



Nippon Corporation

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A large graphic on the right side of the page, consisting of several overlapping, semi-transparent, curved shapes in shades of orange and red, creating a sense of depth and movement. The text "Nippon Report 2021" is overlaid on this graphic.

Nippon Report **2021**

Print Edition



The NIPPN Group will contribute to people's wellbeing and the creation of a bright society through food.



With our new company name, NIPPN will continue to grow as a diversified comprehensive food company.

We changed our corporate name since our founding in 1896, Nippon Flour Mills Co., Ltd. to NIPPN Corporation on January 1, 2021.

In the 125 years since our founding, while maintaining flour milling as a core business, we have diversified our business to include food and nakashoku (ready-made meals), and in recent years this has accounted for around 70% of the entire Group's food business. We have changed our name to NIPPN, the name we have been traditionally called, in order to achieve sustainable growth as a "diversified comprehensive food company" in both name and reality.

We will work hard to strengthen and expand our business so that NIPPN Corporation is even closer to our stakeholders than ever before.

Moving towards such years of great change for our company, and as the COVID-19 pandemic continues to make the future difficult to predict, we believe it is more important than ever to publish the NIPPN Report so that our various initiatives are understood.

Due to the impact of COVID-19, some of our activities have been cancelled or conducted in a different form, but this year's NIPPN Report will continue to explain our Environment, Social, and Governance (ESG) initiatives like last year. In addition, it is also structured so that the Group's initiatives can be understood in light of the SDGs, which are increasing in importance.

For "E" (Environment), we re-released two retail flour products in the fall of 2020, and reduced the amount of plastic they use by approximately 40%.

For "S" (Society), although we had to cancel some community-based activities due to COVID-19, we attempted to respond flexibly by offering cooking classes online.

And for "G" (Governance), we transitioned to a company with an Audit & Supervisory Committee at the Annual General Meeting of Shareholders held in June 2020, which strengthened our auditing and supervisory functions, enhanced the corporate governance system, and developed a structure to further improve corporate value.

Additionally, in terms of risk management, we caused great inconvenience and concern to our stakeholders due to the cyber attack that occurred on July 7, 2021. We are taking measures with everyone's cooperation, including shutting down our internal network, investigating the cause, and managing information related to the incident from the perspective of governance (as of December 1, 2021).

The SDGs are international goals stated in the 2030 Agenda for Sustainable Development adopted at the United Nations Summit in September 2015, and we have been working to stop using plastic by using paper trays for some of our frozen foods since the early half of the 2000s. In addition, because it utilizes wheat as a raw material without waste, we believe that our flour milling business falls under Goal 12:

"Responsible Consumption and Production / Ensure sustainable consumption and production patterns."

This is how we have been developing business activities in line with the ideas of the SDGs, and we believe that this is something that is a part of our DNA.

NIPPN and our Group companies will strive to create a better society and future through our business activities by increasing our awareness of the SDGs more than before.

We will work to achieve sustainable growth even in a society where it is impossible to measure using conventional values, and to be appreciated by society and our stakeholders as a valuable company.

Our Mission Statement

We will strive as a corporation, to gain trust from customers and continue to grow in strength. Make an effort on a daily basis to keep every customer satisfied, by offering, in every area of business, competitive products and services of superior quality, thereby contributing to society.

Our Principles

- We are committed to having mutually satisfying interactions with customers through our products and services.
- We are committed not to being content with the present reality, continually striving for betterment and improvement, and accepting the challenge to create a new age through reform.
- We are committed to creating an environment in which each individual can apply their greatest strengths, an environment in which results will be evaluated correctly, and in these contexts, using our collective strengths to the fullest.
- We are committed to continuing to act in righteous ways, as good members of society.

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Editorial Policy

The NIPPN Report provides a wide range of financial and non-financial information about the NIPPN Group. It presents our value creation model and NIPPN's strategy, and besides showing the direction of our business and the overall picture, the non-financial information is organized in terms of Environment, Social, Governance (ESG), with activities for each important issue in CSR. Depending on the scene where the information is needed, we provide information in two ways: a print edition with only the main points, and a web edition with more details and data.

■ Forward-Looking Statements

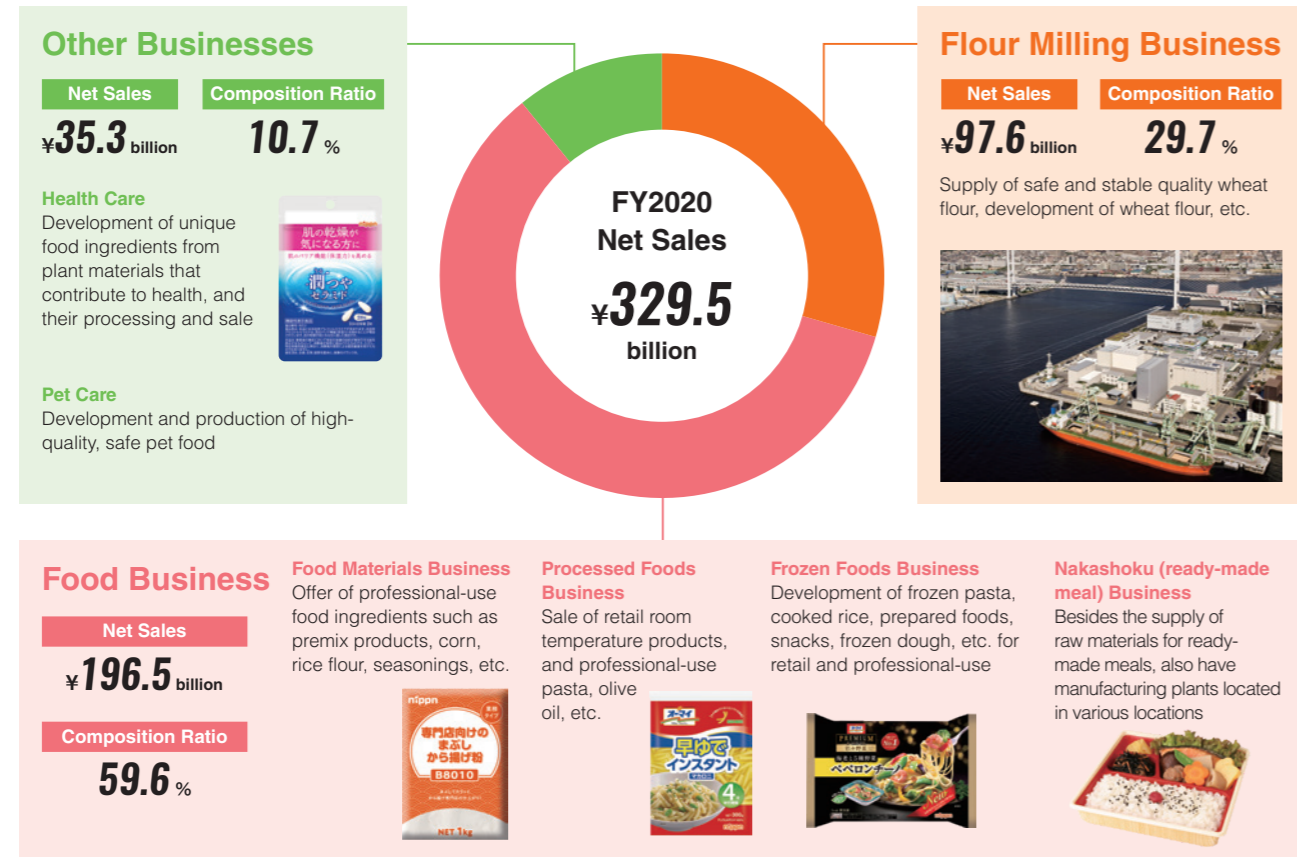
The forward-looking statements in this report are based on uncertainties and assumptions and may differ materially from actual future facts and results. We ask that you refrain from fully relying on any forward-looking statements contained in this report.

In addition, we are not responsible for updating or revising any information contained in this report.

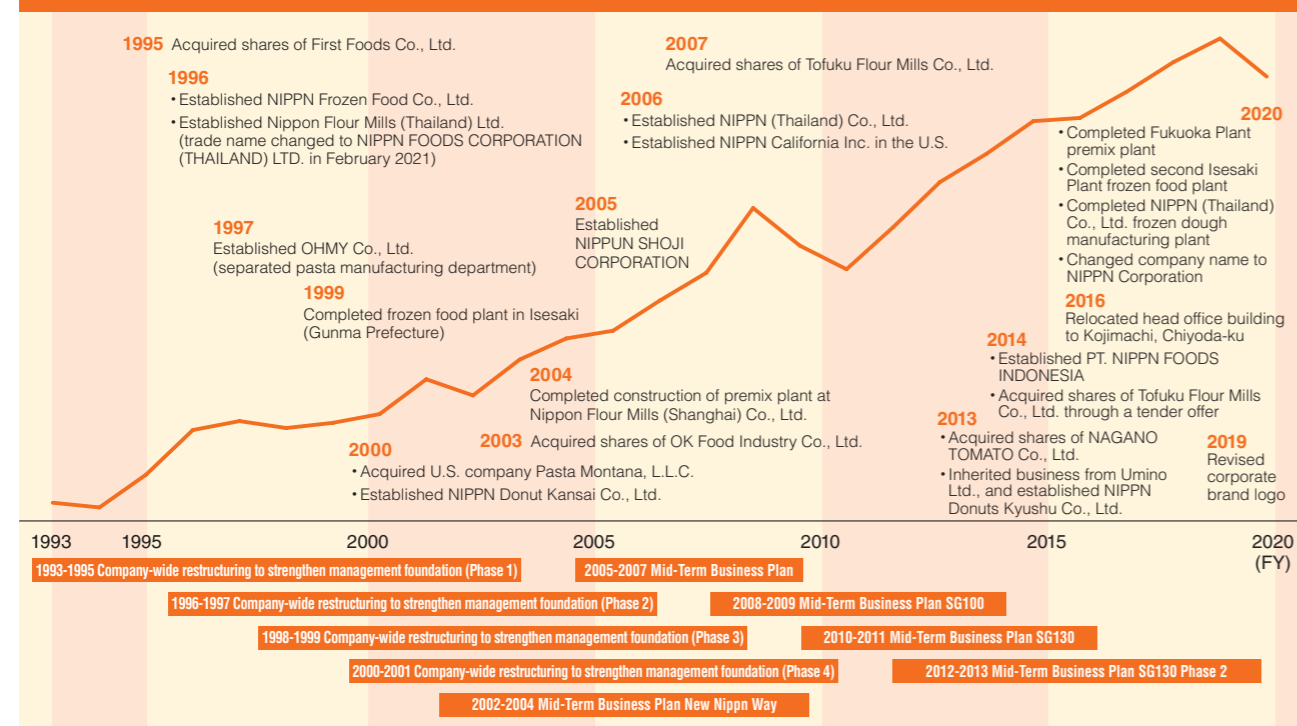
■ Reporting Period

This report covers the period from April 1, 2020 to March 31, 2021. However, periods before and after the current period are also mentioned as necessary.

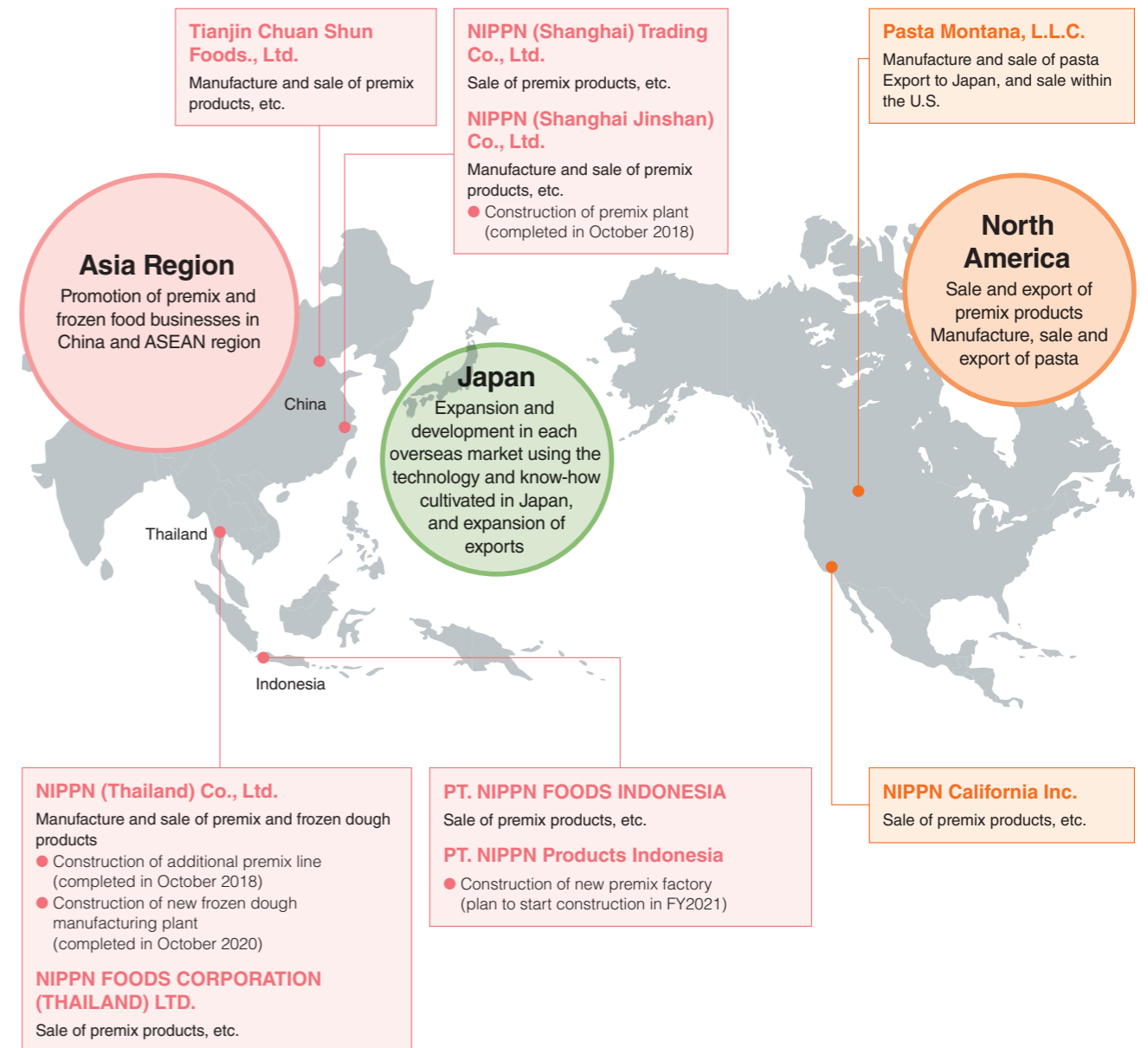
NIPPN's Business



Our Growth



Global Activities



The NIPPN Group has utilized the technology and know-how cultivated in Japan to expand overseas. While the percentage of net sales is currently not high, we are developing the premix and pasta businesses in North America and the premix business in China and the ASEAN region, and established a new manufacturing location for frozen dough in Thailand in FY2020.

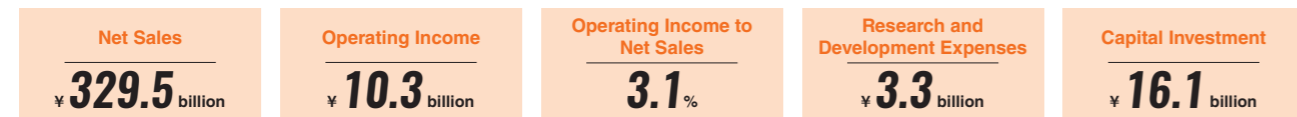
Our overseas business is one of the pillars of the Group's growth. While considering expansion beyond these locations in the future, we will first accelerate our penetration into local

markets in North America, China, and the ASEAN region, and further enhance cooperation among locations to build a supply chain that supplies safe, high-quality products to third-country markets including Japan. As a result, we aim to achieve a double-digit percentage of overseas sales within several years by promoting the frozen food business, which we expect to have sufficient marketability in the medium to long term, while focusing on the premix business, where we can create high value-added products to match consumer needs by utilizing various compound materials.

Financial and Non-Financial Highlights

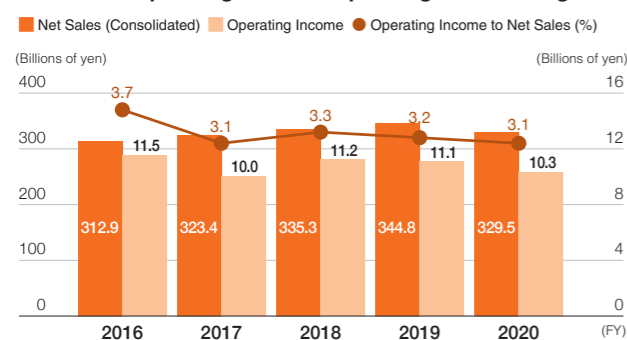
Financial Highlights

In FY2020, due to the spread of COVID-19, retail products were strong as demand increased due to the transition to stay-at-home consumption, but professional-use food products declined in both sales and profits due to sluggish demand especially from reduced outings and temporary business closures, as people refrained from going outside and ate at home.

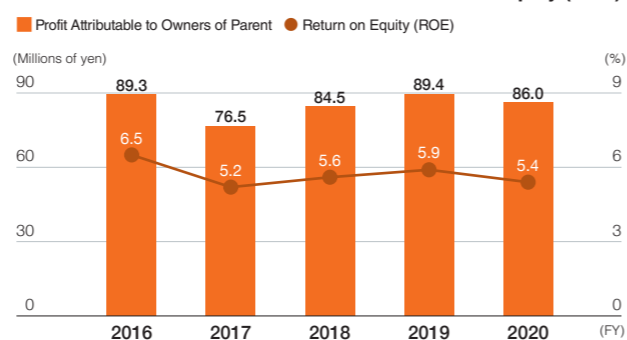


* Consolidated

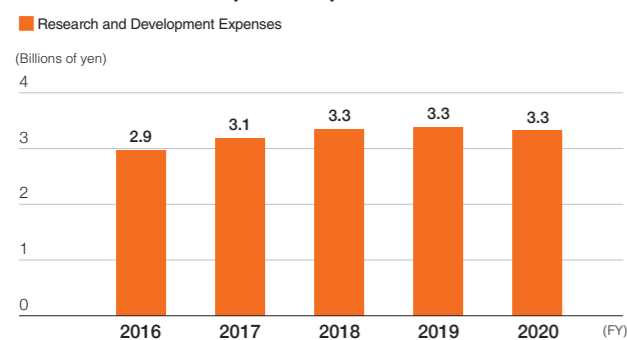
Net Sales / Operating Income / Operating Income Margin



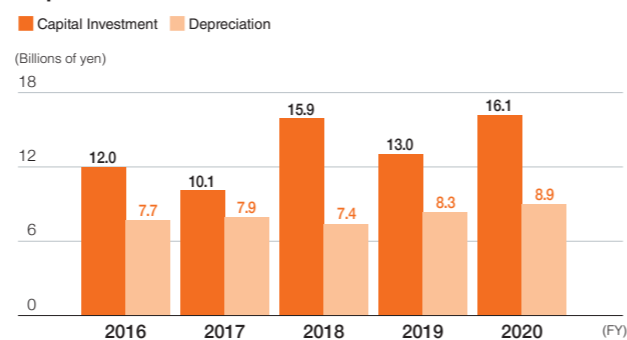
Profit Attributable to Owners of Parent / Return on Equity (ROE)



Research and Development Expenses



Capital Investment Amount



Outcome of FY2020

In FY2020, the spread of COVID-19 significantly impacted economic activities. Under such circumstances, we worked to strengthen our business foundation even in the unprecedented business environment by strengthening existing businesses with a focus on cost reductions and sales reinforcement, and by aggressively investing in fields expected to grow in the future. We will strengthen and expand our food business both in Japan and overseas by completing the construction of a premix plant at our Fukuoka Plant, a second frozen food plant at our Isesaki Plant (the former Isesaki Plant of NIPPN Frozen Food Co., Ltd.), and a frozen dough manufacturing plant at NIPPN (Thailand) Co., Ltd.

We changed our company name to NIPPN Corporation on January 1, 2021 in order to achieve further growth as a diversified comprehensive food company, with the determination to start anew in the 125th year since our founding.

Targets for FY2021

In FY2021, although there is hope for economic activities to return to normal thanks to the progress of COVID-19 vaccinations, we expect the outlook to remain uncertain. Even so, the NIPPN Group continues to pay close attention in order to ensure a stable supply of food products as part of its social responsibility, and is working to return to a path of growth while taking measures to prevent COVID-19 infections and to ensure the safety of customers and employees.

We are also working to further strengthen our competitiveness by merging Tofuku Flour Mills Co., Ltd. on April 1, taking over the manufacturing business from NIPPN Frozen Food Co., Ltd., and establishing a new Frozen Foods Business Department.

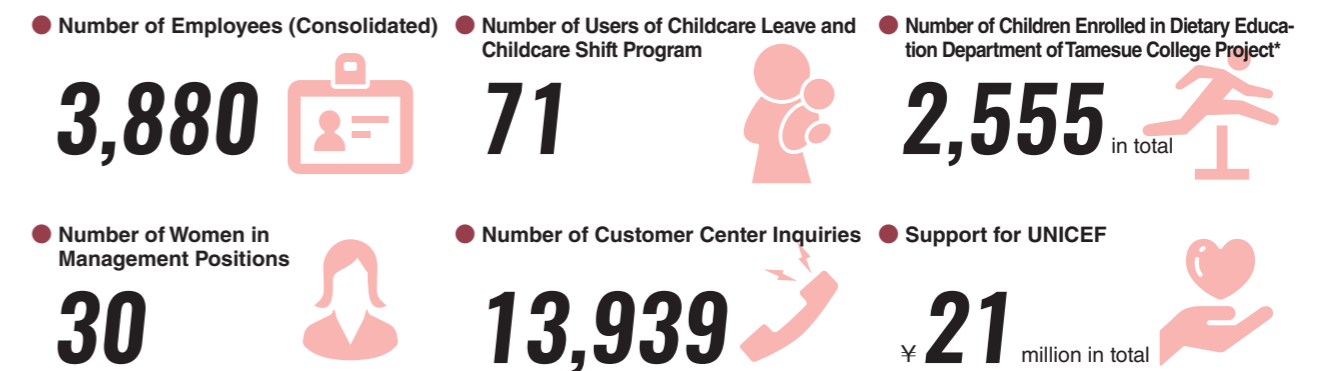
The NIPPN Group will aim to grow further as a diversified comprehensive food company as "NIPPN Corporation," while promoting the strengthening of systems contributing to the safety and security of consumers and stable supplies.

Non-Financial Highlights

Environment

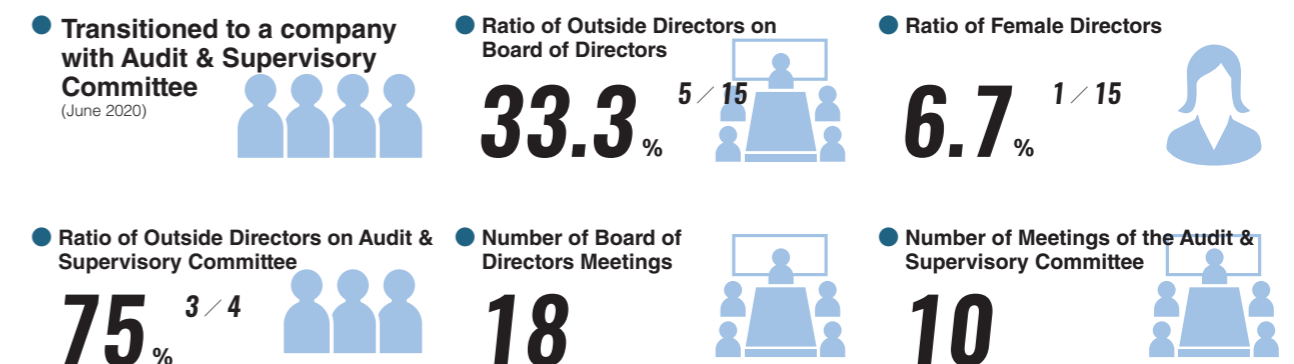


Social



* Could not be implemented in FY2020 due to COVID-19

Governance

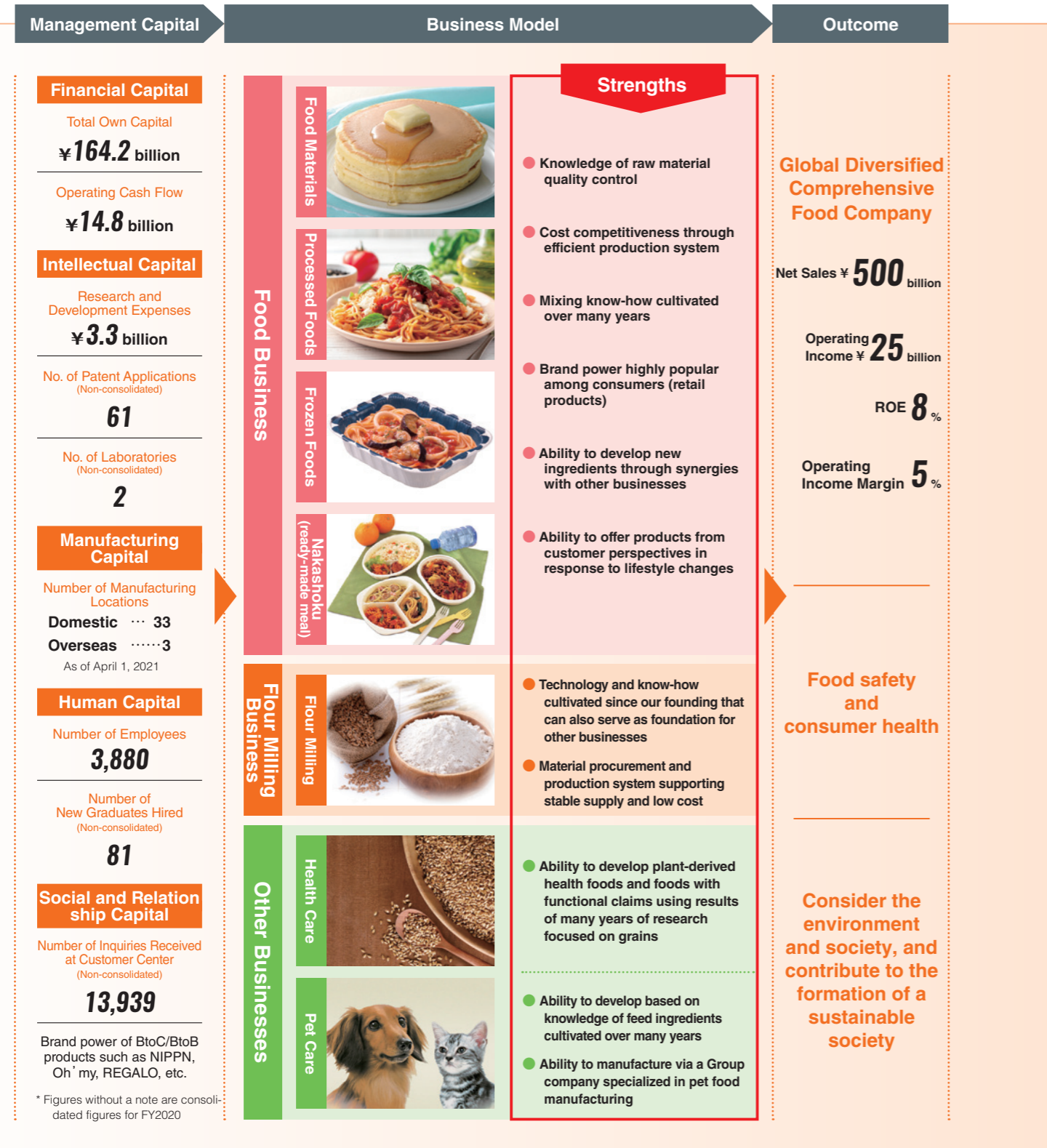


• Reporting Fiscal Year: FY2020 (*except where otherwise indicated)
• Reporting Scope: NIPPN, non-consolidated (*except when stated as "consolidated")

The NIPPN Group's Value Creation Model

As the spread of COVID-19 has changed the nature of society, the business environment surrounding the NIPPN Group changes dramatically every day. We respond to diversifying needs by developing, before any other competitors, market-creating products that are newly demanded in the midst of these societal changes. We are also developing environmentally and socially conscious products to help solve the social issues that are intensifying every day. By utilizing and combining the strengths and know-how of our flour milling, food, and other businesses, we aim to contribute to the formation of a sustainable society as a global diversified comprehensive food company.

* Please refer to P.7 of the web edition for the full version.



Financial Capital

Total Own Capital
¥164.2 billion

Operating Cash Flow
¥14.8 billion

Intellectual Capital

Research and Development Expenses
¥3.3 billion

No. of Patent Applications (Non-consolidated)

61

No. of Laboratories (Non-consolidated)

2

Manufacturing Capital

Number of Manufacturing Locations

Domestic ... 33
Overseas ... 3
As of April 1, 2021

Human Capital

Number of Employees
3,880

Number of New Graduates Hired (Non-consolidated)

81

Social and Relation ship Capital

Number of Inquiries Received at Customer Center (Non-consolidated)

13,939

Brand power of BtoC/BtoB products such as NIPPN, Oh'my, REGALO, etc.

* Figures without a note are consolidated figures for FY2020

Environment



Awareness of Climate Change Risks

Extreme weather events such as droughts and heavy rainfall due to climate change are expected to affect the yield and quality of crops. This is a risk that could lead to an increase in raw material costs, making it difficult to continue to stably provide products of superior quality, which could affect our Group's business activities. The Group is taking measures such as introducing of energy-saving equipment and using marine transportation with less environmental impact.

Awareness of Water Risks

Along with climate change risks, there is also growing concern about global water risks. Changes in rainfall, typhoons, and snow-fall patterns due to climate change have caused droughts and floods, and shortages of water for agriculture and drinking are becoming more significant each year due to population growth and urbanization. Water is an indispensable resource to grow wheat, which is the raw material for the Group's main products, and a shortage of water resources could be a major risk for NIPPN. In addition to conducting water risk assessments at all of our business sites, we also monitor the amount of tap, well, and industrial water used, and are working to ensure that it is used effectively and without waste.

Participation in Outside Initiatives

The Japan Climate Initiative was launched to strengthen information promotion and the exchange of opinions among companies, local municipalities, and NGOs that are actively working to combat climate change. In response to the call for Japan to move to the fore in the world for decarbonization, we expressed our support for the project.



Water Risks Assessment

To understand the impact of water risks on business continuity, we regularly assess water risks at our manufacturing sites both in Japan and abroad (36 sites in 4 countries) using Aqueduct, a tool to assess global water risks based on latitude and longitude published by the World Resources Institute (WRI), an international environmental NGO.

We have confirmed that China and Thailand have high water risks in terms of raw material procurement by country, but we do not consider this to be a major concern since we do not use a large amount of water for production. By manufacturing location, we have confirmed that domestic production sites have low water risks.

Social



New Products Based on Customer Needs

With the increase in the number of single-person households and the participation of women in society, the workstyles and lifestyle patterns of people are changing. We are working on developing new products in order to respond to these societal changes and the changing needs of our customers.

Recently, the plant-based protein market has seen an expansion due to health promotion and environmental considerations. Our Group has a history of diversifying by developing technologies to use various cereal ingredients and many businesses related to these technologies. In order to enter the plant-based protein market, we focused on soybean products, specifically tofu, which is well liked by people in Japan, and by applying our Group company's tofu technology, we have developed SOYLP-RO, a new material that combines deliciousness, convenience, and versatility.

Oh'my Tofu Meat Bolognese launched in the spring of 2021 as a retail frozen food product using SOYLP-RO that is "both body- and environmentally-friendly," does not use animal ingredients and is certified as vegan by VegeProject Japan, a non-profit organization.



Oh'my Tofu Meat Bolognese

Workstyle Reforms during the COVID-19 Pandemic

Start of online training

As part of our response to the COVID-19 pandemic, we have started online training from the new employee training in April 2020. It initially took time to familiarize participants with how to use and set the connection for the communication software, in addition to the biased training content geared towards one-way communication software, but with the introduction of two-way communication software and test connections prior to training sessions, we are now able to provide training that is comparable in content to in-person training. Training questionnaire results showed that there are both advantages and disadvantages to online training compared to in-person training, but we will continue to proactively implement online training by utilizing the advantages and improving the disadvantages.

Implementation of telecommuting

We were preparing to introduce a telecommuting system on a test basis from FY2019, and started telecommuting as an emergency measure in April 2020 in accordance with government guidelines. Through combining this system with the flextime system that we already had at some of our workplaces, we are running the system so that it can be used appropriately for work-life balance, and are identifying and verifying issues for systemization. We are also looking for ways to eliminate inequities in departments where telecommuting is difficult to introduce (for example, ordering departments and factory sites).

Corporate Governance

NIPPON's Corporate Governance Structure

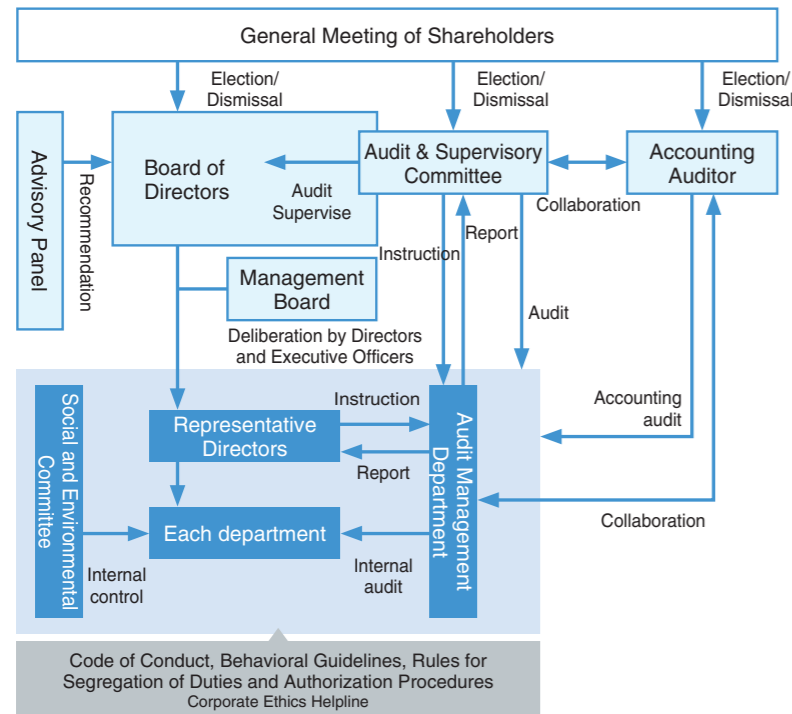
NIPPON transitioned to a company with an Audit & Supervisory Committee at the Annual General Meeting of Shareholders held in June 2020. By granting voting rights to Directors who are members of the Audit & Supervisory Committee at the Board of Directors, we aim to strengthen the auditing and supervisory functions, further enhance the corporate governance system, and further increase corporate value. Directors who are Audit & Supervisory Committee members have access to sufficient information by attending important meetings such as the Management Board,

and we have established a structure to enable them to supervise and audit the execution of duties by Directors. We believe that this structure will ensure the efficiency of corporate governance and supervisory functions due to its nature and scale.

The Advisory Panel, mainly composed of Outside Directors, was established to report to the Board of Directors on the selection and compensation of Directors. We have also introduced an Executive Officer system, where Executive Officers execute their duties under the authority of the Board of Directors, and have established a Management Board consisting of all Directors and Executive Officers to discuss important matters related to business execution.

Governance Structure

Corporate Governance Structure (Diagram)



Board of Directors (held 18 times in FY2020) (Unit: people)

Directors (including Audit & Supervisory Committee members)	15
Outside Directors out of 15	5

The Board of Directors makes important business execution decisions and supervises business execution, and generally meets once a month, with extraordinary meetings held as necessary.

Audit & Supervisory Committee (held 10 times in FY2020) (Unit: people)

Audit & Supervisory Committee members	4
Outside Directors out of 4	3

One of the Audit & Supervisory Committee members is a certified public accountant and has considerable knowledge of finance and accounting, and two of the Audit & Supervisory Committee members are lawyers and have an advanced knowledge of law.

Advisory Panel (held twice in FY2020) (Unit: people)

Advisory Panel members	5
Outside Directors out of 5	3

The Advisory Panel reports its opinions to the Board of Directors on decision-making policies relating to Director candidates to be submitted to the General Meeting of Shareholders, and Director compensation, individual Director compensation, etc. to be submitted to the Board of Directors.

Directors' Compensation

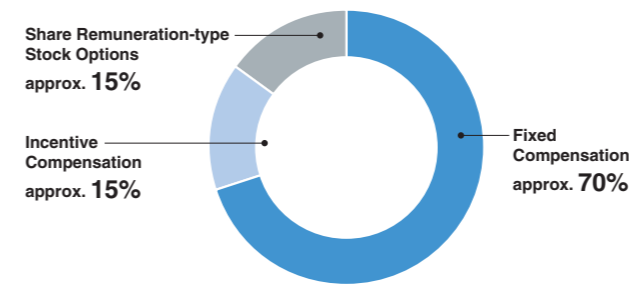
The compensation of Directors, excluding Outside Directors and Audit & Supervisory Committee members, consists of basic compensation that comprehensively considers their position and responsibilities, business results for the fiscal year, and social conditions, of incentive compensation that fluctuates based on short-term business results, and of share remuneration-type stock options.

The compensation of Outside Directors and Audit & Supervisory Committee members consists only of base compensation.

The compensation ratio by type will generally be 70% fixed compensation, 15% incentive compensation, and 15% share remuneration-type stock options.

Incentive compensation is placed as a commitment by Directors to annual performance, and is determined within a certain range depending on the degree of target achievement based on predetermined standards for each position, based on the degree of contribution to consolidated operating income, profit attributable to owners of parent, etc. as well as individual performance.

Share remuneration-type stock options are granted to Directors according to their position in accordance with the Share Remuneration-type Stock Options Regulations in order to further increase morale and motivation to contribute to medium- to long-term business performance and corporate value improvements.



Initiatives for Strengthening Governance

FY2002	Introduced Executive Officer system
FY2010	Appointed Outside Directors
FY2014	Outside Directors: 2
FY2014	Abolished retirement allowance system
FY2014	Introduced share remuneration-type stock options
FY2016	Started effectiveness assessments for Board of Directors
FY2018	Established Nomination and Compensation Advisory Panel
FY2020	Transitioned to a company with Audit & Supervisory Committee Outside Directors: 5

Evaluating Effectiveness of Board of Directors

A survey of 15 Directors and Company Auditors was conducted in May 2021 to evaluate the effectiveness of the Board of Directors in FY2020 and for a self-assessment.

Since matters that should be resolved by the Board of Directors are appropriately allocated between those that should be delegated to management and be resolved by the Board of Directors, sufficient time is spent on the deliberation of those matters that should be resolved, and related party conflicts of interest are appropriately managed, the assessment showed that the effectiveness of the decision-making and supervisory functions is ensured. However, it also showed that improvements could be made by enhancing the materials and distributing them in advance, which would lead to more efficient and active discussions.

We will continue to work towards improving the operation of the Board of Directors.

About Large-scale System Failure due to Cyber Attack

Beginning in the early morning of July 7, 2021, the Group's information network experienced a system failure due to a cyber attack that encrypted all or part of most of our servers and some terminals at the same time.

To contain the damage, we immediately shut down all servers and networks both inside and outside the Company, and asked an outside cyber security expert ("external expert") to investigate the cause.

After discovering the incident, we promptly set up a task force, and a response team including the external experts took action. In addition, we reported to relevant bureaus such as the Personal Information Protection Commission, and other regulatory agencies.

We will work on implementing measures to prevent recurrence once we receive an analysis of the cause based on the investigation by external experts.



Company Overview

Head Office	4-8 Kojimachi, Chiyoda-ku, Tokyo 102-0083
Established	September 1896
Capital	¥12.24 billion
Branches	Tokyo, Kanto, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka, Sapporo
Plants	Yokohama, Chiba, Isesaki, Ryugasaki, Ryugasaki Frozen Food, Nagoya, Osaka, Kobe-Konan, Fukuoka, Fukuoka Nanotsu, Otaru
Laboratories	Central Research Laboratory, Research & Development Dept.
Major Group Companies	NIPPUN SHOJI CORPORATION, Matsuya Flour Mills Co., Ltd., NIPPON Donut Co., Ltd., OHMY Co., Ltd., Nippon Rich Co., Ltd., Fast Foods Co., Ltd., OK Food Industry Co., Ltd., NAGANO TOMATO Co., Ltd., NPF Japan Co., Ltd.
Overseas Locations	United States, China, Thailand, Indonesia

Business

Flour Milling Business:	Wheat flour, Wheat bran, Warehousing, Port transportation
Food Business:	Premixes, Corn products, Rice flour, Retail wheat flour, Pasta, Pasta sauces, Whole tomatoes, Olive oil, Flaxseed, Dried noodles, Frozen ingredients, Frozen foods, Nakashoku (ready-made meal) business
Other Businesses:	Health care, Pet care, Biotechnology-related business, Machinery sales, etc.