First Six Months of Fiscal 2021 Results Briefing Meeting

October 29, 2020

Nisshin Seifun Group Inc.

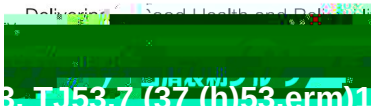
I. First Six Months of Fiscal 2021 and Fiscal 2021 Forecasts

	First Six Months of Fiscal 2021 Results	Forecasts			

3.

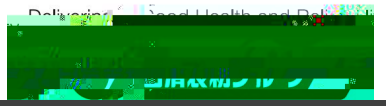
II. Impact of the Novel Coronavirus Pandemic on the Group and Related Countermeasures

1. Impact of the Novel Coronavirus Pandemic (Japan)
– Demand Trends in Each Market



- April to September saw a mix of high by(i)]TJ53.7 (37 (h)53.pC) 37 J53.rs(i)2 7 (37 (i)2 v -20 e(-20 (an)57 (d53. an)57 egi)-5.1

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 In the second quarter, while declarations of emergency were rescinded, the failure to contain the virus, particularly in urban centers, stymied recovery**

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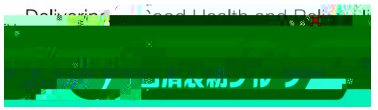
Area	usine			
North America	Flou lling			
	Processe Food	—		
Oceania	Flour Milling (wheat flour)			
	Flour Milling (excl. wheat flour)	↘	↘	
East Asia Southeast Asia	Flour Milling	↘	↘	D luxu limited reduced t
	Processed Food	↘	↘	• Lower dem coronavirus. E • Pasta sauce pla uninterrupted supp
South and West Asia	Processed Food			• Pasta plant in Turkey c the Japanese market. • New yeast plant in India awa

4. Countermeasures for Novel Coronavirus Pandemic
– Initiatives for Achieving Performance Forecasts



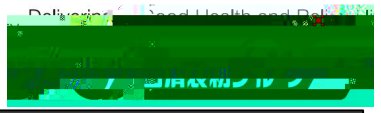
The Group is strengthening measures to address expansion in demand for at-home dining, a trend in step with the formation of new lifestyles and other social changes, as well as related growth sales channels. Similarly, the Group is reviewing and enhancing the efficiency of its operations adapted to these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

■ **Group Initiatives for Addressing New Lifestyles and Operating Environment Changes**

- **Establish flexible structure for boosting production**

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

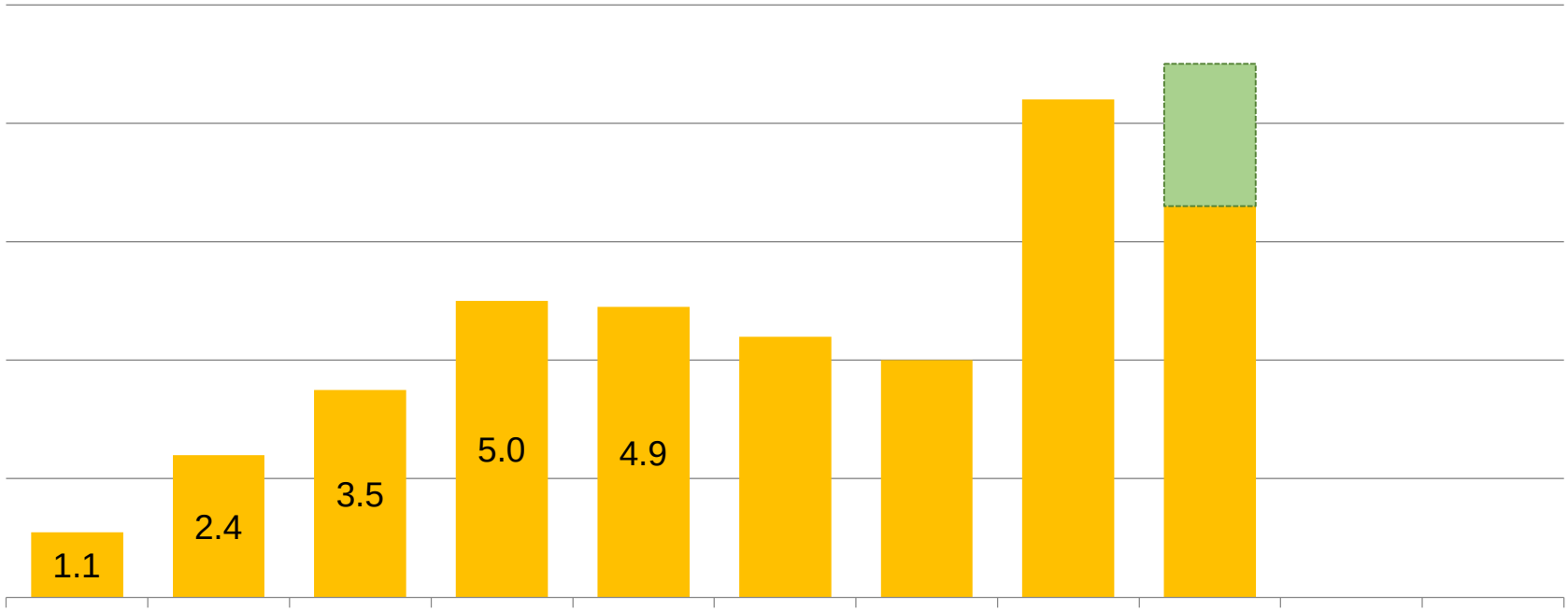
1. Initiatives to Stimulate Performance Recovery in the Domestic Flour Milling Business



- **In light of impact from the novel coronavirus pandemic, in line with initial projections, shipment volume for commercial-use wheat flour is expected to**

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**.

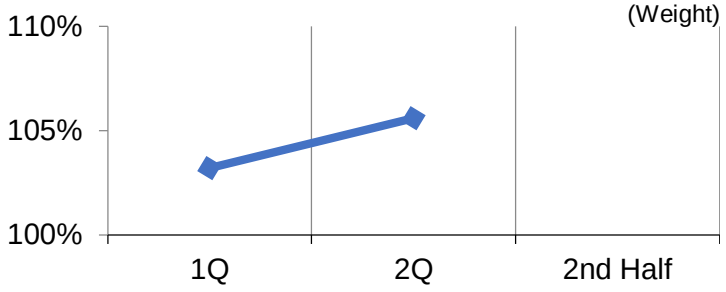


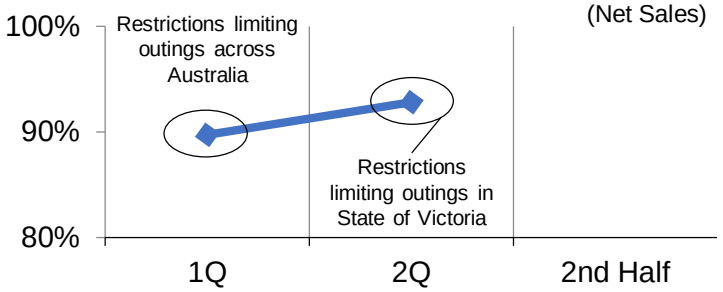
2. Overseas Flour Milling Business Growth Strategies (3)
– Status of Australia Flour Milling Business

- **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	**Worsening production efficiency in line with sharp demand volatility in prepared mix and bakery-related ingredients due to the pandemic.** • 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.
	Worsening distribution efficiency mainly from sharp demand volatility and sudden closure of key clients to combat the





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	**(1) Sales Expansion in Australia** Deepen sales to existing clients and strengthen sales of prepared mix and bakery-related ingredients in new channels. **(2) Export Expansion** Leverage Group sales channels to expand exports of prepared mix and bakery-related ingredients to New Zealand and Southeast Asia. **(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.
	(1) Enhance Supply-Demand Management

4. Processed Food Business Initiatives

– Differentiation Strategy for Household-

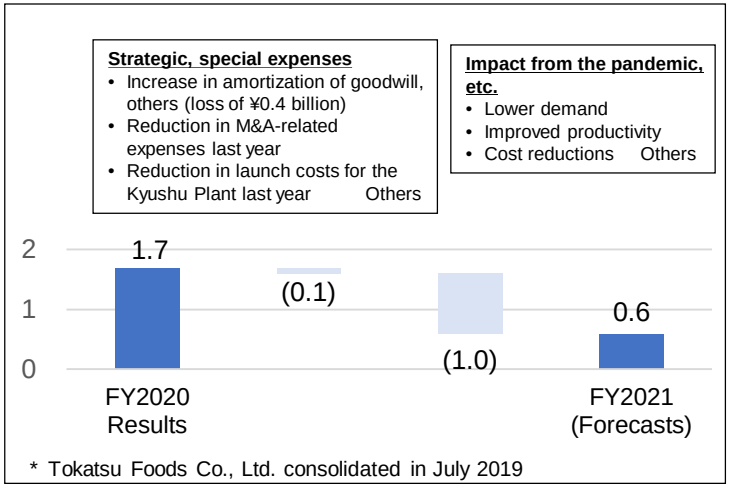
- As more people cook at home, launch in fall and winter the sale of new and revamped products, including 20 room-temperature items and 13 frozen items, based on the concepts “easy-to-prepare and convenient,” “restaurant dining at home” and “dishes families can make together,” and centered on the theme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

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

5. Prepared Dishes and Other Prepared Foods Business Growth Strategies

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

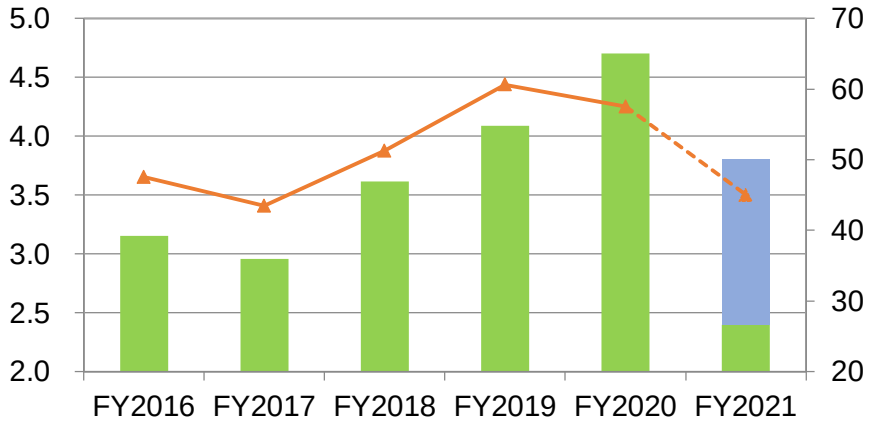
- **Prepared dishes demand** in urban centers and at tourist sites **declined** due to impact from the novel coronavirus pandemic. While operating profit for the full year is projected **to decline ¥1.1 billion year on year, the extent of decline should be smaller** than initial estimates thanks to more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



7. Others Segment Status

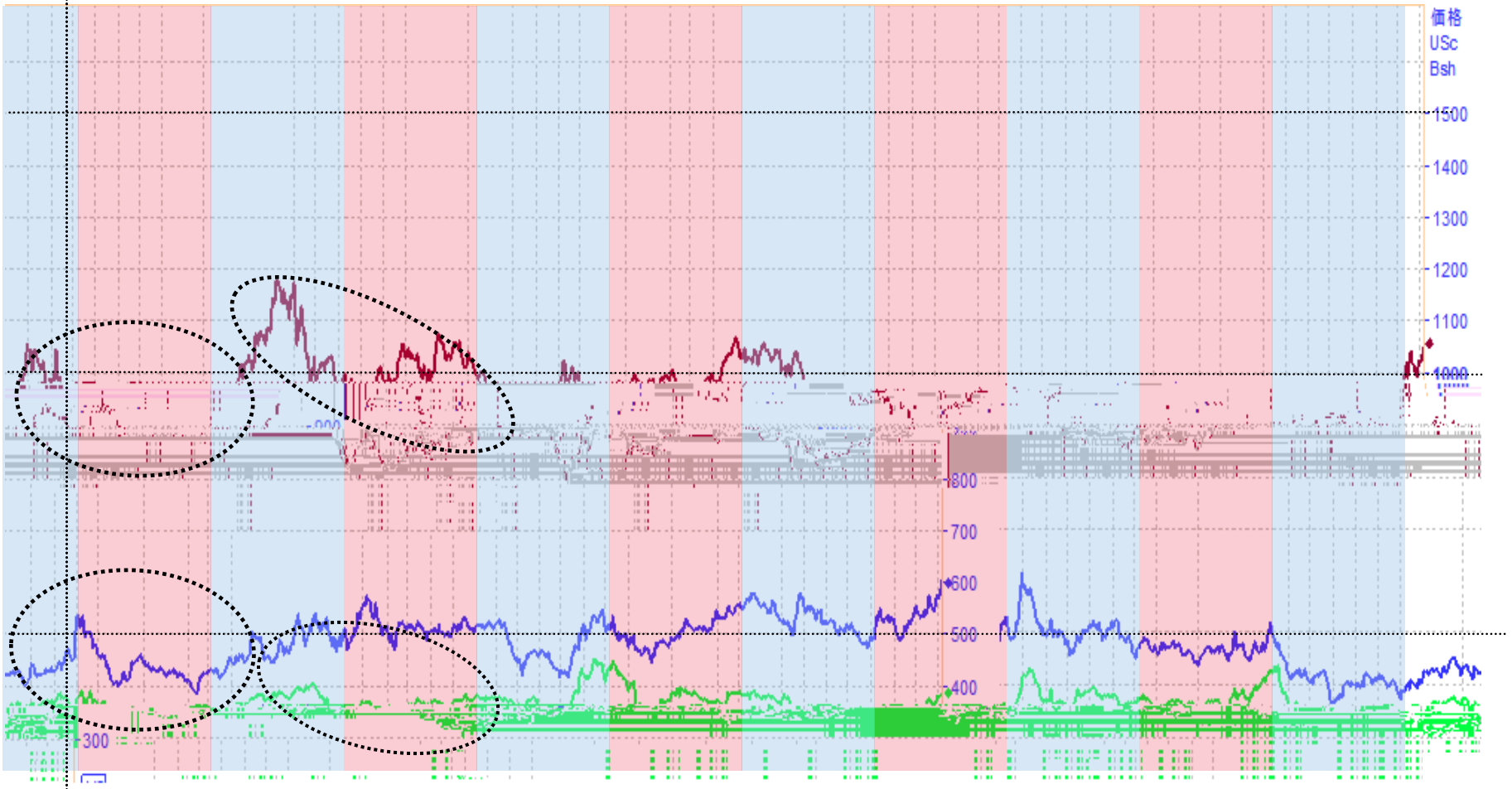
- In the engineering business, the outlook is for a decrease in completion of mfmecroind[(Fa(o)3.6 (n14.60

Features of the Engineering Business



(Ref.) The Wheat Market

The Wheat Market (1)



The Wheat Market (2)

[Oct. 2020 – Wheat Price Revision]

First Six Months of Fiscal 2021 Results Briefing

Results, Forecasts

October 29, 2020

Nisshin Seifun Group Inc.

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

2. Analysis of Segment Results (1)

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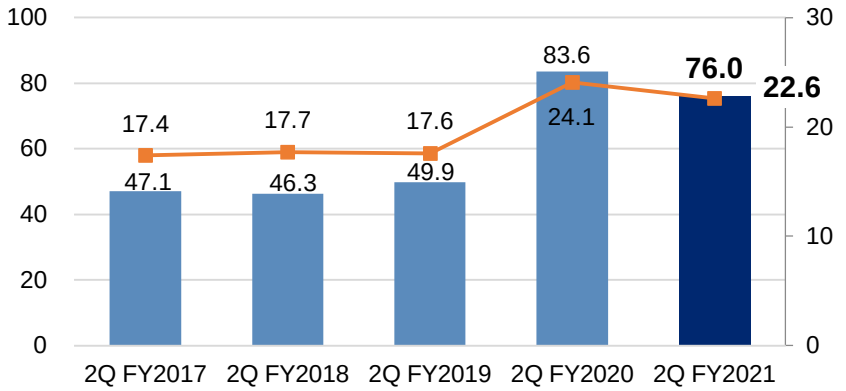

2. Analysis of Segment Results (2)

Analysis of Operating Profit (YoY Difference)

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)

Others ¥(0.4) billion

Sales	(1.4)
Cost related, others	+1.0

	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		

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. The Company also anticipates that other factors will likely have a positive effect on profit, including lower depreciation and amortization.

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**

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**

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)

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