

Briefing Session on Business Results for the First Half of the Fiscal Year Ending March 31, 2021 (FY2021)

November 18, 2020

Nippon Flour Mills Co., Ltd.

<https://www.nippon.co.jp>

Contents

1

Corporate Message

p. 03

2

Group's Business/Sources of Strengths

p. 07

3

Business Environment and Growth Strategy

p. 18

4

Overview of Business Results for the First Half of FY2021

p. 31



Corporate Message

New President

Toshiya Maezuru

Date of birth: January 7, 1961

Background

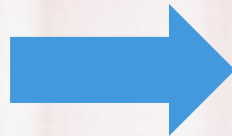
March 1983	Graduated from the University of Tokyo Faculty of Agriculture
April 1983	Joined Nippon Flour Mills Co., Ltd.
May 2000	Director, Pasta Montana, L.L.C.
June 2011	General Manager, Fukuoka Mill of the Company
June 2014	Executive Officer; General Manager, Production & Technology Div.
June 2015	Director; Executive Officer; Vice General Manager, Production& Technology Dept.; General Manager, Production & Technology Div., Production& Technology Dept.
June 2017	Director; Managing Director; General Manager, Production& Technology Dept.; General Manager, Production & Technology Div., Production& Technology Dept.
April 2020	Director; Senior Managing Director; General Manager, Production& Technology Dept.
June 2020	Representative Director, President and Chief Operating Officer (COO) of the Company



Change of the Company Name and Reasons

Until December 31, 2020

**Nippon Flour Mills
Co., Ltd.**



From January 1, 2021

NIPPN CORPORATION

The Company has advanced in step with the development of society during the 124 years since its foundation in 1896. We have been promoting business diversification, from the flour milling business, into food, ready-made meals, and healthcare, including the Group companies. In recent years, reflecting changes in the environment affecting the food business, the Food segment has come to represent a growing share of the Group's sales, expanding to double the sales of the Flour Milling segment. Aiming to grow as a multifaceted food enterprise both in name and reality in a fresh round of development by changing the name that it has used since the foundation, the Company decided to change its company name. The Company will use "NIPPN," which has been used as the Company's pet name, and endeavor to further expand and develop its business as an enterprise with which customers will experience an ever-closer relationship.

Value That NIPPON, a Multifaceted Food Enterprise, Wishes to Deliver and Its Vision

Integration of fundamental technologies and new technologies

NIPPON has been pursuing R&D in diverse fields related to food over many years. Going forward, capitalizing on this long-cultivated expertise, NIPPON will develop new products and technologies and expand business in rapidly growing fields and regions. Eyeing new businesses that are logical extensions of its existing businesses, NIPPON aims to grow as a multifaceted food enterprise.

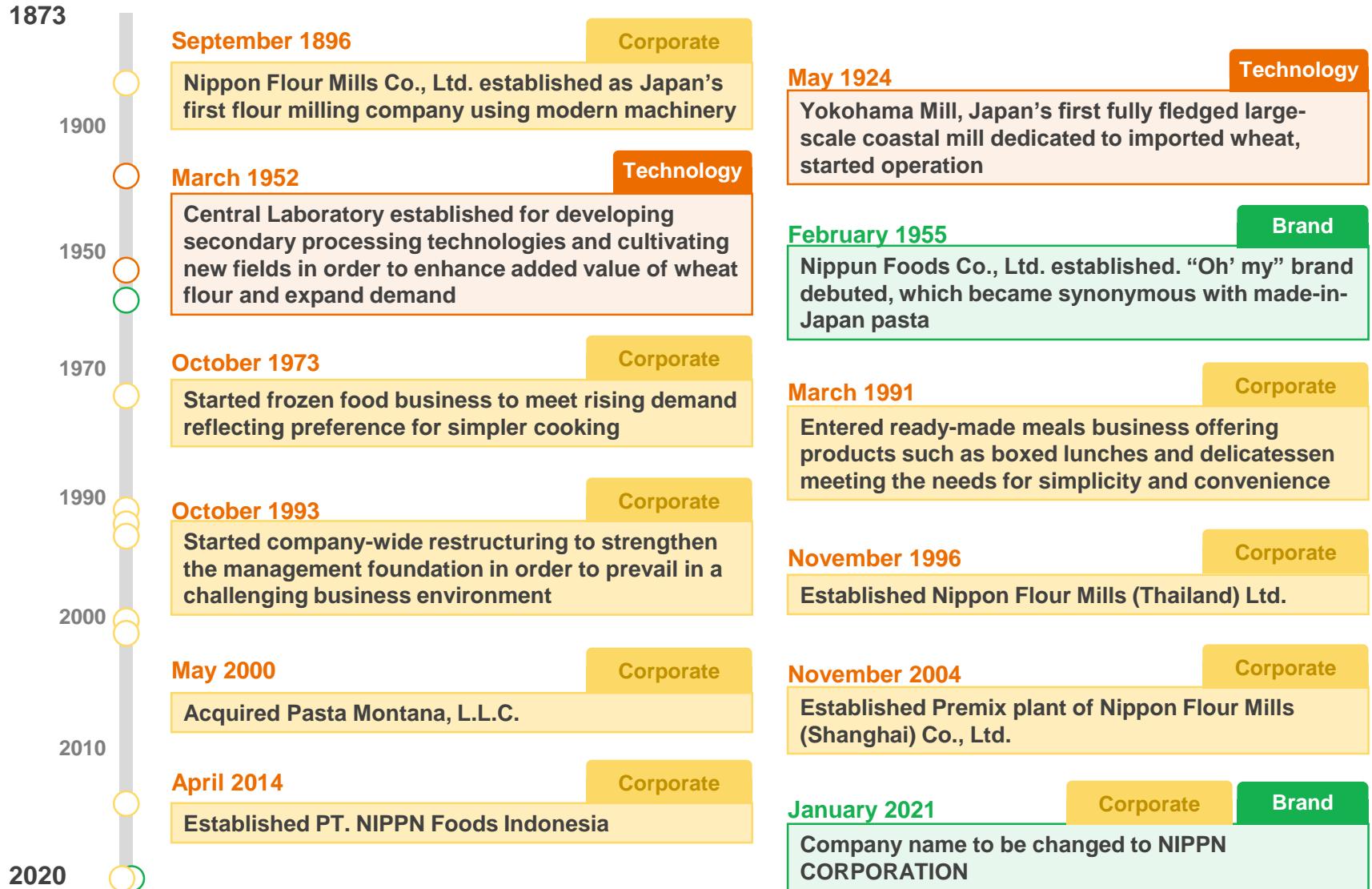
Application of basic technologies and integration with new technologies to expand and diversify business fields



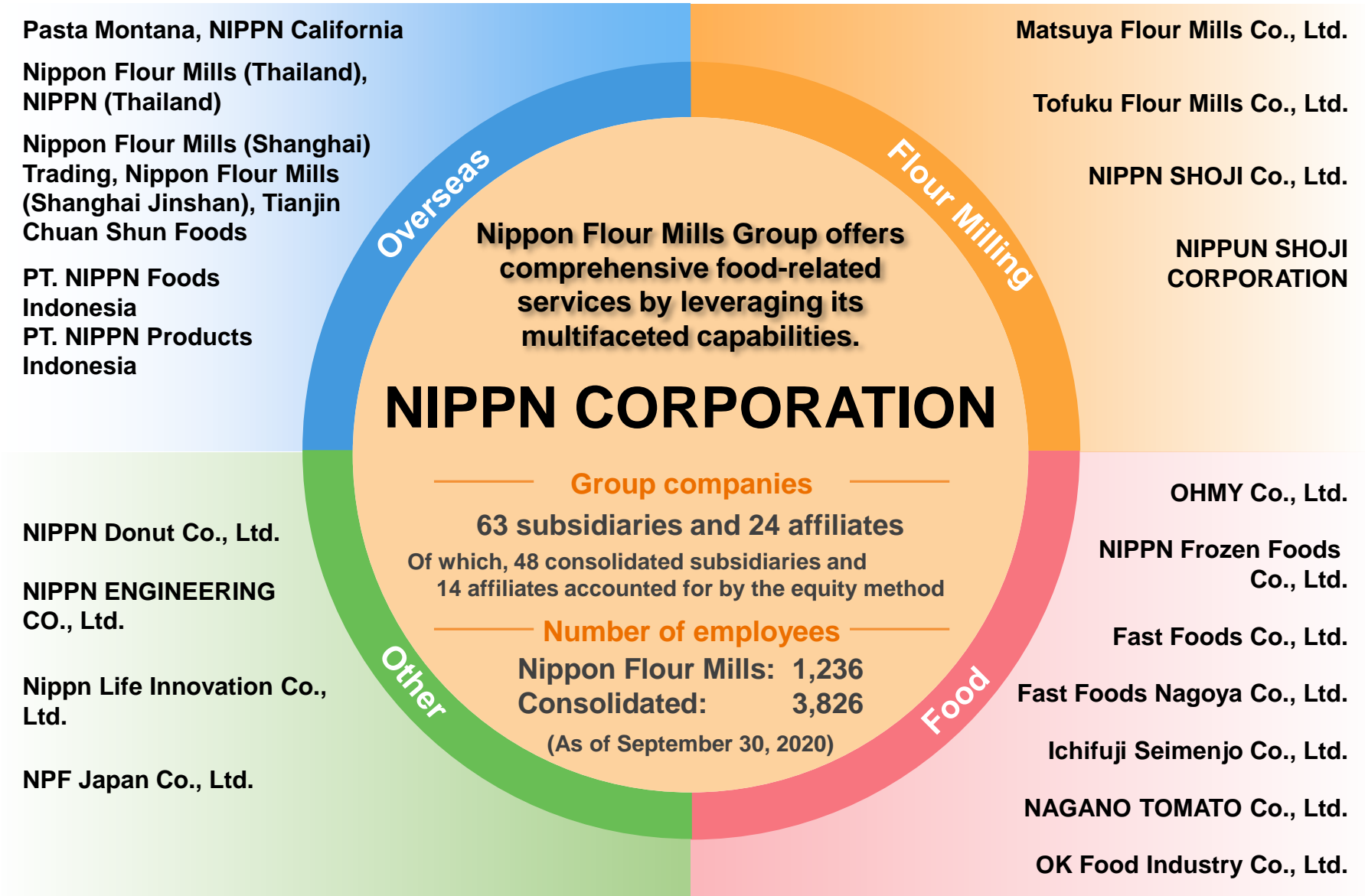


Group's Business/ Sources of Strengths

History of NIPPON



Nippon Flour Mills Group Comprehensive Services



Nippon Flour Mills Group Business Contents

Other

Net sales

¥16,437 million

Component ratio

10.2%

- Health food
- Pet food
- Engineering
- Real estate leasing



Food

Net sales

¥96,584 million

Component ratio

59.8%

- Food ingredients
- Processed food
- Frozen food
- Ready-made meals



Flour Milling

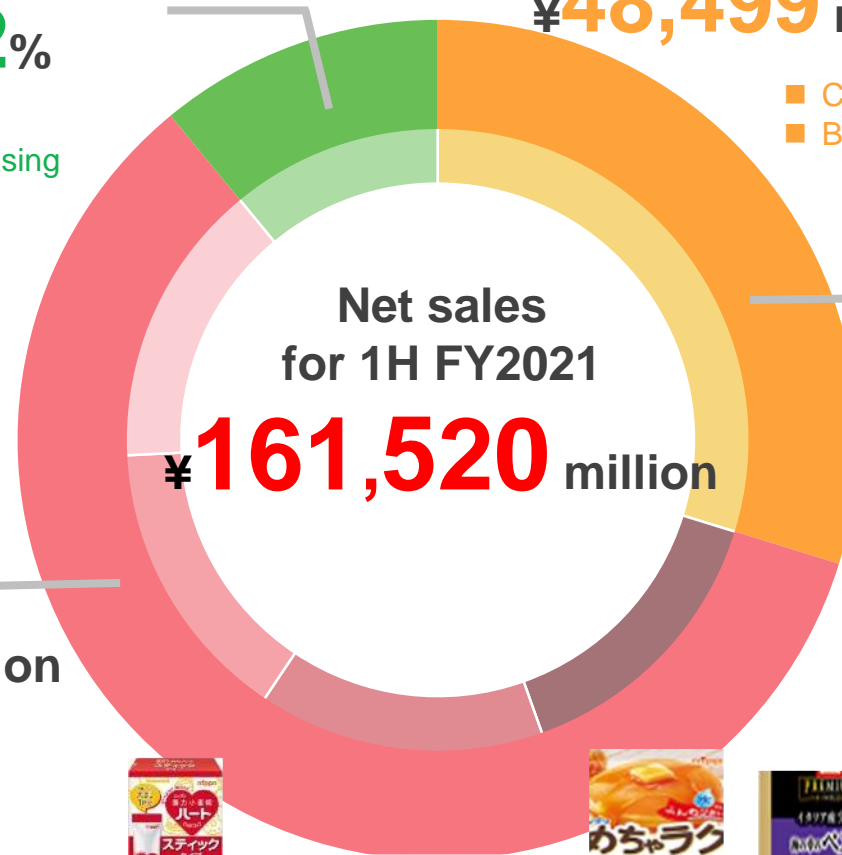
Net sales

¥48,499 million

Component ratio

30.0%

- Commercial-use wheat flour
- Buckwheat flour



Business Contents (1) Flour Milling Business

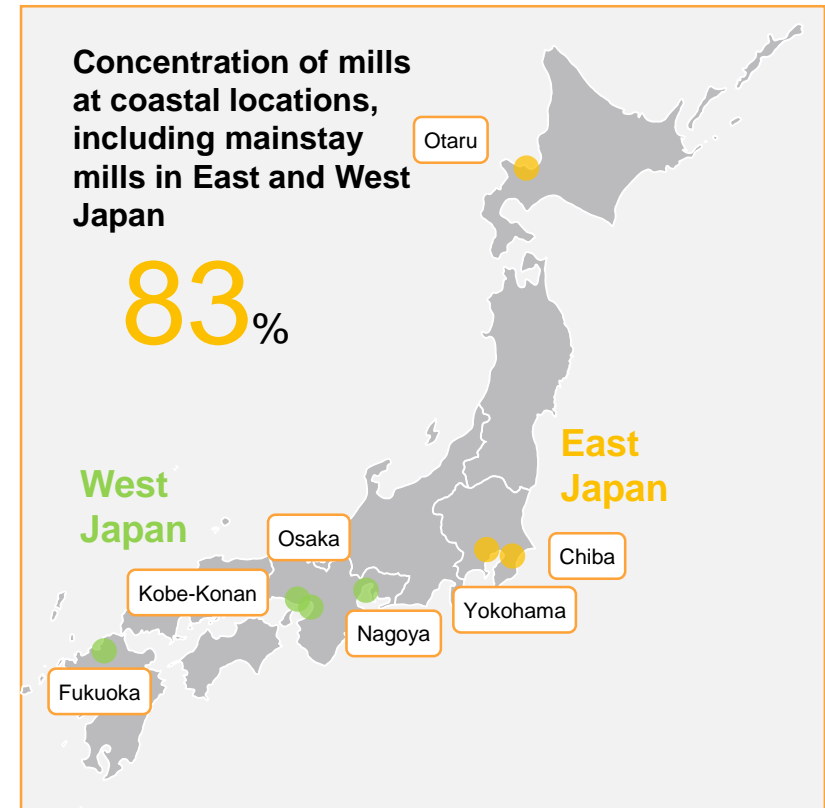


- **Production system of the flour milling business in Japan**

7 mills: Yokohama, Chiba, Nagoya, Osaka, Kobe-Konan, Fukuoka, and Otaru

- **Business characteristics/strengths**

- Capabilities to meet customers' precise needs by capitalizing on long-cultivated expertise
- Production system concentrated at coastal locations, which are advantageous for procurement of raw materials from overseas, in order to ensure stable supply and low cost
- Technologies serving as the foundations of other businesses



Business Contents (2) Premix Business



Cake doughnut premix



Cake premix



Bread premix



Deep fry premix



Tempura premix

Other premix products include steamed bread premix, yeast doughnut premix, snack premix (Western style, Japanese style).

● Premix production system

- 3 production sites in Japan (Ryugasaki, Kobe-Konan, and Fukuoka) and 2 production sites overseas (China and Thailand)
- A new plant is under construction in Indonesia in response to expansion of the international business.

Completion of premix plant at Fukuoka Mill

Date of completion October 21, 2020

Capital investment ¥1.2 billion

Production capacity 9,000 ton/year

■ Business characteristics/strengths

- Sophisticated management of raw materials quality supports product development capabilities
- Cost competitiveness through the pursuit of efficient production systems
- Innovativeness, simplicity, and economy of products achieved by the use of carefully selected raw materials and accumulated knowhow on mixing
- Product development capabilities to help customers in Japan and abroad swiftly resolve issues

Greater demand for premixes at production workplaces

Labor shortage

Fewer skilled workers

Fewer work steps

Maintaining the quality level

Health consciousness, preference for products produced in Japan, orientation toward authenticity

Promotion of workstyle reform

For restaurants and delicatessen

Shorter production hours

Business Contents (3) Processed Food Business

● Pasta supply system

- Supply from 2 production sites in Japan (Atsugi and Kakogawa) and from overseas (Italy and Turkey)
- Stable supply chain has been established in the U.S. for production and sales in the U.S.

■ Business characteristics/strengths

- Sophisticated management of raw materials quality supports product development capabilities
- Cost competitiveness through the pursuit of efficient production systems
- Development of products that will be the customers' choice with the aim of resolving dissatisfaction around the kitchen from customers' viewpoints
- A range of brands that enjoy high popularity among consumers

Pasta Brands

Oh' my



REGALO



NIPPON



Proposals for new wheat flour

STYLE FIT SERIES



Series of wheat flour products attuned to usage scenes

No need to measure, single-use portion

Easier to use wheat flour

Received Food Packaging Award of Japan Packaging Contest 2020 held by the Japan Packaging Institute



Business Contents (4) Frozen Food Business

● Frozen food business production system

- 2 production sites in Japan (Ryugasaki and Isesaki)
- A new plant in Bangkok, Thailand, is scheduled to begin operation within 2020

Expansion of the Second Isesaki Plant

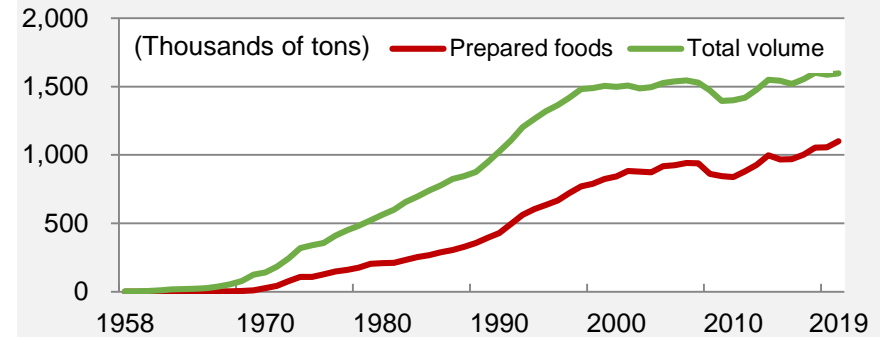
Date of completion	November 9, 2020
Capital investment	¥4.4 billion
Production capacity	42 million meals/year

■ Business characteristics/strengths

- A range of differentiated products for commercial use and for home use in response to customer needs, including plates, delicatessen, prepared dishes for boxed lunches, snacks, desserts, and frozen dough, in addition to frozen pasta and pasta sauces
- Capabilities to develop authentic, high-quality, high-value-added products based on the pursuit of quickness and simplicity
- For home use, continuous cultivation of new genres, taking into consideration not only breakfast, lunch, and dinner, but also any other scenes involving food, based on simplicity

Production volume of frozen food in Japan

Source: Japan Frozen Food Association's website



Pasta Brands



Oh' my Premium



REGALO



Gu-no-Shogeki

NIPPON Brands



Business Contents (5) Ready-made Meals Business

● Ready-made meals business production system

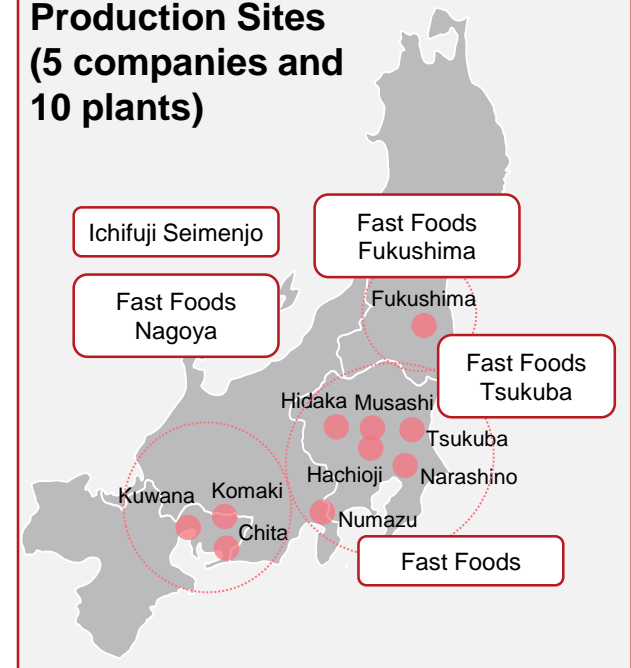
10 plants equipped with cutting-edge facilities and capable of producing products attuned to the needs of the era in view of increasing demand for prepared foods and growth potential of the market

■ Business characteristics/strengths

- Production and quality management systems to ensure safety and peace of mind
- Greater emphasis on the ready-made meals and delicatessen business field, including CVS
Cultivation of new customers other than CVS
Technology to maintain ultrahigh freshness in order to reduce food loss
- 10 production sites in the Tokyo Metropolitan area and the Tokai area
Enhancement of production efficiency through collaboration among plants
- Strengthening of sales of the Group's diverse food products to the ready-made meals market, including CVS
Proposing products that meet new life styles in the COVID-19 era



Production Sites (5 companies and 10 plants)



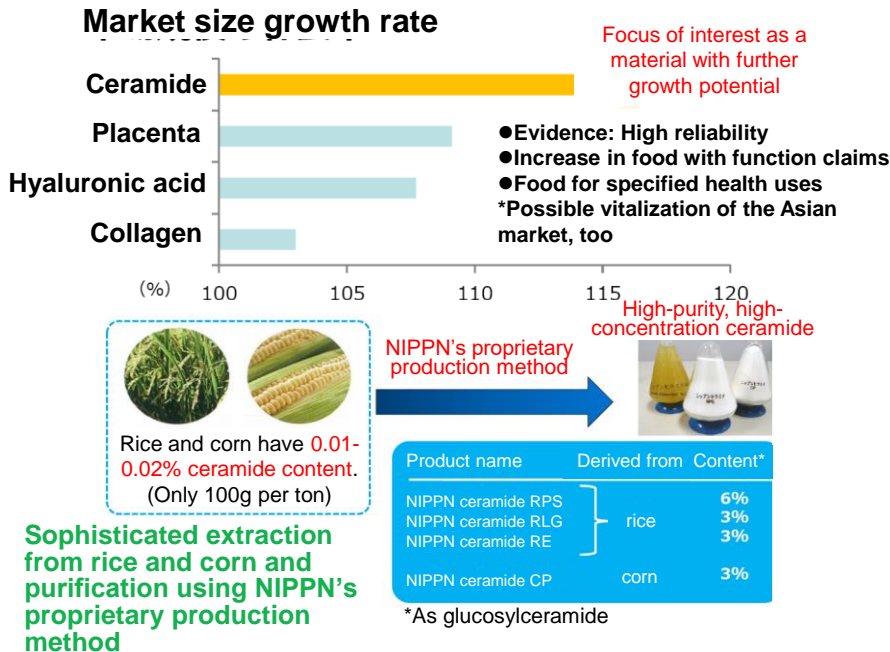
Business Contents (6) Healthcare Business

■ Business characteristics/strengths

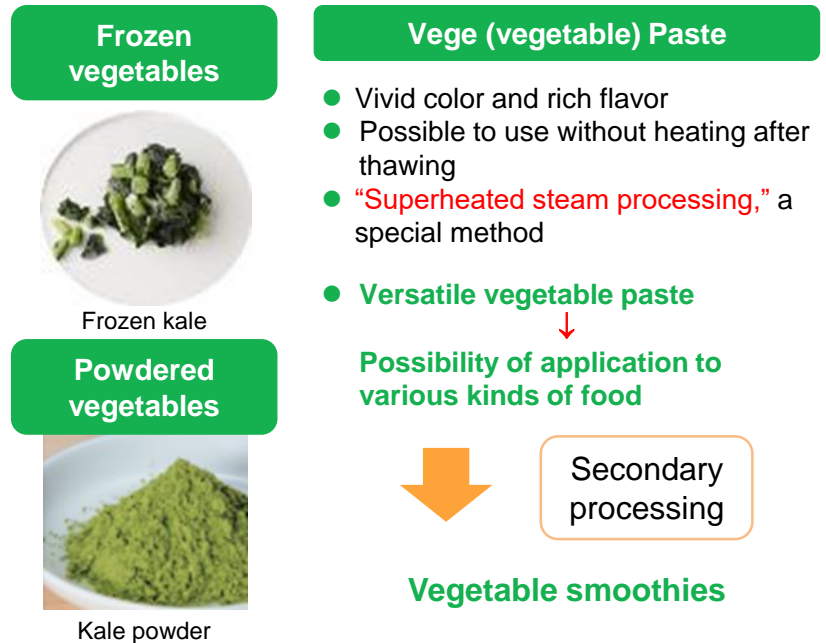
- Product development capabilities capitalizing on technologies cultivated in the food field
- Sales of products that extend healthy life expectancy, such as the flaxseed series (raw material, processed food, health food), ceramide, and maslinic acid; business development for high-added-value vegetable



● Ceramide market and NIPPON's ceramide



● Processing of vegetables for high added value



Application of Fundamental Technology to the Flaxseed Business

■ NIPPN's flaxseed created the market

About 20 years ago, NIPPN began offering healthy sub-ingredients for bread etc. to help keep people healthy through the consumption of foods with good nutritional balance. Through this initiative, NIPPN cultivated a relationship with the Flaxseed Association of Japan and started development of flaxseed products, beginning sales of commercial-use products in 2003 and home-use products in 2005. The market for flaxseed oil, which was virtually unknown in Japan at that time, has grown steadily.

■ 3 characteristics of NIPPN's flaxseed

1. Sourced from specific locations

In pursuit of high-quality flaxseed, NIPPN procures flaxseed only from specific locations. Flaxseed oil is sourced from Canada and roasted flaxseed from New Zealand.

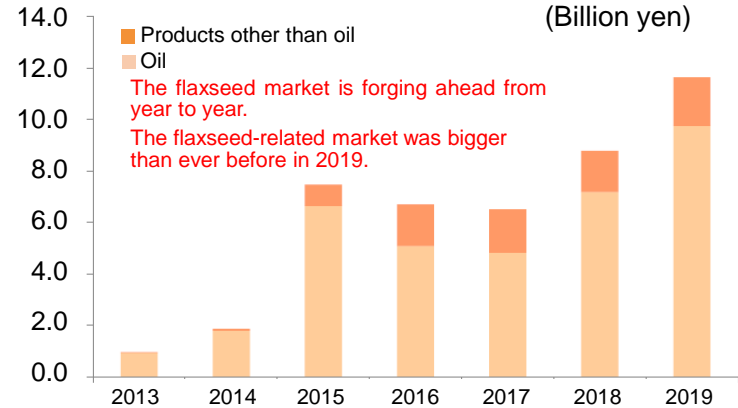
2. Use of golden flaxseed only

There are two varieties of flaxseed: brown flaxseed and golden flaxseed developed for human consumption, which accounts for only 5% of flaxseed production. NIPPN's flaxseed products are produced using only golden flaxseed cultivated by contracted farmers.

3. Products certified by the Flaxseed Association of Japan

The Association assesses products that satisfy certain criteria and permits use of the certification mark only for products judged to satisfy all the criteria.

Flaxseed oil and related products: market size (Billion yen)



Source: Macromill QPR, January to December, 2012-2017

The flaxseed market is forging ahead from year to year.
The flaxseed-related market was bigger than ever before in 2019.

■ Product development unique to NIPPN

Salad dressings using flaxseed oil are examples of products unique to NIPPN. Our ability to develop such products reflects the fact that our core business is not oil refining.

Unconstrained by conventional wisdom, we applied food technologies and earned consumers' support.



Certification criteria of the Flaxseed Association of Japan

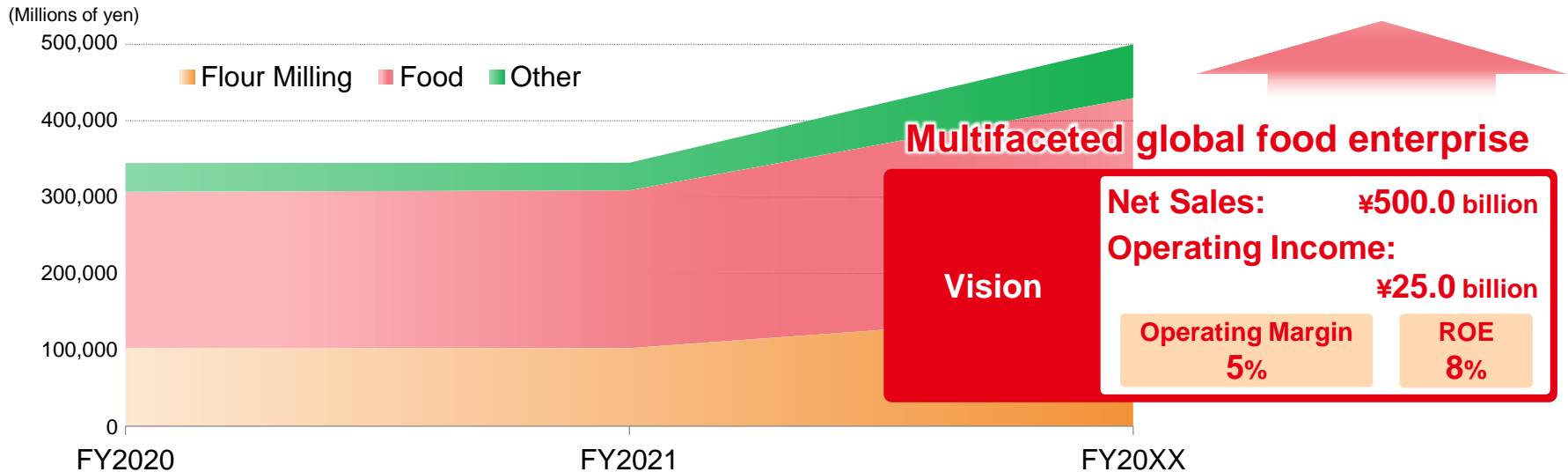
- Not genetically modified
- Passed the pesticide residue test
- Contains useful components in amounts exceeding certain levels



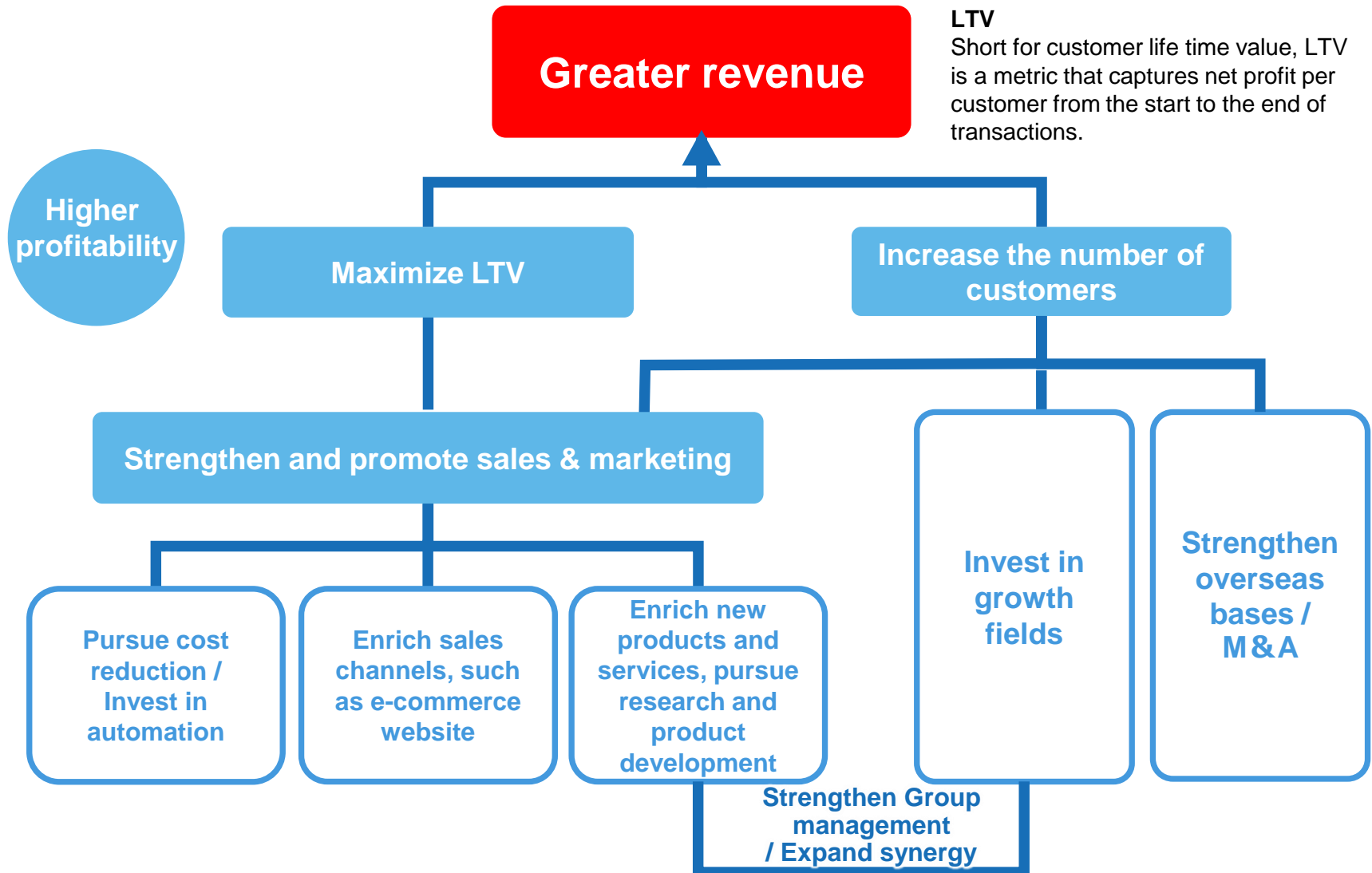
Business Environment and Growth Strategy

Initiatives and Measures to Achieve Sustainable Growth

Growth strategies to enhance competitiveness and earnings power



Initiatives and Measures to Achieve Sustainable Growth

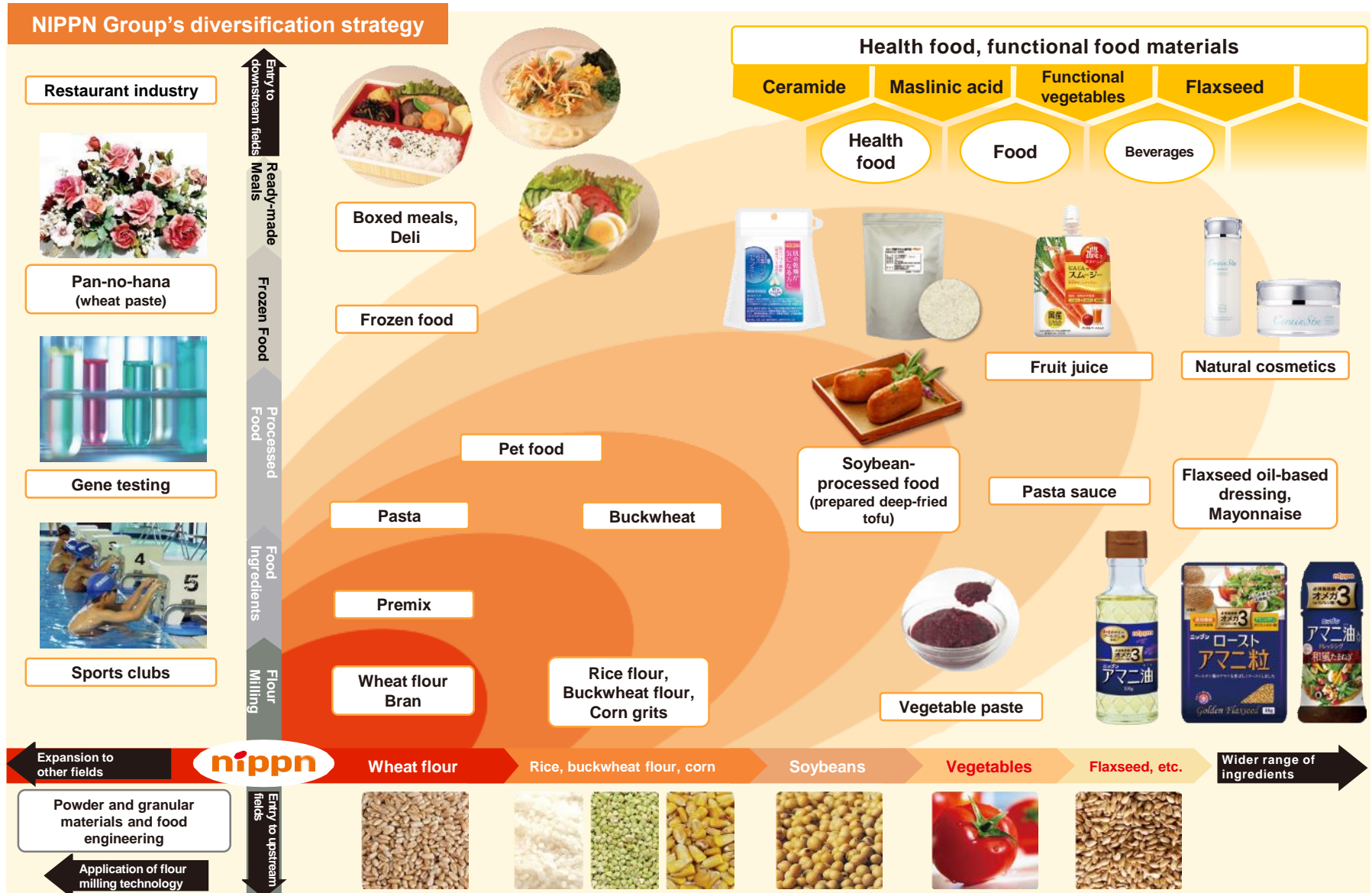


Initiatives for Sustainable Growth

Businesses to be expanded in response to changes in lifestyles



Orientation of Business Diversification



Expansion of International Business

New business development in the rapidly growing Asia region and the North American market

- **Nippon Flour Mills (Shanghai Jinshan) Co., Ltd.** Construction of a premix plant (Completed in Oct. 2018.)
- **NIPPN (Thailand) Co., Ltd.** Construction of an additional line for premix (Completed in Oct. 2018.)
- **NIPPN (Thailand) Co., Ltd.** Construction of a new frozen dough production plant (Completed in Oct. 2020.)
- **PT. NIPPN Products Indonesia** Construction of a new premix plant (Scheduled to be completed in FY2022.)

Nippon Flour Mills (Shanghai) Trading Co., Ltd.

Nippon Flour Mills (Shanghai Jinshan) Co., Ltd.

Tianjin Chuan Shun Foods Co., Ltd.

Asia region

Strengthen facilities for premix production and sales in Thailand, China, and Indonesia

Nippon Flour Mills (Thailand) Ltd.

NIPPN (Thailand) Co., Ltd.

PT. NIPPN Foods Indonesia

PT. NIPPN Products Indonesia

Japan

Expand and develop business in overseas markets by capitalizing on technologies and knowhow cultivated in Japan

NIPPN California Inc.

Pasta Montana, L.L.C.

North America

Develop business centering on premix sales
Manufacture and sale of pasta

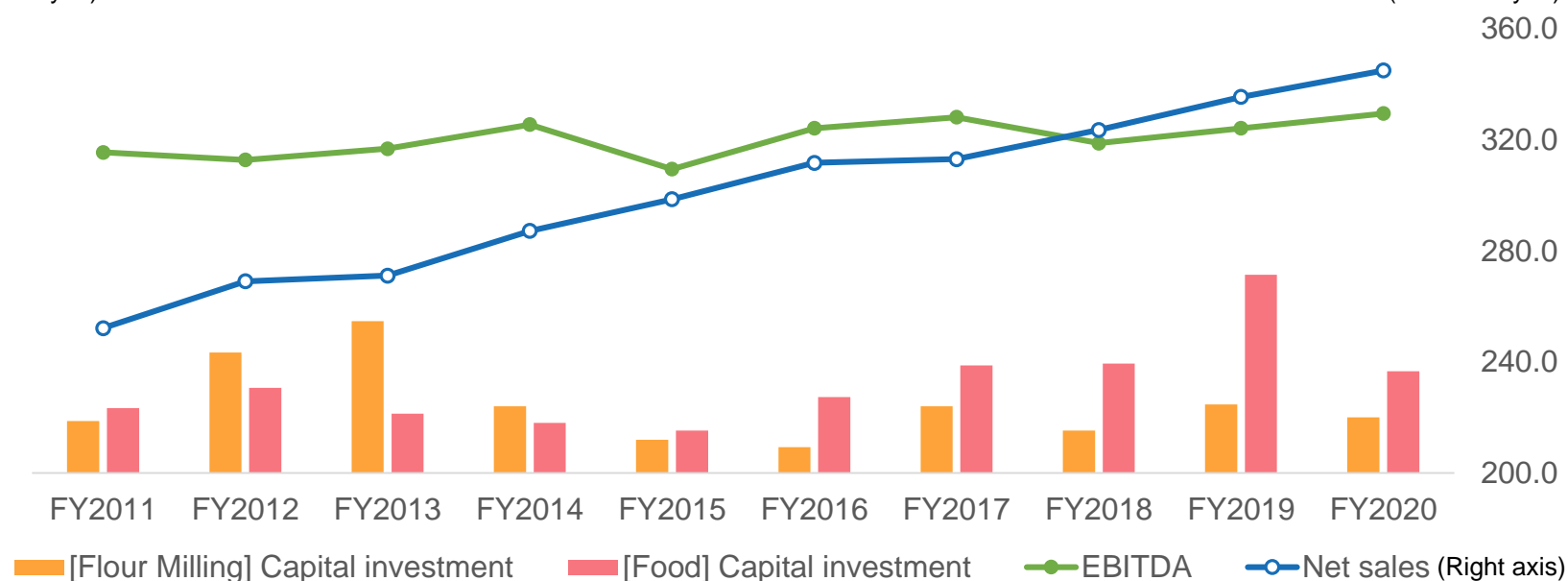
Strengthen Earnings Power through Vigorous Capital Investment

(Billions of yen)	Capital investment [Flour Milling]	Capital investment [Food]		Depreciation [Flour Milling]	Depreciation [Food]	Net sales	EBITDA
FY2018	2.3	5.9		3.0	3.5	323.4	17.8
FY2019	3.7	10.7		2.8	3.3	335.3	18.6
FY2020	3.0	5.5		2.9	3.9	344.8	19.4

● Capital investment and net sales

(Billions of yen)

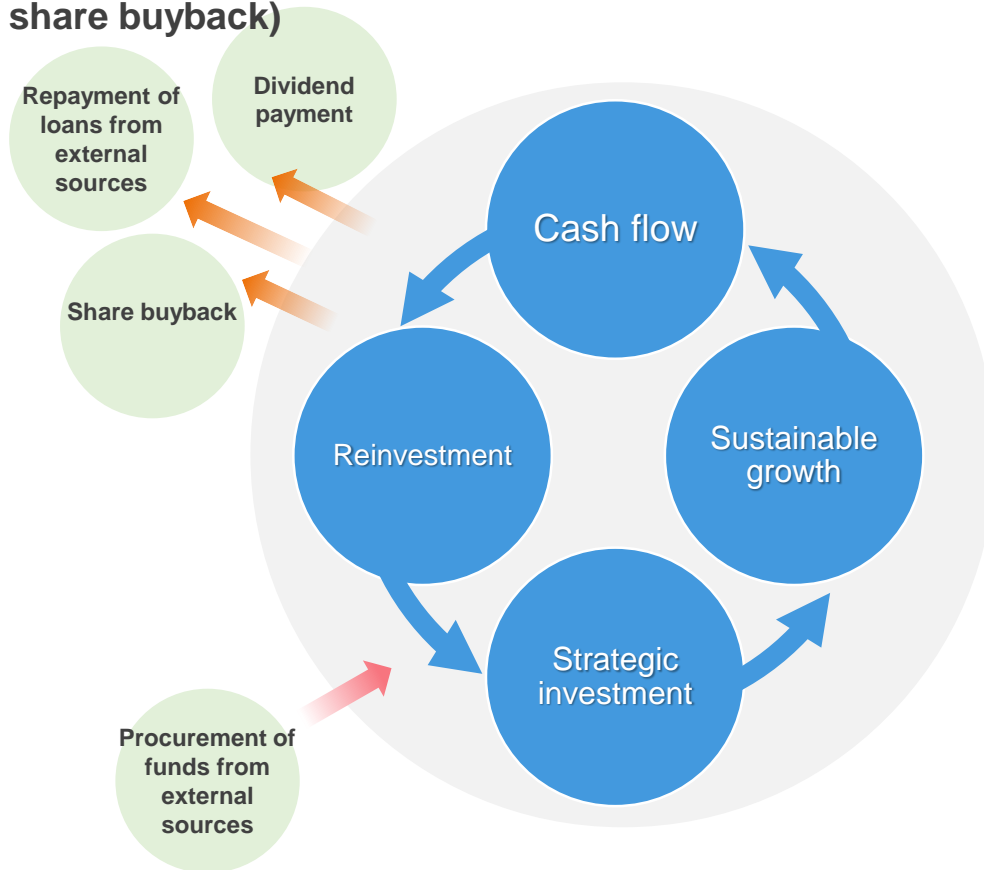
(Billions of yen)



Financial Strategy and KPIs

Basic policies

- Optimally allocate stable CF from operations through sustainable growth and strategic investment
- Realize the optimum capital structure by enhancing asset efficiency to maintain/improve ratings
- Establish a financial position enabling continuous return of profit to shareholders (including share buyback)



Key performance indicators

Operating Margin

5%

ROE

8%

ROA

4%

<Reference>

As of September 30, 2020

Number of shares outstanding

78,820,000 shares

(Number of treasury shares

1,940,000 shares)

Adapt to Changes in Business Environment

Restructuring of business during the COVID-19 pandemic

Seek open innovation solutions for social issues that have emerged

Social issues that have emerged during the COVID-19 pandemic	Created business opportunities	
	Strategic orientation	Specific measures
Lack of exercise because of teleworking	Expand the healthcare field	Promote product development responding to rising demand for health products in general and products focused on functionality and to interest in plant-based meat substitutes
Dramatic change in work styles	Support diversification of work styles	New sales strategy responding to the trend toward eating at home and use of ready-made meals, which is expected to accelerate, and strong growth in mobile orders, home delivery, and e-commerce
Cessation of operations involving physical human contact	Accelerate use of IT in business processes	Enhance operational efficiency and achieve low-cost operation by accelerating replacement of traditional business processes, such as those requiring use of a seal, and simple tasks with IT in order to avoid physical human contact
Cessation of production because of supply chain interruption	Promote the smart factory	Promote the shift to IoT-enabled smart factories, such as fully automated production lines
Diversification of means of procurement of products and services	Shift channels	Roll out products attuned to the shift from “real” to e-commerce and online services for obtaining and enjoying products and services for everyday life without going out
Issues that have emerged as a result of changes in the business environment	Created business opportunities	
	Strategic orientation	Specific measures
Decline in sales of mainstay businesses	Diversify revenue sources	Consider modifying the business portfolio in order to enable offsetting by other businesses in the case of poor performance of mainstay businesses
Change in the degree of customer satisfaction	Strengthen development capabilities/brand power	Consumers' expectations of products offering higher added value, going beyond preservability and convenience, amid soaring consumption of frozen food and ready-made meals for eating alone

Response to COVID-19

The Group's response to the spread of COVID-19 so far

The Group established the COVID-19 Countermeasure Headquarters on January 30, 2020. (Holding of periodic meetings to grasp the situation. Swift provision of instructions and communication of concrete countermeasures)



Initiatives

- Exercise meticulous care in execution of routine business processes, including thorough communication to avoid the 3Cs (closed spaces, crowded places, and close-contact settings), in an effort to prevent infection of customers and employees and to secure a safe working environment
- Continue production at all production sites in Japan and abroad in order to ensure stable supply of food as a social responsibility
- Maintain a system for business continuity while embracing new work styles, such as promotion of teleworking
- Provide food and continuous support to healthcare professionals as part of NIPPON's contribution to local communities

Underpinning NIPPON's Business (NIPPON's CSR)

Basic Policy on CSR

NIPPON Group's corporate philosophy

As a multifaceted food enterprise, the NIPPON Group strives to gain trust from customers and continue to grow in strength and to offer competitive products and services of superior quality, thereby contributing to society.

Resolution of social issues

Recognition of CSR as an important management issue

Creation of new customer value through business activities

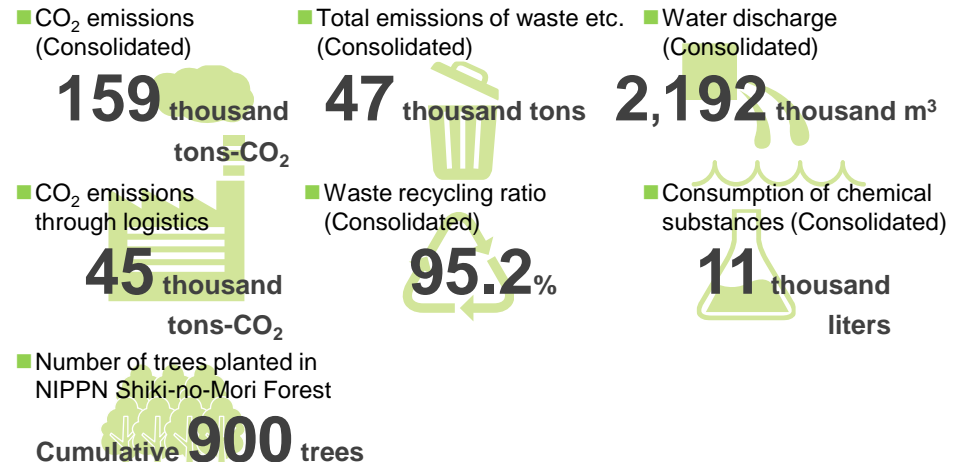
NIPPON Group's CSR

To contribute to sustainable development of society at large through provision of high value to principal stakeholders (customers, suppliers, shareholders and investors, employees, the global environment, and local communities)

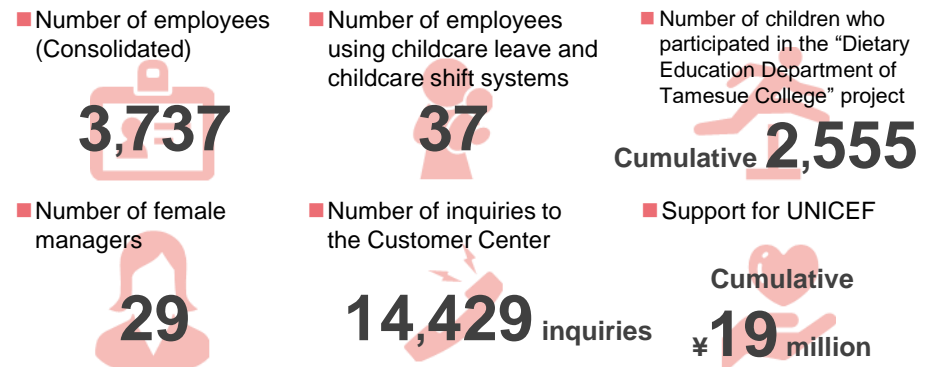
To deepen mutual understanding through communication: disclosure and briefings on the Group's activities

Non-financial highlights

Environment



Social



Fiscal year covered: Fiscal 2020 (unless otherwise specified)
Scope: NIPPON on a non-consolidated basis (unless specified as "Consolidated")

Underpinning NIPPN's Business (NIPPN's CSR)

Environment

Environmental protection initiatives

→ Reduction of packaging materials and development of environmentally conscious products

Switching from plastic containers to containers made of PEFC-certified paper



Containers for Oh' my Premium (frozen pasta) products have been switched to paper trays with PEFC certification, which indicates products made from timber procured from appropriately managed forests, to reduce use of plastic containers.



Adoption of paper packaging for home-use wheat flour

Environmentally conscious packaging material gentle on the Earth

- Approx. 40% reduction in plastic use
- Sealing performance with a multilayered structure of paper and films on a par with the previous packaging
- Use of aqueous ink made from plant-based raw materials

Use of eco-paper trays as part of countermeasures for marine plastic waste

Molded pulp containers



Patent pending

Eco-paper trays made from environmentally friendly unbleached wood pulp are used for Yokubari Gozen and Yokubari Plate series (frozen food).



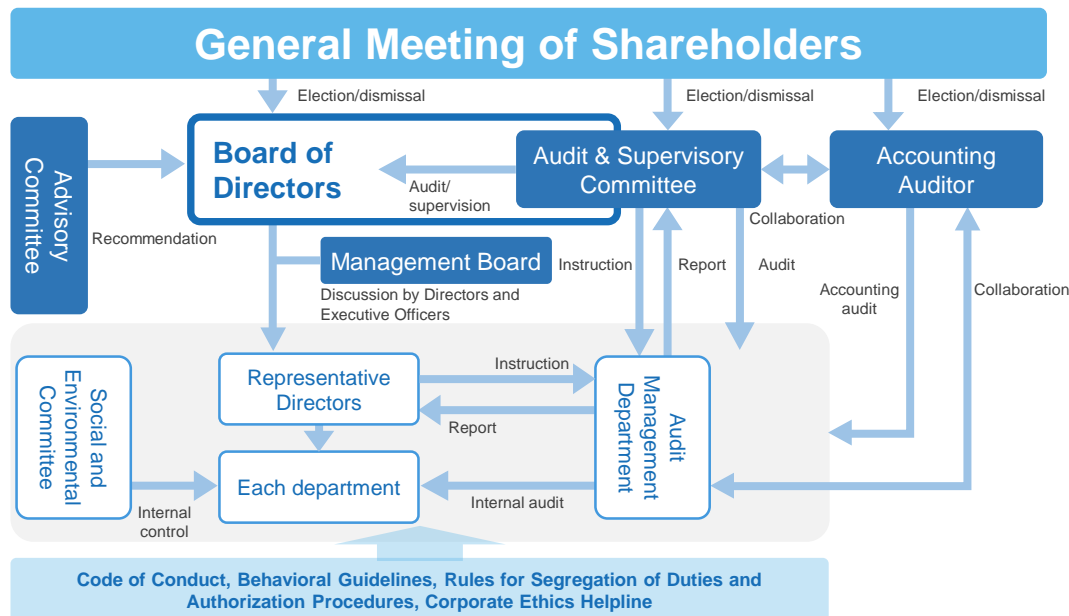
Received the Minister of Agriculture, Forestry and Fisheries Award in the Environment Category of the Food Industry Excellent Enterprise Commendation

Underpinning NIPPN's Business (Corporate Governance System)

Basic Policy on Corporate Governance

As a food producer, NIPPN accords the highest priority to ensuring safety and security of food. NIPPN's corporate philosophy emphasizes gaining trust of customers through stable supply of tasty, functional products, thereby contributing to society. Based on this corporate philosophy, NIPPN recognizes that establishing corporate governance worthy of stakeholders' trust is an important management issue and is working to improve the management foundation for that purpose.

Transition to a company with audit & supervisory committee



Non-financial highlights

Governance

■ Number of Directors
(As of October 2020)



(Of whom)

Number of Outside Directors 5
Number of female Directors 1
Ratio of female Directors 7%

■ Attendance rate at Board of Directors' meetings

98%

Outside Directors 100%
Outside Auditors 100%

■ Attendance rate at Board of Auditors' meetings

100%

*Transitioned to a company with audit & supervisory committee in June 2020

■ Number of Board of Directors' meetings held

17 times

■ Number of Board of Auditors' meetings held

12 times

*Transitioned to a company with audit & supervisory committee in June 2020

■ Number of cases of whistleblowing

0 case

Fiscal year covered: Fiscal 2020 (unless otherwise specified)
Scope: NIPPN on a non-consolidated basis (unless specified as "Consolidated")



Overview of Business Results for the First Half of FY2021

Statements of Income

- Net sales decreased owing to the spread of COVID-19.
- Operating income, ordinary income, and profit attributable to owners of parent decreased, too.

(Millions of yen)		1H FY2020		1H FY2021		YoY	
		Result	vs. net sales	Result	vs. net sales	Change	Change (%)
Net sales	Flour Milling	51,566	29.9%	48,499	30.0%	(3,066)	(5.9)%
	Food	102,683	59.6%	96,584	59.8%	(6,098)	(5.9)%
	Other	18,004	10.5%	16,437	10.2%	(1,567)	(8.7)%
	Total	172,253	100.0%	161,520	100.0%	(10,732)	(6.2)%
Operating income	Flour Milling	2,609	5.1%	2,196	4.5%	(413)	(15.8)%
	Food	2,535	2.5%	2,036	2.1%	(498)	(19.7)%
	Other	162	0.9%	(50)	(0.3)%	(214)	—
	Total	5,308	3.1%	4,182	2.6%	(1,125)	(21.2)%
Ordinary income		6,057	3.5%	5,136	3.2%	(920)	(15.2)%
Profit attributable to owners of parent		4,049	2.4%	3,532	2.2%	(517)	(12.8)%

COVID-19 Impact on Business Results/Forecast

»» Overview of the first half of the current fiscal year

- Although demand for commercial-use products gradually recovered from month to month, their sales decreased greatly because consumers refrained from going out and restaurants refrained from operation.
- Sales of products for CVS, such as ready-made meals and delicatessen, were also lackluster because of a decrease in the number of consumers purchasing at CVS, reflecting an increase in working from home in addition to refraining from going out.
- On the other hand, sales of home-use products greatly increased because they fit consumer needs, reflecting the shift to eating at home and demand for products for consumption at home.

»» Forecast for the current fiscal year

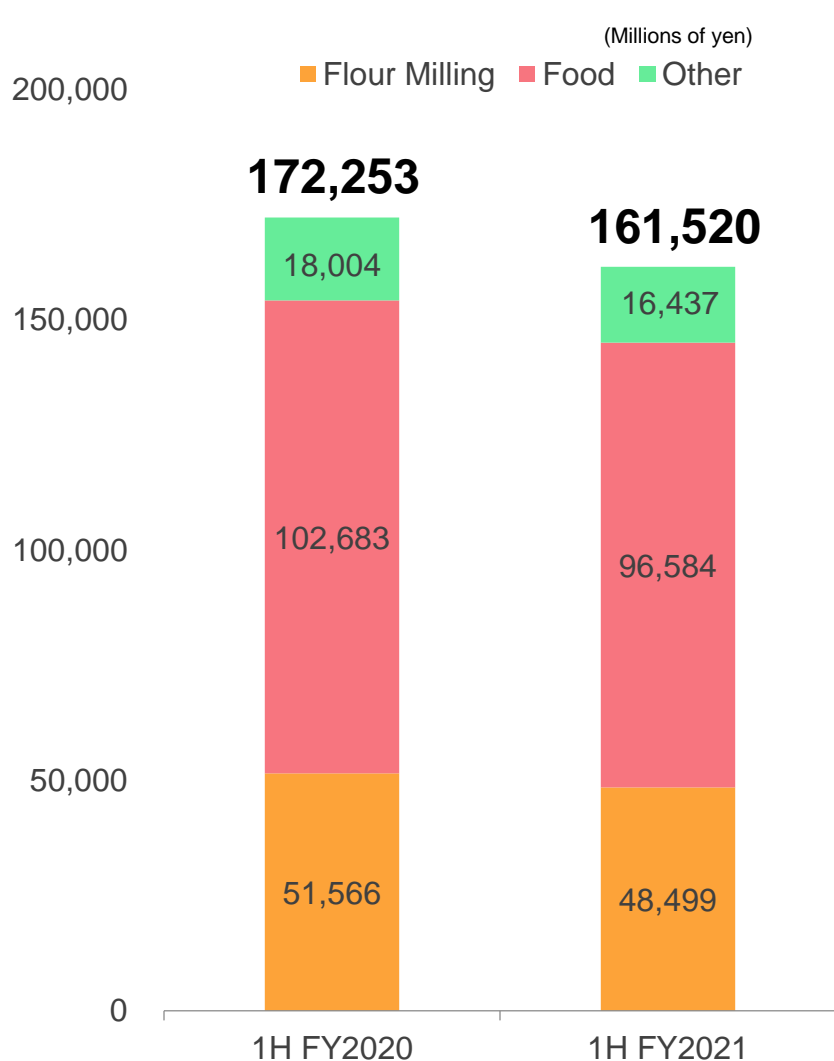
- The impact of the COVID-19 pandemic is lasting longer than expected and the market prospects are likely to remain uncertain until at least the end of the current fiscal year. We forecast that it will take considerable time for the world economy and the Japanese economy to shift to a recovery track and that recovery of demand for eating out and inbound demand will be moderate.
- Demand for commercial-use products and ready-made meals and delicatessen is expected to recover gradually, although it is not expected to return to the pre-pandemic level.
- Demand for home-use products is expected to stabilize in the second half. However, as new life styles gradually take hold, demand for frozen food offering simplicity and convenience is expected to remain robust.

COVID-19 Impact on Business Results

(Billions of yen)	1H FY2021		Overview of the impact
	Net sales	Operating income	
Flour Milling	(0.9)	(0.5)	Decrease in shipment of wheat flour and fluctuation in sales composition
Food	(6.5)	(0.6)	<p>Demand for commercial-use premix, dry pasta, and frozen food decreased greatly because of sluggish demand from restaurants and CVS, which were affected by consumers refraining from going out and voluntary closure of restaurants.</p> <p>Demand for home-use dry pasta and frozen food increased because of the shift to eating at home in line with the trend toward consumption at home and consumer psychology predisposed to stocking up.</p> <p>Regarding ready-made meals and delicatessen products, Group companies were adversely affected by sluggish demand for ready-made meals at CVS in urban areas and in business districts.</p>
Other	(1.8)	(0.4)	Catering-related sales were weak because of sluggish demand due to voluntary closure and shorter opening hours of restaurants. Sales of healthcare-related products were also lackluster.
Total	(9.2)	(1.5)	

Analysis of Factors for Changes in Net Sales

■ Factors for changes in net sales (overall decrease of ¥10,732 million [(6.2)%])

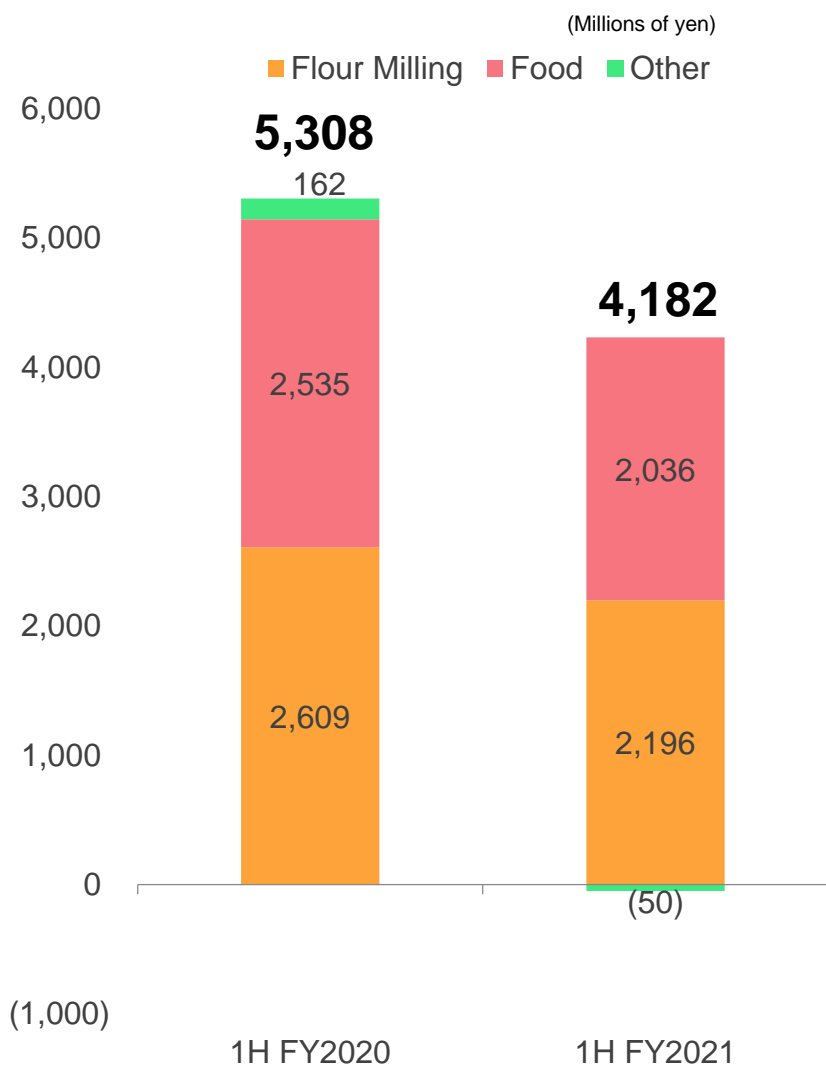


(Millions of yen)	
Flour Milling	(3,066) [(5.9)%]
Decrease in the volume of wheat flour sales	(600)
Impact of wheat flour price revision	(2,400)
Warehouses etc.	(100)
[Of which COVID-19 impact]	(900)]
Food	(6,098) [(5.9)%]
Decrease in premix sales	(1,200)
Increase in processed food sales	400
Increase in frozen food sales	1,900
Decrease in ready-made meals sales	(4,000)
Increase/decrease in other food sales	(3,200)
[Of which COVID-19 impact]	(6,500)]
Other	(1,567) [(8.7)%]
Decrease in engineering-related sales	(700)
Decrease in restaurant-related sales	(300)
Increase in revenue from the real estate leasing business	300
Increase/decrease in sales of health food etc.	(800)
[Of which COVID-19 impact]	(1,800)]

*The impact of the COVID-19 pandemic on consolidated net sales is expected to total approximately minus 9,200 million yen.

Analysis of Factors for Changes in Operating Income

■ Factors for changes in operating income (overall decrease of ¥1,125 million [(21.2)%])



(Millions of yen)

Flour Milling	(413) [(15.8)%]
Decrease in the volume of wheat flour sales	(100)
Cost-related	(200)
Warehouses etc.	(100)
[Of which COVID-19 impact]	(500)]

Food	(498) [(19.7)%]
Increase/decrease in sales volume	(500)
Cost-related and other factors	0
[Of which COVID-19 impact]	(600)]

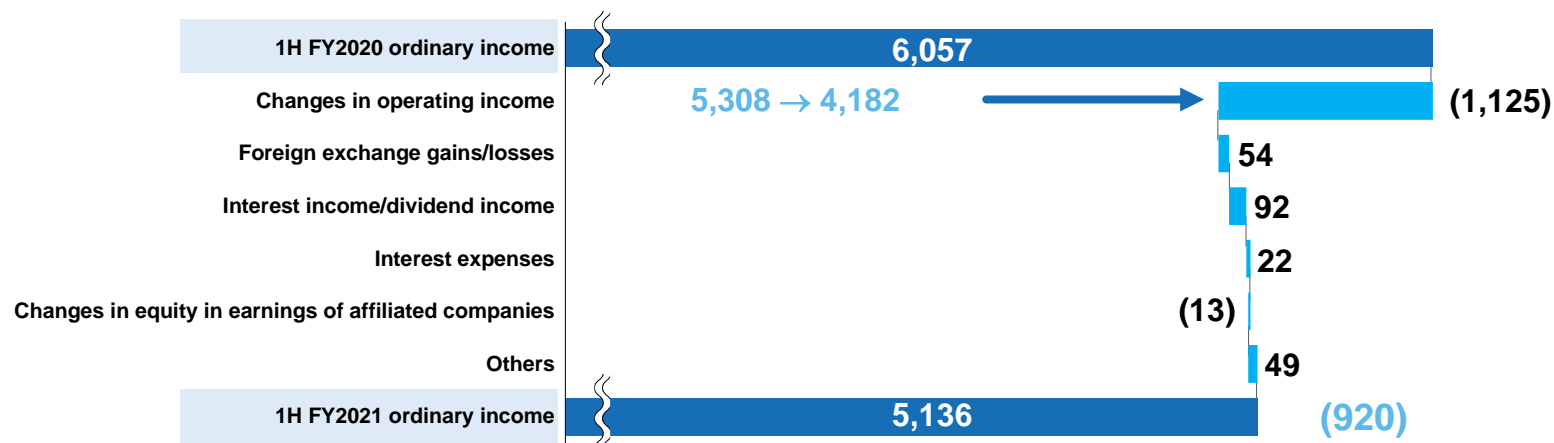
Other	(214) [—%]
Increase in revenue from the real estate leasing business	200
Health food etc.	(400)
[Of which COVID-19 impact]	(400)]

*The impact of the COVID-19 pandemic on consolidated operating income is expected to total approximately minus 1,500 million yen.

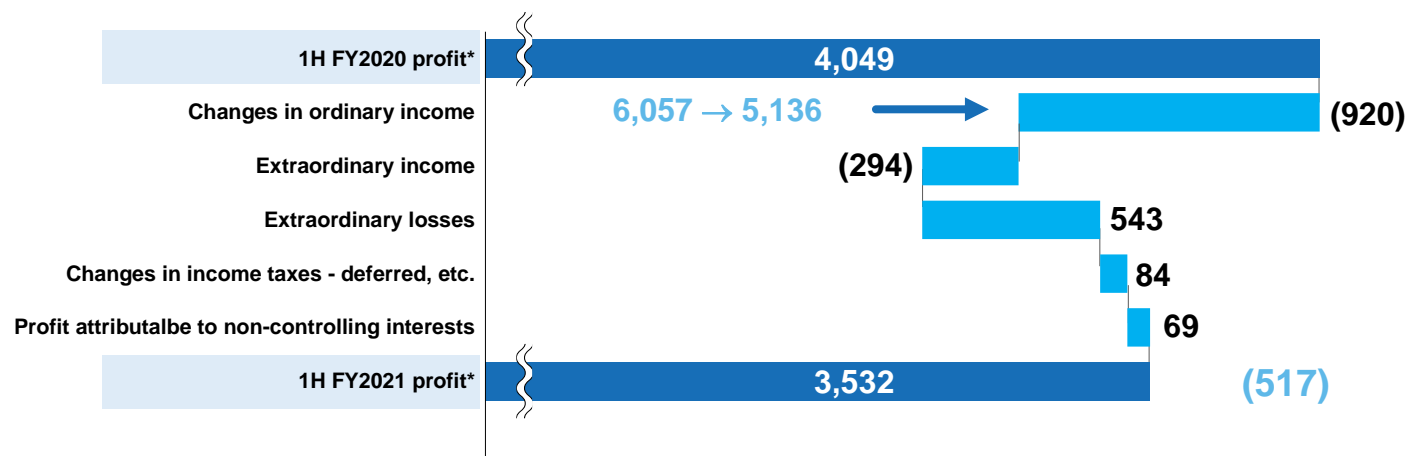
Analysis of Factors for Changes in Ordinary Income / Profit*

■ Factors for changes in ordinary income [(15.2)%]

(Millions of yen)



■ Factors for changes in profit* [(12.8)%]



* Profit attributable to owners of parent

Statements of Cash Flows

(Millions of yen)	1H FY2020	1H FY2021	Change
Operating activities	4,656	6,473	1,817
Investing activities	(4,684)	(7,264)	(2,580)
Financing activities	(533)	(5,773)	(5,239)
Effect of exchange rate change on cash and cash equivalents	20	(124)	(144)
Net increase (decrease) in cash and cash equivalents	(541)	(6,688)	(6,146)
Cash and cash equivalents at beginning of period	30,085	31,012	927
Increase in cash and cash equivalents from newly consolidated subsidiary	171	—	(171)
Cash and cash equivalents at end of period	29,715	24,324	(5,391)

- Major factors contributing to changes in cash flows from operating activities
= Increase in inventories, decrease in notes and accounts payable - trade, etc.
- Major factors contributing to changes in cash flows from investing activities
= Sales of investment securities, purchase of fixed assets, etc.
- Major factors contributing to changes in cash flows from financing activities
= Proceeds from loans payable and redemption of bonds, etc.

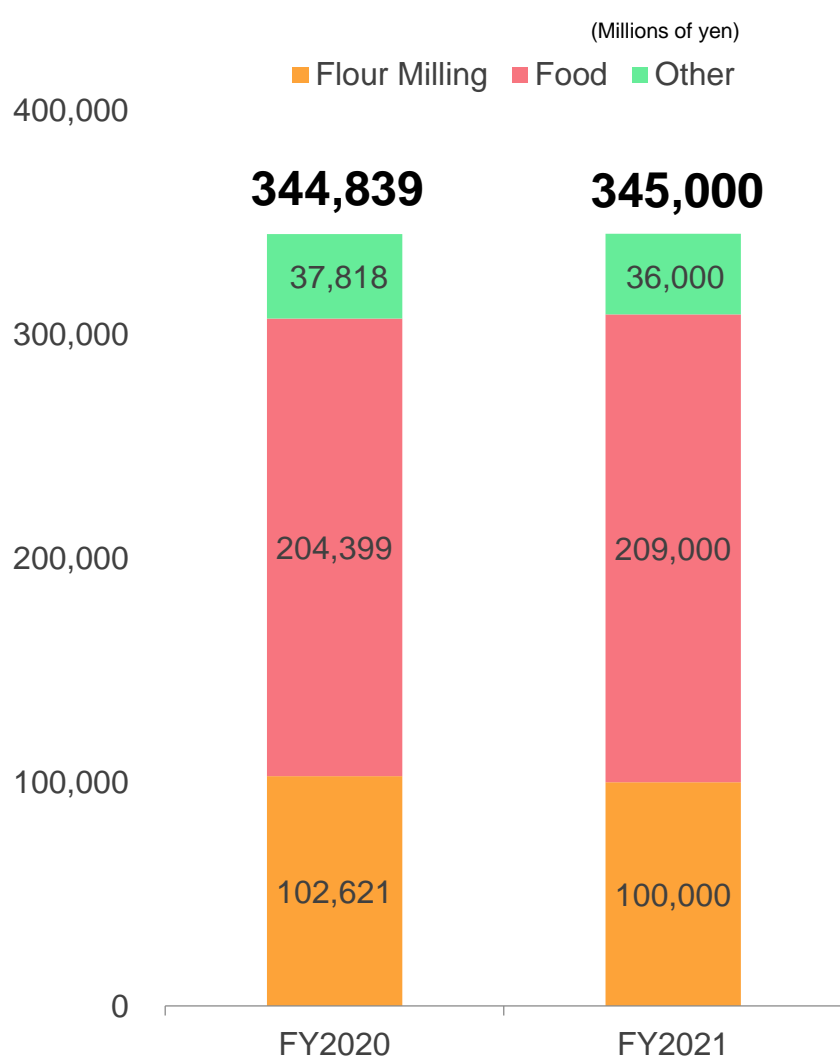
FY2021 Performance Forecast

- Although the Company's financial results for the first half of the fiscal year ending March 31, 2021 exceeded the initial forecasts, the Company has left the forecasts of consolidated business results for the full year of fiscal 2021 unchanged because the impact of the COVID-19 pandemic is lasting longer than expected and the prospects of the food market and consumer behavior are likely to remain uncertain until at least the end of the current fiscal year.

		FY2020		FY2021		YoY	
(Millions of yen)		Result	vs. net sales	Forecast	vs. net sales	Change	Change (%)
Net sales	Flour Milling	102,621	29.8%	100,000	29.0%	(2,621)	(2.6)%
	Food	204,399	59.3%	209,000	60.6%	4,601	2.3%
	Other	37,818	11.0%	36,000	10.4%	(1,818)	(4.8)%
	Total	344,839	100.0%	345,000	100.0%	161	0.0%
Operating income	Flour Milling	5,657	5.5%	5,400	5.4%	(257)	(4.5)%
	Food	4,865	2.4%	3,300	1.6%	(1,565)	(32.2)%
	Other	578	1.5%	300	0.8%	(278)	(48.1)%
	Total	11,101	3.2%	9,000	2.6%	(2,101)	(18.9)%
Ordinary income		12,740	3.7%	10,500	3.0%	(2,240)	(17.6)%
Profit attributable to owners of parent		8,941	2.6%	7,000	2.0%	(1,941)	(21.7)%

Analysis of Factors for Changes in Net Sales Forecasts

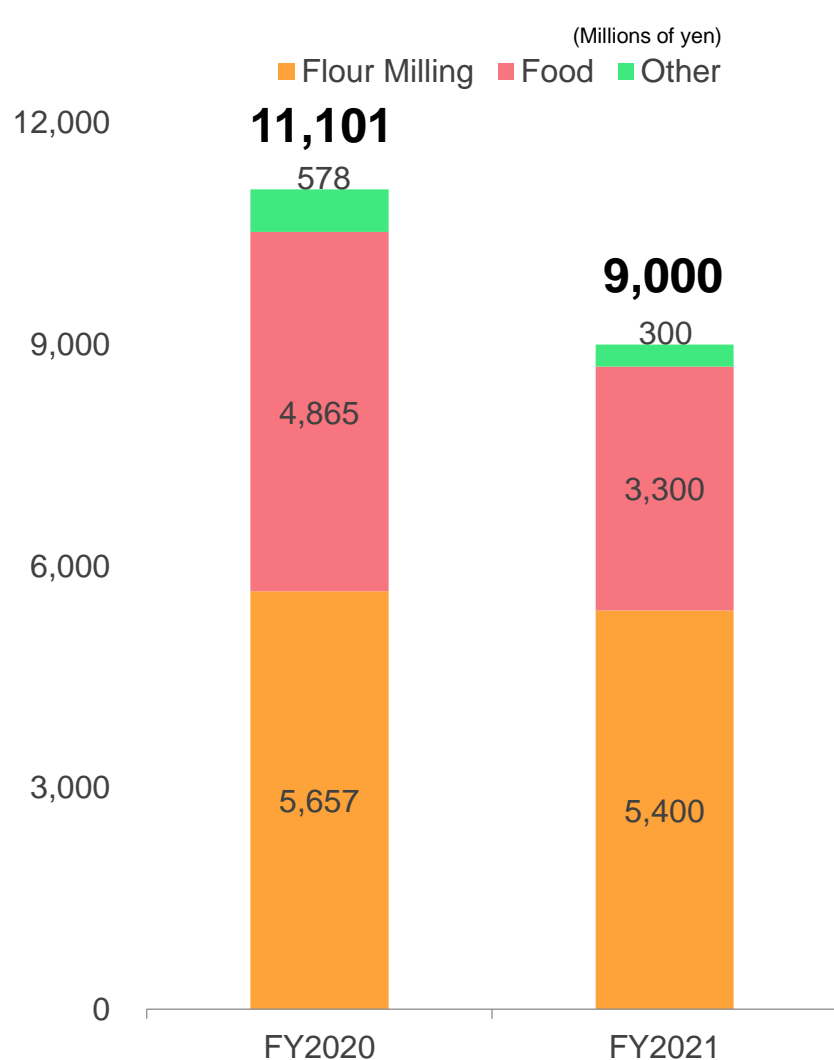
■ Factors for changes in net sales forecasts (overall increase of ¥161 million [0.0%])



(Millions of yen)	
Flour Milling	(2,621) [(2.6)%]
Increase in wheat flour sales volume	800
Impact of wheat flour price revision	(3,200)
Wheat bran price	100
Warehouses etc.	(300)
Food	4,601 [2.3%]
Increase/decrease in sales volume	4,600
Other	(1,818) [(4.8)%]
Increase/decrease in sales and other factors	(1,800)

Analysis of Factors for Changes in Operating Income Forecasts

■ Factors for changes in operating income forecasts (overall decrease of ¥2,101 million [(18.9)%])



(Millions of yen)	
Flour Milling	(257) [(4.5)%]
Increase in wheat flour sales volume	200
Wheat bran price	100
Cost-related	(400)
Warehouses etc.	(200)
Food	(1,565) [(32.2)%]
Increase/decrease in sales volume	(1,000)
Cost-related and other factors	(600)
Other	(278) [(48.1)%]
Increase/decrease in sales and other factors	(200)

Shareholder Return Policy

- The Company intends to return profits to shareholders with a total return ratio of **30%** as a target by means of dividend payment and share buyback

		FY2017	FY2018	FY2019	FY2020	FY2021
(Yen)		Result	Result	Result	Result	Forecast
Dividends	Year-end	16.0	15.0	17.0	18.0	17.0
	Interim	7.0	15.0	15.0	16.0	17.0
	Full year	— ^{*2}	30.0	32.0	34.0	34.0
Payout ratio (%)		26.9%	31.5%	29.6%	29.1%	37.2%
Shareholder return ratio (%)		37.3%	31.5%	112.2%	29.1%	37.2%

*1. Shareholder return ratio = Dividend payout ratio + Ratio of share buyback (share buyback/profit)

*2. 1-for-2 share consolidation and change of the share trading unit from 1,000 shares to 100 shares on October 1, 2016

This document includes details of the Company's current plans and performance forecasts. These future plans and forecast figures are based on information currently available as well as the Company's plans and projections. Actual results and performance may differ materially from these plans and forecast figures due to a variety of conditions and factors. This document does not represent a definitive commitment or guarantee by the Company to achieve stated plans and forecast figures.

**Investor Relations Office
Accounting and Finance Div.
Nippon Flour Mills Co., Ltd.**