
Net sales	¥900 bn	5.8%	¥840 bn	¥679.7 bn
Operating profit	¥48 bn	10.3% [7.2%]* ²	¥39 bn	¥29.4 bn
Operating profit margin	5.3%	—	4.6%	4.3%
EPS	¥110	13.3% [6.9%]* ²	¥90	¥59
ROE	7.0%	—	6.4%	4.0%

*1: Compound annual growth rate

*2: 3-year CAGR from Fiscal 2024 to Fiscal 2027

2. Numerical Targets for the Final Year (2) Overseas business

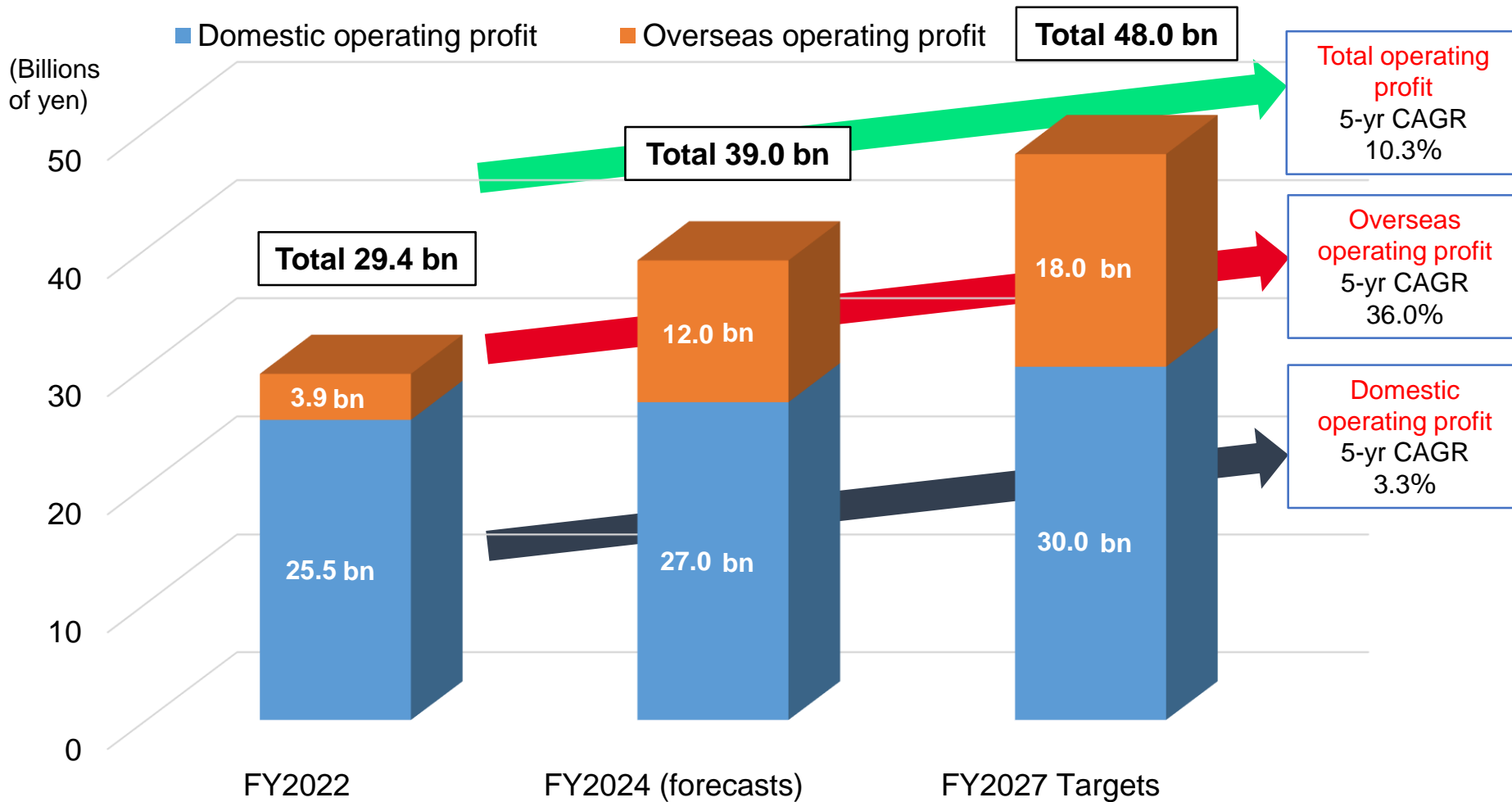
■ KGI

Item	Fiscal 2027 Targets	5-year CAGR*1 [3-year CAGR]	(Reference) Fiscal 2024 Forecasts	(Base year) Fiscal 2022 Results
Overseas sales	¥270 bn	7.8%	¥240 bn	¥185.9 bn
Overseas sales ratio	30.0%	—	28.6%	27.3%
Overseas operating profit	¥18 bn	36.0% [14.5%]*2	¥12 bn	¥3.9 bn
Overseas operating profit margin	6.7%	—	5.0%	2.1%
Overseas operating profit ratio	37.5%	—	30.8%	13.2%

*1: Compound annual growth rate

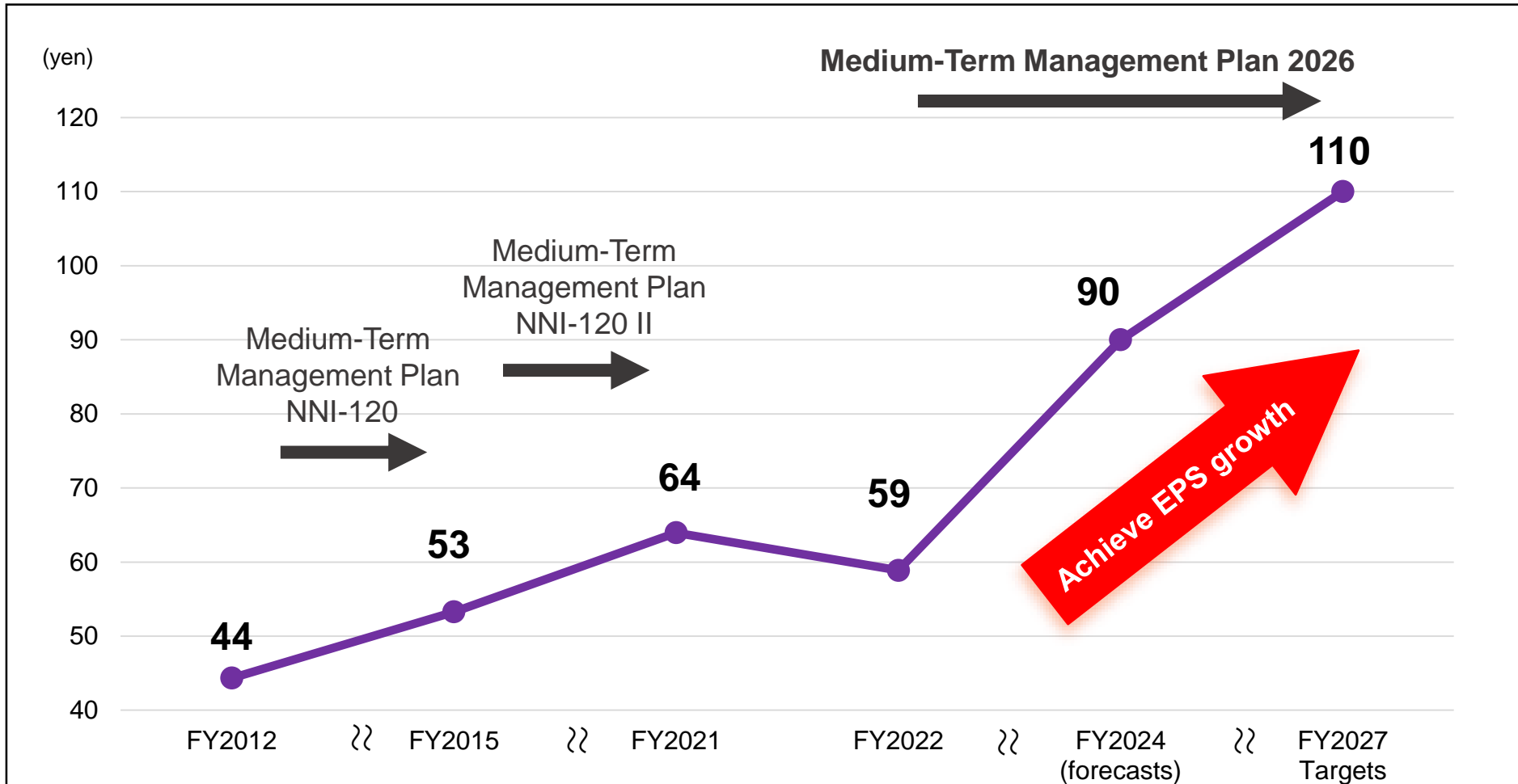
*2: 3-year CAGR from Fiscal 2024 to Fiscal 2027

3. Numerical Targets for the Final Year (3) Operating profit (Domestic, Overseas)



4. Numerical Targets for the Final Year (4) EPS

■ Trends and targets of EPS



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.