

# Briefing Session on Business Results for the Fiscal Year Ended March 31, 2021 (FY2021)

May 21, 2021

**NIPPON CORPORATION**

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



# Contents

**1**

## **Overview of Business Results for FY2021 and FY2022 Performance Forecasts**

p. 03

**2**

## **Group's Business/Growth Strategy**

p. 17

**3**

## **ESG Initiatives**

p. 39



# Overview of Business Results for FY2021 and FY2022 Performance Forecasts

# Statements of Income

- Lower sales and profit for the full year due to the COVID-19 pandemic
- Recovery of profitability in the second half with profit exceeding the level for the same period of the previous year

(Millions of yen)		FY2020		FY2021		YoY	
		Result	% of net sales	Result	% of net sales	Change	Change (%)
Net sales	Flour Milling	102,621	29.7%	97,653	29.7%	(4,968)	(4.8)%
	Food	204,399	59.3%	196,514	59.6%	(7,885)	(3.9)%
	Other	37,818	11.0%	35,398	10.7%	(2,419)	(6.4)%
	Total	344,839	100.0%	329,566	100.0%	(15,273)	(4.4)%
Operating income	Flour Milling	5,657	5.5%	5,102	5.2%	(555)	(9.8)%
	Food	4,865	2.4%	4,264	2.2%	(600)	(12.3)%
	Other	578	1.5%	964	2.7%	385	66.6%
	Total	11,101	3.2%	10,331	3.1%	(770)	(6.9)%
Ordinary income		12,740	3.7%	12,620	3.8%	(120)	(0.9)%
Profit attributable to owners of parent		8,941	2.6%	8,608	2.6%	(333)	(3.7)%

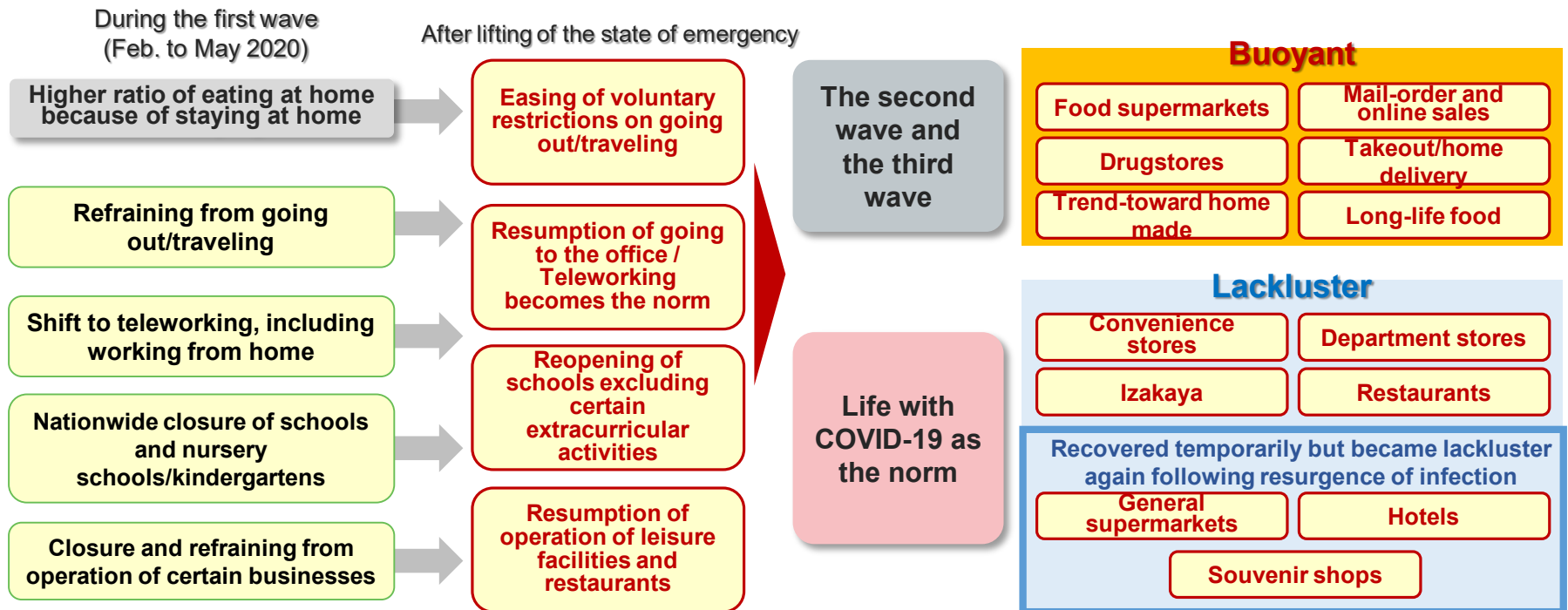
# COVID-19 Impact on Business Results

## Overview of FY2021

- 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.

## Change of circumstances related to food due to the COVID-19 pandemic

Further change of circumstances related to food, reflecting the marked tendency to eat at home because of staying at home due to the COVID-19 pandemic



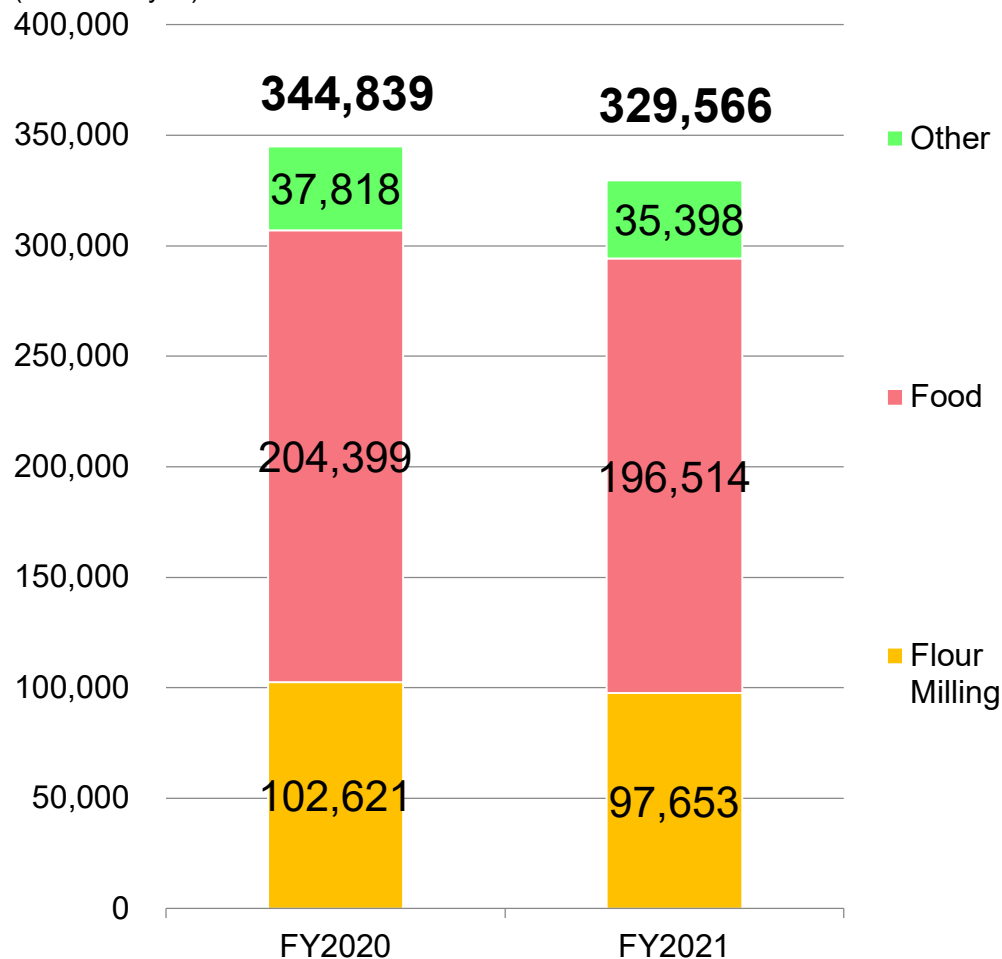
# COVID-19 Impact on Business Results

(Billions of yen)	FY2021		Overview of the impact
	Net sales	Operating income	
Flour Milling	(2.5)	(0.5)	Decrease in shipment of wheat flour and fluctuation in sales composition.
Food	(11.2)	(0.9)	<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, pasta sauce, and frozen food increased because of the shift to eating at home in line with the trend toward consumption at home.</p> <p>Regarding ready-made meals and delicatessen products and food-related businesses, Group companies are struggling because of the lackluster demand for ready-made meals at CVS in cities and business districts.</p>
Other	(1.5)	(0.2)	<p>Catering-related sales recovered owing to an increase in demand for takeout in the second half despite adversity in the first half due to voluntary closure and shorter opening hours of restaurants.</p> <p>Sales of healthcare-related products were lackluster.</p>
Total	(15.2)	(1.6)	

# Analysis of Factors for Changes in Net Sales

- ◆ Factors for changes in net sales  
(overall decrease of ¥15,273 million [(4.4)%])

(Millions of yen)



(Millions of yen)

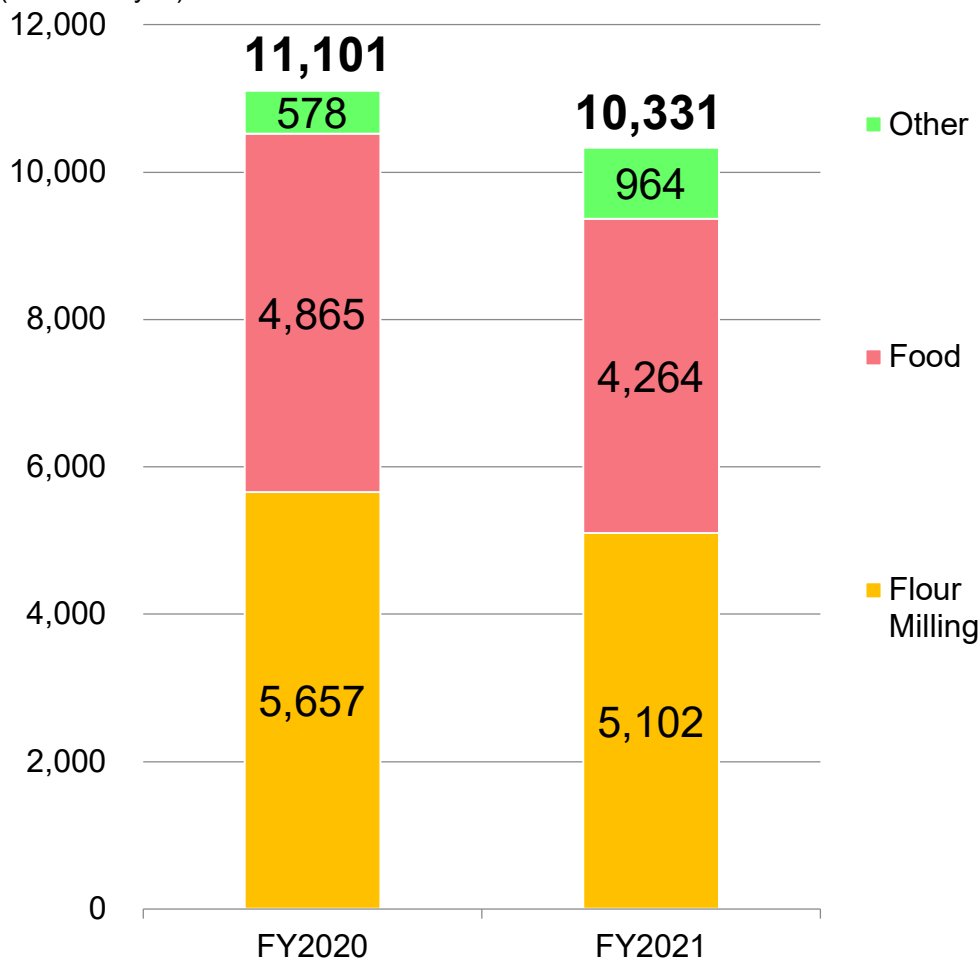
Flour Milling (4,968) [(4.8)%]	
Decrease in wheat flour sales volume	(2,000)
Impact of wheat flour price revision	(3,200)
Warehouses etc.	200
Food (7,885) [(3.9)%]	
Decrease in premix sales	(1,900)
Increase in processed food sales	600
Increase in frozen food sales	1,500
Decrease in ready-made meals sales	(5,600)
Increase/decrease in other food sales	(2,500)
Other (2,419) [(6.4)%]	
Decrease in engineering-related sales	(2,100)
Increase in pet food sales	400
Increase in restaurant-related sales	300
Increase in revenue from the real estate leasing business	300
Increase/decrease in sales of health food etc.	(1,300)



# Analysis of Factors for Changes in Operating Income

- ◆ Factors for changes in operating income  
(overall decrease of ¥770 million [(6.9)%])

(Millions of yen)



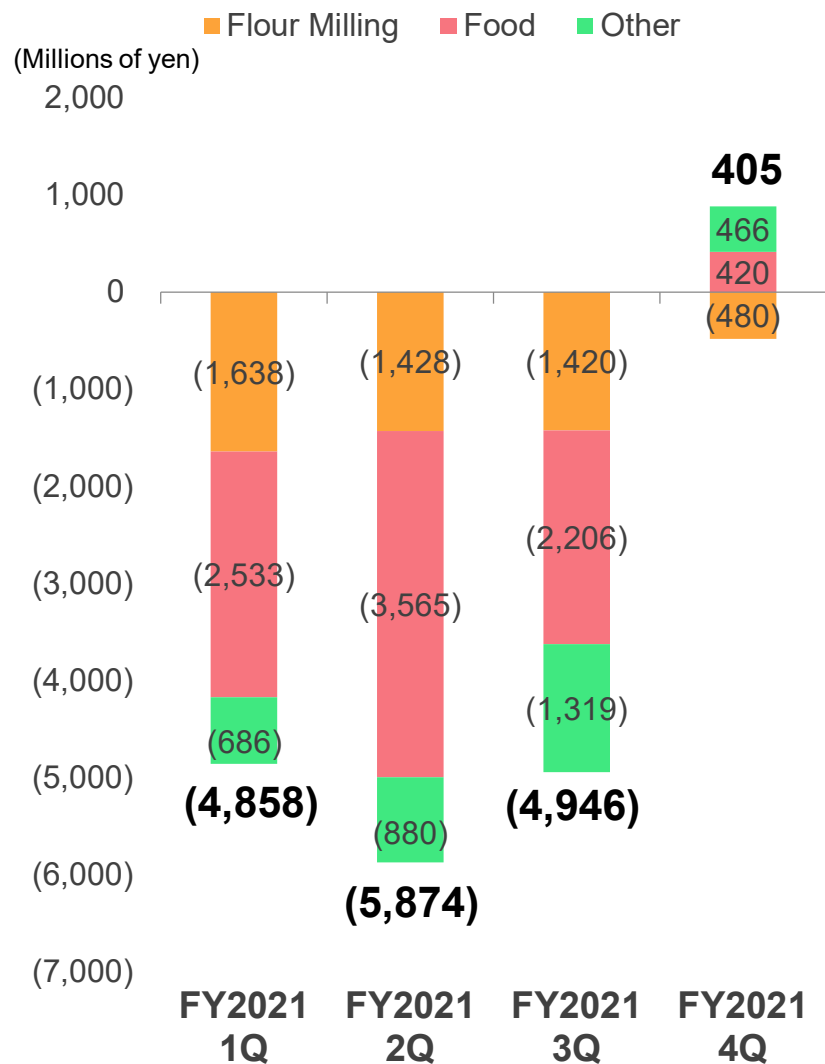
(Millions of yen)

Flour Milling (555) [(9.8)%]	
Decrease in wheat flour sales volume	(400)
Cost-related	(200)
Wheat bran price	100
Warehouses etc.	(100)
Food (600) [(12.3)%]	
Increase/decrease in sales volume	(1,500)
Cost-related and other factors	900
Other 385 [66.6%]	
Increase in revenue from the real estate leasing business	200
Pet food etc.	200

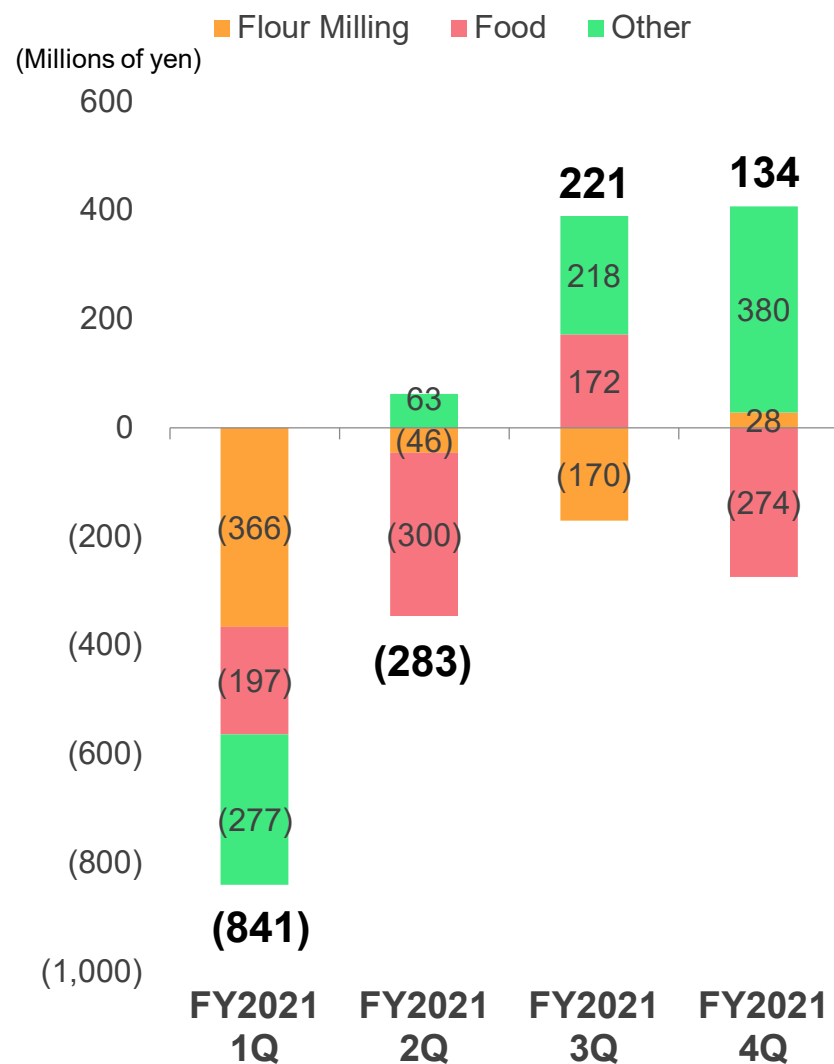


# Quarterly Changes in Net Sales and Operating Income

■ Net sales YoY change



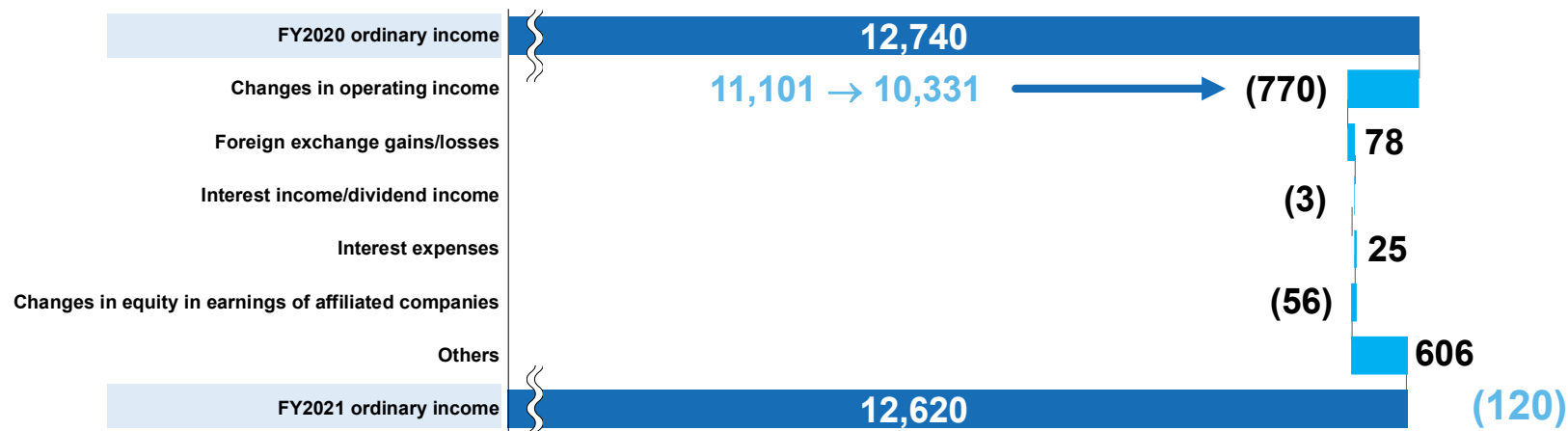
■ Operating income YoY change



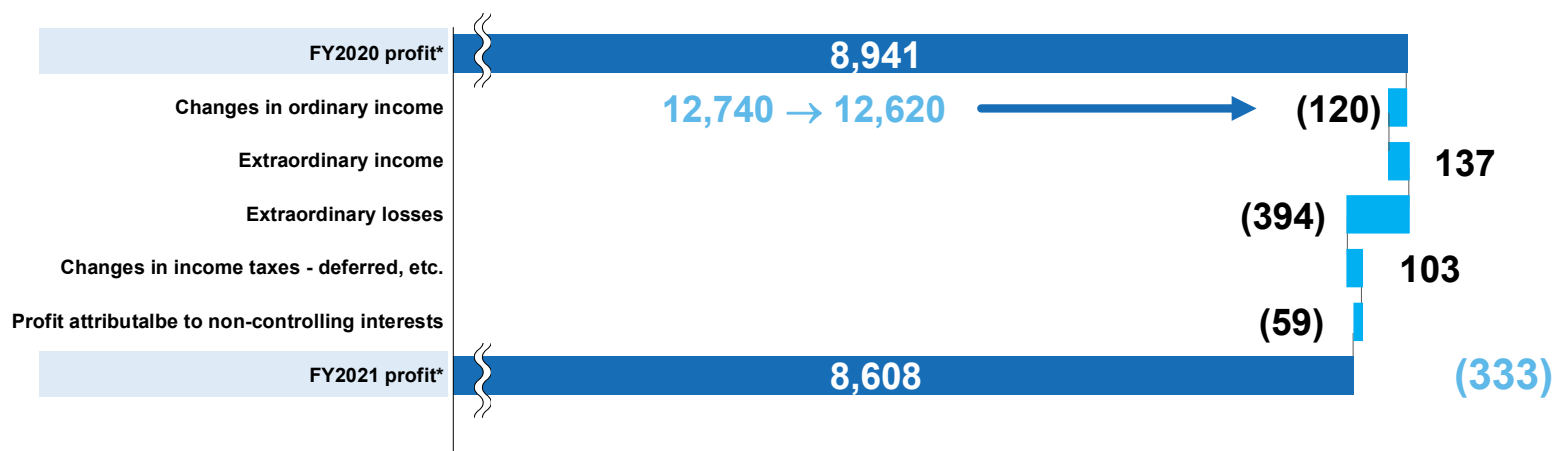
# Analysis of Factors for Changes in Ordinary Income / Profit\*

## ■ Factors for changes in ordinary income [(0.9)%]

(Millions of yen)



## ■ Factors for changes in profit\* [(3.7)%]



\* Profit attributable to owners of parent

# Balance Sheets

(Millions of yen)	FY2020		FY2021		Change	
	(As of Mar. 31, 2020)	Component ratio	(As of Mar. 31, 2021)	Component ratio		
Current assets	114,534	39.4%	117,900	38.3%	3,365	1.1p
Property, plant and equipment	106,957	36.8%	114,240	37.1%	7,283	0.3p
Intangible assets	1,624	0.6%	2,858	0.9%	1,233	0.3p
Investments and other assets	67,249	23.2%	72,967	23.7%	5,717	0.5p
Non-current assets	175,832	60.6%	190,067	61.7%	14,234	1.1p
Deferred assets	61	0.0%	49	0.0%	(12)	(0.0)p
Total assets	290,428	100.0%	308,017	100.0%	17,588	-
Current liabilities	74,078	25.5%	69,661	22.6%	(4,417)	(2.9)p
Non-current liabilities	57,768	19.9%	69,230	22.5%	11,461	2.6p
Total liabilities	131,847	45.4%	138,891	45.1%	7,044	(0.3)p
Shareholders' equity and accumulated other comprehensive income	153,727	52.9%	164,266	53.3%	10,539	0.4p
Subscription rights to shares	260	0.1%	234	0.1%	(26)	(0.0)p
Non-controlling interests	4,593	1.6%	4,624	1.5%	31	(0.1)p
Total net assets	158,581	54.6%	169,126	54.9%	10,544	0.3p
Total liabilities and net assets	290,428	100.0%	308,017	100.0%	17,588	-

# Statements of Cash Flows

(Millions of yen)

	FY2020	FY2021	Change
Operating activities	15,532	14,804	(727)
Investing activities	(14,130)	(12,585)	1,544
Financing activities	(759)	2,553	3,313
Effect of exchange rate change on cash and cash equivalents	113	(145)	(259)
Net increase (decrease) in cash and cash equivalents	755	4,627	3,871
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)
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(319)	(319)
Cash and cash equivalents at end of period	31,012	35,320	4,308

- 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.

# FY2022 Performance Forecast

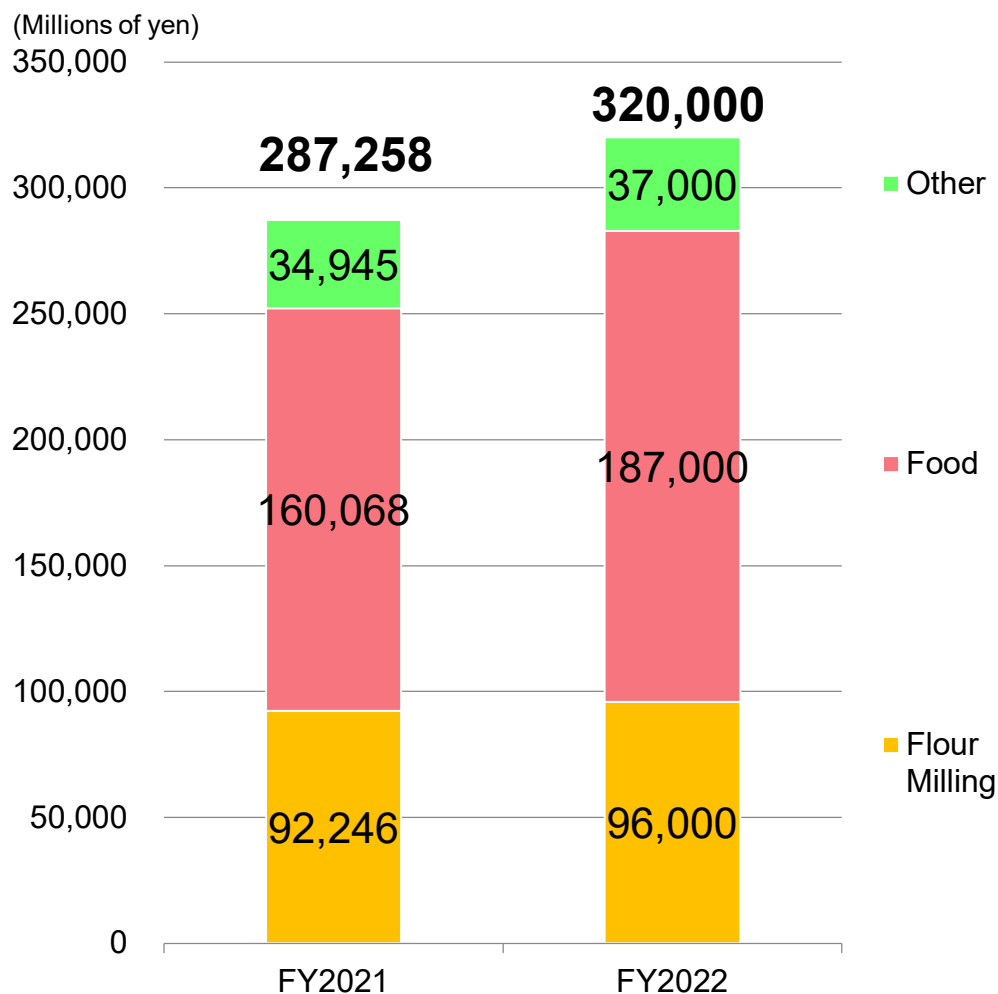
- Despite some promising signs, such as the start of vaccination against COVID-19, the outlook is expected to remain unclear in view of concerns about the spread of variants. Profitability for the fiscal year ending March 31, 2022 is expected to recover to the level for the fiscal year ended March 31, 2020.
- The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) will be applied from the beginning of the fiscal year ending March 31, 2022.

(Millions of yen)		FY2021		FY2022		YoY	
		Result	% of net sales	Forecast	% of net sales	Change	Change (%)
Net sales	Flour Milling	92,246	32.1%	96,000	30.0%	3,754	4.1%
	Food	160,068	55.7%	187,000	58.4%	26,932	16.8%
	Other	34,945	12.2%	37,000	11.6%	2,055	5.9%
	Total	287,258	100.0%	320,000	100.0%	32,742	11.4%
Operating income	Flour Milling	5,102	5.5%	5,000	5.2%	(102)	(2.0)%
	Food	4,264	2.7%	5,300	2.8%	1,036	24.3%
	Other	964	2.8%	800	2.2%	(164)	(17.0)%
	Total	10,331	3.6%	11,100	3.5%	769	7.4%
Ordinary income		12,620	4.4%	12,700	4.0%	80	0.6%
Profit attributable to owners of parent		8,608	3.0%	9,000	2.8%	392	4.6%

\*Net sales for FY2021 are restated by applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29).

# Analysis of Factors for Changes in Net Sales Forecasts

- ◆ Factors for changes in net sales forecasts  
(overall increase of ¥32,742 million [11.4%])

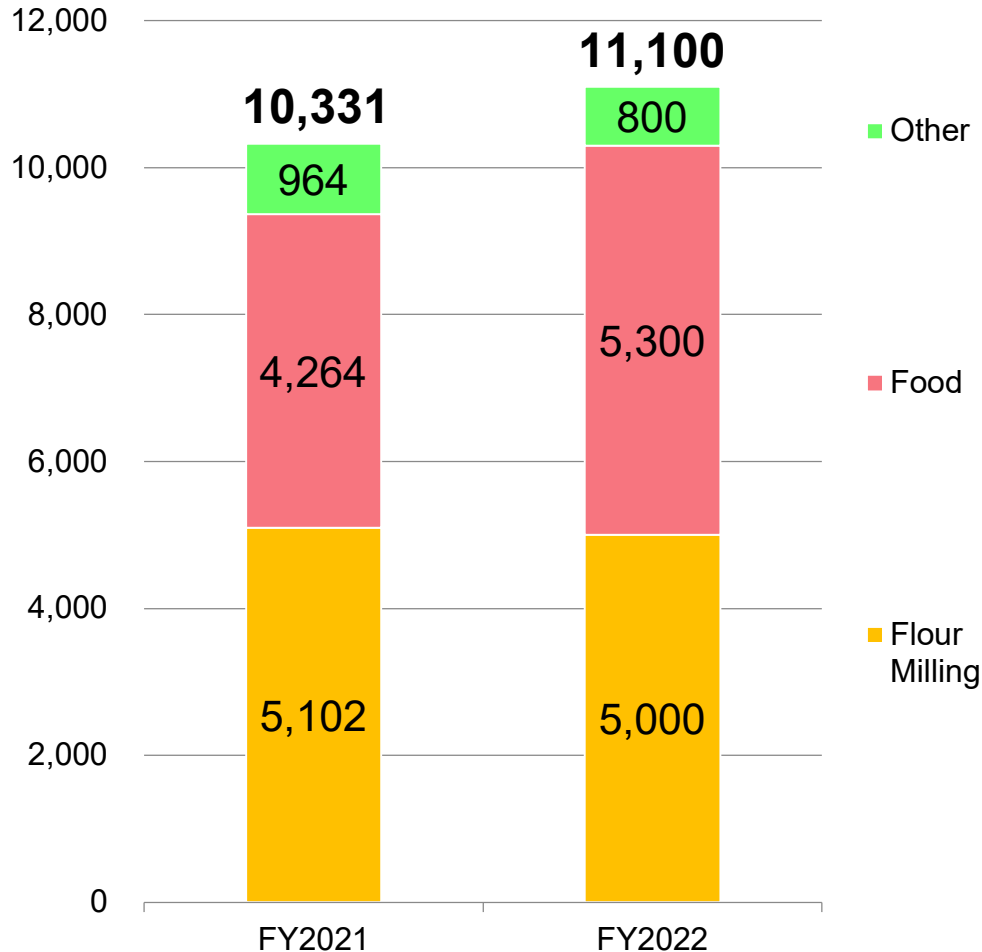


(Millions of yen)	
<b>Flour Milling</b>	<b>3,754 [4.1%]</b>
Increase in sales volume	2,200
Change in wheat flour sales prices	1,300
Wheat bran price	250
<b>Food</b>	<b>26,932 [16.8%]</b>
Increase/decrease in sales volume	27,000
<b>Other</b>	<b>2,055 [5.9%]</b>
Increase/decrease in sales and other factors	2,100

# Analysis of Factors for Changes in Operating Income Forecasts

- ◆ Factors for changes in operating income forecasts  
(overall increase of ¥769 million [7.4%])

(Millions of yen)



(Millions of yen)

Flour Milling (102) [(2.0)%]	
Increase in wheat flour sales volume	200
Cost-related	(300)

Food 1,036 [24.3%]	
Increase/decrease in sales volume	1,700
Cost-related and other factors	(700)

Other (164) [(17.0)%]	
Cost-related and other factors	(100)



# Shareholder Return Policy

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

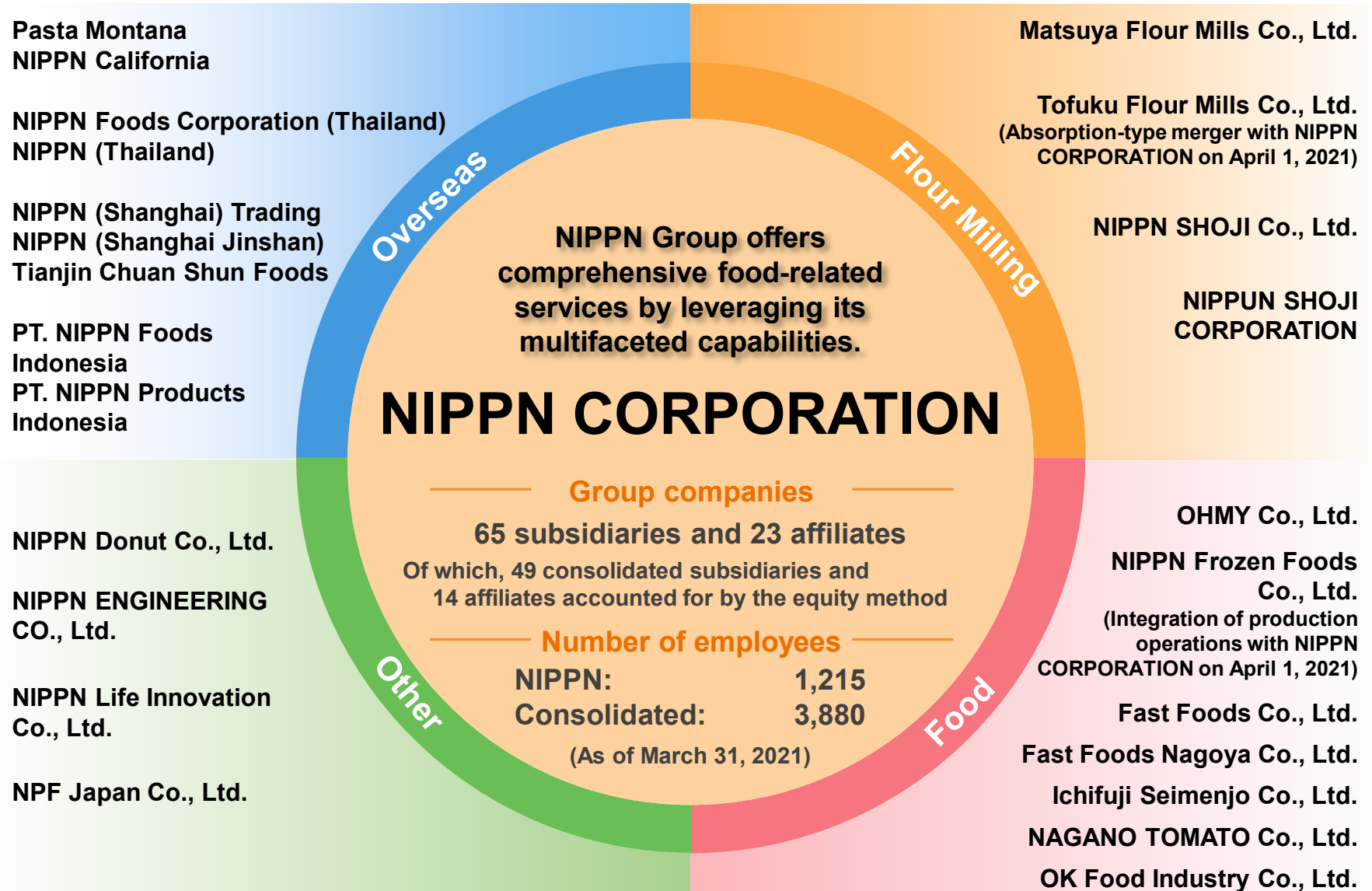
		FY2018	FY2019	FY2020	FY2021	FY2022
(Yen)		Result	Result	Result	Result	Forecast
Dividends	Year-end	15.0	17.0	18.0	19.0	18.0
	Interim	15.0	15.0	16.0	17.0	18.0
	Full year	30.0	32.0	34.0	36.0	36.0
Payout ratio (%)		31.5%	29.6%	29.1%	32.1%	30.7%
Shareholder return ratio (%)		31.5%	112.2%	29.1%	32.1%	30.7%

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



# Group's Business/ Growth Strategy

# NIPPON Group Comprehensive Services



# NIPPON Group Business Contents

## Other

Net sales

¥**35,398** million

Component ratio

**10.7%**

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



## Food

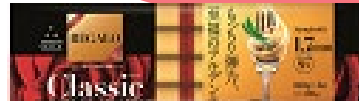
Net sales

¥**196,514** million

Component ratio

**59.6%**

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



## Flour Milling

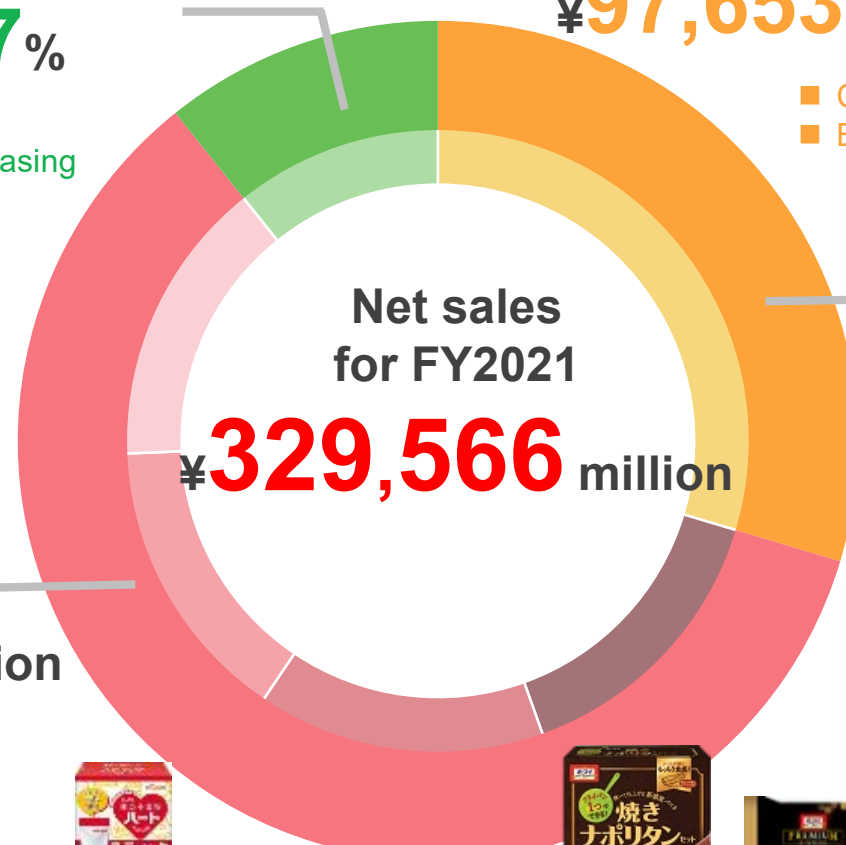
Net sales

¥**97,653** million

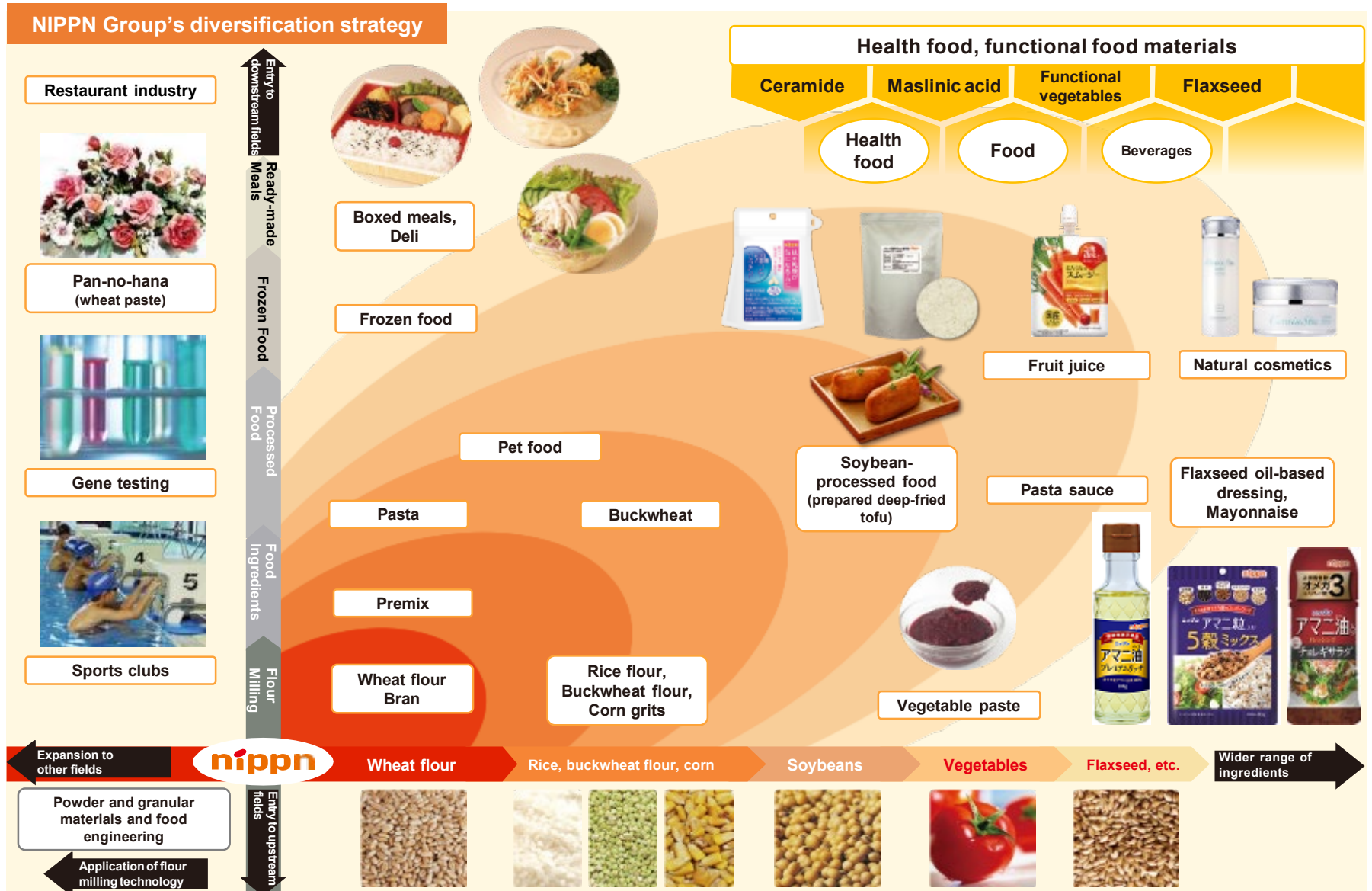
Component ratio

**29.7%**

- Commercial-use wheat flour
- Buckwheat flour



# Orientation of Business Diversification



# The NIPPON Group's Value Creation Model

## The NIPPON Group's Value Creation Model

## The NIPPON Group business

## Value created by NIPPON

### Change in Social Environment

- Population aging and declining birthrate
- Shortage of labor
- Greater participation of women in society
- More double-income households
- Increase in small households
- Diversification of sales channels

### Response to Diversifying Needs



### Response to Social Issues

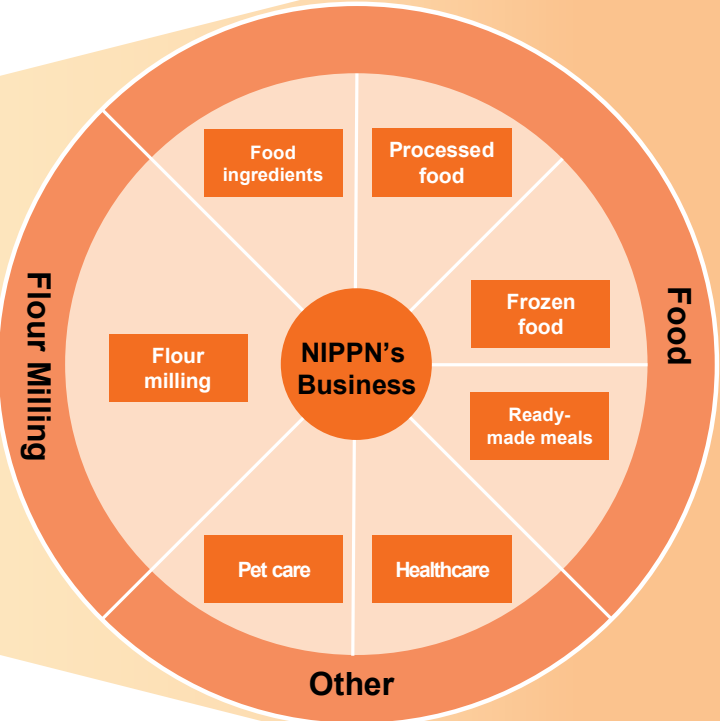
#### Environment



#### Social



#### Governance



### Business Foundation

Number of Group Employees  
**3,880**

\*As of March 31, 2021, consolidated basis

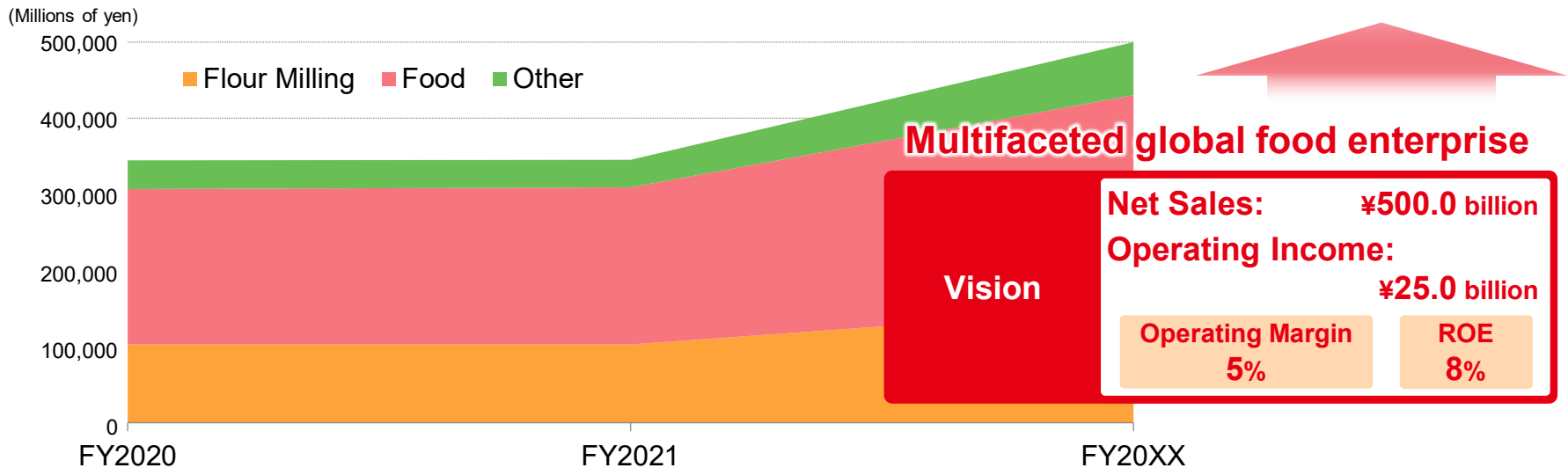
Group Domestic production bases: 31  
Overseas production bases: 3

\* As of April 1, 2021

NIPPON's R&D sites  
•Central Laboratory  
•Development Division  
\* NIPPON on a non-consolidated basis

# Initiatives and Measures to Achieve Sustainable Growth

## Growth strategies to enhance competitiveness and earnings power





# Adapt to Changes in Business Environment

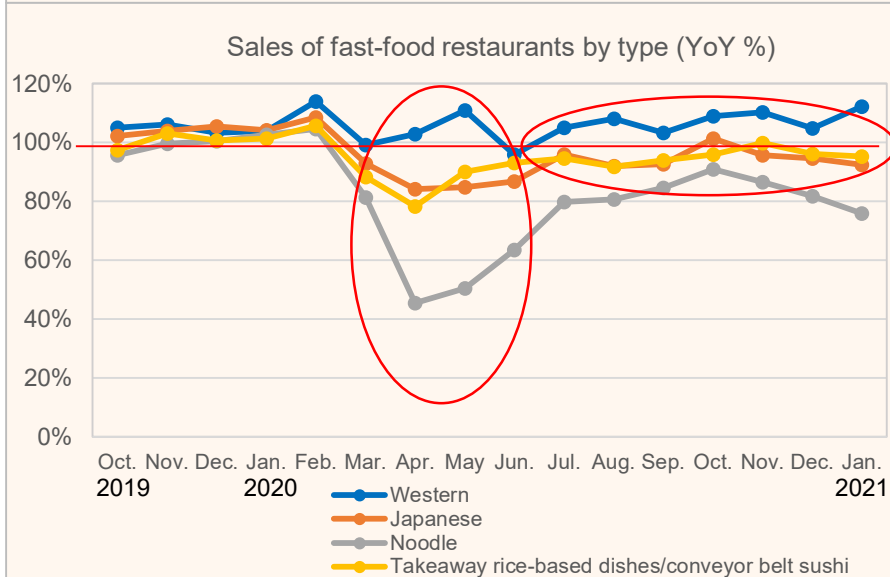
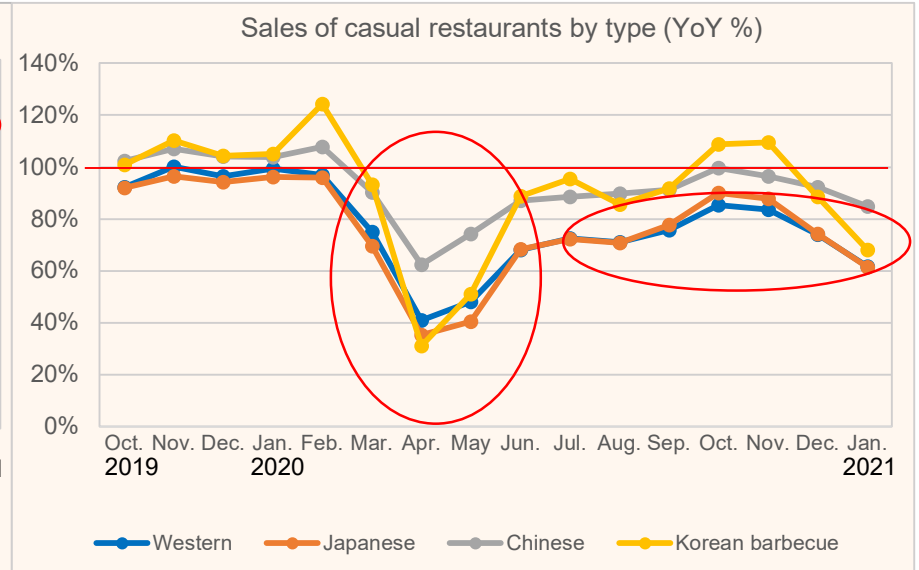
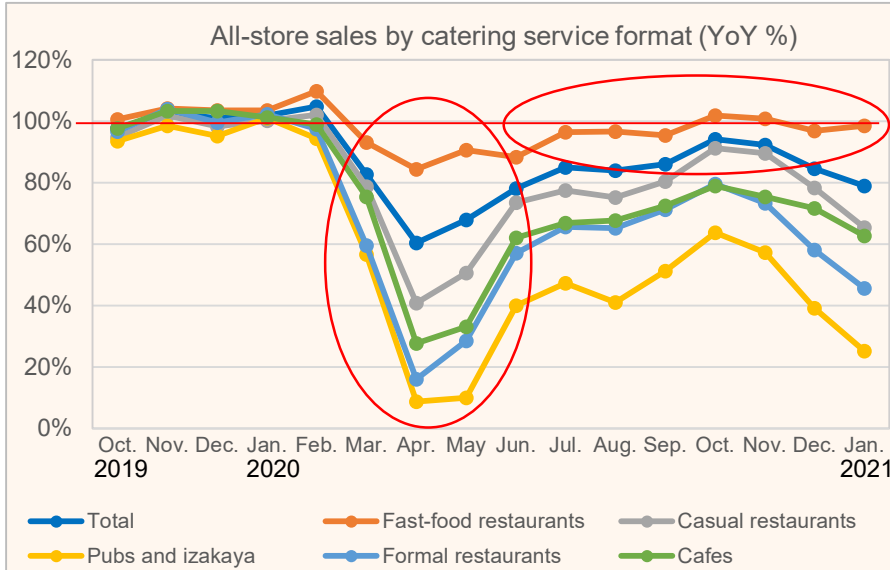
## Restructuring of business during the COVID-19 pandemic

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
<b>Lack of exercise because of teleworking</b>	<b>Expand the healthcare field</b>	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
<b>Dramatic change in work styles</b>	<b>Support diversification of work styles</b>	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
<b>Cessation of operations involving physical human contact</b>	<b>Accelerate use of IT in business processes</b>	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
<b>Cessation of production because of supply chain interruption</b>	<b>Promote the smart factory</b>	Promote the shift to IoT-enabled smart factories, such as fully automated production lines
<b>Diversification of means of procurement of products and services</b>	<b>Shift channels</b>	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
<b>Decline in sales of mainstay businesses</b>	<b>Diversify revenue sources</b>	Consider modifying the business portfolio in order to enable offsetting by other businesses in the case of poor performance of mainstay businesses
<b>Change in the degree of customer satisfaction</b>	<b>Strengthen development capabilities/brand power</b>	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

# Change in Catering Services

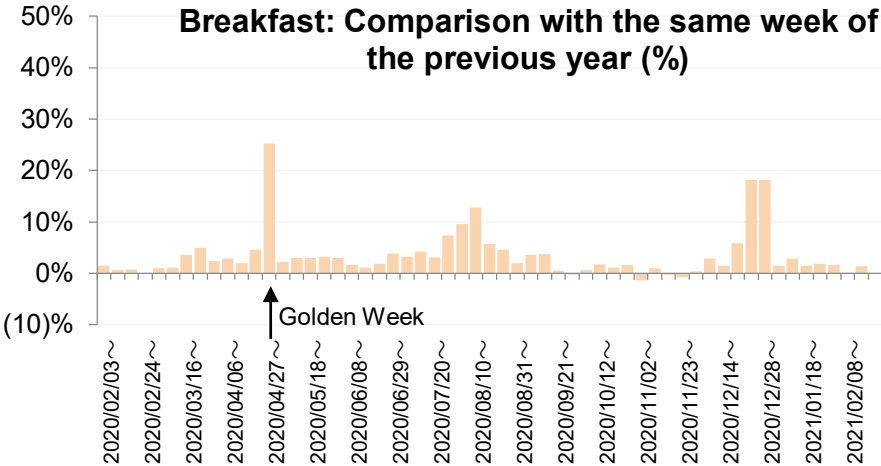
(Source: Statistics of the Japan Food Service Association)



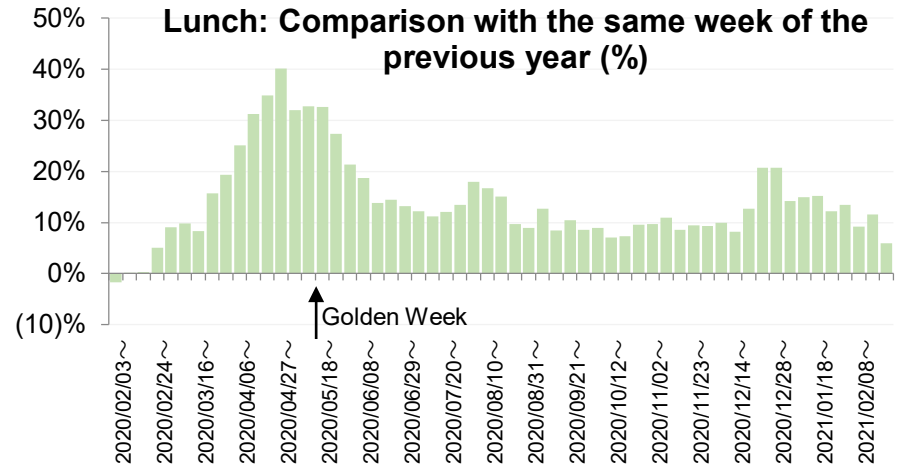
Prepared based on the statistics of the Japan Food Service Association

# Change in the Dining Styles of Consumers: Increase in the rate of eating at home

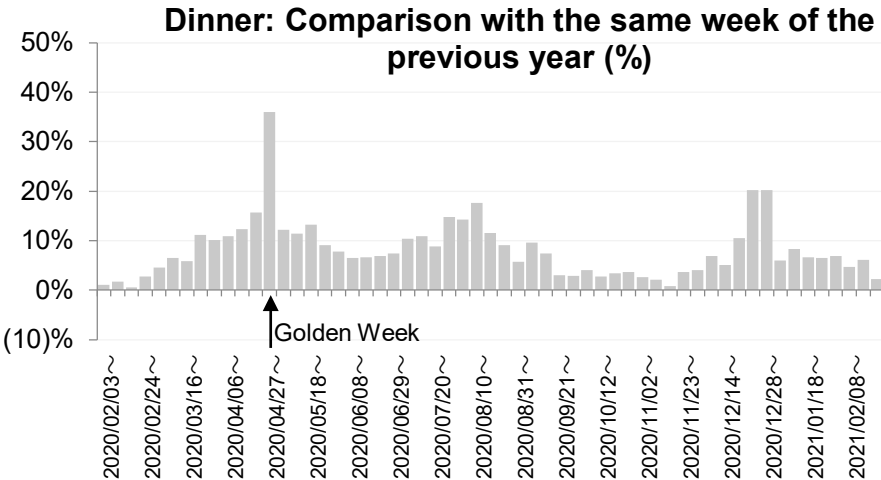
**Breakfast: Comparison with the same week of the previous year (%)**



**Lunch: Comparison with the same week of the previous year (%)**



**Dinner: Comparison with the same week of the previous year (%)**



## Topics

Feb. 27, 2020	Request for school closure nationwide
Apr. 7, 2020	Declaration of state of emergency for 7 prefectures
Apr. 16, 2020	Declaration of nationwide state of emergency
May 25, 2020	Lifting of nationwide state of emergency
Jan. 7, 2021	Declaration of state of emergency for 4 prefectures
Jan. 13, 2021	Declaration of state of emergency for 7 prefectures
Feb. 28, 2021	Lifting of state of emergency for 6 prefectures

Source: Shoku MAP® for family households Rate of eating at home\_Change from the same week of the previous year (Tokyo Metropolitan area, households with full-time housewives)

The rate of eating at home increased for all meals throughout the day since late February 2020. This trend was especially outstanding for lunch. Although the rate of eating at home was trending downward until autumn 2020, it increased in the winter, reflecting the resurgence of COVID-19 cases and remained rather high

# Business Contents (1) Flour Milling Business



**Merger with Tofuku Flour Mills Co., Ltd.  
(consolidated subsidiary)**



**NIPPON's Fukuoka Nanotsu Plant**

**Merger on April 1, 2021**

## ● Production system of the flour milling business in Japan (as of April 2021)

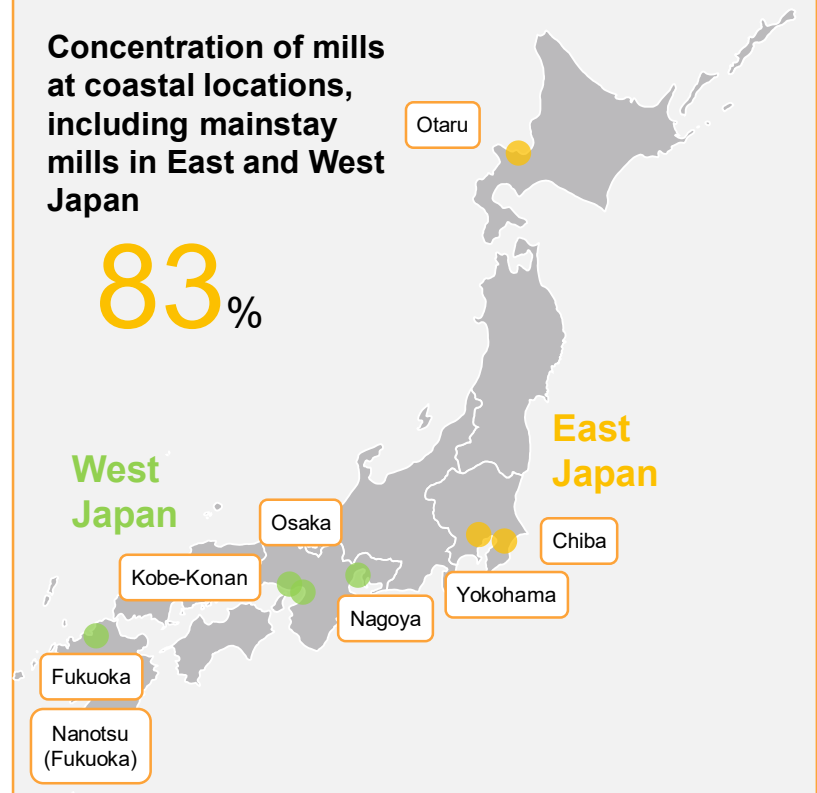
8 mills: Yokohama, Chiba, Nagoya, Osaka, Kobe-Konan, Fukuoka, Nanotsu (Fukuoka), and Otaru

## ■ 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

Concentration of mills at coastal locations, including mainstay mills in East and West Japan

**83%**



## 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



(New plant in the foreground)

### ■ 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

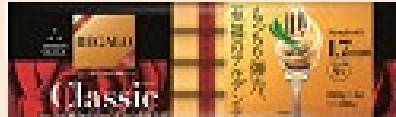
Shorter production hours

# Business Contents (3) Processed Food Business

## Pasta Brands



Oh' my



REGALO



## NIPPON Brands



### ● 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

## Proposals for new wheat flour



### STYLE FIT SERIES



Series of wheat flour products attuned to usage scenes

No need to measure, single-use portion

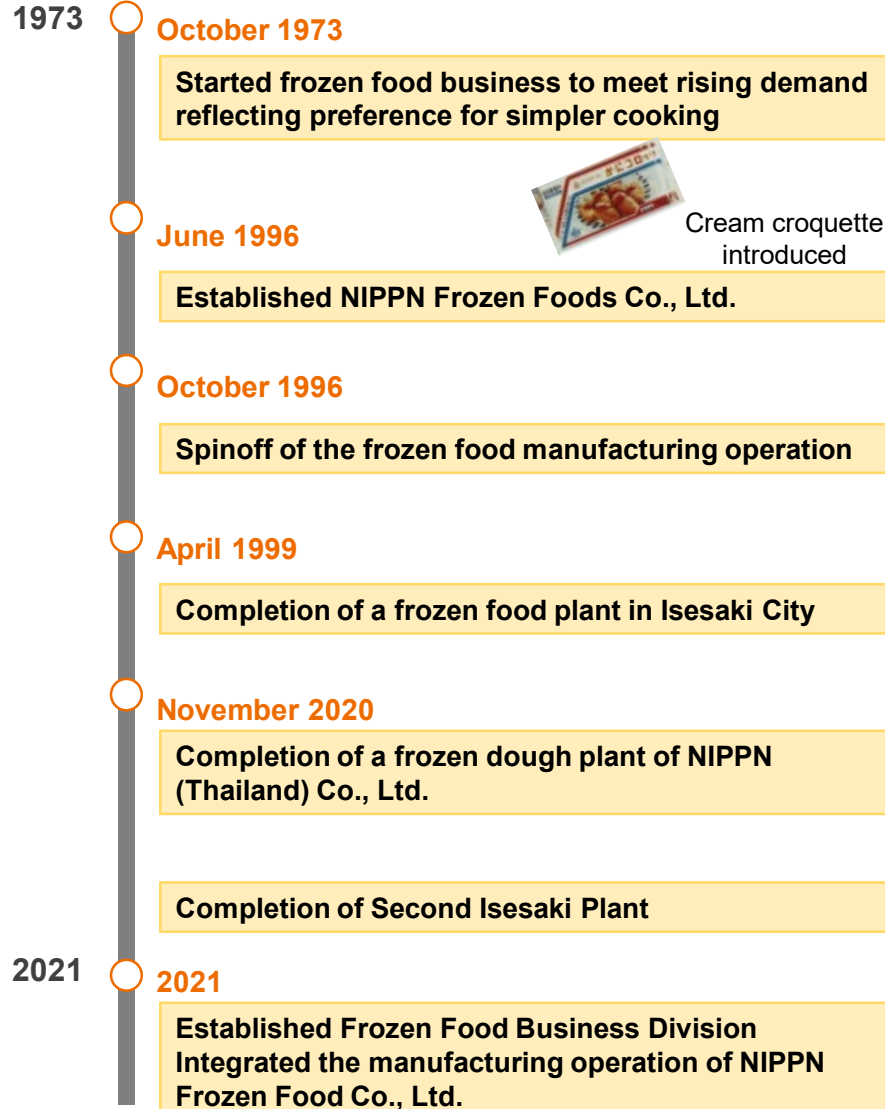
Easier to use wheat flour

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

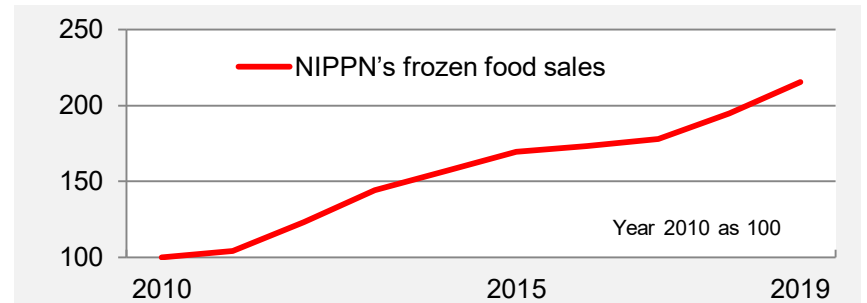
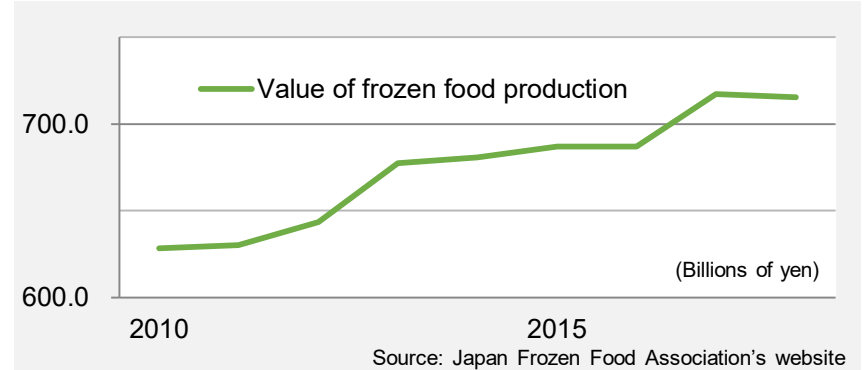


# Business Contents (4)-1 Frozen Food Business

## History of NIPPON's frozen food business



Value of frozen food production in Japan and NIPPON's frozen food sales



Frozen dough plant in Thailand



Second Isesaki Plant





# Business Contents (4)-2 Frozen Food Business

## Pasta Brands



## NIPPON Brands



### ■ Change in the frozen food business environment

- Change in consumers' perception of frozen foods in the COVID-19 pandemic → Increase in sales volume, expansion of customer base
- Stocking up of frozen foods reflecting the increase in time spent at home → Ease of stocking up, simplicity, and convenience with no waste

### ■ Measures for strengthening the frozen food business

- Completion of Second Isesaki Plant → Strengthening of the system for supplying home-use frozen foods
- Completion of a frozen dough plant of NIPPON (Thailand) Co., Ltd. → Expanding the business in Thailand and adjacent countries
- Ongoing expansion of the frozen food market → Integration of manufacturing, sales and administration, establishment of Frozen Food Business Division, integration of the manufacturing operation of NIPPON Frozen Food Co., Ltd.



### ■ For further growth and expansion of the frozen food business

- Anticipation of the change in consumer behavior → Tapping the potential by offering distinctive product ranges, expansion of the customer base
- Pursuit of authentic taste, appeal of functionality → Enhancement of basic value of frozen food

# Business Contents (5) Ready-made Meals Business

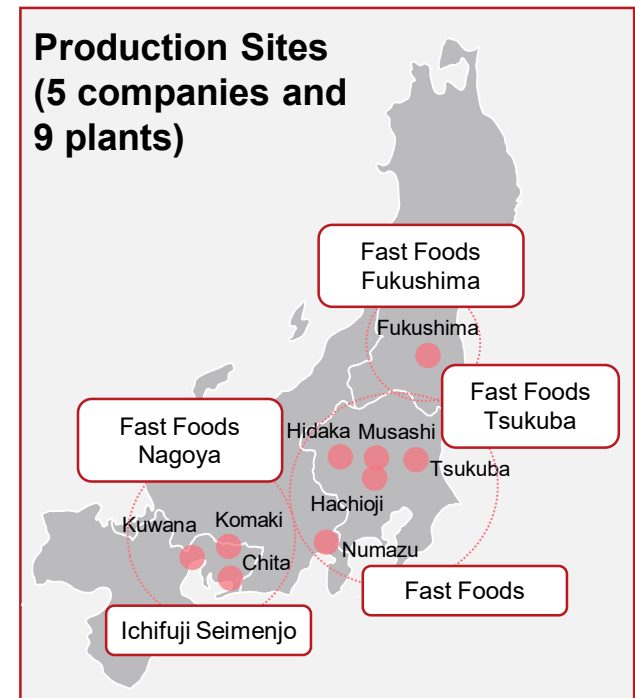
● **Ready-made meals business production system**  
9 plants equipped with cutting-edge facilities and capable of producing products attuned to the needs of the era in view of increasing demand for prepared foods and growth potential of the market

## ■ Measures to strengthen the ready-made meals business

- Plan to strengthen the ready-made meals business
  - (1) Closure of 1 plant of Fast Foods, concentration of production at another site in Kanto and reshaping ... Great improvement of profitability
  - (2) Extension of facilities of Fast Foods Fukushima and Fast Foods Tsukuba ... Sales increase and improvement of profitability
  - (3) Improvement of productivity of each plant ... Improvement of profitability
- Various new initiatives in the ready-made meals and delicatessen products business field
- Focus on growth opportunities at CVS, development of new food products
- Expansion of supply to areas not covered by existing sites, enrichment through M&A
- Proposing products geared to new lifestyles in the COVID-19 era



## Production Sites (5 companies and 9 plants)



# Business Contents (6) Healthcare Business

## ■ Business characteristics/strengths

- Product development capabilities capitalizing on technologies cultivated in the food field
- Business development for high-quality plant-based health products and foods with function claims, such as the flaxseed series (raw material, processed food, health food), ceramide, and maslinic acid



## ■ Business environment

- Increasing health consciousness in the COVID-19 pandemic
- Move to publicize products' functions contributing to health maintenance and extension of healthy life expectancy
- Greater needs for addressing specific concerns according to age groups and consumption scenes



## ■ Initiatives in the fiscal year ended March 31, 2021

- Focus on foods with function claims using plant-based proprietary materials → flaxseed, ceramide, and olive fruit maslinic acid
- Development and provision of health foods that are tasty and supplement insufficient nutrients
- Further expansion of sales of health foods and foods with function claims centering on products developed for NIPPON Kenko Tsuhan online sales
- Export of proprietary materials and overseas business development



**Contribute to society as part of NIPPON's health support initiatives as a multifaceted food enterprise in order to resolve customers' health-related issues by offering tasty products that support health and beauty**

# NIPPN's Materials (Flaxseed and Soy-based Materials)

## Application of fundamental technologies to the flaxseed business

### ● NIPPN's flaxseed created the market

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 and extend healthy life expectancy.

→ Began handling flaxseed, which is nutritious

Pioneered Japan's market for flaxseed oil, which was virtually unknown when NIPPN began sales of flaxseed products for commercial use in 2003 and those for home use in 2005, and led the market.

### ● 3 characteristics of NIPPN's flaxseed

1. Sourced from specific locations

2. Use of golden flaxseed only

3. Products certified by the Flaxseed Association of Japan

#### [Salad dressings]

Examples of products unique to NIPPN. The fact that NIPPN's core business is not oil refining was advantageous in product development.

Unconstrained by conventional wisdom, NIPPN developed these products by applying food technologies and earned consumers' support.



#### [Kyouken Sabakan (canned mackerel)]

Developed canned mackerel rich in omega 3 as a regional revitalization project in cooperation with Fukui Can Co., Ltd. in Obama City, Fukui Prefecture and Fukui Prefectural Wakasa High School.



## New soy-based material Soypro Flake Type

### Application of tofu processing technology

For environmentally considerate lifestyles and sustainable consumption

- Mild taste with soy flavor and meat-like texture  
→ Vegan, vegetarian
- Healthy, high protein, low fat, no cholesterol
- Minimal greenhouse gas emissions, contributing to mitigation of global warming



## Introduced in the plant-based\* diet market

\*Diet centering on plant-based food

NIPPN products using Soypro (processed foods and frozen foods)



# Expansion of International Business

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

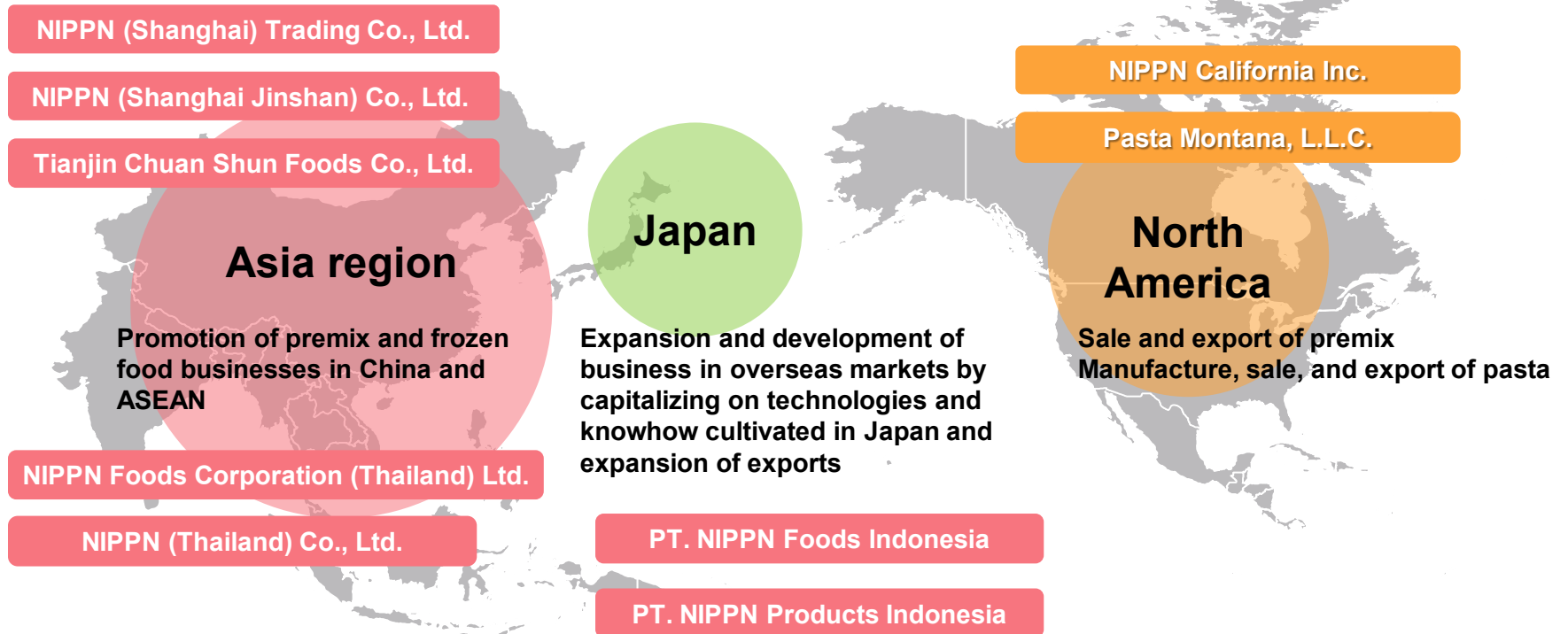
- NIPPN (Shanghai Jinshan) Co., Ltd.
- NIPPN (Thailand) Co., Ltd.
- NIPPN (Thailand) Co., Ltd.
- PT. NIPPN Products Indonesia

Construction of a premix plant (Completed in Oct. 2018)

Construction of an additional line for premix (Completed in Oct. 2018)

Construction of a new frozen dough plant (Completed in Oct. 2020)

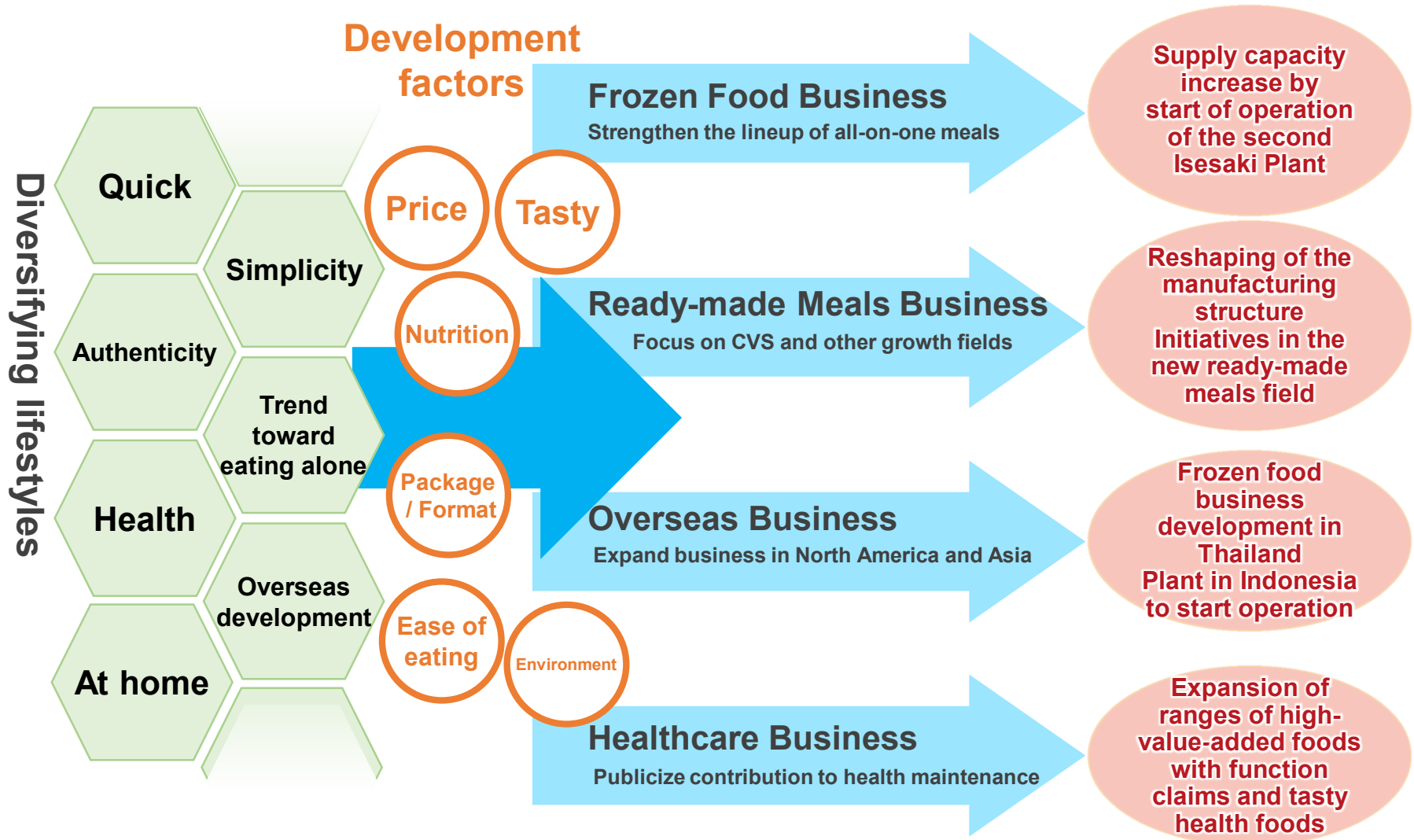
Construction of a new premix plant (Scheduled to be completed in FY2022)





# Initiatives for Sustainable Growth

## Businesses to be expanded in response to changes in lifestyles



# Vigorous Capital Investment

**Respond to diverse lifestyles and expand production capacity in growth fields**

## Frozen dough plant in Thailand



- Stable supply of premix in Thailand and adjacent countries
- Development and expansion of the frozen dough business

## Second Isesaki Plant



- Manufacturing of home-use frozen foods for which demand is increasing owing to changes in lifestyles etc.
- Strengthening of the supply system for home-use frozen foods
- Acceleration of growth of the frozen food business

## Fukuoka Premix Plant



- Establishment of a new plant for commercial-use premix in Kyushu
- Deployment of efficient production and logistics systems for the premix business in Japan based on the 3-plant structure (Ryugasaki, Kobe-Konan, and Fukuoka)



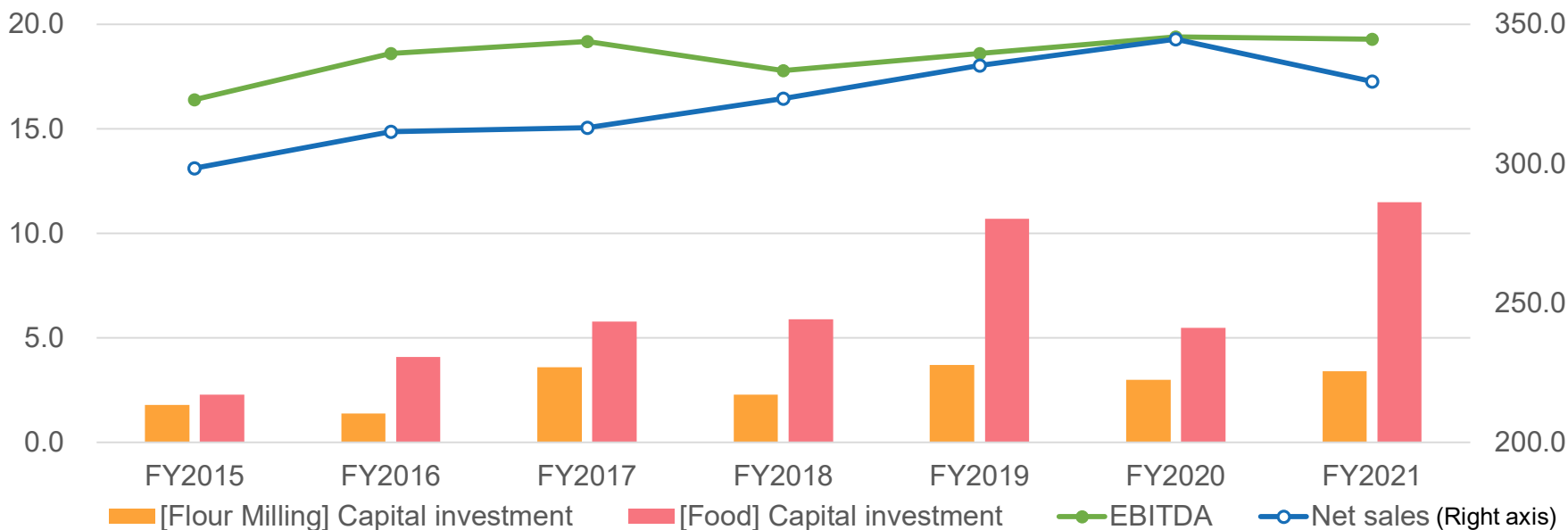
# Strengthen Earnings Power through Capital Investment

(Billions of yen)	Capital investment [Flour Milling]	Capital investment [Food]		Depreciation [Flour Milling]	Depreciation [Food]	Net sales	EBITDA
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
FY2021	3.4	11.5		3.0	4.2	329.5	19.3

## ● Capital investment and net sales

(Billions of yen)

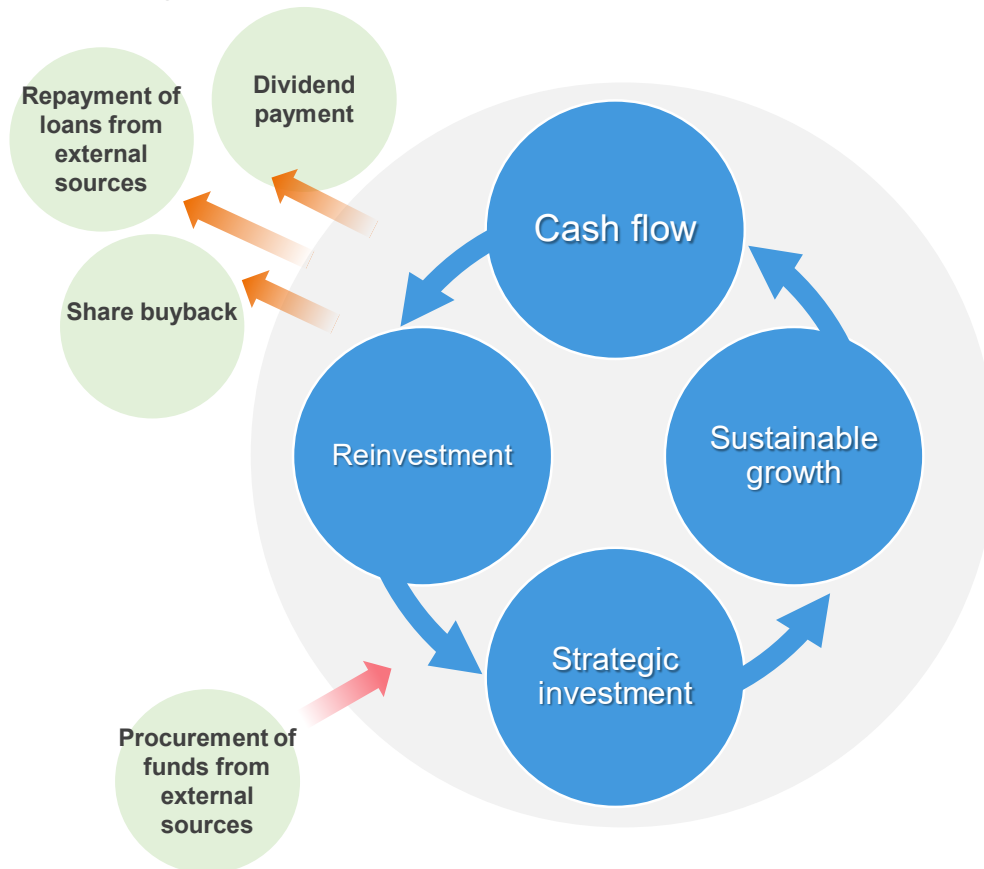
(Billions of yen)



# 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 March 31, 2021

Number of shares outstanding:

78,820,000 shares

(Number of treasury shares:

1,940,000 shares)



# ESG Initiatives

# ESG Initiatives (1) Environment

## Environmental protection initiatives

### [Switch of packaging of home-use wheat flour to paper]

Environmentally friendly packaging material

- Approx. 40% reduction in use of plastics  
Sealing performance on a par with conventional plastic packaging thanks to the multi-layered structure of paper and film
- Use of water-based ink made from plant-based raw materials



### [Step-by-step change of the labeling format of the best before date]

- For Oh! my pasta and REGALO pasta, the format of the best before date has been changed from the labeling of the year, month, and day to the labeling of the year and month since March 2021 (excluding certain products).
- In order to contribute to reduction of food losses, which is an issue addressed by the SDGs
- Expected benefits include reduction of management costs and enhancement of logistics efficiency

### [Food recycling loop]

Use of agricultural and livestock products, such as pork from pigs raised on feed made from food waste, for dishes served by company cafeterias



### [Use of containers made of PEFC-certified paper and eco-paper trays]

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

Environmentally friendly containers are used for NIPPON frozen foods.

#### 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.



#### 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).

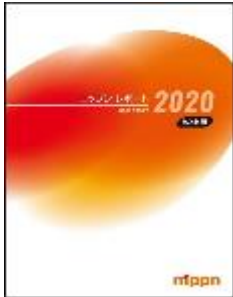


# ESG Initiatives (2) Social

## Corporate activities for sustainable growth



- Holding of a joint CSR and environment meeting



“Nippon Report”

- R&D structure  
Research Planning Center  
Food Research Center  
Innovation Center  
Development Division
- New products addressing customer needs



## Offering of high-quality products and services



- All NIPPON and Oh! my plants (including frozen foods) are JFS-C certified\* to strengthen systems for ensuring food safety and reliability.  
\* Based on the standard of the Japan Food Safety Management Association, of which the Company is a member
- All NIPPON sites are scheduled to become ISO14001 certified.



Ryugasaki Plant

## Gaining of trust of stakeholders



- Initiatives to ensure fair transactions
- Evaluation and selection of suppliers and outsourcees
- Initiatives for enhancing logistics quality
- Promotion of responsible purchasing
- Timely and appropriate disclosure
- Communication with shareholders
- Basic policy on IR activities
  - Open
  - Easy to understand
  - Systematic



## Improvement of workplace environment



- LGBT, promotion of diversity
- Promotion of active participation of women → Participation in cross-industry forums
- Promotion of employment of people with disabilities and the elderly
- Promotion of work-life balance
- Encouraging employees to use childcare leave and childcare shift systems
- Stress check and opening of the health consultation room for maintaining employees' health
- Promotion of health and productivity management  
→ Recognized as a White 500 Company for outstanding health and productivity management



# ESG Initiatives (3) Social, Governance

## Contribution to international society and local communities

- Contribution through dietary education
  - Execution of the “Dietary Education Department of Tamesue College” project
  - Holding of cookery classes for consumers and for various groups
- Contribution to international society and local communities
  - Support of UNICEF, support of WFP
  - Support of Himalaya Elementary School in Nepal
  - Contribution through sports
  - Holding of the Luna Flora Exhibition



[Dietary Education Department of Tamesue College]



[Support of UNICEF]



## Legal compliance and internal control



- Corporate governance structure
- Basic Policy on Internal Control Systems
- Compliance policy: “Corporate Social Responsibility HANDBOOK”
- Information security: “Personal Information Protection Policy”
- Elimination of antisocial forces
- Whistleblower system (corporate ethics helpline)
- Risk management: Large-scale disaster  
→ Safety confirmation system
- Transition to a company with audit & supervisory committee

## SDGs tackled by NIPPON



End hunger



Ensure quality education



Achieve gender equality



Clean water and sanitation



Ensure access to affordable clean energy for all



Promote decent work and economic growth



Ensure responsible production and consumption



Take action to combat climate change



Conserve life below water



Protect life on land



Promote peaceful societies and provide access to justice



# FY2022 Performance Forecast

- Despite some promising signs, such as the start of vaccination against COVID-19, the outlook for the Japanese economy is expected to remain unclear in view of concerns about the spread of variants. Profitability for the fiscal year ending March 31, 2022 is expected to recover to the level for the fiscal year ended March 31, 2020.
- The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) will be applied from the beginning of the fiscal year ending March 31, 2022.

		FY2021		FY2022		YoY	
		Result	% of net sales	Forecast	% of net sales	Change	Change (%)
(Millions of yen)							
Net sales	Flour Milling	92,246	32.1%	96,000	30.0%	3,754	4.1%
	Food	160,068	55.7%	187,000	58.4%	26,932	16.8%
	Other	34,945	12.2%	37,000	11.6%	2,055	5.9%
	Total	287,258	100.0%	320,000	100.0%	32,742	11.4%
Operating income	Flour Milling	5,102	5.5%	5,000	5.2%	(102)	(2.0)%
	Food	4,264	2.7%	5,300	2.8%	1,036	24.3%
	Other	964	2.8%	800	2.2%	(164)	(17.0)%
	Total	10,331	3.6%	11,100	3.5%	769	7.4%
Ordinary income		12,620	4.4%	12,700	4.0%	80	0.6%
Profit attributable to owners of parent		8,608	3.0%	9,000	2.8%	392	4.6%

\*Net sales for FY2021 are restated by applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29).

**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.**

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**Investor Relations Office  
Accounting and Finance Div.  
NIPPON CORPORATION**