

nippon

Code number: 2001

Briefing Session on Business Results for the First Half of the Fiscal Year Ending March 31, 2023 (FY2023)

November 17, 2022

NIPPON CORPORATION

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



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Overview of Business Results for the First Half of FY2023 and FY2023 Performance Forecasts

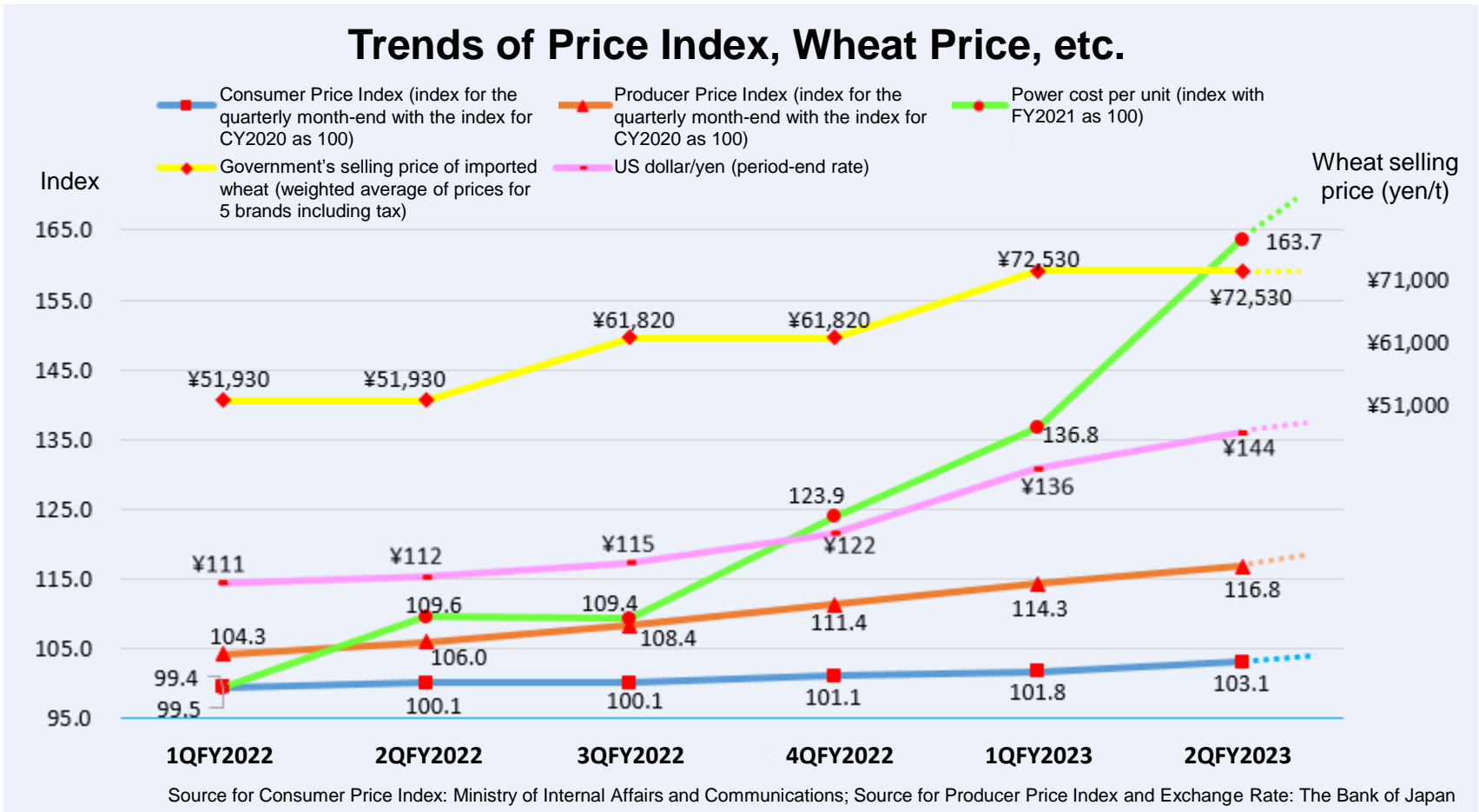
Statements of Income

- Net sales **increased** owing to wheat flour price revisions in the flour milling business in line with the wheat price revision and selling price revisions in the food business in line with sharp increases in raw materials prices, as well as an increase in the volume due to recovery in demand from the restaurant sector and growth of the frozen food business.
- Despite an increase in shipments due to a recovery in demand, profit **decreased** because raw materials prices and other costs rose more than expected and strategic costs for sales expansion increased.

(Millions of yen)		1H FY2022		1H FY2023		YoY	
		Result	% of net sales	Result	% of net sales	Change	Change (%)
Net sales	Flour Milling	46,210	29.3%	56,149	31.8%	9,939	21.5%
	Food	93,002	59.0%	100,364	56.9%	7,362	7.9%
	Other	18,323	11.6%	19,975	11.3%	1,651	9.0%
	Total	157,535	100.0%	176,488	100.0%	18,953	12.0%
Operating income	Flour Milling	2,811	6.1%	3,425	6.1%	614	21.9%
	Food	2,766	3.0%	2,041	2.0%	(725)	(26.2)%
	Other	290	1.6%	362	1.8%	70	24.1%
	Total	5,869	3.7%	5,829	3.3%	(39)	(0.7)%
Ordinary income		7,362	4.7%	7,211	4.1%	(150)	(2.0)%
Profit attributable to owners of parent		5,235	3.3%	4,963	2.8%	(272)	(5.2)%

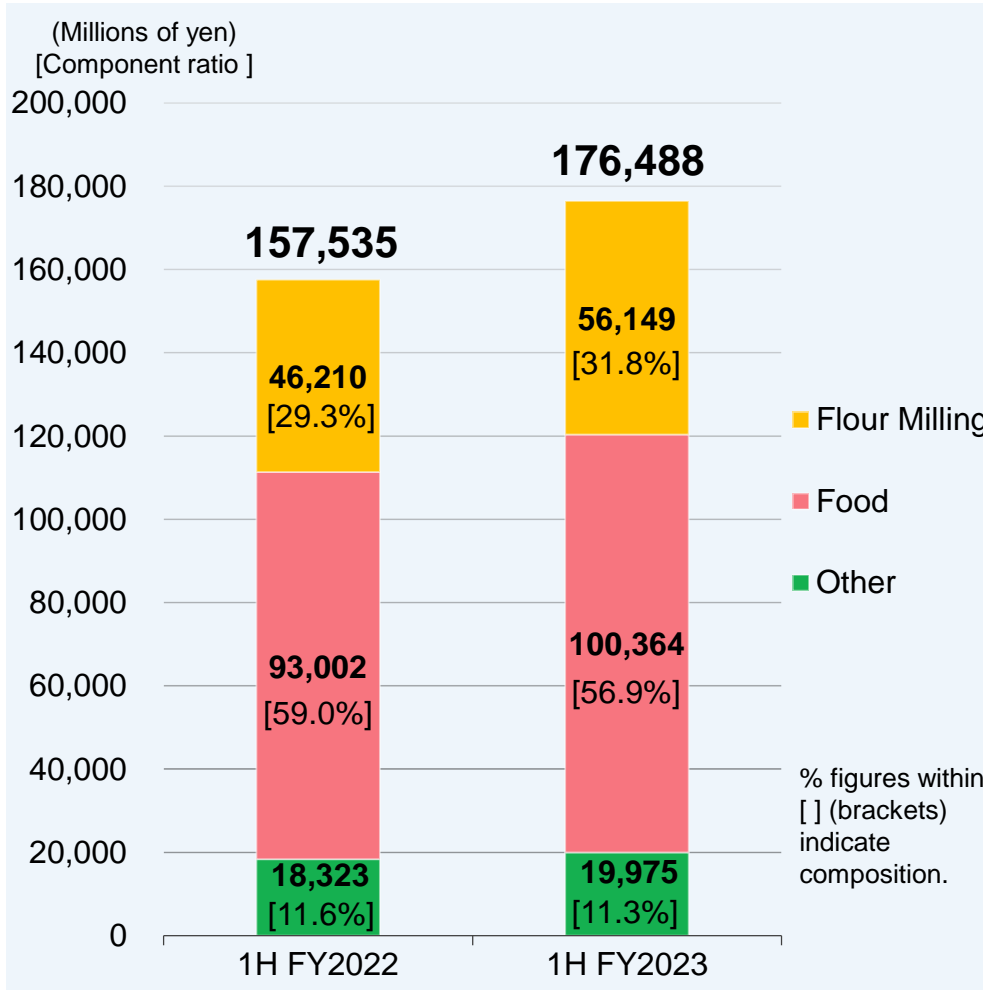
Trend of Raw Materials Prices and Energy Costs

- Wheat prices remained high against the background of unsettled weather, Russia’s invasion of Ukraine, etc. Although the government did not change the selling price of imported wheat in October 31, 2022, future price trends are uncertain.
- Prices of raw materials for food products, energy costs, and logistics costs are rising owing to the impact of the prolonged conflict in Ukraine and the weak yen. Endeavoring to gain the understanding of our customers, we will promote product price revisions.



Analysis of Factors for Changes in Net Sales

- ◆ Factors for changes in net sales
(overall increase of ¥18,953 million [12.0%])

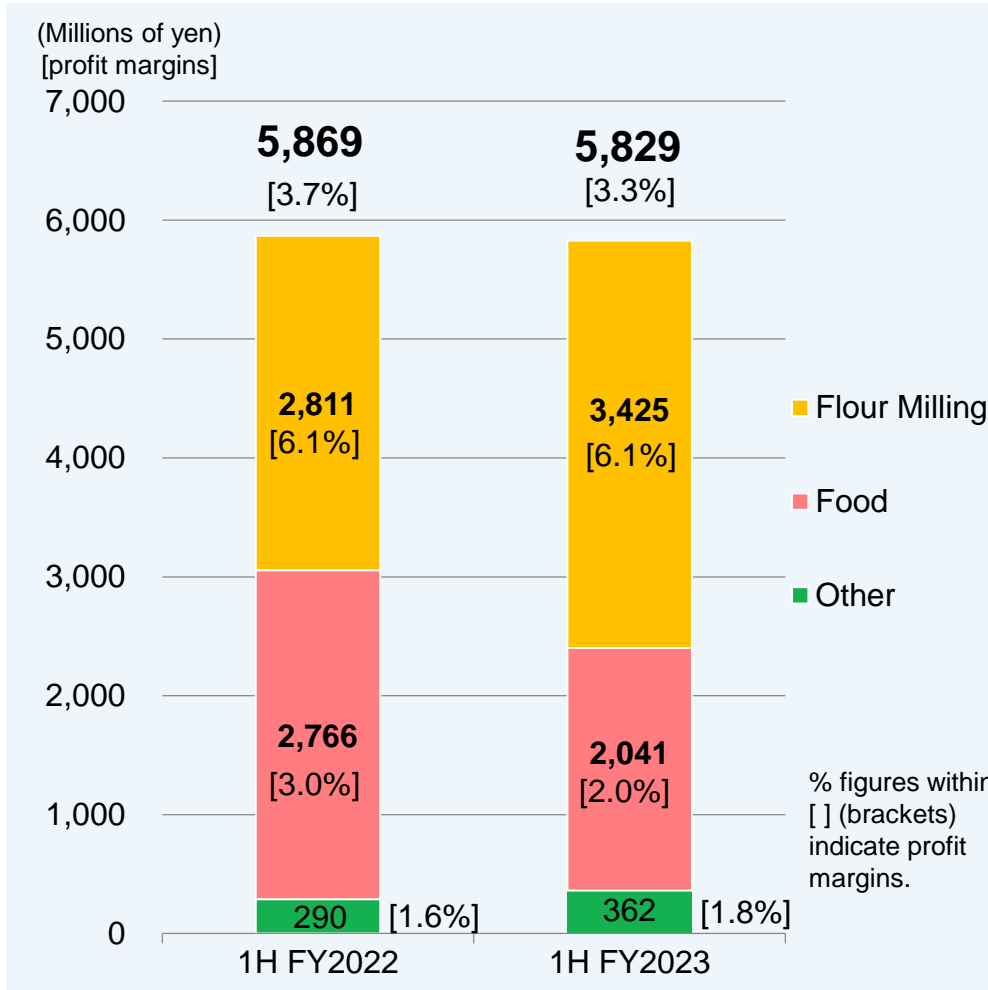


(Millions of yen)

Flour Milling	9,939 [21.5%]
Increase in wheat flour sales volume	200
Impact of the wheat flour price revision in line with the wheat price revision	8,900
Wheat bran price	600
Warehouses etc.	200
Food	7,362 [7.9%]
Premix	1,800
Pasta and other processed food	2,100
Frozen food	1,800
Ready-made meals and deli	600
Other food	1,100
Other	1,651 [9.0%]
Engineering-related	(500)
Pet food	1,000
Restaurant business and other	1,100

Analysis of Factors for Changes in Operating Income

- ◆ Factors for changes in operating income
(overall decrease of ¥39 million [(0.7)%])



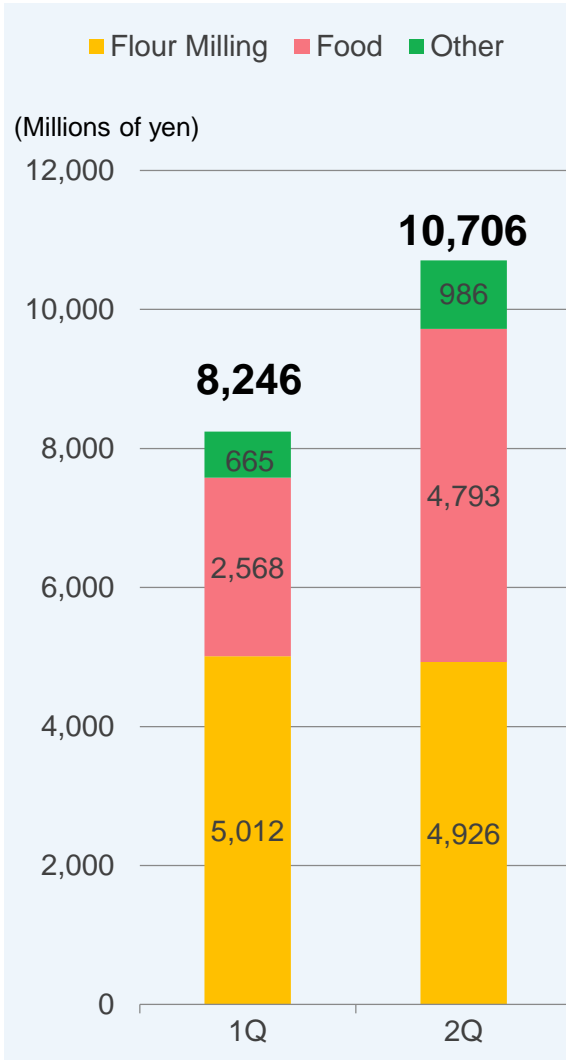
(Millions of yen)

Category	Total (Millions of yen)	Profit Margin (%)
Flour Milling	614	[21.9%]
Increase in wheat flour sales volume	0	
Wheat bran price	600	
Cost-related	100	
Warehouses etc.	(100)	
Food	(725)	[(26.2)%]
Increase/decrease in sales volume	900	
Cost-related and other factors	(1,600)	
Other	70	[24.1%]
Engineering	(100)	
Pet food	(0)	
Restaurant business and other	100	

Quarterly Changes in Net Sales and Operating Income

Net sales YoY change

Operating income YoY change



Net sales

Net sales of the flour milling business increased both in 1Q and 2Q owing to the impact of the wheat flour price revisions.

Net sales of the food business also increased owing to the price revisions in line with the increase in raw materials prices and an increase in the shipped volume due to recovery in demand from the restaurant sector.

Operating income

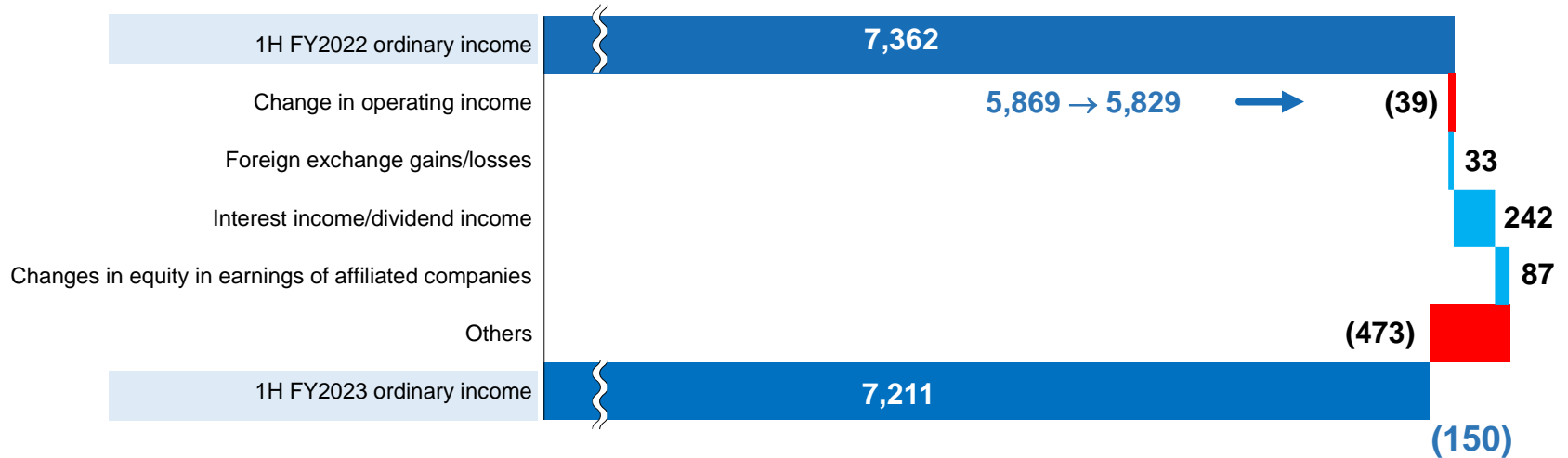
Operating income of the flour milling business continued to increase owing mainly to the robust wheat bran market.

Operating income of the food business decreased because raw materials prices and energy costs rose more than expected and strategic costs, such as advertising and sales promotion expenses, increased.

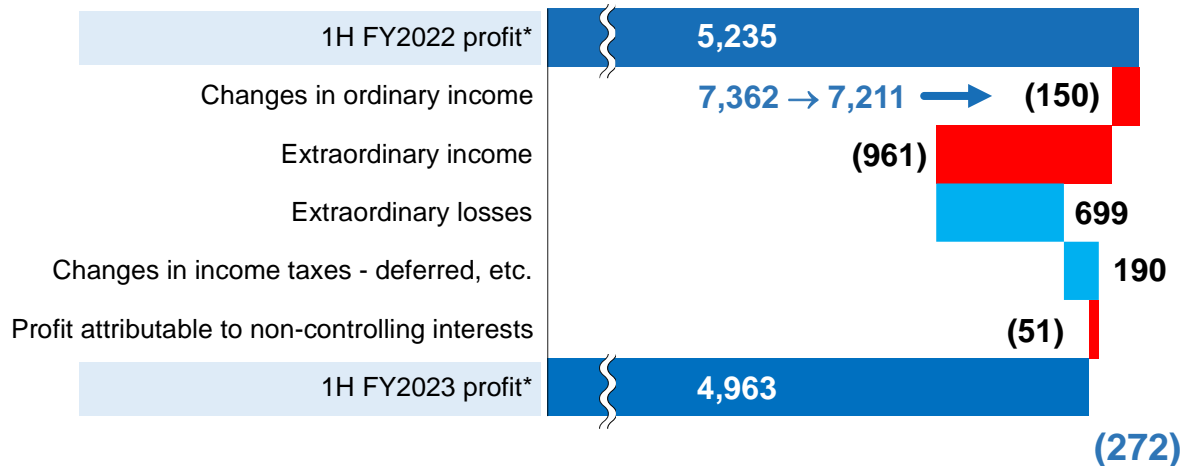
Analysis of Factors for Changes in Ordinary Income / Profit*

■ Factors for changes in ordinary income [(2.0)%]

(Millions of yen)



■ Factors for changes in profit* [(5.2)%]



* Profit attributable to owners of parent

Balance Sheets

(Millions of yen)	FY2022		1H FY2023		Change	
	(As of Mar. 31, 2022)	Component ratio	(As of Sep. 30, 2022)	Component ratio		
Current assets	130,768	40.1%	135,384	40.9%	4,615	0.8p
Property, plant and equipment	115,611	35.5%	114,417	34.6%	(1,193)	(0.9)p
Intangible assets	2,529	0.8%	2,347	0.7%	(181)	(0.1)p
Investments and other assets	76,922	23.6%	78,798	23.8%	1,875	0.2p
Non-current assets	195,063	59.9%	195,563	59.1%	500	(0.8)p
Deferred assets	37	0.0%	32	0.0%	(4)	(0.0)p
Total assets	325,869	100.0%	330,980	100.0	5,111	-
Current liabilities	74,842	23.0%	75,340	22.8%	497	(0.2)p
Non-current liabilities	72,328	22.2%	71,255	21.5%	(1,072)	(0.7)p
Total liabilities	147,171	45.2%	146,596	44.3%	(575)	(0.9)p
Shareholders' equity and accumulated other comprehensive income	174,120	53.4%	180,548	54.5%	6,427	1.1p
Subscription rights to shares	195	0.1%	193	0.1%	(2)	(0.0)p
Non-controlling interests	4,381	1.3%	3,642	1.1%	(739)	(0.2)p
Total net assets	178,697	54.8%	184,384	55.7%	5,686	0.9p
Total liabilities and net assets	325,869	100.0%	330,980	100.0	5,111	-

Statements of Cash Flows

(Millions of yen)	1H FY2022	1H FY2023	Change
Operating activities	3,258	3,620	362
Investing activities	(4,373)	(2,730)	1,642
Financing activities	(467)	(4,869)	(4,401)
Effect of exchange rate change on cash and cash equivalents	119	520	401
Net increase (decrease) in cash and cash equivalents	(1,463)	(3,459)	(1,995)
Cash and cash equivalents at beginning of period	35,308	31,215	(4,093)
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1,908)	-	1,908
Cash and cash equivalents at end of period	31,936	27,756	(4,180)

- Major factors contributing to changes in cash flows from operating activities
= Decrease in notes and accounts receivable - trade, increase in inventories, etc.
- Major factors contributing to changes in cash flows from investing activities
= Proceeds from sales of investment securities, purchase of fixed assets, etc.
- Major factors contributing to changes in cash flows from financing activities
= Increase in cash dividends, repayments of loans payable, etc.

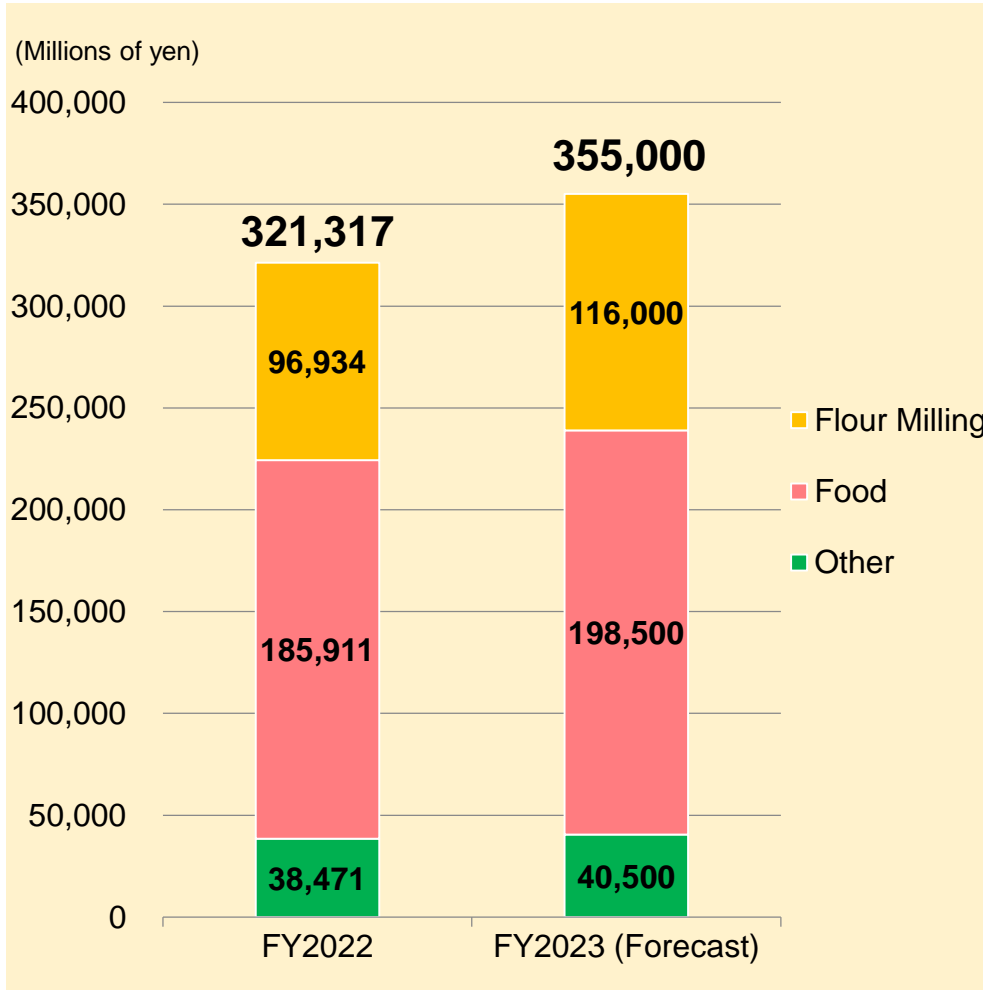
FY2023 Performance Forecasts

- Although the consolidated business results for the first half of FY2023, exceeded the forecast, geopolitical risks and the impact of high raw materials prices and energy costs caused by the rapid depreciation of the yen and other factors are expected to continue for the time being. Therefore, the forecasts of consolidated business results for the full year of FY2023 are unchanged.

(Millions of yen)		FY2022		FY2023		YoY	
		Result	% of net sales	Forecast	% of net sales	Change	Change (%)
Net sales	Flour Milling	96,934	30.2%	116,000	32.7%	19,066	19.7%
	Food	185,911	57.9%	198,500	55.9%	12,589	6.8%
	Other	38,471	12.0%	40,500	11.4%	2,029	5.3%
	Total	321,317	100.0%	355,000	100.0%	33,683	10.5%
Operating income	Flour Milling	6,211	6.4%	6,000	5.2%	(211)	(3.4)%
	Food	4,068	2.2%	3,100	1.6%	(968)	(23.8)%
	Other	1,000	2.6%	1,000	2.5%	0	-
	Total	11,282	3.5%	10,100	2.8%	(1,182)	(10.5)%
Ordinary income		14,270	4.4%	12,200	3.4%	(2,070)	(14.5)%
Profit attributable to owners of parent		9,327	2.9%	8,300	2.3%	(1,027)	(11.0)%

Analysis of Factors for Changes in Net Sales Forecasts

- ◆ Factors for changes in net sales forecasts
(overall increase of ¥33,683 million [10.5%])



(Millions of yen)

Flour Milling 19,066 [19.7%]

Increase in wheat flour sales volume	900
Impact of the wheat flour price revision in line with the wheat price revision	16,800
Wheat bran price	1,100
Warehouses etc.	300

Food 12,589 [6.8%]

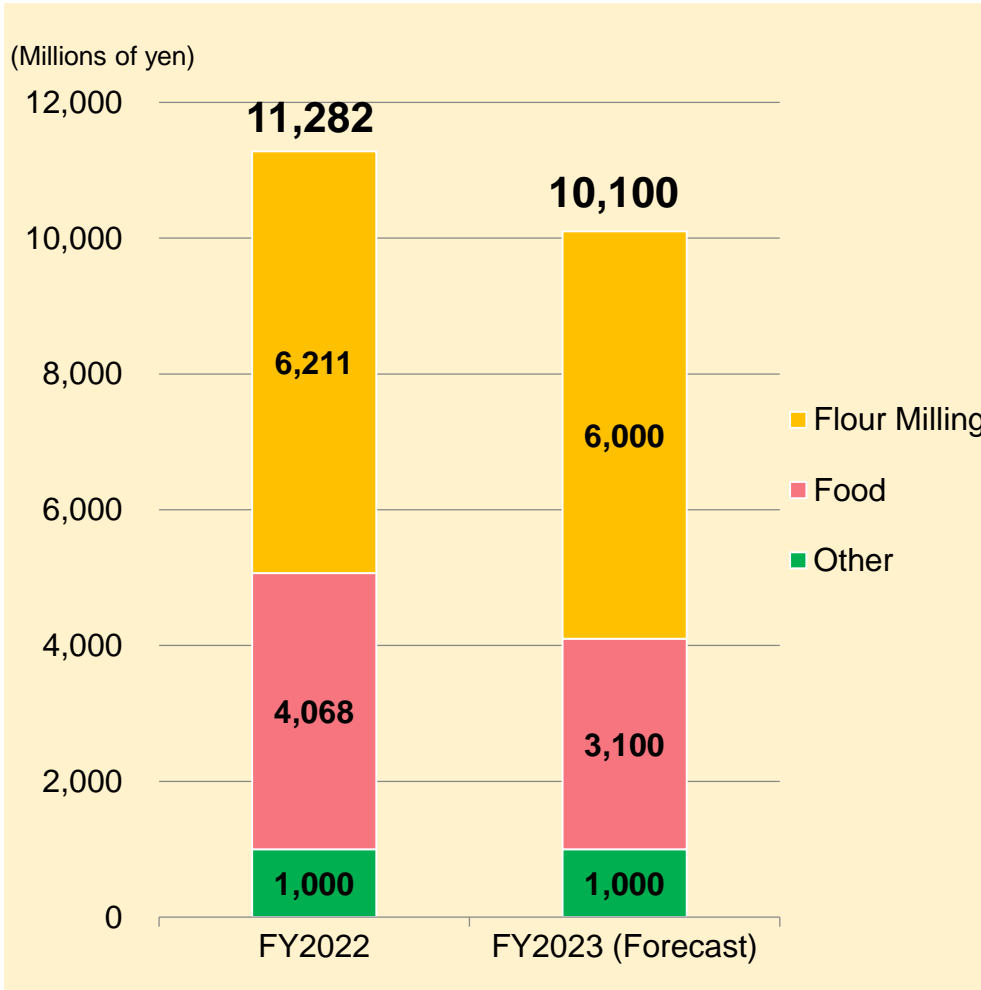
Increase in sales volume and change in composition of sales	3,600
Change in sales prices	9,000

Other 2,029 [5.3%]

Increase in sales volume	1,000
Change in sales prices	1,000

Analysis of Factors for Changes in Operating Income Forecasts

- ◆ Factors for changes in operating income forecasts
(overall decrease of ¥1,182 million [(10.5)%])



(Millions of yen)

Flour Milling (211) [(3.4)%]

Increase in wheat flour sales volume	200
Wheat bran price	1,100
Cost-related	(1,400)
Warehouses etc.	(100)

Food (968) [(23.8)%]

Increase in sales volume and improve profitability	2,000
Cost-related and other factors	(3,000)

Other 0 [-]

Increase in sales	200
Cost-related and other factors	(200)

Shareholder Returns

- With regard to dividends, we will strive to maintain stable dividends, while enhancing our financial position with **a target payout ratio of 30% or more** and keeping a close eye on the business environment.
- For effective use of free cash flow, **we intend to flexibly conduct share buybacks** as a means of returning profit to shareholders.

		(Yen)	FY2019	FY2020	FY2021	FY2022	FY2023
							Forecast
Dividends	Year-end		17.0	18.0	19.0	20.0	19.0
	Interim		15.0	16.0	17.0	18.0	19.0
	Full year		32.0	34.0	36.0	38.0	38.0
Payout ratio (%)			29.4%	29.1%	32.1%	31.3%	35.4%
Shareholder return ratio (%)			112.2%	29.1%	32.1%	31.3%	35.4%

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

The Company plans to pay total cash dividends of **38 yen per share** for FY2023, unchanged from the forecast.



NIPPN Group 2022-2026 Medium-term Targets

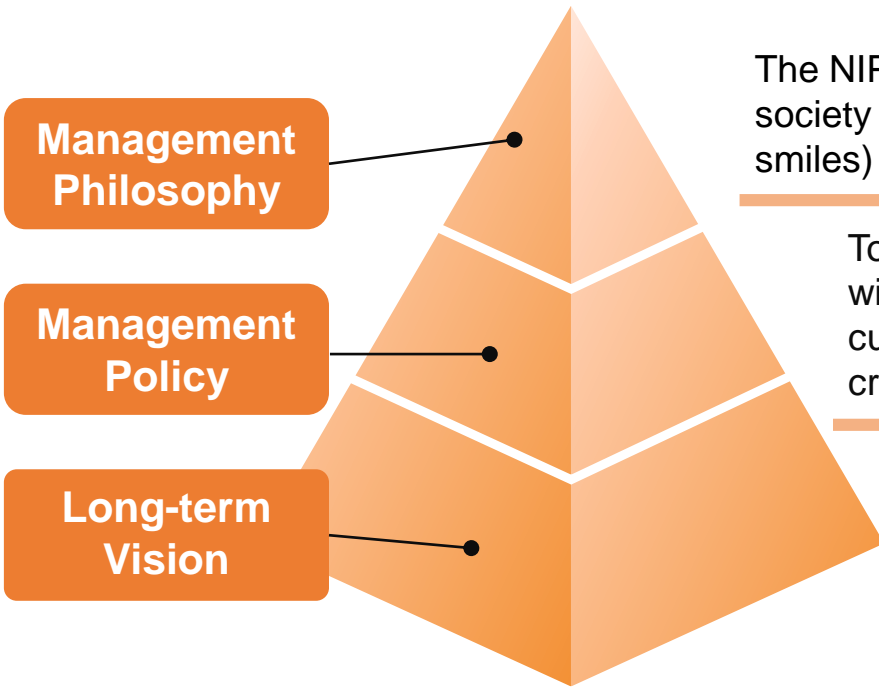
—Achieving well-being through creation of a new era of “food”—

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- I. Framework of the Long-term Vision**
- II. Strategy by Business
- III. Financial Strategy



Elements of the NIPPON Group's Vision



The NIPPON Group contributes to the realization of a sustainable society by pursuing **the well-being** (happiness, health, and smiles) of people.

To realize our management philosophy, the NIPPON Group will work **together with stakeholders** including our customers, employees, shareholders, and societies to create future-focused value.

We aim to grow to a scale of **500 billion yen in net sales and 25 billion yen in operating income** in order to secure our position as a comprehensive food company of high repute.

As a milestone on the path toward realization of our long-term vision, we aim to achieve **400 billion yen in net sales and 15 billion yen in operating income by FY2027.**



NIPPN's Management Policy 2022

The NIPPN Group will work with stakeholders to create future-focused value with the goal of ensuring **people's well-being (happiness, health, and smiles)** and contributing to the realization of a sustainable society.

Together with our customers

We deliver health and smiles to all customers through **"Food experience"**. We will create a new era of "Food" by developing products and services that anticipate change, harnessing the technological capabilities, which have been developed since our founding, and DX.

Together with our shareholders

We will work to enhance corporate value through **highly transparent** information disclosure and dialogue with shareholders.

With our stakeholders

Together with our employees

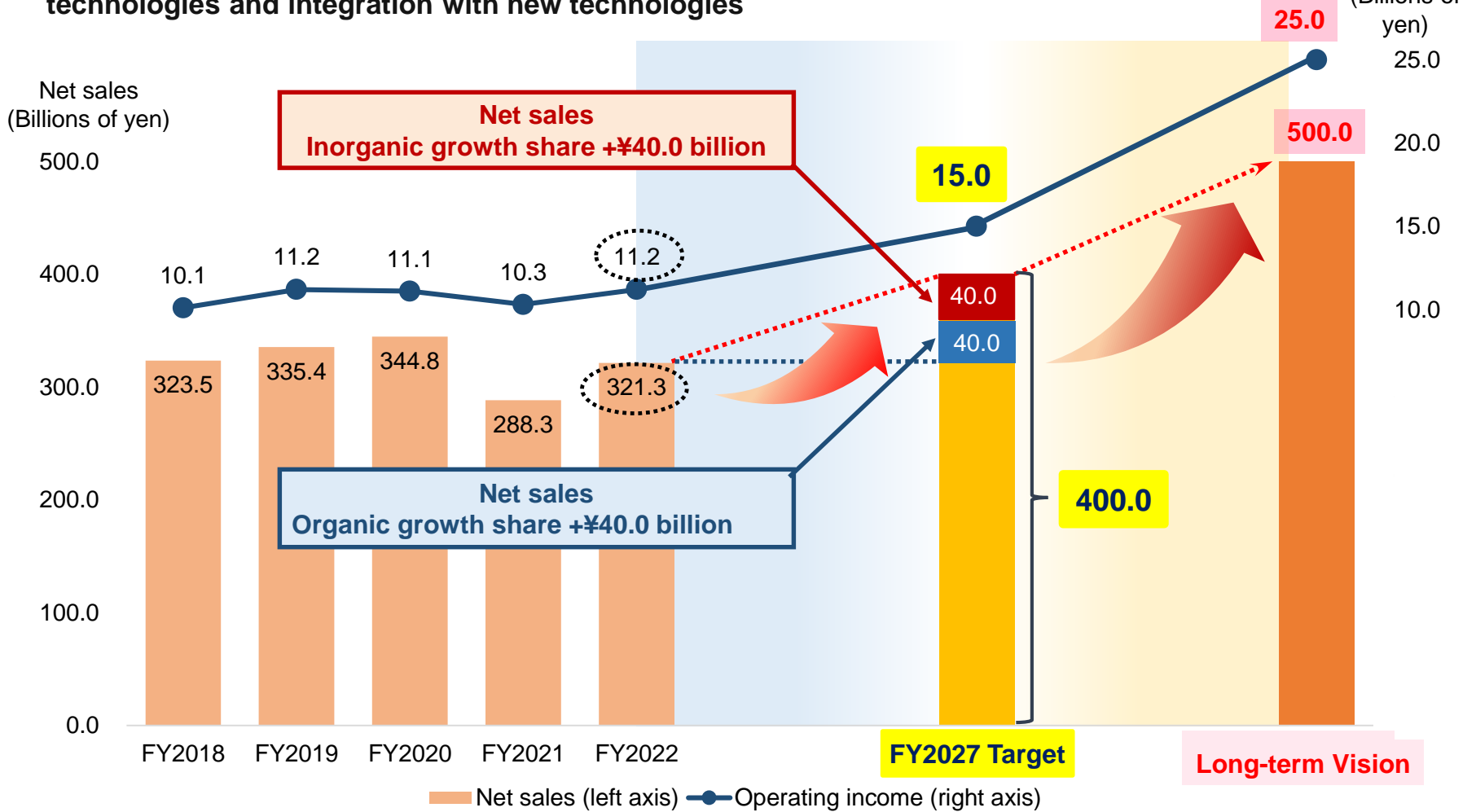
We are committed to solving social issues **with enthusiasm and passion** within a fair and open corporate culture.

Together with society

As **a resilient company** that practices ESG management, we are committed to working with our partners both within and outside of Japan with a focus on the actual situation in Japan and overseas to create a better society and a better planet.

Level of Growth Envisioned by the NIPPN Group

Expand revenue through **organic growth** + **inorganic growth** by concentrating management resources on high-growth fields and regions, while promoting application of basic technologies and integration with new technologies

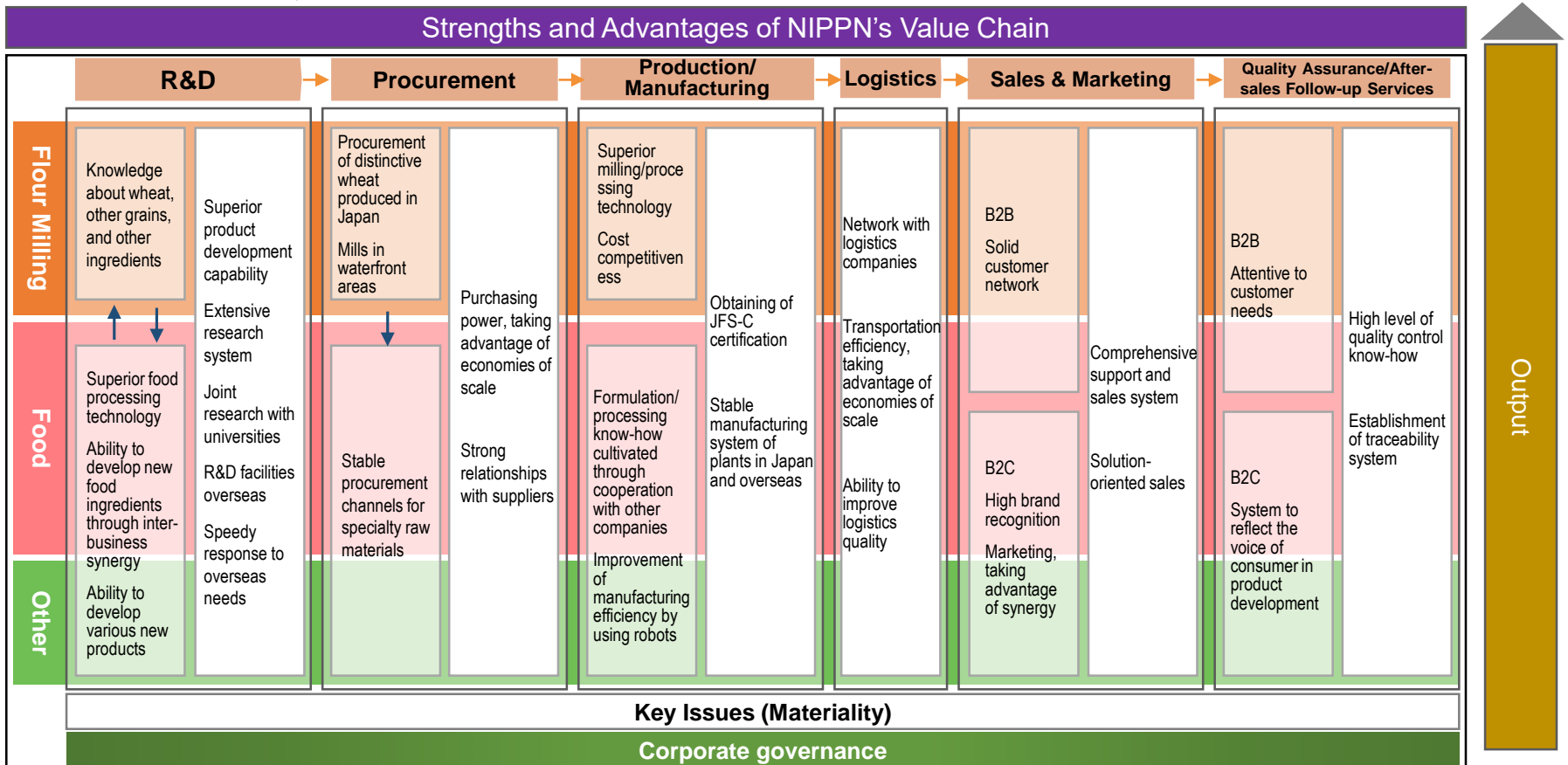
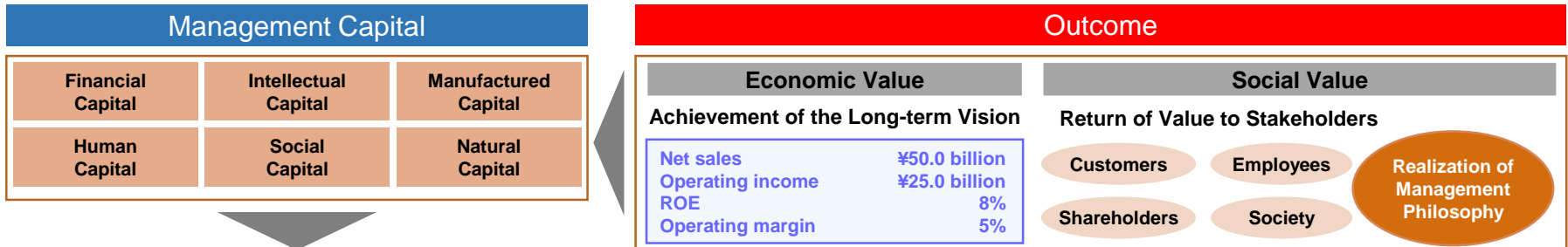


* The figures for FY2021 have been adjusted retroactively due to a change in accounting policy.

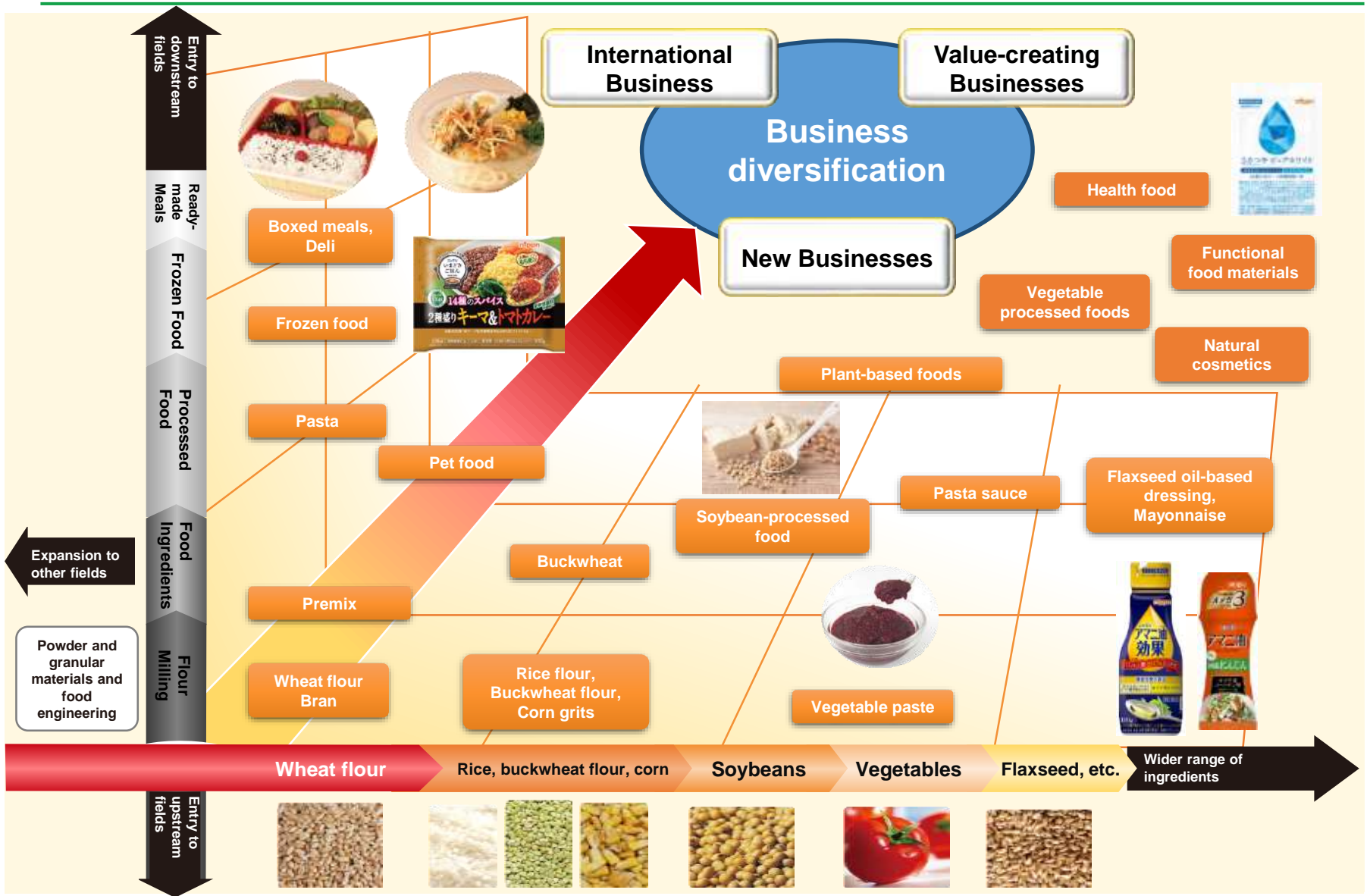
Strategy for Medium- to Long-term Growth

Business environment		Strategic orientation of the long-term vision	Key issues to be addressed
Social/business issues	Risks and opportunities		
Environmental issues	<ul style="list-style-type: none"> ● Increasing needs for environmentally friendly products ● Expansion of the market for ethical consumption ● Decrease in harvest of raw materials due to climate change resulting in higher procurement cost 	Further promote ESG	<ul style="list-style-type: none"> • Environmental protection initiatives • Compliance with laws and regulations and internal control • Earning the trust of stakeholders • Contribution to the international community and local communities
Responsible corporate behavior	<ul style="list-style-type: none"> ● Earning trust as an ethical and reliable company ● Establishment of a stable business foundation by improving transparency of decision-making and appropriately ● Loss of social credibility/damage to corporate value due to violation of laws and regulation 		
Diversification of lifestyles	<ul style="list-style-type: none"> ● Expansion of the health food market due to increasing health consciousness ● Diversification of food preferences/emergence of new needs for life with and after COVID-19 ● Sustainable business growth by responding to new customer needs ● Loss of growth opportunities/decline in competitive advantage due to delay in responding to change in consumer lifestyles/diversification of values 	Research and commercialize new functional materials and take on the challenge of new materials and innovative product	Corporate activities for sustainable growth
		Expand sales to CVS market	
		Expand business scale through M&A in Japan and overseas	
Expand business fields and territories of overseas sites			
Decrease in consumer population due to declining birthrate and aging population	<ul style="list-style-type: none"> ● Acquisition of new customers through expansion of e-commerce channels and development of sales overseas ● Increase in sales by responding to inbound demand ● Decrease in sales due to decline in consumer population in Japan 	Enter new sales channels	
Enhancement of product quality	<ul style="list-style-type: none"> ● Brand power by enhancing added value of products ● Enhancement of corporate image/increase in sales ● Decrease in sales due to customer attrition 	Develop differentiated products and strengthen brand power	Providing high-quality products and services
Intensifying competition in the food market	<ul style="list-style-type: none"> ● Intensifying competition due to the entry of companies in other industries to the ready-made meals market ● Obsolescence of existing business models in line with emergence of new technologies 	Strengthen sales capability and improve productivity	
Labor shortage	<ul style="list-style-type: none"> ● Productivity improvement through promotion of DX and use of digital technology ● Productivity improvement due to progress of labor-saving machine technology ● Outflow of human resources, decline in motivation, and decline in employee performance due to deterioration of the working environment 	Utilize digital technologies	Cultivation of an attractive workplace environment

The NIPPN Group's Value Creation Process



Orientation of the NIPPON Group's Diversification Strategy



Contents

- I. Framework of the Long-term Vision
- II. Strategy by Business**
- III. Financial Strategy



Basic Policy of the Strategy

Continue growth and enhance corporate value while contributing to society as a company **creating a new era of “Food”** anticipating change

1 Strengthening earnings power of the core businesses

- Achieve sustainable profit growth and stable generation of cash by strengthening the foundation of existing businesses and increasing production capacity
- Strengthen technological and development capabilities that lead to competitive advantage

2 Strategic investment in growth businesses

- Proactive investment in growth fields where improved profitability can be expected
- Optimal resource allocation based on business portfolio
- Realization of inorganic growth through M&A and alliances
- Business expansion into global markets
- Promotion of value-creating businesses by creating new businesses

3 Strengthening of the business foundation

- Financial strategy focused on maintaining a stable financial base and capital efficiency
- Further acceleration of DX promotion
- Penetration of ROIC management
- Implementation of human capital management including human resources development and diversity promotion
- Expansion of investment in intangible assets such as IT and human capital

4 Promotion of ESG management

- Minimization of environmental impact
- Contribution to development of local communities and respect for human rights
- Establishment of a sustainable supply chain
- Enhancement of group governance and risk management

Overall Picture of the Growth Strategy

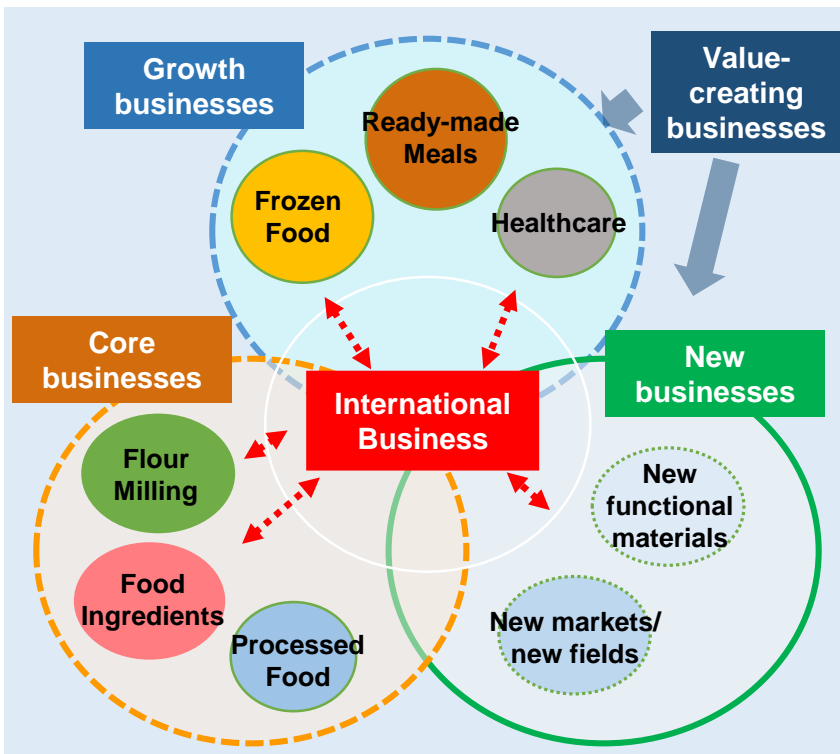
- Strengthen the business foundation by promoting structural reform of existing businesses and continued development of growth drivers, while optimally allocating management resources to create new businesses
- Aim to expand revenue through **inorganic growth** based on M&A and alliances in addition to steady **organic growth**

Basic measures for organic growth

By focusing on growth businesses (frozen food, ready-made meals, healthcare, international), strengthen capital investment and development of products anticipating change to reinforce brand power

Basic measures for inorganic growth

- Expand the scale of business through M&A and alliances in Japan and overseas
- Expand existing businesses and start new businesses



Expansion of production sites and sales territories and market development in the U.S. and the ASEAN region

Development and commercialization of innovative functional materials for health-conscious consumers

Creation of new demand for products in response to change in lifestyles

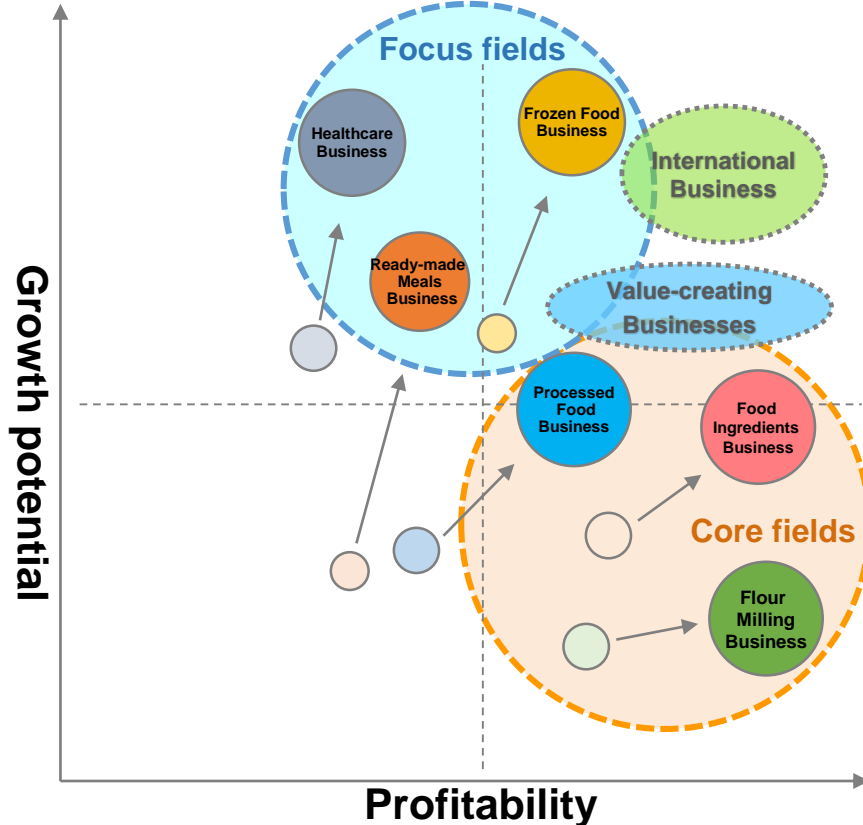
Entry to new "food" fields

$$\begin{array}{|c|} \hline \text{Business} \\ \hline \text{in Japan} \\ \hline \text{¥30.0} \\ \hline \text{billion} \\ \hline \end{array}
 +
 \begin{array}{|c|} \hline \text{International} \\ \hline \text{Business} \\ \hline \text{¥10.0 billion} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{Sales} \\ \hline \text{Up ¥40.0} \\ \hline \text{billion} \\ \hline \end{array}$$

Targeted Business Portfolio

The 2022-2026 Medium-term targets are a set of five-year business policies and strategies aimed at achieving NIPPON’s long-term vision of achieving growth to the scale of **net sales of 500 billion yen and operating income of 25 billion yen**. The period from 2022 to 2026 is positioned as a stage for strengthening the foundation for sustainable growth by expanding business fields in Japan and overseas.

Targeted business portfolio over the medium term (image)



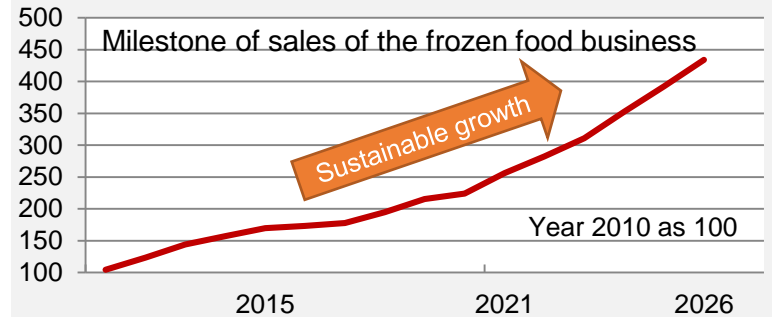
Key measures of the growth strategy

- Cultivate markets in the ASEAN region, which has growth potential
- Expand production sites and strengthen the sales system in the U.S. and Asia
- Roll out pasta, frozen foods and new ingredients in overseas markets
- Pursue borderless M&A and alliances with local companies
- Enhance earnings power through development of high-value-added products
- Strengthen development capabilities to expand product lines
- Develop marketing human resources/strengthen brand power
- Expand sales channels by cultivating the e-commerce business
- Accelerate digital innovation arising from DX promotion
- Roll out products in plant-based markets
- Strengthen R&D of health food and functional food products
- Launch products in the self-healthcare market corresponding to the “functional appeal of food”

Focus Field Frozen Food Business: Growth Strategy

Capture top market share for frozen pasta and secure position as a frozen food manufacturer with the aim of becoming one of the top 5 frozen food manufacturers

Sales target: 60% increase compared with FY2022
Aim for operating margin of 5%



Business environment

- Change in consumers' perception of frozen foods in the COVID-19 pandemic
- Increased awareness of frozen foods and expansion of customer base
- Increased demand for frozen foods due to increased time spent at home, etc.
- Expectations for ease of stocking up, simplicity, and convenience with no waste

Basic strategic policies

- Capture new customers through distinctive product lines
- Commercialize new materials and develop new sales channels
- Strengthen brands and roll out differentiated products
- Expand exports and international business
- Continue development of plastic-free products

Key measures for achieving the strategy

- Emphasize differentiation of **rice dishes in trays for one-person servings** and increase distribution
- Strengthen the lineup of one-plate products to expand the customer base
- Strengthen product lines in the **e-commerce business**
- Develop and expand sales of side dish products targeting dual-income households
- Strengthen the lineup of **Soylpro-based** products
- Promote the value of **high-value-added pasta dishes** for one-person servings
- Expand international business by developing products exclusively for export
- Promote the use of paper trays

Focus Field Frozen Food Business: **Creation of Value-creating Businesses**

Aim to increase revenue from products for both home and professional use through commercialization of new materials, cultivation of new sales channels, and expansion of exports

Commercialize new ingredients

- Strengthen the lineup of Soypro-based products and sell Soypro as ingredients (flake type); develop new ingredients (fillet type) and sell them as ingredients
- Develop products for vegans, whose numbers are also increasing in Japan

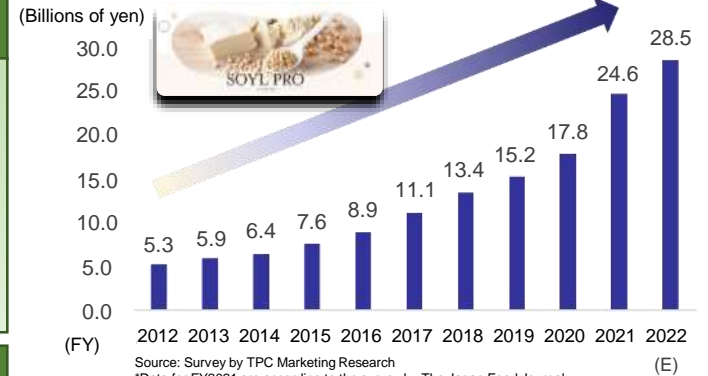
Cultivate new sales channels

- Strengthen the lineup of frozen food products on “NIPPN Direct” website for direct sales of NIPPN products
- Strengthen unmanned sales through tie-up with frozen food vending machine manufacturers

Expand exports and international business

- Initiatives in collaboration with trading companies for exports
- Development of products exclusively for export

Plant-based food market size



Yokubari Plate PLANT BASED



Dohiemon automatic vending machine for frozen food products



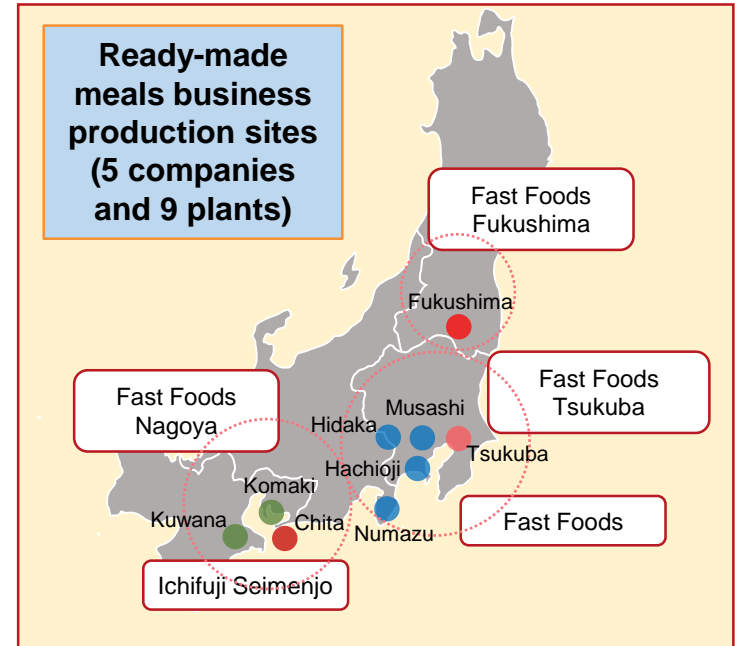
Focus Field Ready-made Meals Business: Growth Strategy

- ◆ Expand the scale of the daily maker business (as a vendor of ready-made meals for CVS)
- ◆ Expand the market area by utilizing existing know-how

Sales target: 30% increase compared with FY2022
Aim for operating margin of 2% or higher

Business environment

- Slowing pace of expansion of the CVS ready-made meals market
- Change in needs in line with the increase in dual-income households and smaller households
- Difficulty in securing stable workforce, risk of rising labor costs



Basic strategic policies

- Secure the foundation for growth by cultivating a new market area for ready-made meals
- Rebuild “the earning power” of the daily maker business and reform the organizational foundation for growth
- Initiatives for SDGs Goal 12 “Responsible Consumption and Production”



Key measures for achieving the strategy

- Establish production sites nationwide
- Expand sales by cultivating new sales channels other than CVS
- Restructure to improve profitability
- Cultivate existing markets and develop business sites
- Initiatives to reduce food loss

Focus Field Ready-made Meals Business: Creation of Value-creating Businesses

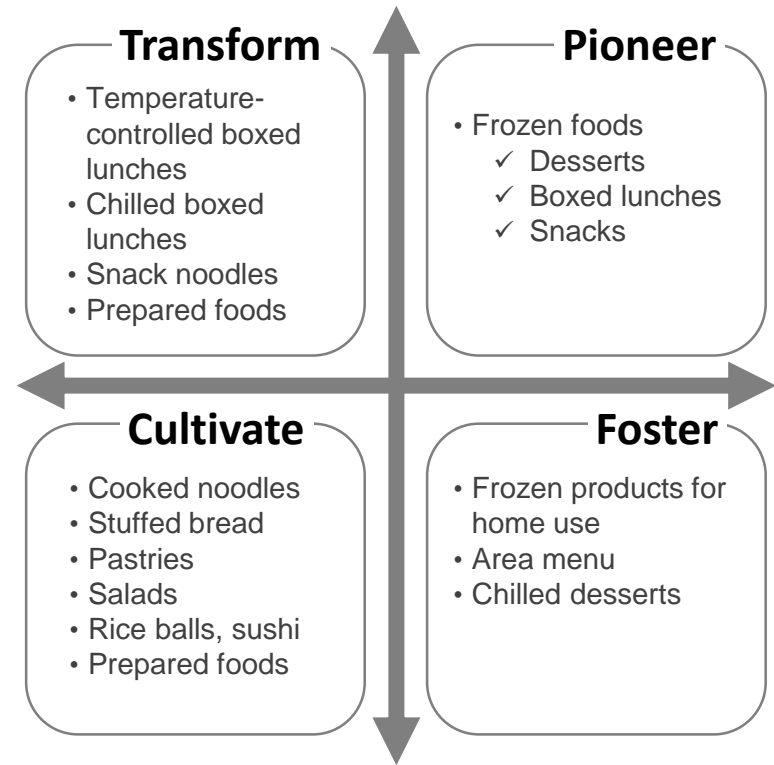
Resolve issues centering on strengthening of R&D capabilities and production and technological capabilities to achieve the medium-term targets

Strengthen R&D capabilities

- Research on control of the number of bacteria in chilled temperature range
- Research on extending shelf life (including of ingredients)
Improvement of cooking techniques

Strengthen production and technological capabilities

- Production automation (promotion of DX) in response to labor shortages
- Increase production capacity and efficiency



Expand the market area by the strategy to address a more diverse customer base

Expand sales by cultivating existing markets

Focus Field Healthcare Business: Growth Strategy

- ◆ Support maintenance and promotion of physical and mental well-being so that people can live fulfilling lives
- ◆ Contribute to extending healthy life expectancy, which is a social issue



Sales target: Double sales compared with FY2022

Aim for operating margin of 7%

Business environment

- Increasing health consciousness in the COVID-19 pandemic, rapid growth of the market
- Recommendation to live a fulfilling life by adopting a nutritious diet, taking exercise, and participating in society
- Greater needs for addressing specific concerns according to age groups and consumption scenes

Basic strategic policies

- Foster mainstay brands of foods with functional claims
- Develop health foods that are tasty and supplement insufficient nutrients
- Expand NIPPN Kenko Tsuhan online sales business using NIPPN's unique materials
- Expand sales channels including development of new business fields and exports
- Develop and propose flaxseed and circular food for fostering next-generation products
- Develop and propose for promotion of femtech

Key measures for achieving the strategy

- Vigorous dissemination of information through the media, social media and seminars
- Enhance the functions of Roast Amani roasted flaxseed and refine it
- Launch a new material, rosemary extract, and enhance the functions
- Proactively engage in regional revitalization projects
- Implementation of measures to increase awareness of functional materials, such as ceramide, pumice extract, and olive fruit maslinic acid
- Lower the cost of ceramide materials
- Expand export of functional materials to North and Central America, East Asia, and Southeast Asia
- Strengthen mail-order business of health foods for home use

Focus Field International Business: Growth Strategy

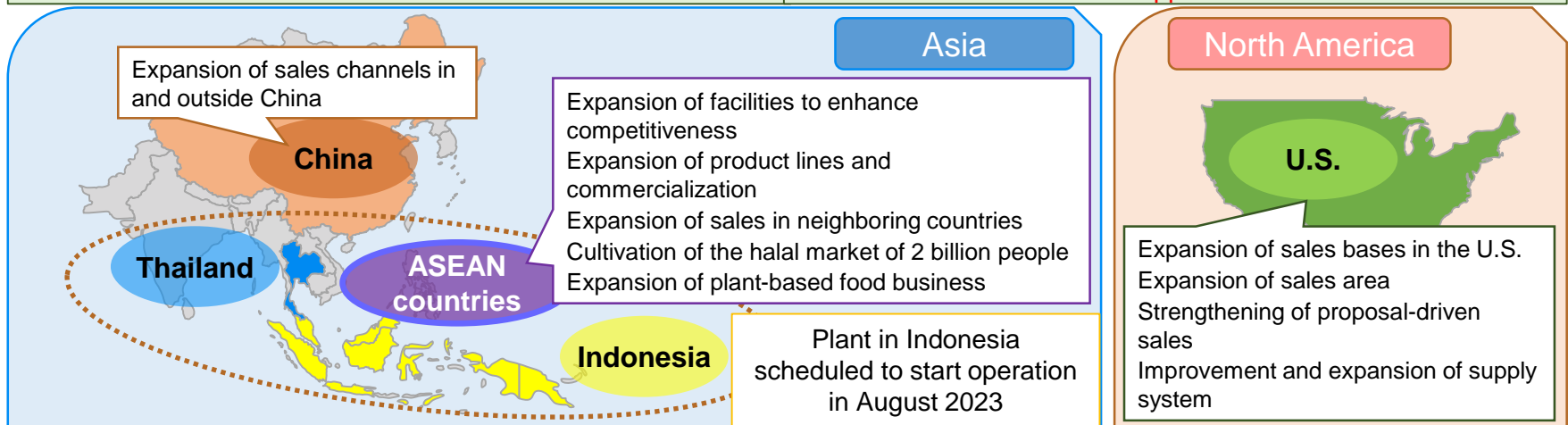
Sales target: Increase the ratio of international sales to 6% or higher by FY2027

Basic strategic policies

- ◆ Further expand business in the ASEAN region and China where the potential is high as well as in North America
- ◆ Demonstrate group synergy globally
- ◆ Develop business speedily including promotion of **the inorganic growth strategy**

Key measures for achieving the strategy

- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Strengthen the revenue base of existing businesses ■ Develop new businesses such as frozen food, protein substitutes, health materials, functional materials, etc., in addition to existing products ■ Expand business to areas contiguous with areas where NIPPN has already established a presence | <ul style="list-style-type: none"> ■ Implement capital investment to strengthen production capacity and improve efficiency ■ Expand the business scale by cultivating new customers ■ Develop human resources to strengthen global responsiveness ■ Pursue cross-border M&A opportunities |
|--|---|



Aim for 10 billion yen increase in sales in the inorganic field
Global human resources development and career plan
Enhancement of the foundation for international business administration

Core Field Flour Milling Business

- ◆ Enhance cost competitiveness and strengthen the revenue base
- ◆ Expand the market by creating new demand

Sales target: 3% increase compared with FY2022

Business environment

- The market is shrinking and becoming oligopolistic as it matures
- Progress of international trade negotiations
- Diversification of food preferences and health consciousness

Basic strategic policies

- Create demand through product proposals and development of new categories
→ Increase in sales volume
- Expand sales of value-added products and increase the composition of highly profitable products
→ Improvement of operating margin
- Reduce production costs and improve logistics
- Achieve both reduction of environmental impacts and cost reduction

Key measures for achieving the strategy

- Develop new categories and expand sales of national brand products
- Improve logistics costs through joint distribution etc.
- Save energy at mills and use environmentally friendly packaging materials



Core Field Food Ingredients Business

- ◆ Continued growth through a differentiation strategy for core premixes
- ◆ Enhancement of profitability through expansion of sales channels for new ingredients in Japan and overseas



Sales target: 40% increase compared with FY2022

Business environment

- Need for fewer work steps in view of labor shortages at manufacturing sites
- Increase in merchandise for restaurants and delicatessen due to health consciousness, preference for products produced in Japan, orientation toward authenticity
- Growing need for shorter production hours because of promotion of workstyle reform

Basic strategic policies

Stable growth of existing businesses and expansion of business scale, especially overseas

- Maintain sophisticated management of raw materials quality that supports product development capabilities
- Strengthen cost competitiveness through the pursuit of efficient production systems
- Continue to provide innovativeness, simplicity, and economy of products achieved by the use of carefully selected raw materials and accumulated knowhow on mixing
- Expand sales to overseas markets, such as Japanese restaurants

Key measures for achieving the strategy

- Premix business
Steadily build up existing business **toward full-scale operation of plants in Japan and overseas**, cultivate new markets, and expand exports
- Acceleration of development of **new businesses at Group companies**
- Proactively enter **the seasoning business**
→ Seek opportunities for alliances with other companies while promoting capital investment
- Expansion of **the rice flour business** through collaboration
- **Expansion of sales channels in Asia for existing products**, such as sugar-free mixes, and **new materials**

Core Field Processed Food Business

- ◆ Expand sales by developing markets from new perspectives
- ◆ Achieve transformation into a business capable of reinvestment by stabilizing the revenue structure



Sales target: 10% increase compared with FY2022

Business environment

- Lower selling prices due to increased competition
- Increase in the number of product SKUs and lower profitability
- Diversification of needs for products with new approaches, such as health and reduction of environmental impacts

Basic strategic policies

- Foster value-added products
- Strengthen the system for development of products that will be the customers' choice with the aim of **resolving dissatisfaction around the kitchen** from customers' viewpoints
- Improve production efficiency and achieve relative cost reduction in terms of logistics and procurement
- Strengthen **the brand power and product appeal** by gaining marketing know-how and applying it
- Raise the top line by cultivating new markets and enhancing facilities

Key measures for achieving the strategy

- Rebranding of “Oh’ my” and “REGALO”
- Promotion of channel strategy
Full-scale entry into e-commerce business, wide-area drug and discount store strategy, entry to overseas markets, etc.
- Investment in basic R&D emphasizing health
- Entry to new category markets with a high level of processing
- Initiatives to use environmentally friendly paper packaging materials
- Expansion of sales in the flaxseed category
- Development of health- and environment-oriented products in small-quantity packaging and mixes



Examples of Initiatives to Establish New Business Models (1)

Strengthen and expand e-commerce business

Established “NIPPN Direct” website for direct sales of high-quality Nippon Group products

Sales of “nest selection,” a regular delivery service offering a set of selected frozen fresh pasta and sauces once a month (limited to online sales)



- Desire to offer truly delicious food with love and care for the sourced-in-Japan ingredients used in the products
- Not only delicious but also healthy



Establish a stable sales base and a revenue model similar to B2C with an eye to introducing products in new categories utilizing NIPPN's proprietary health-enhancing materials.

Launch of the vegeSuppo series of foods with functional claims



Corn cream soup



Onion dressing

- The vegeSuppo series are foods with functional claims that are made using vegetables grown in Japan and contain plant-based functional ingredients to support daily diet
- Contains functional ingredients that address physical concerns
- A total of 6 products (4 cream soups and 2 dressings) whose main ingredients are vegetables grown in Japan
- The vegeSuppo series of products were developed by an in-house project team motivated by a desire to create delicious food with functional claims that is good for health and made with carefully selected ingredients. They meet the needs of those who have recently taken ownership of their health and want to eat vegetables and foods that are good for health.

Examples of Initiatives to Establish New Business Models (2)

Entry to the plant-based market

Delicious and part of daily nutrition

Expand the plant-based food business of **Soylpro**, which is a soy-based material for which tofu processing technology is applied

- Desire to introduce plant-based food for everyday eating
- Desire to enjoy delicious food that is good for health
- Desire to select protein geared to a sustainable future

→ **Soylpro is a material that resolves these issues.**

- Suitable for vegan and vegetarian dishes
- Lower sugar and higher protein than meat, dietary fiber with no cholesterol
- Minimal greenhouse gas emissions, contributing to mitigation of global warming



Soylpro Flake Type

- New ingredient ideal for dishes that use minced meat or as a partial replacement for rice
- Development of new plant-based ingredients opens up possibilities for sustainable diets

* Received the 34th New Technology and Food Development Award from the Japan Food Journal

Ureshii Shizen no Megumi series



- Environmentally friendly packaging. Vegetable ink is used for the package.
- Vegan-certified, with no animal ingredients



Development of foodtech robots

- Strict food safety, labor shortages, rising labor costs, and increased productivity
 - Automation of the production process and identification of foreign substances to enable safe production or to create an environment where consumers can access food with peace of mind
- Promoting development and commercialization of labor-saving and manpower-saving machines and inspection equipment utilizing cutting-edge technology, which are effective for production lines for ready-made meals and prepared foods

Equipment developed and in operation (example)



- Collaborative robot for topping ingredients
- Cup feeder
- Small packaging feeder
- Container rotating equipment
- Automatic sauce dispensing equipment
- AI-based packaging defect inspection equipment

NITORON topping robot

* Won the 25th Excellent Food Machinery, Materials, and Ingredients Award bestowed by the Japan Food Journal

<Medium- to long-term targets for technological development>

- To contribute to NIPPN and food and other industries through the creation of new industries based on the results of development
- To eliminate the problem of purchases of manual labor in the Asian region that Japan is facing

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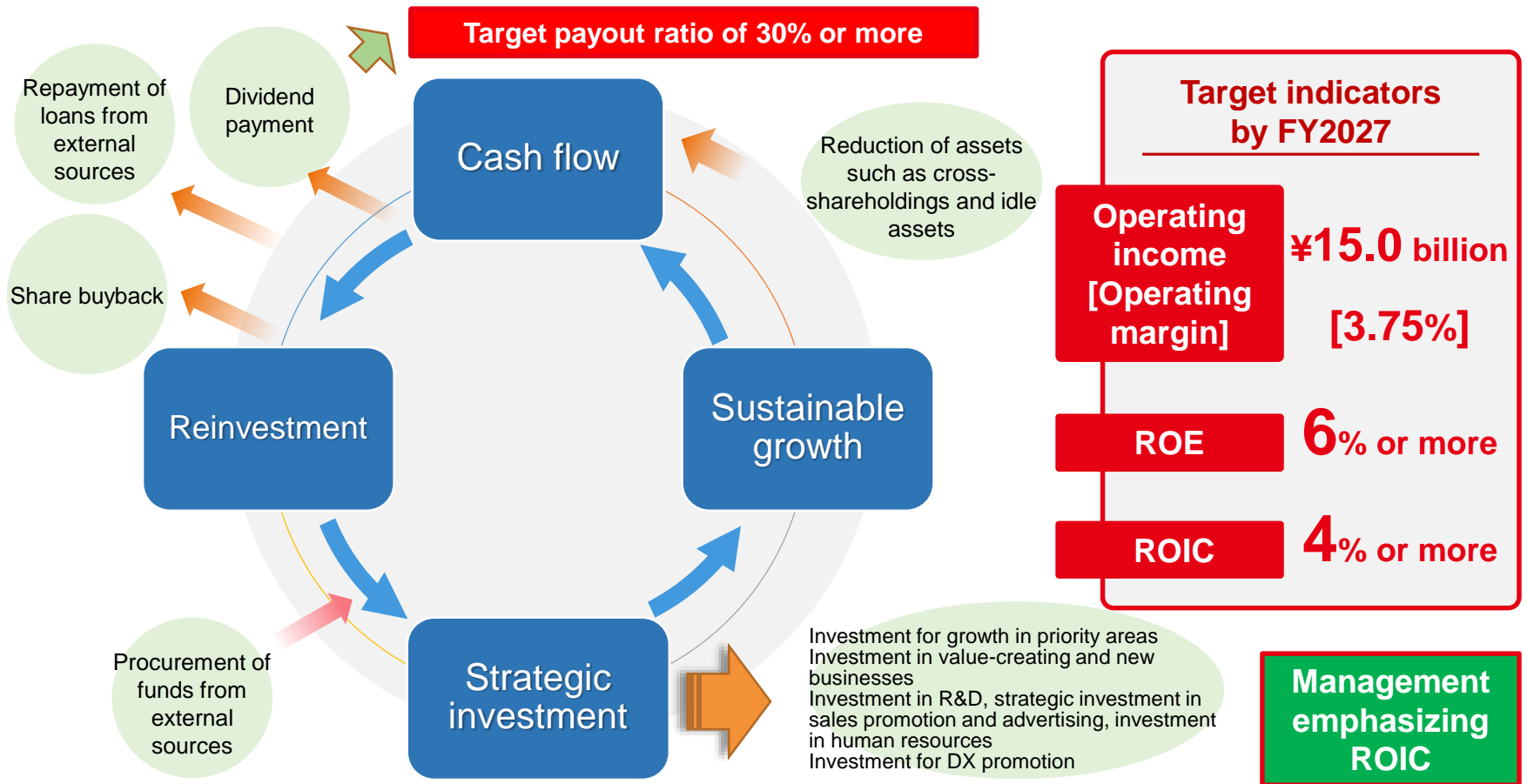
- I. Framework of the Long-term Vision
- II. Strategy by Business
- III. Financial Strategy**



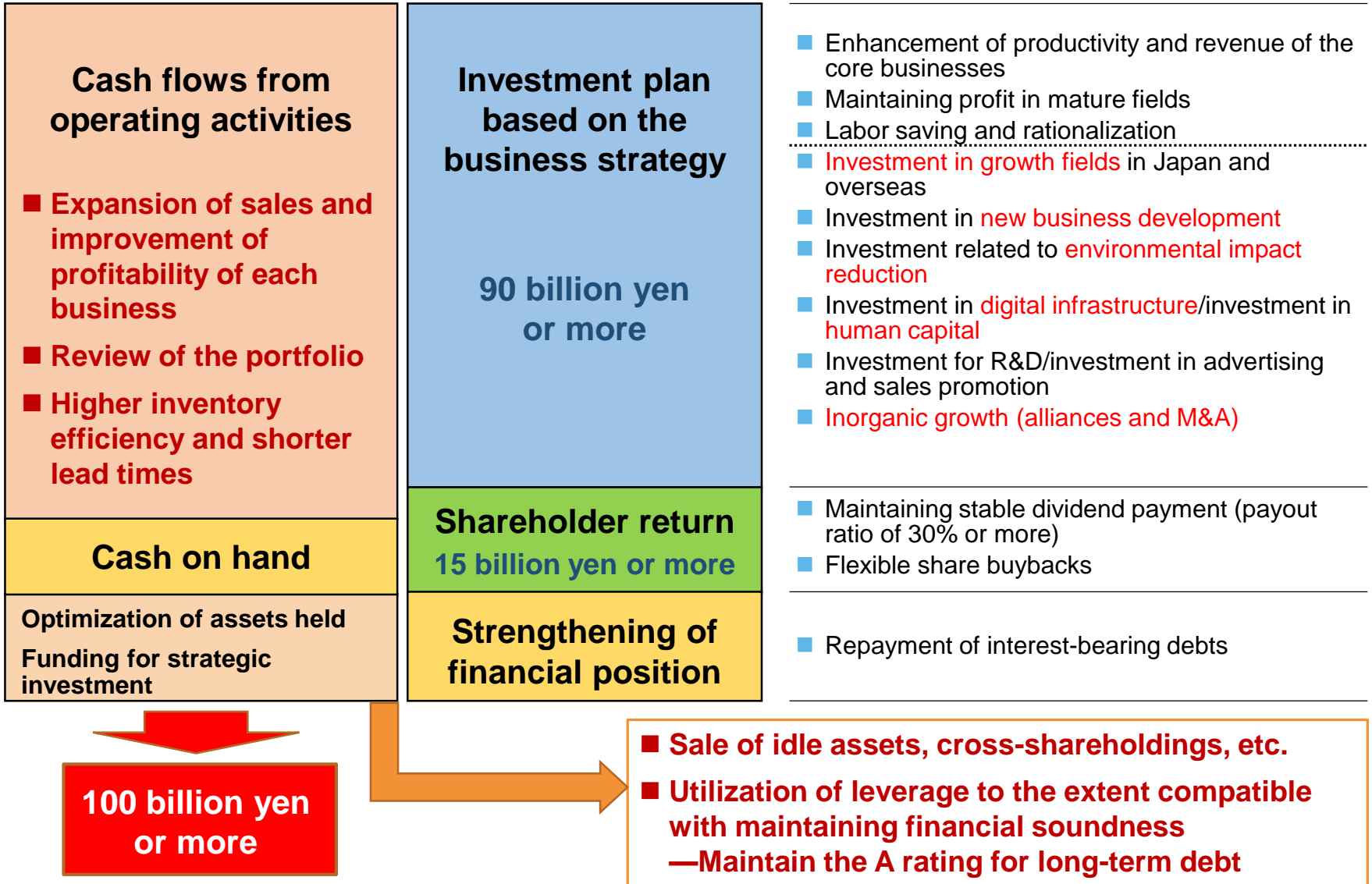
Strengthening of the Financial Position

Basic policies

- Optimally allocate cash resources generated from increased earnings through sustainable growth
- Improve capital efficiency and strengthen the financial position by making balance sheets more efficient
- Continue to pay stable dividends and flexibly implement share buybacks



Cash Allocation (FY2023-2027)





Toward Sustainable Management

Policy for Sustainability Initiatives

Key issues for promotion of ESG management

Environmental protection initiatives

- Establishment of environmental management systems
- Response to climate change
- Development of environmentally friendly products
- Reduction of food loss
- Conservation of water resources
- Protection of biodiversity

Corporate activities for sustainable growth

- Strengthening of R&D
- Business diversification
- Strengthening of earnings power of the core businesses
- Expansion of sales territories/channels
- Establishment of a sustainable supply chain

Earning trust of stakeholders

- Voice of the customer, engagement with shareholders and investors
- Dialogue with suppliers, communication with employees

Offering of high-quality products and services

- Initiatives for enhancing customer satisfaction
- Strengthening of quality management systems

Initiatives for human capital

- Linkage of the business strategy and the human resources strategy
- Promotion of diversity
- Promotion of health and productivity management
- Promotion of work-life balance

Contribution to international society and local communities

- Execution of dietary education
- Support by donating food
- Engagement with the international community and local communities

Legal compliance and internal control

- Corporate governance
- Risk management
- Compliance

Sustainability Initiatives (1)

Environmental protection initiatives

Establishment of environmental management systems

- Scheduled to complete gaining of ISO14001 certification
(Initiatives from now on)
- Setting of medium- to long-term targets for environmental issues

Response to climate change

- Introduction of energy-saving equipment and photovoltaic power generation systems at plants
- Reduction of environmental impacts of logistics by expanding delivery lots/marine transportation
- Reduction of logistics energy by transfer of production to the areas where products are consumed



Photovoltaic power generation facility (Iseaki)

(Initiatives from now on)

- Stepped-up introduction of photovoltaic power generation
- Consideration of endorsement of the TCFD recommendations

Development of environmentally friendly products

- Elimination of use of aluminum packaging materials
- Development of Soypro plant-based food
- Research into environmentally friendly new materials and consideration of introduction
→ Expand development of vegan products



Soypro



Reduction of food loss

- Improvement of labeling of best-before dates for pasta products
- Promotion of upcycling of food by-products
The 9th Food Industry Mottainai Awards
Received the Award of the Director-General of the Agriculture, Forestry and Fisheries Minister's Secretariat



(Initiatives from now on)

- Participation in consortium to commercialize bio-coke by compressing food residues and using it as an alternative feedstock to coal
- Investigation of biomass power generation from food waste

Conservation of water resources

- Reduction of water consumption and raising employee awareness
- Promotion of water conservation awareness through environmental education

Protection of biodiversity

- NIPPON Shikinomori Forest (Hokkaido) maintenance and tree planting



NIPPON Shikinomori Forest

Sustainability Initiatives (2)

Corporate activities for sustainable growth



Strengthening of R&D

- Development of functional food materials/food for special health uses
- Alliance with external parties/joint research with universities
- Launch of a wheat research team and an intellectual property strategy team
- Proactive acquisition of intellectual property

Establishment of a sustainable supply chain

- Improvement of logistics efficiency/holding of meetings on safety of delivery vehicles
 - Continuation of discussions and coordination with government/producer groups on stable wheat procurement
- (Initiatives from now on)
- Establishment of a policy on procurement of raw materials
 - Establishment of a forum for sharing information on logistics

Business diversification

- Creation of value-creating businesses and business development (Example of use of AI: NITORON topping robot)
 - Proactive investment in growth and new businesses
- (Initiatives from now on)
- Implementation of inorganic growth strategy
 - Research and commercialization of new materials and innovative products
 - Expansion of business fields and territories of overseas sites



Collaborative robot, NITORON

Strengthening of earnings power of the core businesses

- Improvement of facility utilization rate and facility expansion at existing plants
- Improvement of production efficiency using DX

Expansion of sales territories/channels

- Expansion of e-commerce (NIPPON Direct)
- Development of sales overseas (Cultivation of new sales channels)

Earning trust of stakeholders



Stakeholder engagement

- Enhancement of the content of proposals to customers and strengthening of contacts
- Compliance with purchasing rules → Revise the purchasing policy
- Holding of briefings for investor relations/appropriate information disclosure → Increase the frequency of meetings



Briefing session on business results (online)

Sustainability Initiatives (3)

Offering of high-quality products and services



Initiatives for enhancing customer satisfaction

- Holding of meetings to consider customer satisfaction
- Development and provision of compact handy packed wheat flour products for commercial use

Strengthening of quality management systems

- Gained JFS-C certification → More of the Group's sites to seek gaining the certification
- Maintaining ISO17025 certification
- Periodic audit of plants and reviews of raw materials
- Establishment of a traceability system

Initiatives for human capital



Linkage of the business strategy and the human resources strategy

- Inculcation of management philosophy, management policy, and long-term vision among employees
- Provision of training opportunities based on systematic programs

(Initiatives from now on)

- Appropriate allocation of human resources through introduction of talent management
- Improvement of employee engagement
- Systematization of global human resources development
- Reskilling and development of human resources for DX

Promotion of diversity

- Proactive recruitment of diverse human resources
- Utilization of knowledge and experience
→ Establish human rights policy

Promotion of work-life balance

- Designing worker-friendly systems/promotion of workstyle reforms
- Improvement of plants' working environments
- Reform of wage structure, benefits, and other systems

Promotion of health and productivity management

- Initiatives for mental health and enhancement of engagement
 - Introduction of "PepUp" healthcare platform
- (Initiatives from now on)
- Establishment of the Health & Productivity Management Promotion Committee
 - Health Declaration



Sustainability Initiatives (4)

Contribution to international society and local communities



Execution of dietary education

- Launch of “NIPPN Nutrition Information Website” to offer information on nutrition to the general public
- Gained certification as a “shokuiku (food and nutrition education) promoting enterprise” from the Japanese Society of Shokuiku
- Holding of a symposium on food and health science at a university (endowed lecture)

(Initiatives from now on)

- Full-scale resumption of cookery classes



Resumed cookery class



Certified by the Japanese Society of Shokuiku

Support by donating food

- Donation of foods to food bank (Second Harvest Japan) and home meal service for children



Engagement with the international community and local communities

- Accepting field trips of local school children to NIPPN plants
- Vitalization of local economy through employment
- Creation of employment overseas
- Support of UNICEF and WFP
- Junco flora school 55th anniversary 2022 LUNA FLORA exhibition held. NIPPN's support certified as “This is MECENAT 2022.”
- Effective utilization of idle assets



Continued support of WFP



Pan-no-hana (wheat paste)

Legal compliance and internal control

Strengthening of the corporate governance structure

- Timely and appropriate information disclosure on the website
- Appointment of independent outside directors
- Establishment of the Advisory Panel

Compliance

- Establishment of a whistleblower system
- Execution of compliance training
- (Initiatives from now on)
- Strengthening compliance throughout the Group
- Improvement of rules within the Group

Risk management

- Strengthening of the risk management structure
- Strengthening of information security
 - Establishment of management systems
 - Risk management rules

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 CORPORATION**