

## Nisshin Seifun Group Integrated Report 2019

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## Growing Value from Wheat


## Integrated Report 2019





In conducting business,  
all activities must be rooted in  
a desire to do one's best for society

**Teiichiro Shoda**  
Founder  
Nisshin Flour Milling Inc.



# Where it all began

Nisshin Flour Milling founder Teiichiro Shoda said,  
**“We must always remember that a business is connected to society.  
A company that works solely for its own benefit will not survive for very long.  
Trust is the foundation of all business.”**

The Nisshin Seifun Group’s strong devotion to fulfilling our social responsibility and generate sustainable growth is rooted in these words from the Company’s inception and remains in our DNA to this day.

We will remain true to our founding spirit as we seek to continue growing as a global corporate group.

## Corporate Principle

As we develop our consumer goods business for the global market, we will remain committed to our guiding philosophies of **“the basis of business is built on trust”** and to be **“in tune with the changing climate,”** along with our corporate principle to **“contribute to a healthy and fruitful life for all.”**

## Corporate Code of Conduct

1. Seek continuous growth through sound business activities
2. Develop and provide reliable, safe, and high-quality products and services
3. Respect humanity
4. Comply with social norms, laws, and regulations, and promote fair business activities
5. Promote good public relations
6. Encourage environmental protection
7. Promote activities that contribute to society
8. Promote the local management of international operations
9. Realize the role and responsibilities of management to achieve our stated purposes in the Corporate Code of Conduct and Employee Action Guidelines

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Growing value from wheat

**Group Companies** The icons and colors below represent each of our eight businesses.

 **Flour milling business**

 **Processed food business**

 **Yeast and biotechnology business**

 **Healthcare foods business**

 **Prepared dishes and other prepared foods business**

 **Pet food business**

 **Engineering business**

 **Mesh cloth business**

**Editorial Policy**

This report was prepared to communicate the Nisshin Seifun Group's corporate value and strengths to stakeholders in an easy to understand format. The report also presents the Group's long-term vision and the initiatives and other activities the Group is engaged in to realize its vision. Every effort has been made to ensure the presentation is simple and easy to understand and includes graphics to help illustrate important topics.

**Period Represented**

The primary period covered in this Integrated Report is the Company's fiscal year 2019, beginning April 1, 2018 and ending March 31, 2019. When considered helpful to understanding, some content also covers periods before and after fiscal year 2019.

**Scope of the Report**

This report covers the 58 companies of the Nisshin Seifun Group as of the end of March 2019, including Nisshin Seifun Group Inc. and its consolidated subsidiaries and equity-method affiliates. Information that does not apply to all companies of the Group is duly indicated and the pertinent organizations are provided.

**Forward-Looking Statements**

The content of this report was prepared based on various assumptions. The report does not represent a guarantee for the presented future target figures or management strategy objectives.

**Purpose of the Integrated Report**

This report was prepared to present important information to support an understanding of the activities and objectives of the Nisshin Seifun Group. Additional details about the Group are available on the corporate website.

 **Investor Relations**  
<https://www.nisshin.com/english/shareholders/>

 **Corporate Social Responsibility**  
<https://www.nisshin.com/english/environment/>

Financial Information	Non-Financial Information
<b>Integrated Report (print version, PDF)</b> This report was prepared to communicate the Nisshin Seifun Group's corporate value based on its long-term vision to stakeholders in an easy to understand format.	
Securities Reports	Corporate Governance Report
Financial Statements	
IR Information Webpage	CSR Webpage



## Creating value for society for 120 years

### 1900-1930s

Establishing a steady supply of high-quality, domestically produced wheat flour



Modernizing and industrializing the manufacturing structure

### Focus on R&D to improve the quality of wheat flour

Resources were focused on improving our wheat flour quality and expanding its uses. The flour milling-related yeast and sieve mesh businesses were launched.

### Beginning of domestic mechanical flour milling operations

Founder Teiichiro Shoda researched the latest mechanical flour milling techniques, quality control, and management methods in Europe and the United States and began mechanical flour milling operations in Japan.

### 1940-1960s

Contributed to improving diets and a flourishing food culture



Source:  
Mainichi Shimbun,  
September 1950

Post-War reconstruction period

### Promoting bread and wheat flour products after the War

After the War ended, we ran our factories 24 hours a day to quickly increase our output. Demand for wheat flour grew as the Japanese public consumed more bread, including in school cafeteria lunches.

### Responding to shift in consumer needs from volume to quality

When the need for higher quality products grew, we opened the Central Research Laboratory in Kamifukuoka, Saitama combining our technologies and development.

Rapid economic growth

## Since 1900

Founding of the Tatebayashi Flour Milling Co., Ltd.



Opening Ceremony of the Tatebayashi Flour Milling Co., Ltd.

### 1908

The current company name was adopted after the merger with Nisshin Flour Milling Co., Ltd.

### 1913

Teiichiro Shoda embarked on inspection tours in Europe and the United States.

### 1914

The Company began laboratory research at the chemical laboratory set up at the head office and becomes the first in Japan to apply chemical technology to flour milling operations.



### 1918

The original chemical laboratory that later became the Central Research Laboratory (now part of the Kamifukuoka Research Laboratories) established.

### 1926

To develop the flour milling business, the Company constructed the Tsurumi Plant. Located on the coast of Japan, the plant was equipped with state-of-the-art flour milling technologies.

### 1929

The establishment of Oriental Yeast Co., Ltd., made it the pioneer of Japanese yeast production.



### 1934

Nippon Bolting Cloth Co., Ltd. (precursor of NBC Meshtec Inc.) established to domestically produce the silk sieves essential to improving wheat flour quality.



### 1941

Nosan Kagaku Kenkyukai (now The Foundation for Dietary Scientific Research) established to contribute to improved diets in Japan.

### 1945

The Company did everything in its power to alleviate the post-war food crisis.

### 1953

Quality control introduced to operations.

### 1955

Specifically selected volume-based products converted to packaged wheat flour and macaroni for household use.



### 1957

Installing the latest pneumatic milling technology vastly enhanced product quality.



### 1959

Pharmaceuticals manufacturing and sales begun.

### 1960

Formula feed manufacturing and sales launched.

### 1962

Nisshin Foods Inc. established to manufacture and sell premixes for household use.

### 1963

Construction of the Central Research Laboratory completed (now part of the Kamifukuoka Research Laboratories).



### 1965

Nisshin Chemicals Co., Ltd. established (now Nisshin Pharma Inc.).

### 1966

Nisshin DCA Foods Co., Ltd. established (now Nisshin Seifun Premix Co., Ltd.) and full-fledged manufacture and sale of donut mix for commercial use started.

### Teiichiro Shoda's inspection tours in Europe and the United States form the foundation of our business

In 1913, Teiichiro Shoda recognized that the wheat flour manufacturing process had to be industrialized in order to ensure the Company could provide a stable supply of products with consistent quality. He embarked on a half-year journey to observe and learn from the latest processes in

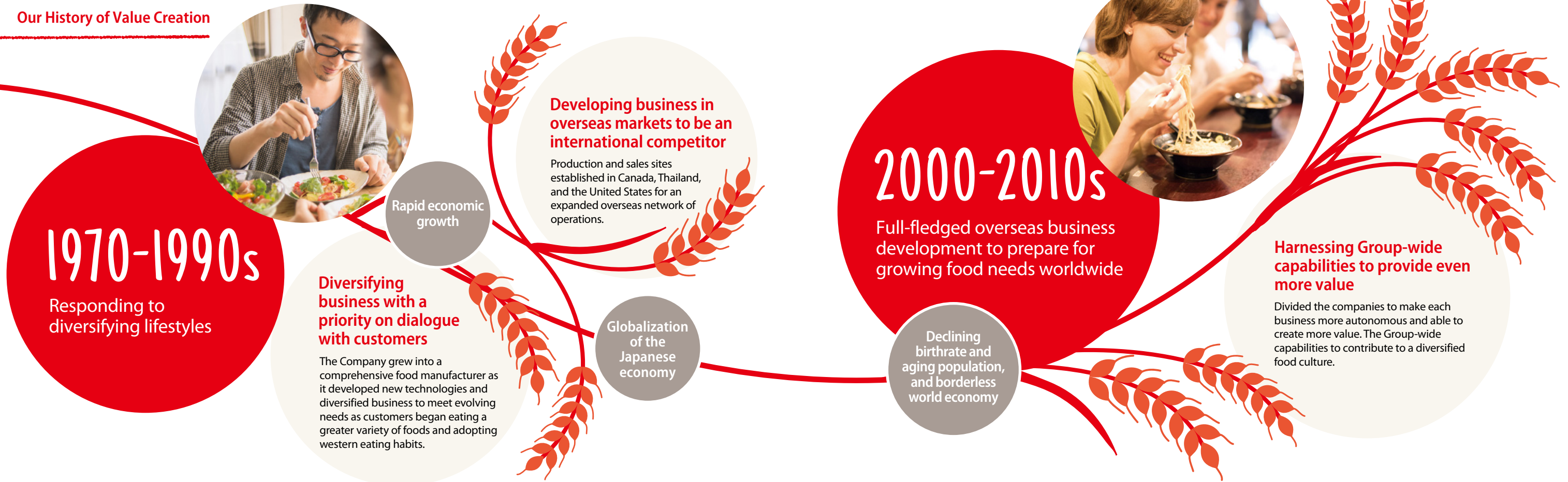
Europe and the United States. Upon his return to Japan, he set up the chemical laboratory after seeing the critical role that chemical research played in wheat and wheat flour in Europe. He also built the Tsurumi Plant, which was one of Japan's largest factories and was strategically located on the coast to facilitate efficient import and export shipments and streamline management. The knowledge and vision he formed during his overseas tour became the foundation of our modern wheat milling operations.

### Rebuilding our operations after WWII to feed a hungry nation

Four days after WWII ended, Company president Hidesaburo Shoda established a Reconstruction Committee with himself as the chair and commenced measures to rebuild the industry. In four short years, the

Company's all-out effort rehabilitated all of the Company's plants that were damaged in the war. In addition, in 1946, he established the Temporary Distribution Headquarters at the Tsurumi Plant, which helped expedite the handling of food imported from the United States for distribution throughout Japan and played a key role alleviating the nationwide food shortages.





1970

Nisshin Petfood Inc. established.

1972

Nisshin Engineering Inc. established.

1973

Food Consumer Center (now the Customer Service Office) established to provide information and respond to customer inquiries.

Launched the Moving Cooking Class (now the Flour Homemade Cooking Class).

1974

Achieved the world's first mass production of coenzyme Q10.

1977

Patented our groundbreaking frozen noodle manufacturing method and created the new market for frozen noodles.



1986

Launch of the Ma•Ma Spaghetti Pronto product with shortened boiling time.



1987

Launch of the Nisshin Innovation (NI) Initiative.

1988

Thai Nisshin Seifun Co., Ltd. established Production of pasta sauce in Thailand begun.

1989

Canadian flour milling company Rogers Foods Ltd. acquired, marking the first acquisition of an overseas flour milling company in the post-war era.



1991

Thai Nisshin DCA Co., Ltd. (now Thai Nisshin Technomic Co., Ltd.) and Nisshin-STC Flour Milling Co., Ltd. established to produce B to B premixes in anticipation of a growing market in Southeast Asia.

1993

Entered the household-use frozen food market introducing several products, including Ma•Ma Frozen Cooked Spaghetti.



Tsukuba Research Center (now the Cereal Science Research Center of Tsukuba) established to advance R&D of fundamental cereal technology.

1999

Entered the prepared dish and chilled food business to offer new food choices.

2000

Celebrated our 100th anniversary.

2001

Nisshin Flour Milling Co., Ltd. split into a holding company and operating companies.

So-Shoku Club established to promote communication with business partners.



2004

Initio Foods Inc. established as the Group's core company for prepared dishes and other prepared foods business.

2008

International ISO 14001 certification received for the Group's environmental management systems.

2009

Consumer Relations Office established to oversee consumer affairs.

2010

Hokkaido Wheat Center established in Kitami, Hokkaido to raise the quality of Hokkaido wheat and advance domestic wheat production.

2012

Oriental Yeast India Pvt. Ltd. established to expand operations in biotechnology (diagnostics reagents).

Business expanded into the United States with the acquisition of Miller Milling Company, LLC of the United States.



2013

New Zealand flour miller acquired, and Champion Flour Milling Ltd. established.

2014

Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S. established Global production network of pasta products realized.



2016

Pre-cooked noodle manufacturer and seller Joyous Foods Co., Ltd. made a subsidiary.

2018

Launch of the long-term vision "NNI Compass for the Future."



2019

Allied Pinnacle Pty Ltd. acquired, making Nisshin Seifun the largest flour maker in Oceania.

Comprehensive prepared dish and delicatessen food manufacturer Tokatsu Foods Co., Ltd. made a subsidiary. Full lineup structure established for delicatessen and prepared foods.

## Nisshin Innovation (NI) initiative to be the driving force for a strong management base

When the Plaza Accord of 1985 triggered a sharp appreciation in the value of the yen, then Company president Osamu Shoda reformed the Group business structure to respond to the rapidly changing business

environment of internationalization, changing manufacturing structures, and diversifying consumption trends. The NI-90 action plan he formulated and launched based on core principles of change and execution has become the driving force of all subsequent management plans.

In 2000, when we celebrated the 100th anniversary of our founding, we created a new divisional structure for the Group to stimulate new growth.

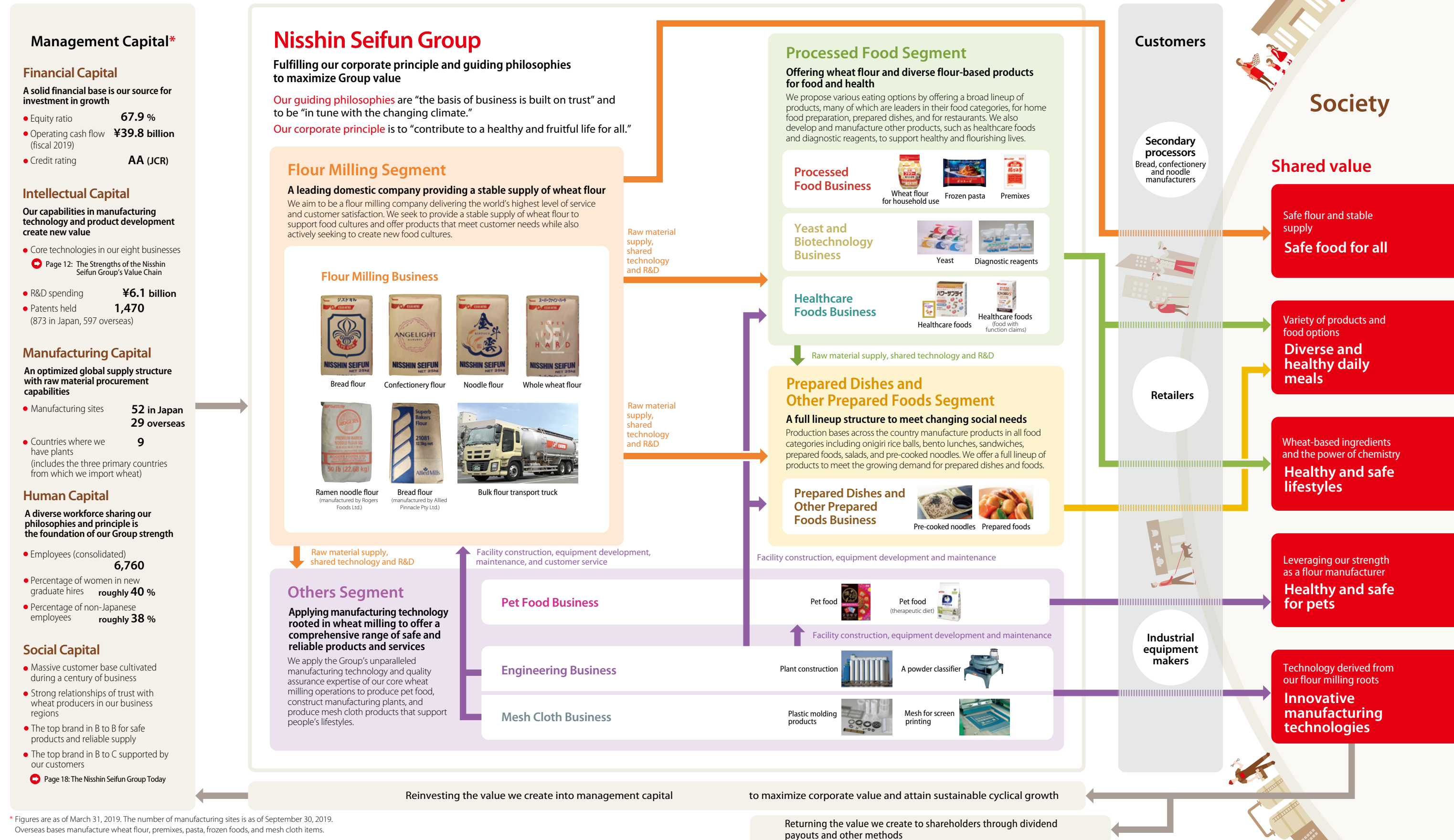
## Accelerating development of our flour milling operations for further growth worldwide

We began aggressively developing our overseas business in 2012 when we set up operations in the United States, one of the world's largest markets for flour. We followed that by acquiring a flour milling operation

in New Zealand in 2013 and a flour milling plant in Thailand in 2018. We took a major step to realize our long-term vision to be "a globally-operating company that assists healthy lifestyles and plays a critical role in building the food infrastructure of the future" by acquiring the largest flour milling company in Australia in 2019, which made Nisshin Seifun the largest flour maker in Oceania.

# Interlinking our diversified wheat businesses to provide safe, reliable, and healthy products for any occasion or lifestyle

We are pursuing a variety of businesses to leverage the technology and networks we have developed as the leading flour milling corporate group supporting the food infrastructure in Japan. With safety and reliability as our highest priority, our mission is to create and offer a wide range of value by providing products and services that “contribute to a healthy and fruitful life for all.”



\* Figures are as of March 31, 2019. The number of manufacturing sites is as of September 30, 2019. Overseas bases manufacture wheat flour, premixes, pasta, frozen foods, and mesh cloth items.

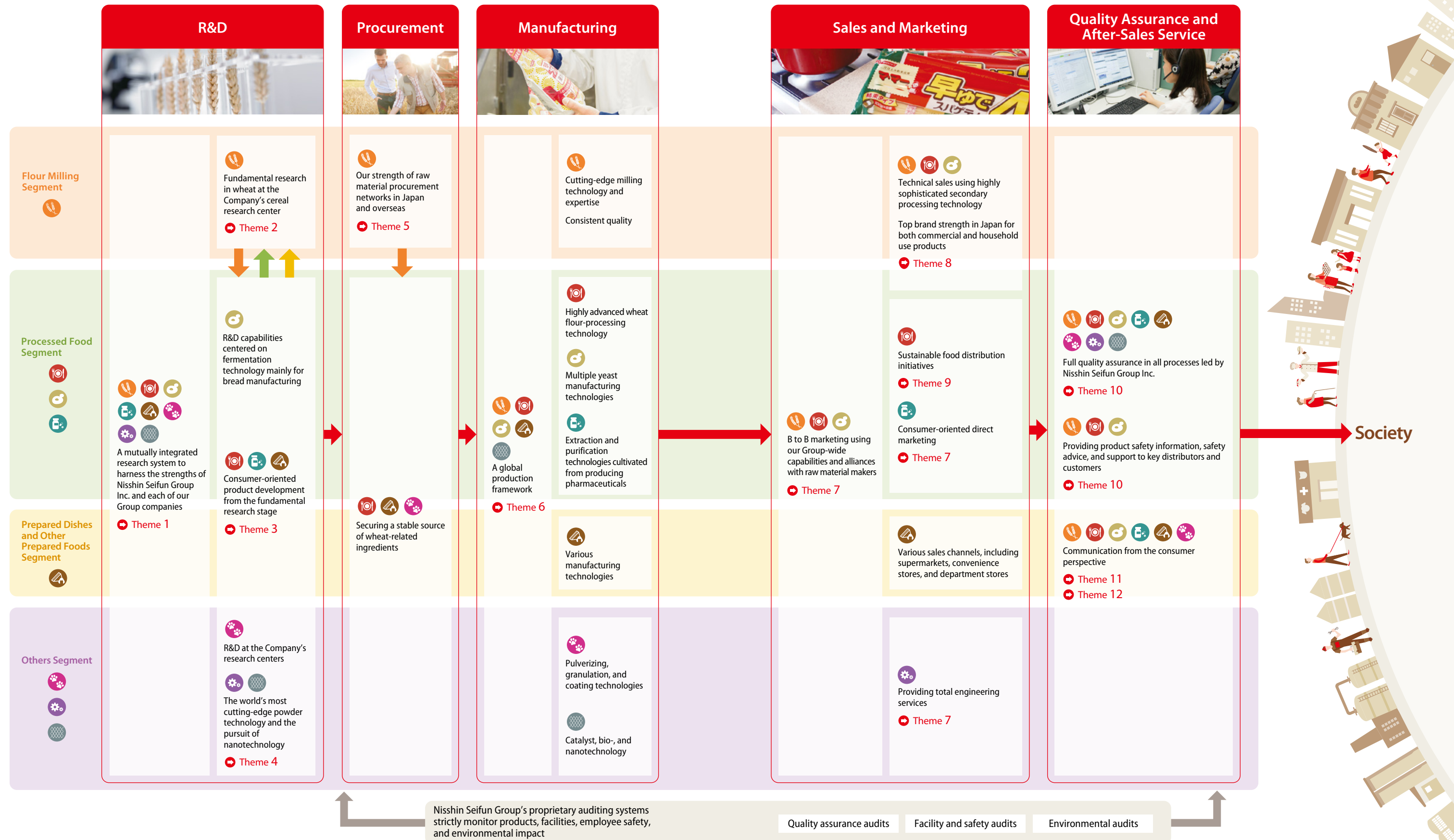


## The Strengths of the Nisshin Seifun Group's Value Chain

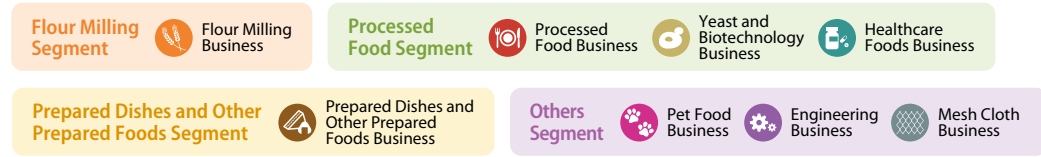
We create diversified added value through a unique value chain combining each company's strengths and our overall capabilities



We have a unique value chain that creates diversified added value for society by linking the strengths of Nisshin Seifun Group companies in each area of R&D, procurement, manufacturing, sales and marketing, product assurance, and after-sales service.







Theme 1

Applying the Group's internal and external strengths and R&D to specific business needs

All business segments

The Nisshin Seifun Group has a mutually integrated research system designed to harness the strengths of Nisshin Seifun Group Inc. and each of our companies. The Group has highly refined capabilities in all phases of R&D from fundamental research to developing products that are delicious, simple, and convenient, through to developing secondary processing technologies to align with the customer's perspective. By quickly acquiring the patent rights to property resulting from our research and prioritizing its strategic use in our business activities, we preserve our competitive advantage and satisfy our customers with our unparalleled product quality. As of March 31, 2019, we held 873 patents in Japan and 597 overseas. We also seek to generate new value through collaborative research, open innovation, and other methods to incorporate input from outside the Group.

R&D Structure

Nisshin Seifun Group Inc.  
Exploring fundamental technologies, R&D, analysis and monitoring of safety and reliability

Nisshin Pharma Inc.

Nisshin Flour Milling Inc.

Nisshin Foods Inc.

NBC Mashtec Inc.

Group Companies  
New product development, application development, proposal sales

Nisshin Petfood Inc.

Oriental Yeast Co., Ltd.

Nisshin Engineering Inc.

Theme 2

Deepening our understanding of wheat with fundamental cereal research

Flour Milling Segment

The Cereal Science Research Center of Tsukuba, established by Nisshin Seifun in 2007, is one of only a handful of R&D facilities around the world taking a scientific approach to investigating the specific features of wheat and other cereals and applying its findings to develop new flour milling technologies.

Theme 3

Fundamental research contributing to consumers' lives

Processed Food Segment

Nisshin Foods' Nisshin Cooking Flower® flour has received numerous awards, including the Excellent Product Award 2015 from The Japan Food Journal and the Good Design Award 2016 from Japan Institute of Design Promotion. Packaged in a specially designed container, Nisshin Cooking Flower® flour is the result of fundamental research in powder processing and other techniques.

The Nisshin Seifun Group continues to advance fundamental research aimed at creating new consumer products.

Theme 4

The world's most sophisticated powder technology

Others Segment

The Engineering Business uses the world's most advanced technology refined over many years with the ability to manufacture ultrafine powder with granules smaller than 1 micron. The business is engineering powder grinding, classification, and nanoparticle processing technologies for the full range from small-lot trial production to mass manufacturing.



A powder classifier

Theme 5

Optimized procurement for stable supply

Flour Milling Segment

Cereal procurement for flour milling involves close communications with growers, including verifying the wheat growing conditions in the production area. We have a strong presence in wheat producing regions overseas, including six plants in the United States, two in Canada, and seven in Australia, including the recent addition of Australia's largest flour milling company in April 2019. These are the three main countries from which wheat is exported to Japan, and maintaining production sites in each country increases our competitive advantage by enabling us to stay on top of the latest wheat information and techniques.

In addition to vastly increasing our production capacity overseas, we are enhancing the efficiency of our wheat procurement in Japan, where roughly 90% of wheat is imported, and strengthening our production structure by consolidating our manufacturing operations at our major plants located on the coast of Japan.



The Tsurumi Plant

Theme 6

Global production structure

Flour Milling Segment, Processed Food Segment, Others Segment

Our Flour Milling Business and Yeast and Biotechnology Business operate on a basic assumption that their products will be consumed locally. Both businesses utilize manufacturing technology and quality control expertise accumulated through efforts to meet specific customer demands in Japan, and are applying that expertise to expand business in various regions overseas ranging from North America's mature market to Australia, Thailand, and India where we expect continuing growth.

The Processed Food Business has manufacturing sites for pasta sauce in Thailand and Vietnam where it sources the high quality materials available in the region; for pasta in the United States and Turkey where it procures high quality durum wheat; and for B to B premixes in China and Thailand where there are large numbers of frozen food producers. The Mesh Cloth Business has production bases in Indonesia and Thailand and is aggressively developing its overseas operations. We are formulating global production networks optimized for each type of product based on the availability of quality ingredients and the needs of our customers.

Flour Production Capacity (raw wheat basis)

Japan  
8,100 tons/day

Overseas  
12,160 tons/day

Main Nisshin Seifun Group Production Bases Worldwide (as of April 2019\*)

Flour Milling Business

Processed Food Business

Yeast and Biotechnology Business

Mesh Cloth Business



\* Includes the premix plant in Vietnam scheduled to commence operations in 2019 and the yeast plant in India scheduled to commence operations in summer 2020

Theme 7

The ability to make proposals according to market changes

Flour Milling Segment, Processed Food Segment, Others Segment

We are seeking to create new food cultures to meet the increasing variety of consumer needs for our commercial-use products. One way we do this is by working with food ingredient makers through the e-So-Shoku Club website created to communicate with makers of products for commercial use and share information about new products and menus. Led by the Flour Milling Business and linked with the Processed Food Business and Yeast and Biotechnology Business, we work with our customers to resolve issues and explore business opportunities.

We always approach the development of products for household use from the consumer's perspective as we seek to propose products and open new markets with offerings for home preparation that are truly delicious, enjoyable, simple, convenient, healthy, and matched to the needs of the times.

In the Healthcare Foods Business, we are responding to the health needs of society by using the sophisticated technology cultivated in our pharmaceuticals business to develop new healthcare foods while focusing on direct marketing to consumers.

The Engineering Business emphasizes close communication with customers and offers total engineering services with plant construction managers remaining in charge of projects through post-construction maintenance.



The e-So-Shoku Club website



Bottled products



Ma-Ma Quick Cook pasta



The Nisshin Pharma Direct website

Theme 8

Japan's leading brand in commercial and household wheat flour products

Flour Milling Segment, Processed Food Segment

The Flour Milling Business's commercial wheat flour boasts a commanding 40% share of the domestic market. The Processed Food Business has numerous products holding top market share, including the Nisshin Series of powder products featuring Nisshin Cooking Flower® flour in a convenient bottle package, Nisshin Kotsunoiranai (easy-made) Batter Mix, the Ma-Ma series of dry pasta, and Ao-No-Dokutsu Spaghetti for pasta lovers.



Core products for household use

Theme 9

Achieving sustainable food logistics

Processed Food Segment

Nisshin Foods Inc. is one of a group of six domestic food manufacturers that are formulating the Food Logistics Intelligent Network to establish an efficient and stable logistics system for an all-encompassing supply chain for the Japanese food industry. In April 2019, five of the group established a joint logistics company to operate on a nationwide scale. The food producers are joining forces to create sustainable food logistics operations that help alleviate the impact of a shortage of truck drivers and rising fuel prices while also helping protect the environment by reducing CO2 emissions.

Theme 10

Full quality assurance in all processes

All businesses segments

Food safety management system and Quality Assurance Controllers ensure the safety of all processes from product development and raw material procurement through manufacturing and distribution. The Nisshin Seifun Group's Quality Exam (QE) Center verifies, inspects, and advises all Group companies on the safety of new raw materials and final products to be released into the market and continues monitoring the safety of existing products. Each company also has Quality Assurance Controllers that are independent from the manufacturing department to provide a third-party approach to verifying quality and approving products for final shipment, for which they have the same power of authority as factory managers.

The safety and reliability of products as well as food defense are also ensured through auditing and monitoring of business sites.

Quality Control throughout the Food Supply Chain

Product Development

New Raw Material Inspection

Raw Material Management

Manufacturing

Shipment

Storage and Distribution

Distributors and Key Customers

Consumers

Theme 11

Communication from the consumer perspective

Flour Milling Segment, Processed Food Segment, Prepared Dishes and Other Prepared Foods Segment

The Consumer Relations (CR) Office is in charge of creating an organizational structure that promotes consumer-oriented management to facilitate business activities that reflect the consumer perspective. The office, which is under the direct supervision of the Group president, engages in dialogue with consumer groups and presents classes and seminars for adults and children.

Theme 12

Listening to the voice of the consumer

Processed Food Segment, Others Segment

The Processed Food Business's household-use products operation, the Healthcare Foods Business, and the Pet Food Business maintain customer service offices to receive opinions and comments directly from the consumers that are their customers.

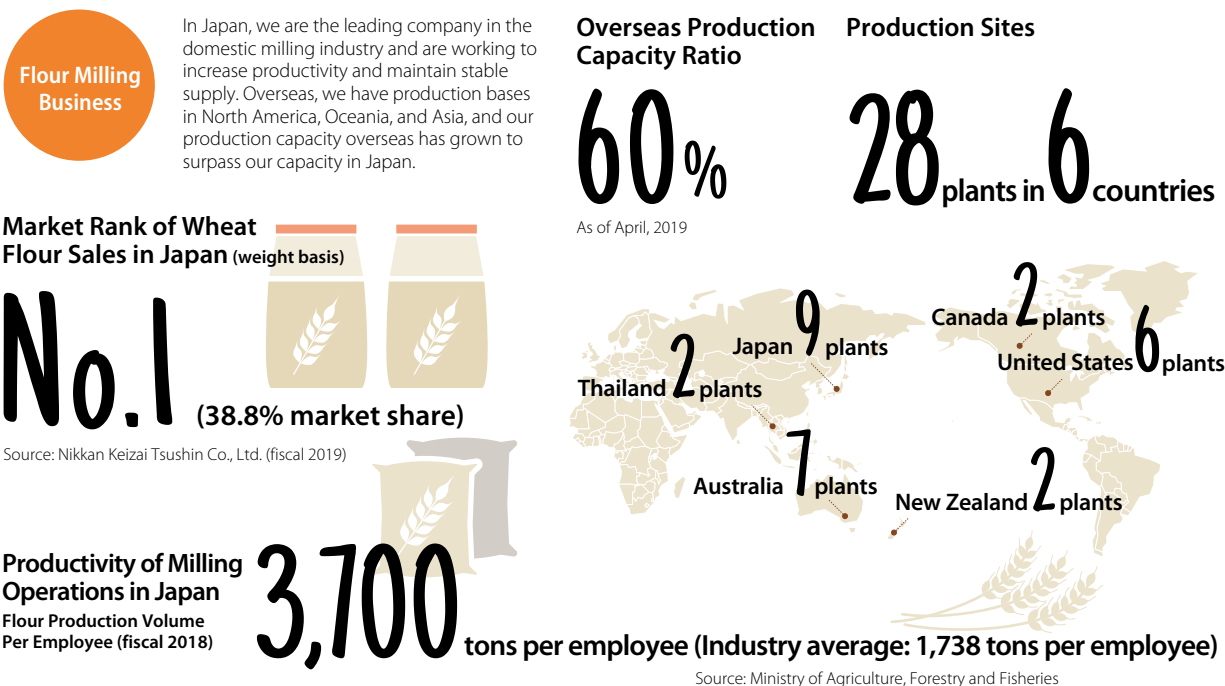
Feedback advice, information, and opinions are communicated to the relevant company departments to enable quick and accurate responses. Customer feedback is invaluable for us to create additional value and improve our services.

14 Nisshin Seifun Group

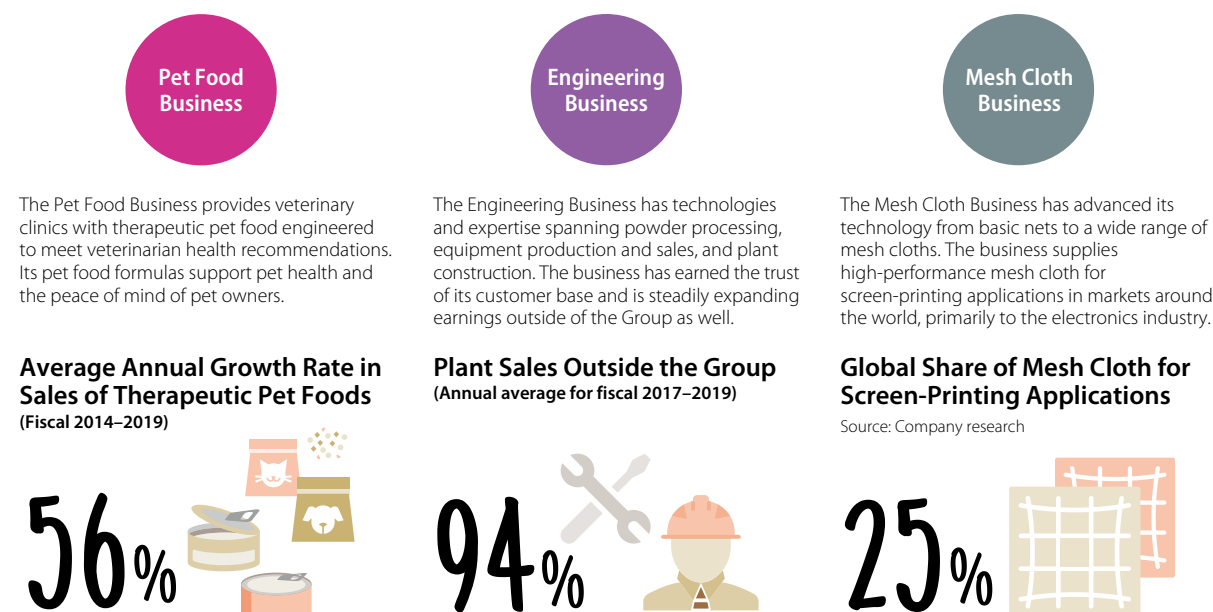
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## A solid presence in a range of markets

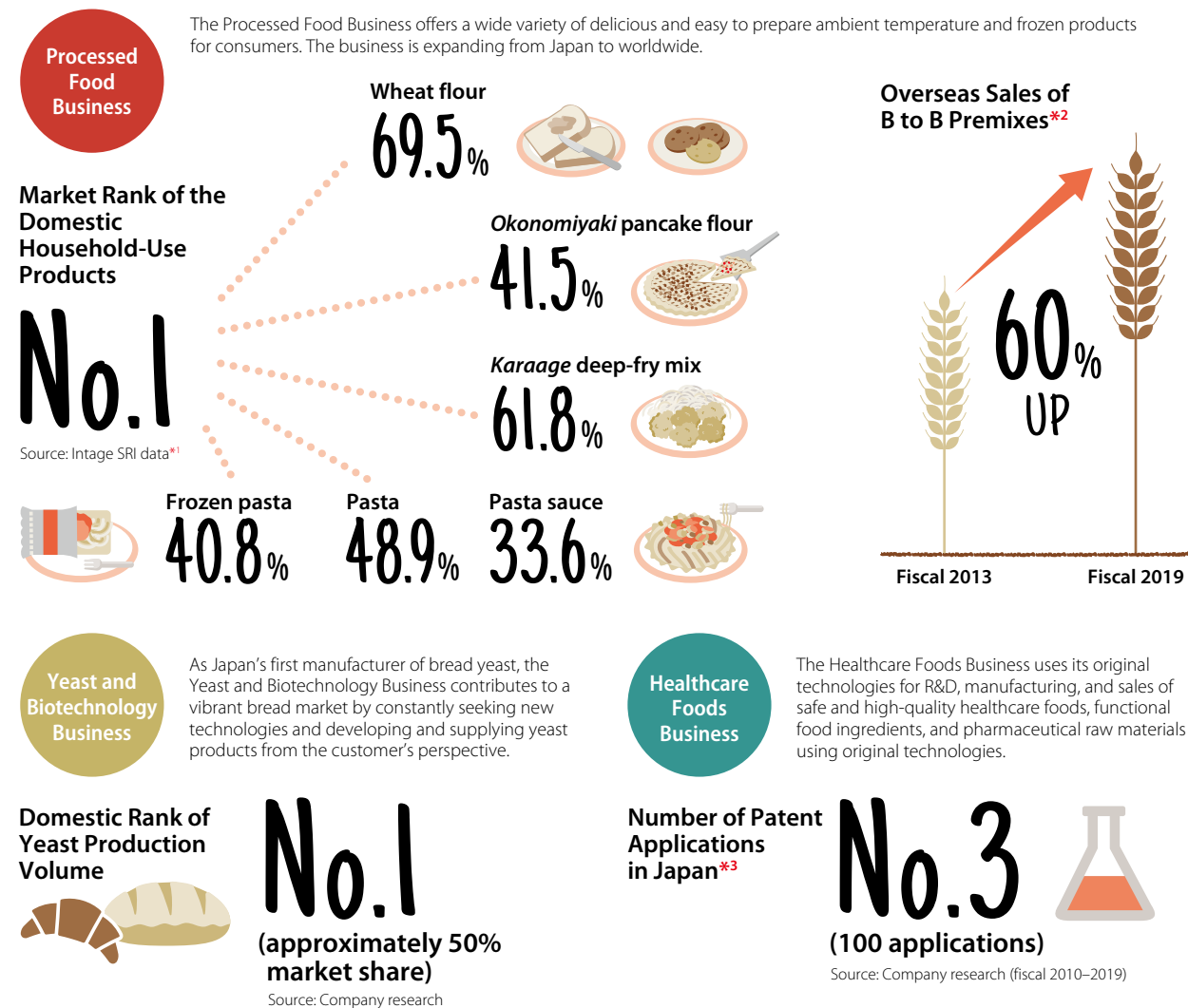
### Flour Milling Segment



### Others Segment



### Processed Food Segment



<sup>\*1</sup> Percentages represent the percentage of total market sales for fiscal 2019 (April 2018 to March 2019). The data periods for the No. 1 market shares for pasta (spaghetti), pasta sauce, and frozen pasta (frozen cooked spaghetti and sauce) are fiscal 2019 (April 2018 to March 2019), for flour and okonomiyaki pancake flour fiscal 2018–2019 (April 2017–March 2019), and for karaage deep-fry mix fiscal 2017–2019 (April 2016–March 2019).

<sup>\*2</sup> Comparison to before the NNI-120 Medium-term Management Plan <sup>\*3</sup> Domestic healthcare foods makers (single companies)

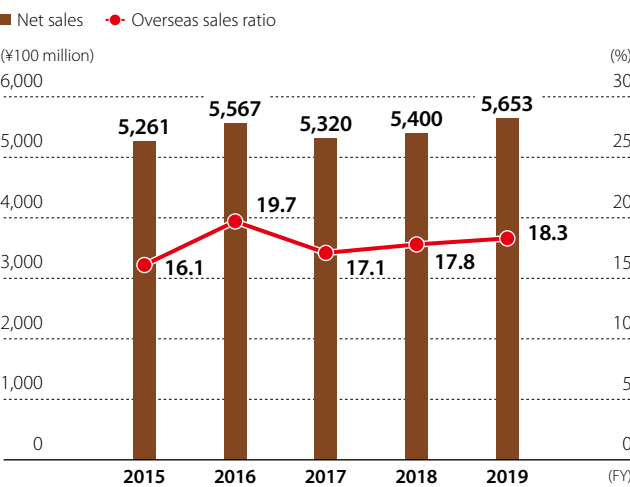
### Prepared Dishes and Other Prepared Foods Segment



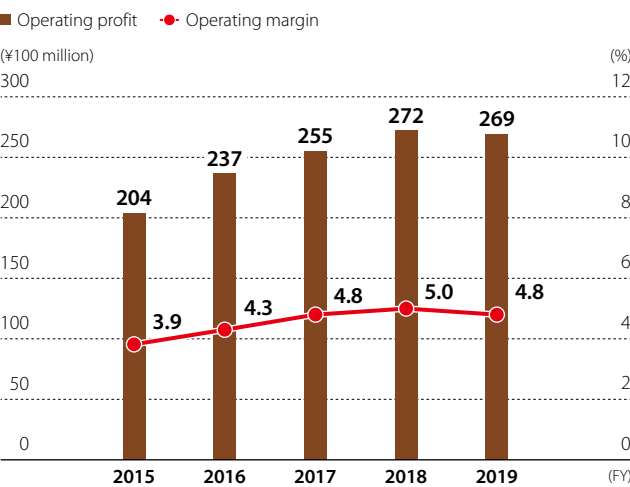


Financial Highlights

Net sales\*1

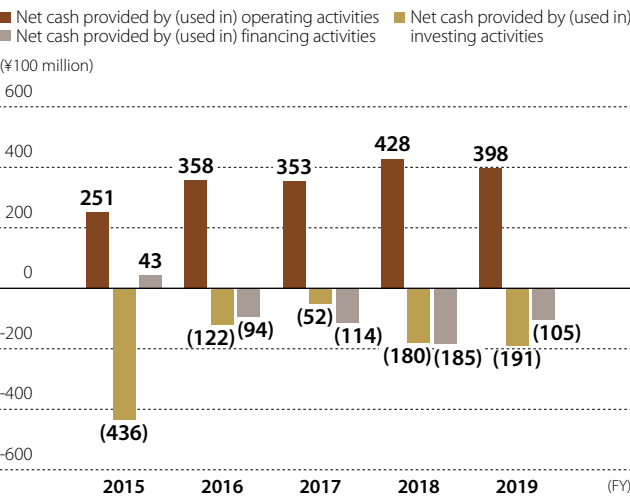


Operating profit\*1

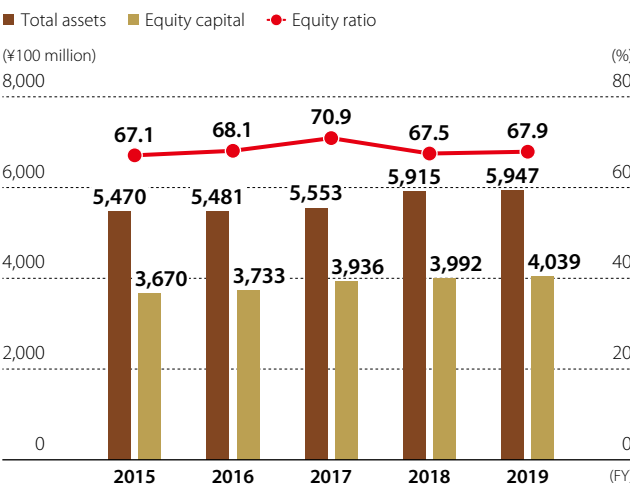


Financial Highlights

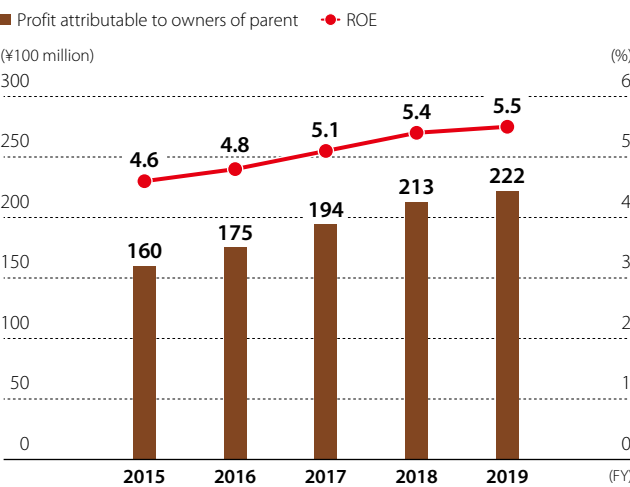
Cash flows\*1



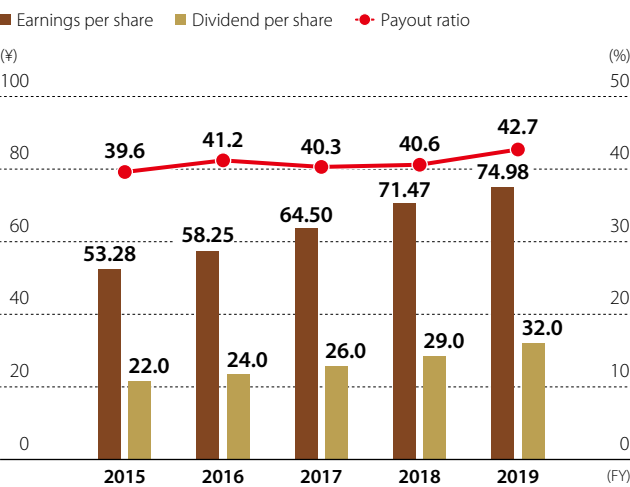
Total assets\*1 / Equity capital\*1 / Equity ratio



Profit attributable to owners of parent\*1 / ROE

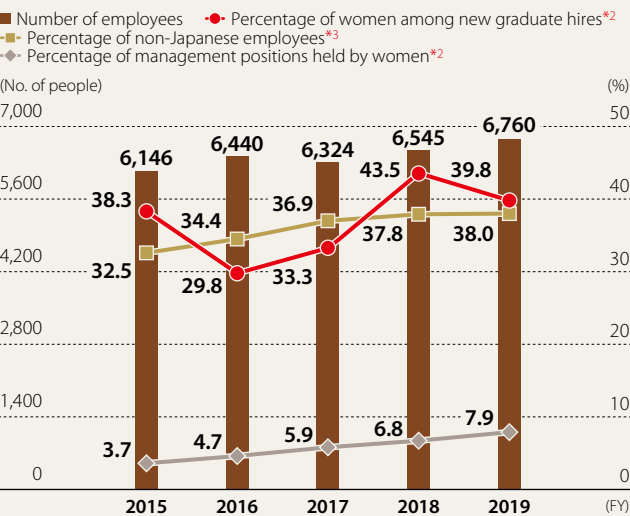


Earnings per share / Dividend per share / Payout ratio

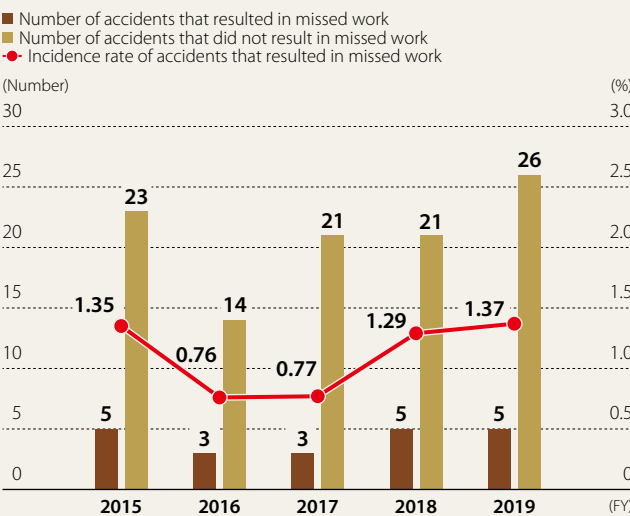


Non-Financial Highlights

Promoting diversity



Occupational accidents\*4



\*1 Amounts rounded down to nearest hundred million

\*2 Scope of calculation: Nisshin Seifun Group Inc., Nisshin Flour Milling Inc., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Petfood Inc., Nisshin Engineering Inc., NBC Meshtec Inc.

\*3 Percentage of non-Japanese employees does not include temporary employees.

\*4 Incidence rate of accidents that resulted in missed work applies to the manufacturing and research departments of Nisshin Seifun Group Inc., Nisshin Flour Milling Inc., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Petfood Inc., Nisshin Engineering Inc., and NBC Meshtec Inc. The incidence rate of accidents that resulted in missed work represents the frequency of accidents and indicates the number of casualties due to occupational accidents during the equivalent of one million actual working hours. Reference: The incidence rate of accidents that resulted in missed work in manufacturing operations in 2018 was 1.20.

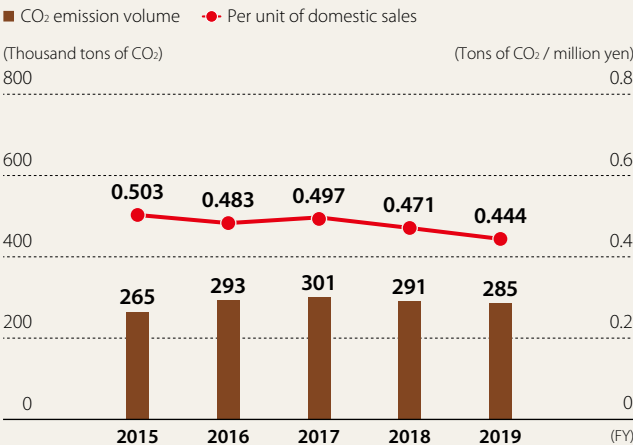
The Group has made promoting women in the workplace a priority management strategy. This strategy includes a percentage target for women when hiring new college graduates and actively supporting career advancement for women. The percentage of non-Japanese personnel in our workforce is growing as we develop our global operations, and the Group is accordingly forming work environments that respect different values and local cultures, traditions, and customs.

The Nisshin Seifun Group seeks to create safe work environments at all of its Group companies from a unified approach to occupational health and safety. The Group continuously works to reduce work-related accidents and disasters by annually applying the PDCA cycle as mandated in its Health and Safety Management Policy. The Group has not had a fatality in its operations for over 30 years.



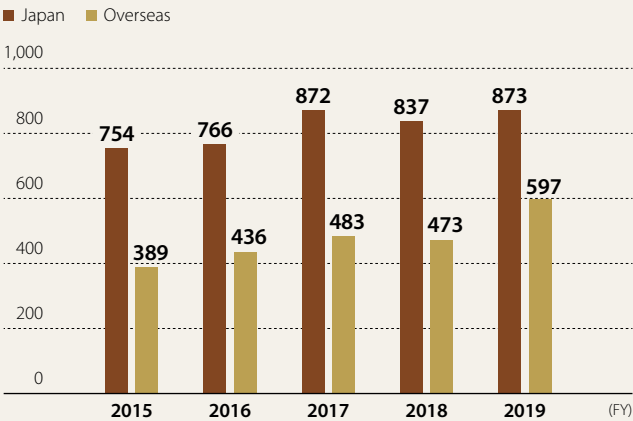
## Non-Financial Highlights

### CO<sub>2</sub> emission volume\*5



The Group has set medium-term targets\*6 for reducing CO<sub>2</sub> emissions produced by the Group's business activities, in all aspects from manufacturing to the provision of products and services. The Group is updating and installing energy-efficient equipment at business sites in Japan and overseas to continue improving our energy performance.

### Number of patents held



The Group considers the management of its intellectual property as a key source of its competitive advantages and integrates intellectual property management into its business and R&D strategies. We steadfastly reserve the rights of our management assets, such as our technologies and brands, and fully respect the rights of third parties. The Nisshin Seifun Group is a leader in the Japanese food industry in terms of the number of patents held.

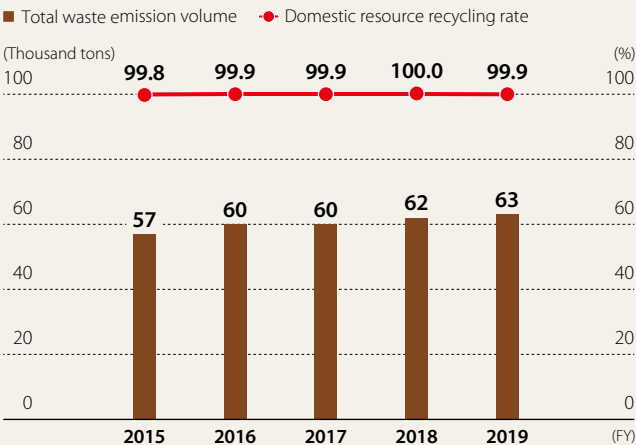
\*5 The domestic emissions amount is calculated from the average electricity of the 10 general power transmission and distribution companies. OECD figures are used to calculate the emission volume based on electricity usage at overseas business sites.

\*6 The Nisshin Seifun Group medium-term environmental target is to reduce CO<sub>2</sub> emissions in Japan by 26% and reduce overseas per-unit emissions by 7.8% by fiscal 2031 compared to emission levels in fiscal 2014. The basic unit reduction targets for CO<sub>2</sub> and energy resources overseas are set in accordance with each country's government policy and requirements.

\*7 Industrial waste volume + general waste volume + valuable material volume

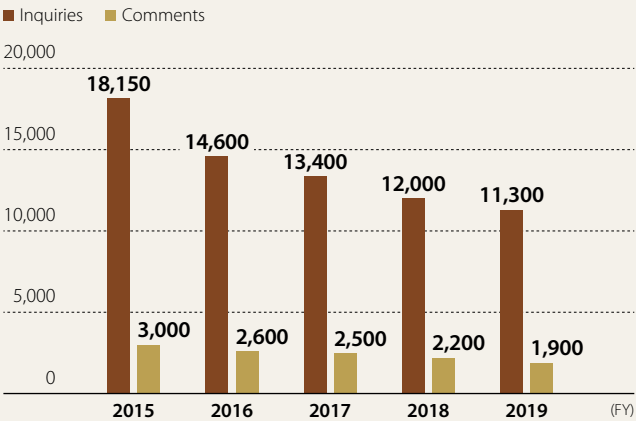
\*8 (Material recycling volume + thermal recycling volume) / total waste emissions

### Total waste emission volume\*7 / Resource recycling rate\*8



The Group has achieved zero waste emissions through ongoing initiatives to reduce the amount of waste produced by its manufacturing processes and to effectively reuse the waste that is produced. We will continue to efficiently use resources to support a recycling-based society.

### Number of inquiries to the Customer Service Office



The Group seeks to accurately and promptly understand customer needs to improve its products and services and convenes a monthly Quality Improvement Meeting and a weekly Customer Feedback Review Meeting. The Group also continuously seeks to increase product safety at its manufacturing sites.

## Part 1

# Value Creation Strategy

Ever since the establishment of Nisshin Seifun Group, we have set ourselves the challenge of creating new value in order to realize further growth for the Group, based on our unchanging values.





# NNI “Compass for the Future”

In order to make contributions to society through our business, we aim to enhance the Group’s competitive capability and be a globally-operating company, with our Group-wide capabilities as the key to the Group’s growth, while striking a balance between social and economic value. At the heart of this process are our guiding philosophies of “the basis of business is built on trust” and being “in tune with the changing climate,” and our corporate principle of “contributing to a healthy and fruitful life for all.”

## Corporate Value (Pursuing economic value)

### Promotion of capital policies supporting long-term corporate value maximization

- Investment strategies
- Balance sheet
- Profit return to shareholders
- Capital efficiency

Values created down through the generations since our establishment

Guiding philosophies  
The basis of business is built on trust  
In tune with the changing climate

Corporate principle  
Contributing to a healthy and fruitful life for all

## Cyclical Growth (Pursuing social value)

Development of organizational structure for enhancing capacity to execute growth strategies

- Organization and human resources
- Managerial strength
- Corporate culture
- Business administration and financial functions

Promotion of sustainable “cyclical growth”

- ESG

Establishing a strong revenue base by remodeling existing businesses

Intensive customer-oriented policy

Group-wide capabilities

Group-wide capabilities—the key to growth

Three collaborations

## Social Issues

### Demographics

Increase in global population, while in Japan, decrease in population / ageing society / labor shortages / concentration of population in urban areas / increase in inbound workers to Japan

### Environment & Food Resources

Global warming / pollution from waste / exhaustion of food resources

### Food & Health

Growth in awareness of safety / health consciousness / diversifying food preferences / technological innovation in food / entrants from other sectors

### Fourth Industrial Revolution

Automation, AI technology / e-commerce, increased sophistication of logistics

### Globalization

Development of international trade negotiations / expansion of emerging markets / geopolitical risk

## Target Vision

A globally-operating company that assists healthy lifestyles and plays a critical role in building the food infrastructure of the future

- Provision of safe, reliable and stable products
- Providing new value through innovation
- A dynamic corporate Group

Fine chemicals and biotechnology to support health and medical care

Processed food & deli / prepared dish offerings for everyday meals and all temperature ranges

Wheat flour-related ingredients — part of the food infrastructure

Pet food that makes for happy pets and happy owners

Powder and mesh technology to support the world’s manufacturing

## Medium-term management plan 2015–2020 “NNI-120 II”

### Performance targets (FY2021)

Net sales	Operating profit	EPS
¥750 billion	¥30 billion	¥80

### Capital policy

Dividend payout ratio of 40% or higher Flexible acquisition of treasury stock



Message from the President

Becoming a global corporation building food infrastructure and supporting healthy lifestyles

Our “NNI Compass for the Future” initiative is guiding us as we aim to maximize our corporate value and achieve ongoing cyclical growth in step with the changes in our society.

Nobuki Kemmoku  
Representative Director and President

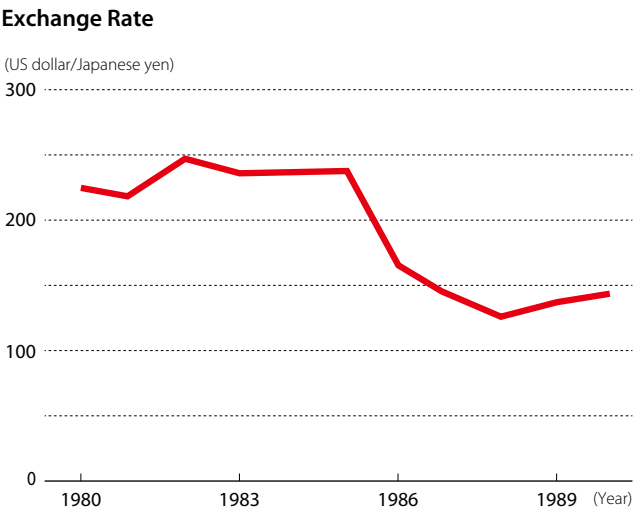
Action Program: Nisshin Innovation (NI) Initiatives

Business transformation is the only way to survive

The Nisshin Seifun Group is currently executing the NNI-120 II medium-term management plan to fiscal 2021 to propel us toward fulfilling our long-term vision NNI Compass for the Future established in May 2018. We always apply a “change and execute” approach to the action programs in our management plans, and this is what we call Nisshin Innovation (NI). Before discussing our long-term vision, I’d like to touch on the origin of our drive to pursue change.

In 1985, around when people currently in their 30s were born, the Group of Seven advanced nations at the time signed a global agreement called the Plaza Accord. The Japanese economy was being hit hard by a sharp appreciation in the yen. Imports of secondary processed products from the wheat milling process were skyrocketing due to the wide differential in domestic and overseas prices,

imported feed prices plummeted, and the price of bran, a byproduct of flour, dropped by over 50%. The foundation of the Group’s earnings was fluctuating greatly as the very existence of the milled flour industry was under threat.



“ Creating business opportunity and establishing sustaining growth geared to society as it will be 10 and 20 years in the future ”

The Group responded by launching the Nisshin Innovation action program in 1987 to ensure our survival. Our determination to be a “robust and innovative organization” became a driving force behind establishing a solid management foundation. The fundamental strategies we initiated to create an internationally oriented management, strengthen our marketing and technical capabilities, optimize the allocation of our management assets, and maintain an up-to-date personnel management system established the basic form that the Group’s management has today.

In 2012, we responded to the world economic conditions and rising expectations for international trade agreements like the Trans-Pacific Partnership by launching the New Nisshin Innovation 120 (NNI-120) medium-term management plan. Under the plan, we vastly accelerated our investment activity, including in M&A in growth domains overseas. Then in 2015, we activated the current NNI-120 II plan with dual strategies to fortify our business foundation and generate growth. Each of our Group companies has created and executed strategies and all of our employees, officers, and directors are working together to accomplish the target set for fiscal 2021.

In 1994, the Group made it a guiding philosophy to be “in tune with the changing climate.” Our strength as a group arises from our founding principle to create and maintain a solid foundation built on trust as a food manufacturer in all aspects of development, procurement, manufacturing, distribution, sales, and quality assurance. I believe that we must develop a strong ability to adapt in each of these areas to change with the demands of tomorrow.

NNI Compass for the Future

Maximizing our corporate value in a rapidly changing world

We are in a period of major worldwide changes, including shifting demographics, pressing issues related to the environment and food resources, increasing food diversity,

growing awareness of health and food safety, rapid social globalization, and advances in technology. These changes are combining to make increasingly complex business conditions for the Group. In these conditions, it’s imperative for the Group to harness its strengths and advantages to become resilient to risk and open to new business opportunities in society as it will be 10 and 20 years from now so we can realize sustainable business growth.

In 2018, the Group communicated throughout the Company and to the public its long-term vision for the Group and the three characteristics we aim to embody. The first characteristic is to be a Group that puts top priority on “safety and reliability” and delivers a steady supply of a variety of products and services to customers and consumers. The second is to consolidate our Group-wide capability to generate innovation that will provide new value to society. The third is to be a dynamic corporate group with freedom to express ideas and a borderless approach. Combining these characteristics, we will become a global corporation building food infrastructure and supporting healthy lifestyles.

Three collaborations to galvanize the Group’s ability to generate innovation

Harnessing the Group’s overall capability is key to realizing the growth in the long-term vision. Our overall capability will be realized by bringing together the Group’s various management resources to serve as the foundation advancing our business strategies.

In 2001, we reorganized our corporate framework based on a concept of self-sufficiency and alliances. This empowered our Group companies to strengthen their businesses autonomously and led to a magnificent result of our companies establishing strong positions in their fields of business. However, as I stated earlier, consumer needs are becoming increasingly diverse and sophisticated, and the future is increasingly unpredictable. We cannot even rule out the possibility of a new competitor suddenly appearing from a completely different industry. To continue to be



## “Applying our Group-wide capabilities to create new value” and propel the Company to the next stage

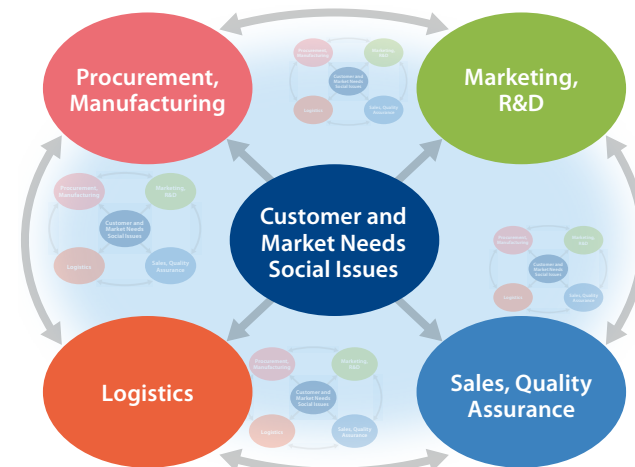
competitive in this environment, generating new value for society requires that we shift our focus to creating alliances and ensuring all of our Group companies share and fully apply their strengths. That is the core of our competitive strategy and harnessing our overall capability will be our driving force.

With this as a base, we can fully realize our overall strength and further enhance our intensive customer-oriented approach. In other words, we will strengthen the collaboration in our development, procurement, manufacturing, distribution, sales, and quality assurance operations to create a new system of a cross value chain with a focus squarely on customer and market needs.

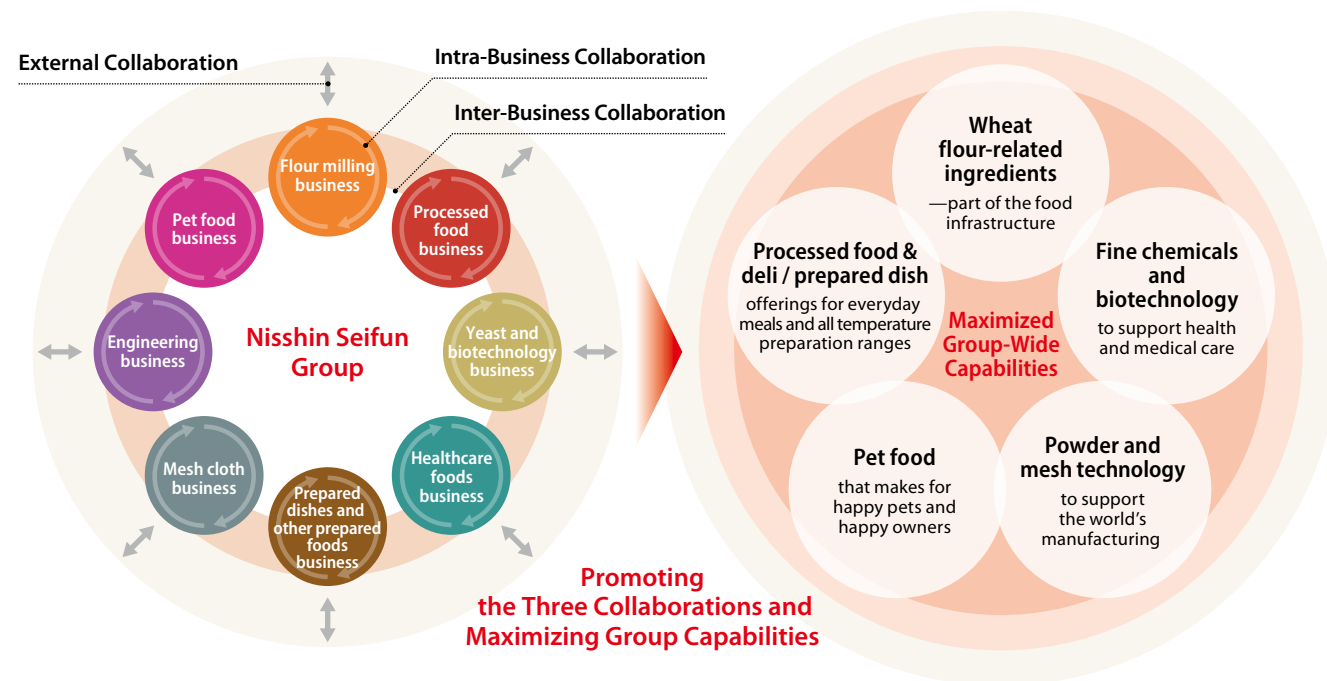
We will maximize the Group's capabilities by using our strengths in three types of collaboration: intra-business, inter-business and external. The Group has accumulated wide-ranging technology and expertise in wheat flour-related ingredients that are part of the food infrastructure, as well as

fine chemicals, biotechnology, pet food, powder technology, and mesh technology. I believe that fusing all of these together will enable the Group to generate innovation.

### Establishing a Cross Value Chain



### Three Collaborations and Target Domains



### Enhancing our business competitiveness by overhauling our business model and strengthening our business portfolio

We are taking two approaches to enhancing our business competitiveness in our growth strategy to fulfill our corporate vision.

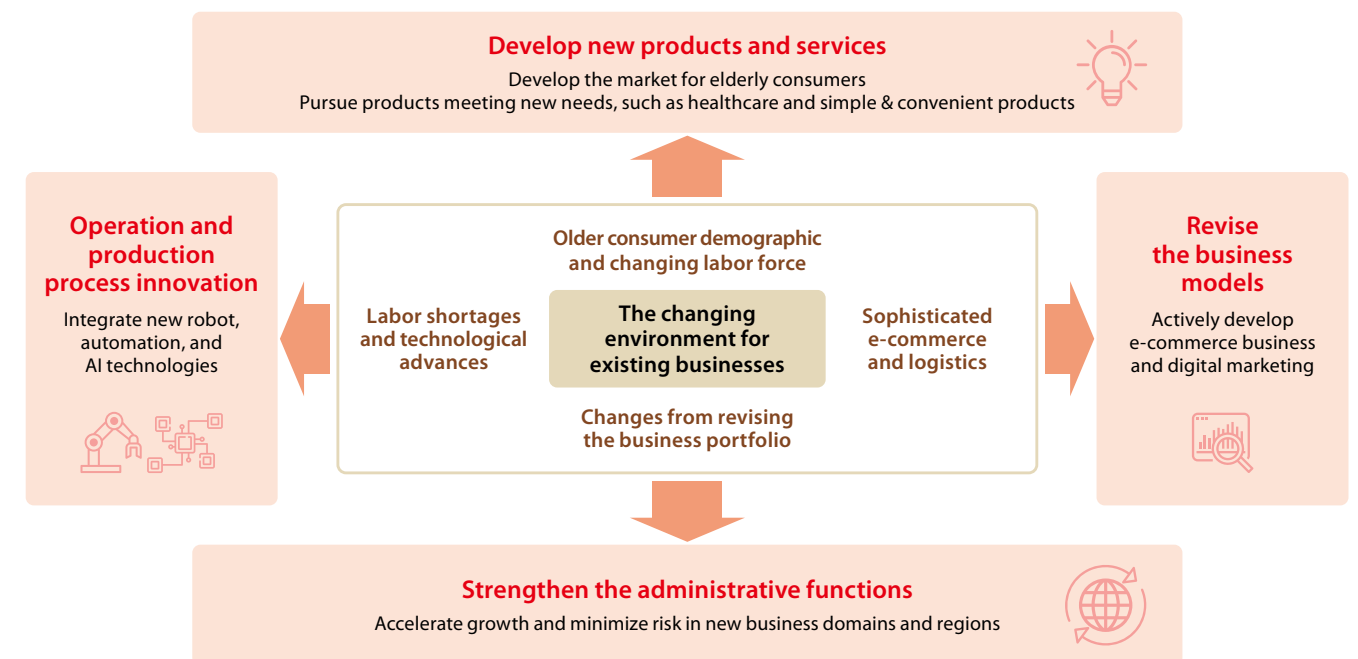
The first approach is to firmly establish a strong revenue base by overhauling existing businesses. Changing our business models involves not just advancing our strategies for growth but also considering major alterations to our company structures and business domains. The Group is already advancing several measures in this arena. One of these initiatives is the Nisshin Seifun Group Health Project aimed at synthesizing expertise from across the Group to develop products for an aging and more health-conscious society. We are also directly confronting the widespread issue of labor shortages by automating production sites and indirect operations. We are installing the latest robotics and AI technologies, bringing together the research teams from the Group headquarters and engineers from the Group IT

divisions, and forming external partnerships as we pursue our priority themes in technology development.

The second approach to enhancing our business competitiveness is to enhance the Group business portfolio so we can maximize our corporate value. We have divided our operations into three categories, each with their own business strategies (see p.30). The core category comprises our wheat flour-related ingredients business and the household products business, both of which are highly competitive in Japan. The wheat flour-related ingredients business will provide the foundation of the Group earnings by maximizing the synergizing effects of our vast menu of products including Nisshin Seifun's wheat flour, Nisshin Foods' premixes, Oriental Yeast's baker's yeast, dough improvers, and fillings.

Our growth drivers will be our prepared dishes and other prepared foods business and our domestic and overseas yeast and biotechnology businesses, and our overseas flour milling and processed food business. We will prioritize the investment of our resources into these operations and seek

### Strategies to Remodel Existing Businesses



“ A concerted Group effort to pursue both economic and social value and enhance our corporate value ”

Enhancing the Group Business Portfolio

Core Businesses	<ul style="list-style-type: none"><li>•Wheat flour-related ingredients business</li><li>•Household products business</li></ul>
Growth Driver Businesses	<ul style="list-style-type: none"><li>•Prepared dishes and other prepared foods business</li><li>•Domestic and overseas yeast and biotechnology business</li><li>•Overseas flour milling and processed food business</li></ul>
Businesses with Expansion Potential	<ul style="list-style-type: none"><li>•Healthcare foods and pharmaceuticals raw material business</li><li>•Pet food business</li><li>•Engineering business</li><li>•Mesh cloth business</li></ul>

to expand business by increasing the number of business bases and expanding our production capacity.

The healthcare foods, pet food, engineering, and mesh cloth businesses are operations with potential to expand as we infuse them with strengths from across the Group. In the healthcare foods business, we will use our wheat-based ingredients and chemistry capabilities to develop healthcare products. In pet food, we will apply our capabilities as a Group specializing in flour milling to enhance our advantages in sophisticated production technology and quality control. We also have leading expertise in powder processing technology and food plant engineering in the engineering business, and world-leading mesh technology in the mesh cloth business. We are bringing all of these strengths together to galvanize our Group-wide capabilities. At the same time, we will continue to move quickly to restructure businesses that no longer offer prospects for profitability or growth.

A capital policy supporting the execution of our growth strategies

Our capital policy is formulated to systematically provide funds for the capital investment, M&A, human resource

development, technological development, and other capital needs of the growth strategies described above. As of March 2019, in the seven years since launching the current medium-term management plan, we committed roughly ¥170 billion to capital investment and M&A and plan to step up the investments. We are also moving to quickly rebalance our stock of strategically held shares and are looking to methodically reduce our holdings. The primary gauge we will use for our capital efficiency will be growth in EPS. As a familiar measure to our stakeholders, we will use ROE as an indicator of our profitability that takes into account our social mission and business model. We intend to increase our ROE while maintaining it stably above our capital costs.

We plan to emphasize long-term sustainability and stability in our approach to profit return. Our medium-to-long-term dividend payout ratio benchmark is 40% or higher. We raised our dividend per share payout for a sixth straight year in the fiscal year ended March 31, 2019, and we intend to continue this streak while also flexibly implementing share buyback programs.

**Stepping up ESG initiatives and establishing sustaining cyclical growth**

Companies are being asked to act in accordance with environmental, social and corporate governance (ESG) principles, and the Nisshin Seifun Group was quick to incorporate these principles into our operations. Product safety is vital to food manufacturers and has been a priority issue for the Group for more than five years before the Product Liability Act (PLA) in 1995. The year after PLA came into effect, we established an auditing structure to ensure full compliance. We further strengthened our food safety structure by introducing strict monitoring practices in 1998 and later earned international ISO 22000 certification for our food safety management.

We set a basic environmental policy for the Group in 1999, and our continued efforts to improve our environmental performance led to the Group earning ISO 14001 certification in 2008 for the environment management



systems for all of our Group production sites, offices, business sites, and research facilities. Currently we are focused on meeting our medium-term environmental targets for 2030 to reduce our volume of CO2 emissions and make the most effective use of the resources we consume in our operations. We are also seeking to deepen the diversity and inclusion in our business management and to enhance our human resource development through programs to promote women in the workforce and fully supporting our non-Japanese employees, who currently represent around 40% of our roughly 6,760 Group employees.

In March 2019, to promote measures to fulfill our long-term vision of sustainable cyclical growth, we stipulated five Nisshin Seifun Group CSR Priorities (Materiality). The priorities are to provide safe and healthy food and responsible consumer information, enable secure and sustainable raw material procurement, efficiently handle product and packaging waste, prepare for climate change and water resource issues, and provide work environments that are healthy and fulfilling (see pp.50–53).

We have linked these five priorities to the relevant initiatives in the United Nations’ 17 Sustainable Development Goals (SDGs) to show our employees and consumers how the Group will contribute to resolving social issues through our business operations and our supply chain. We plan to review and revise our CSR priorities periodically as the social environment continues to change. As a further commitment to fulfilling our social responsibility, in fiscal 2019, we set a

Human Rights Policy, Responsible Procurement Policy, and Bribery & Corruption Prevention Policy, which we expect to be upheld by our employees and all of our business partners. We believe these policies help realize a sustainable society.

We are also strengthening our corporate governance, and in June 2019 took the major step of becoming a company with Audit and Supervisory Committee. This builds on our previous measures to establish fully effective corporate governance, which has included adopting a holding company structure, establishing an Advisory Committee made up of independent outside directors and auditors, and initiating a comprehensive auditing structure. After much examination, we determined that the most expedient course to strengthen the oversight function of our Board of Directors and to further improve our governance structure was to transition to being a company with Audit and Supervisory Committee. At the same time, we augmented our auditing system by placing the Internal Audit Department under the direct control of the Audit and Supervisory Committee. We also modified the scope of authority for executive directors to enable quicker business decisions and increased flexibility for business execution.

These are the principles behind the Nisshin Innovation on which the Group’s management strategies are based and the long-term vision that is our Compass for the Future. Our objective is to achieve sustainable growth by conducting our business based on ESG principles and advancing growth strategies. What we mean by “cyclical growth” is business growth we generate by creating a circular structure where our core businesses create value and contribute to society. The business model I want the Nisshin Seifun Group to achieve is one where Group directors, officers, and employees maintain a broad perspective as they carry out business activities that closely link fulfilling our corporate principles with maximizing our corporate value.

# Fulfilling stakeholder expectations by using strategic investment to grow profits and enhance corporate value

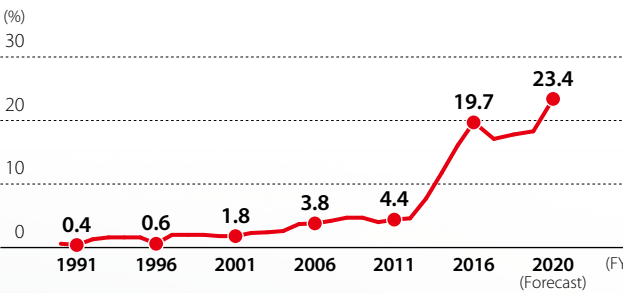
Financial Status of the Nisshin Seifun Group

Expanding strategic investments in growth fields while reformulating our financial structure

The Japanese food industry is often viewed as a mature industry because the country's shrinking population basically prevents an expansion in volume. Our business portfolio has been centered on the domestic food ingredients business, but the Group is now developing its global business and actively investing to extend our offerings into the prepared dishes and other prepared foods segment. As such, our business is not at a mature stage, but is rather transitioning to a stage of growth and development.

Financially, our stock value adjusted this year when it became necessary to conduct our first corporate bond issuance in 32 years to raise funds in July 2019. The issuance was a step forward in reformulating our financial structure from a company

Percentage of Sales Overseas



Akira Mori  
Director, Managing Executive Officer  
Division Executive (Finance and Accounting Division)

without debt to a company targeting an appropriate degree of debt leverage.

Improving Capital Efficiency

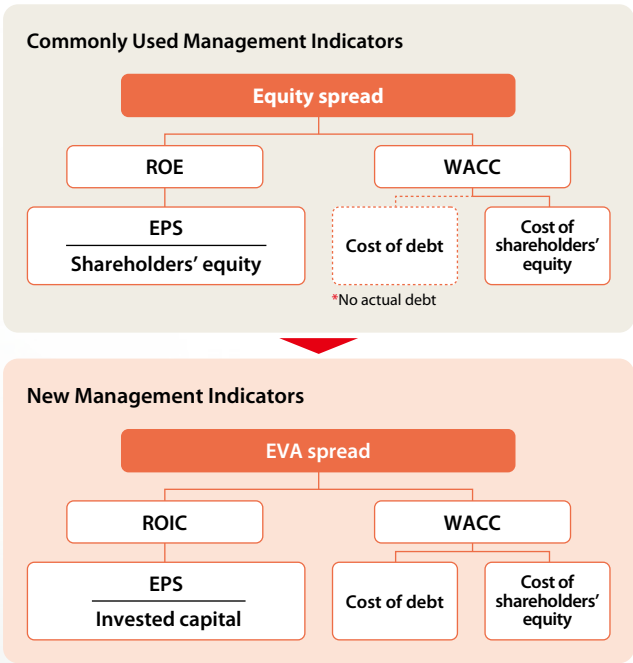
Expanding the equity spread between ROE and cost of capital

Raising return on equity (ROE) and keeping it consistently above the cost of capital means maintaining and expanding the equity spread between ROE and the cost of capital. The two ways to do this are to increase ROE and to reduce the cost of capital.

Reducing the cost of capital

Since we have transitioned to a company seeking to actively utilize debt capital, our financial makeup is going to change. When we were a debt-free company, it was sufficient to focus on steadily raising ROE to reach a set target. Now that we are also using loans for financing, we will need to also pay close attention to the weighted average cost of capital (WACC).

The Elements of Equity Spread



On the debt side, Japan's currently ultra-low interest rates enable us to lower WACC by increasing the debt ratio. However, as that situation changes in the future, maintaining a healthy balance of debt leverage will require carefully regulating the use of interest-bearing debt in Japan and overseas.

A company's capital structure is basically its balance between maintaining financial stability and improving capital efficiency. For us, financial stability means maintaining our AA bond rating (Japan Credit Rating Agency) and using that as a benchmark of our debt status as we strategically invest to improve our capital efficiency.

In terms of shareholders' equity, what we can do as a company is to lower our specific beta (the volatility of our shares in relation to the market) that investors use to evaluate our Company. We can do that by making sure that investors have a full understanding of our Company and by eliminating any issues that cause concern, which means reducing whatever risks investors see in our Company.

There are very few flour milling companies worldwide that are operating in multiple regions and that can integrate expertise across borders the way we can. Plus, we have abundant expertise in information, knowledge, and technology both upstream and downstream in the industry. I believe investors will view this as providing a solid foundation for our investments, even though an investment might be viewed as more risky for other companies in the industry. Put another way, since we have the ability to lower our cost of capital by reducing the risk factors, I believe our shares will eventually be viewed as a preferred investment over other companies in the industry. We will continue to do all we can to help investors get a better understanding of our company and to create new opportunities for engagement.

Raising ROE

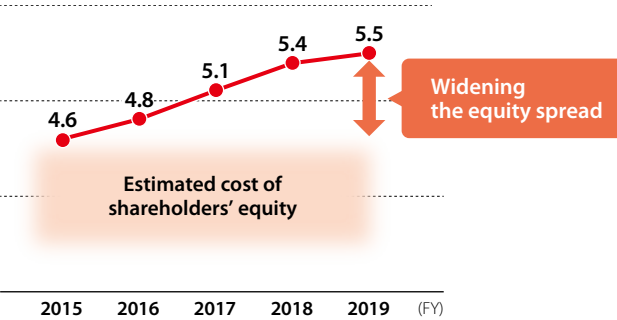
We have begun using our ROE performance as a key management indicator. Our ROE has been gradually rising and recently reached 5.5%. Our next management milestone is to raise ROE to 6%. Theoretically, return on invested capital (ROIC) should be applied against a company's WACC, so this requires us to change our management indicators.

Raising ROIC entails increasing the denominator of invested capital while also increasing by a greater amount the numerator of profits and thus EPS. It also requires carefully planned strategic investment for profit growth (R&D and environmental investment,

strategic personnel hiring and training, advertising and promotion spending, etc.) that will generate continuous growth in EPS.

We will therefore target our investments in areas that will produce a positive economic value added (EVA) spread, which is the difference of ROIC minus WACC.

ROE



Shareholder Returns

Strategically invest to raise profits and consistently provide a dividend payout ratio of 40% or higher

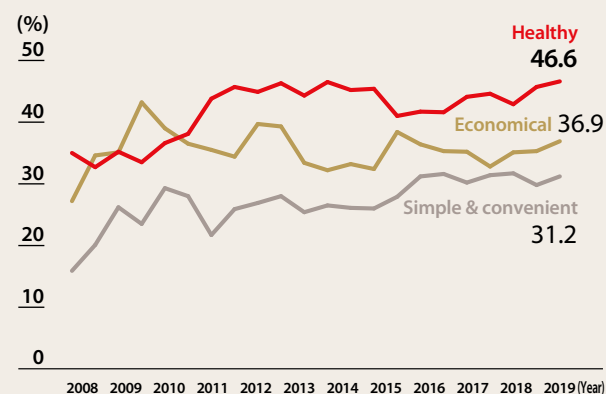
Our top priority for fulfilling the expectations of our shareholders is to prudently invest to increase the equity spread and then return to shareholders an appropriate amount of the created value in a timely manner. I believe we will increase our profits and be able to consistently maintain our standard of providing a dividend payout ratio of 40% or higher. While taking into account our need for investment capital and other factors, we will also flexibly consider share buyback programs.

Our current financial 'balance' has been built on the basis of trust that we have established with our shareholders, customers and stakeholders over more than 100 years since our founding. Our sense of mission is to supply wheat flour, support dietary habits and food culture, and continue providing the basic foods that people need. This mission is built on the inextricable link between the mutual trust we have created with our stakeholders over our long history and the credibility that underpins the unwavering positive reputation of the Nisshin Seifun Group. This is our corporate culture, and I am looking forward to carrying on and strengthening our traditions.



## The Evolving Market in Japan

Consumer health awareness is increasing each year and more consumers are choosing healthy options for their daily meals. The Nisshin Seifun Group is focusing its Group-wide capabilities to support the daily health of consumers.



Source: Nisshin Seifun Group Inc. from "Consumer Trend Survey" by the Agriculture, Forestry, Fisheries and Food Business Unit of the Japan Finance Corporation

The Group follows the trends in health awareness and emerging health topics. Using each company's strengths in R&D and manufacturing technologies, we have developed numerous health food products, ranging from ingredients like whole wheat flour, bran, wheat germ, and mineral yeast to healthcare foods like bifidobacterium and coenzyme Q10.

Nisshin Foods Inc. is enhancing its products following the three key catchwords of simple & convenient, authentic, and healthy. In the healthy category, it offers a variety of high value-added products, including low-carb and low-sodium flour used for specific Japanese dishes.

In 2019, Nisshin Foods further differentiated its brand by offering a new series of healthy and delicious foods with function claims. The company aims to meet consumer need for healthy daily foods by actively working to provide consistently good flavor with products that are both health promoting and delicious. Nisshin Foods' pancake mix is an example of our ability to create differentiated products. The company used its expertise in ingredient selection and compounding technologies accumulated over many years of researching and developing to overcome the general perception that the more fiber a food has, the less pleasing its texture will be. This expertise combined with making maximum use of Nisshin Flour Milling Inc.'s milling technology resulted in Nisshin Foods Inc. creating a pancake mix that is truly delicious and with a texture and flavor that other companies cannot replicate.

Products in the Healthy and Delicious Series

カラダに、  
おいしい  
こと。

The power  
of inulin

Gradually release  
post-meal blood  
glucose levels

The power  
of inulin

Promote  
digestive health

おなかの調子を整える  
100g  
健康とおいしさシリーズ

1日1食  
1日分の食物繊維入り  
ホットケーキミックス

おなかの調子を整える  
1.4kg  
健康とおいしさシリーズ

1日1食  
1日分の食物繊維入り  
ホットケーキミックス

"Health" is a core theme throughout the Group. In April 2018, following our NNI Compass for the Future long-term vision, we launched the Nisshin Seifun Group Health Project with concrete measures to explore potential business opportunities that start with consumer needs outside our current business domain. The project is pursuing ideas beyond the R&D and product development processes of the Group's existing businesses with the aim of creating and developing new health-related businesses for the Group. Five companies are currently involved in the project—Nisshin Flour Milling Inc., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., and Nisshin Seifun Group Inc.

Project members have been actively sharing information and freely exchanging ideas with the word “health” as the key guiding point. The members are also creating solid and enthusiastic networks inside and outside the Group. The project will look at different ways to approach people’s health needs, such as by focusing on specific life stages, to postulate health issues and concerns, and it will explore how the Group can contribute to the health of all types of consumers. The Company and Group companies will then combine and focus their R&D, product development, and communication capabilities into areas of specific health needs. The Group will continue to work as

A Nisshin Seifun Group Health Project workshop

We believe the Group can use its experience developing products and Group synergies to contribute to the health of an even greater number of people. The members of this project are thinking deeply as a consumer, sometimes even thinking about our own family members and friends and how we can help them live each day energetically in both mind and body. All of our companies are working together, and we have already launched a number of measures. We are building the project into a movement with the whole Group involved in expanding our health-related businesses.



**Nisshin Seifun Group**  
**Health Project Office**

**Yoshiko Morinaga** (left)  
Business Development, Planning and  
Coordination  
Corporate Planning Division  
Nisshin Seifun Group Inc.

**Satoko Matsubayashi**  
R&D Promotion Department  
Research & Development,  
Quality Assurance Division  
Nisshin Seifun Group Inc.

The diagram illustrates the Nisshin Seifun Group Health Project structure and flow. It is organized into three main columns: Nisshin Seifun Group Inc., the central project activities, and Business Companies.

**Nisshin Seifun Group Inc.** (Left Column):

- Advertising and sales promotion R&D
- Develop new businesses  
Locate new material sources

**Nisshin Seifun Group Health Project** (Central Column):

- Group planning and promotion
- Marketing and communication strategies
- Organize, plan, and promote internal Group activities

**Business Companies** (Right Column):

- Nisshin Flour Milling Inc., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc.
- Product and service planning by each company
- R&D, raw material procurement, product development, manufacturing, quality assurance, sales, communication
- New business development by each company  
Locate new material sources

**Flow and Interaction:**

- Horizontal double-headed arrows connect the left and right boxes of each column.
- A red arrow labeled "Develop related products" points from the central project to the business companies.
- A green arrow labeled "New products" points from the business companies to the central project.
- A large grey arrow at the bottom points from the business companies back to the Nisshin Seifun Group Inc., labeled "Cooperation and information sharing".

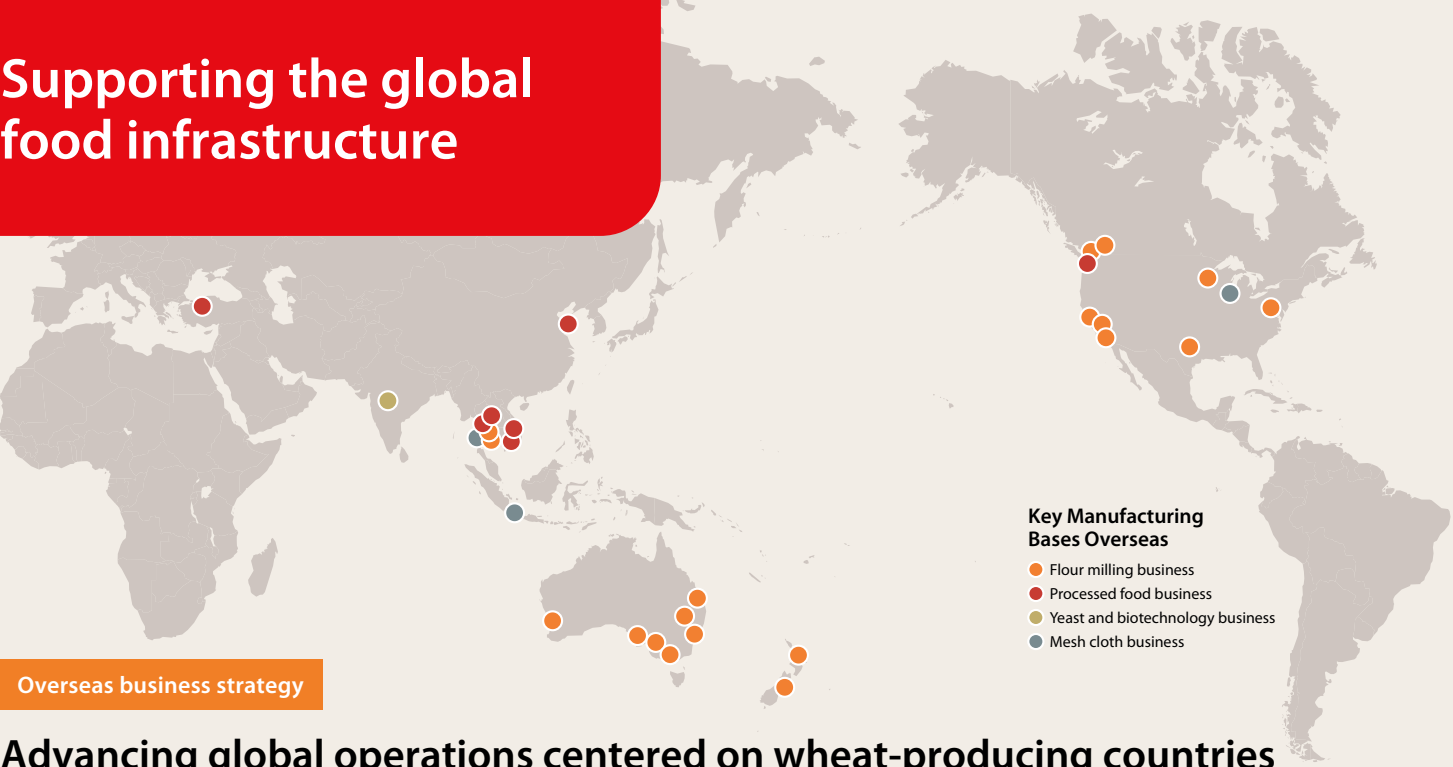




Feature Creating New Value

## II Overseas Business Development

# Supporting the global food infrastructure



Overseas business strategy

## Advancing global operations centered on wheat-producing countries

Since the Nisshin Seifun Group started its global expansion in earnest in the late 1980s, we have grown to 22 overseas subsidiaries and operations in 11 countries focused mainly in Asia, North America, and Oceania. We are using the Group's far-reaching network to continue our international expansion.

## Applying strengths honed in Japan to advance business overseas

The Nisshin Seifun Group made its first forays overseas after the Plaza Accord was signed in 1985. The first step was in Thailand, where the Group established processed food manufacturer Thai Nisshin Seifun Co., Ltd. in 1988 followed by the flour milling company Nisshin-STC Flour Milling Co., Ltd. in 1991. The acquisition of the Canadian flour milling company Rogers Foods Ltd. in 1989 set the foundations in Asia and North America for global business development.

During the next three decades we accumulated expertise and human resources overseas. In the 2010s, on a backdrop of a shrinking population in Japan and liberalizing international trade, we have accelerated our business development overseas as a key to our growth strategy for the future. We have been

particularly active expanding our overseas operations in the Flour Milling Segment. In North America, we acquired Miller Milling Company, LLC in 2012 and have expanded to become the fourth largest milling company in the United States. In Oceania, we acquired Champion Flour Milling Ltd., the largest miller in New Zealand, in 2013 and Allied Pinnacle Pty Ltd., the largest miller in Australia, in 2019. These moves have greatly increased our daily flour processing capacity overseas from 400 tons per day at the start of the 1990s to some 12,160 tons per day presently, which is 50% more capacity than we currently have in Japan. We are currently developing businesses in 11 countries, mainly around the Pacific Rim, where we are offering a wide variety of products and services, including flour milling, premixes, and pasta.

## A growing Pacific Rim network of businesses

The Group is steadily growing its business in each country's growth markets by creating new and closer links among its operations.

In North America, we are linking the flour milling and processed food businesses and introducing expertise from the Group to develop business. One example is the marketing of tempura mix in North America and Europe. We are generating steady sales growth by developing products geared to local consumer food texture preferences and broadening the market for tempura mix beyond the core customer of Japanese restaurants. In the rapidly growing demand for ramen noodles in North America, we maintain commanding market share for flour for ramen noodles. We are complementing this by strengthening the sales collaboration efforts for noodle improver for ramen noodles between Oriental Yeast Co., Ltd., which has leading market share in Japan, and Rogers Foods

Ltd. and Miller Milling Company, LLC.

In Thailand, we are generating growing sales by creating closer ties between Nisshin-STC Flour Milling Co., Ltd. and B to B premix manufacturer Thai Nisshin Technomic Co., Ltd. and marketing ingredients for bakeries supplying major convenience store chains. Also, Thai Nisshin Seifun Co., Ltd., which is one of our main suppliers of pasta sauces for the Japanese market, has started supplying products to its local market.

To support and coordinate this vast expansion of our overseas operations, in 2014 we began holding a Global Forum to bring together representatives from overseas subsidiaries to discuss Group business strategies and issues. In fiscal 2019, the president of Nisshin Seifun Group Inc. attended the forum to personally present the Group's long-term vision to top executives from overseas. We will continue to bring our companies around the world closer together to maximize the Group synergies.

## Strengthening Group ties for further growth

Food markets have strong regional characteristics, and it is a significant challenge for a food company from another region to maintain sustained growth in a local market. The Nisshin Seifun Group listens closely to customer feedback and applies the sophisticated technology, quality assurance techniques, and its customer service skills it has honed in Japan to develop products designed for local markets. The Group will continue to develop products for local markets around the world by using the manufacturing technologies and raw material procurement methods of all of its companies overseas and sharing the Group operations best practices.

The Group's product lineups in each region are unique in comparison to overseas rival firms and its area strategy focused

on the Pacific Rim offers potential to develop business in numerous countries. We see particularly strong growth potential for bakery ingredient sales by Allied Pinnacle Pty Ltd., of Australia, which we acquired in 2019, and by the yeast business in India scheduled to get under way in summer 2020. Creating closer ties among Group companies in Asia and Oceania offers huge potential to expand business by offering unique products and interlinking the markets of the different countries. We will continue harnessing our Group-wide capabilities by strengthening the ties between Japanese and overseas companies inside and outside the Group to provide the value of the Nisshin Seifun Group to customers and contribute to local societies in every country in which we do business.

### The Strengths of the Nisshin Seifun Group's Overseas Operations





## Strong move into Australia boosts our wheat flour ingredients businesses

### Background to the entry to Australia

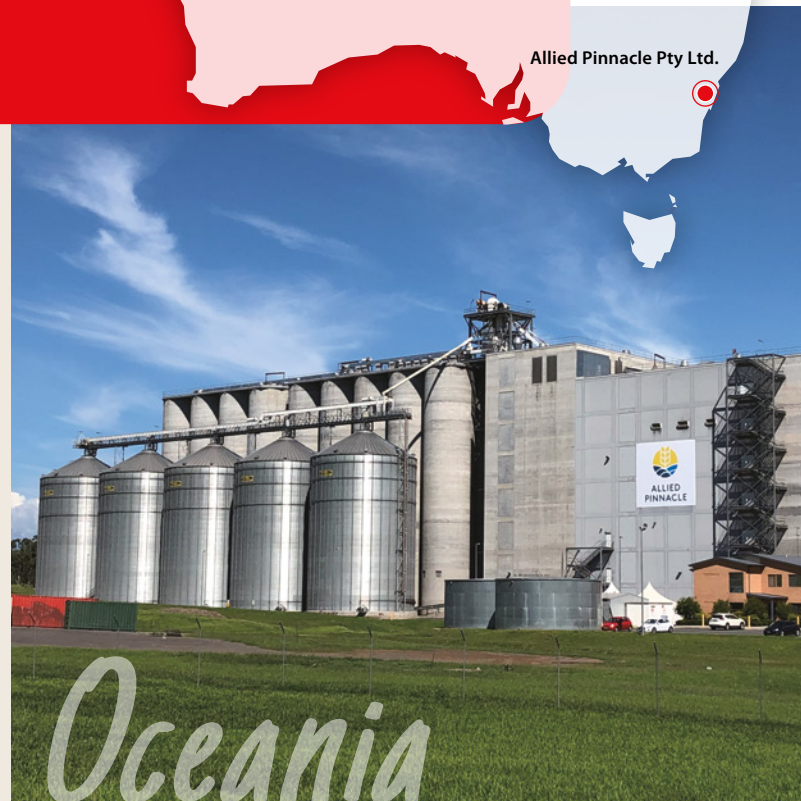
The Australian flour market is expected to expand at a sustained pace supported by 1.6% annual population growth, economic growth that has lasted 26 years, and increasing demand, such as for organic products. Australia is also an important wheat-producing country for Japan, as wheat import volume from Australia to Japan is third behind imports from the United States and Canada.



Bakery flour



Bakery ingredients



Oceania

Allied Pinnacle Pty Ltd.

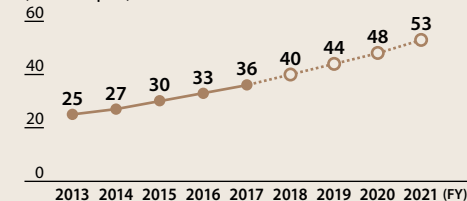
## Supplying high quality yeast to the India bread market

### Background to the entry to India

India is the world's seventh largest country in terms of land area and has the second largest country population in the world. India's expanding economy is causing a demographic shift to an increasing number of nuclear families and women participating in society. Demand for western types of bread as replacements for Indian chapati and naan breads, which have longer preparation times, is growing faster than the supply of yeast.

### The Western-Style Bread Market in India\*

(1 billion rupees)



\* 1 billion rupees equals about 1.5 billion yen (as of end September 2019)  
Forecast figures for fiscal years 2018 to 2021.

Mumbai  
(Oriental Yeast India Pvt. Ltd.)

Planned site of the new factory

Asia

## Leveraging our Group-wide capabilities to accelerate overseas business development

The addition of Allied Pinnacle Pty Ltd. of Australia in April 2019 made the Nisshin Seifun Group the largest flour milling company in Oceania. Allied Pinnacle has a solid business base in Australia and is the country's leading company in the wheat flour market (other than industrial-use products, such as starch). The acquisition improves our ability to gather wheat-related information in Australia and strengthens our procurement network of wheat producers and grain companies, which increase the Group's ability to procure raw materials. By linking Allied Pinnacle with Champion Flour Milling Ltd. of New Zealand, we will generate network synergies between the two

companies' sales and logistics operations.

In addition to flour, Allied Pinnacle also has high market shares for premixes and bakery ingredients, and one of its strengths is its ability to propose products that meet customer needs. We will infuse technologies from Nisshin Flour Milling, Nisshin Foods, and Oriental Yeast to further boost Allied Pinnacle's achievements and use the Group-wide capabilities for business growth. We will continue integrating our global operations and actively developing business for our wheat flour ingredient products for bakeries in all areas of the promising markets in Asia and Oceania.

### Advancing business strategies as a member of the Nisshin Seifun Group

My entire career has been in and around flour milling, and it's an industry I am passionate about. I was very excited when I heard that Allied Pinnacle was joining the Nisshin Seifun milling family. Nisshin Seifun is well known in the milling world for its exceptional quality standards and customer satisfaction levels. I know Nisshin Seifun and Allied Pinnacle together have a solid business strategy and I look forward to delivering against that plan.

**David Ambrose** Technical Director—Milling, Allied Pinnacle Pty Ltd.



## Information and expertise gathered in new markets will lead to new opportunities

Oriental Yeast Co., Ltd. is constructing a new factory (scheduled for completion in summer 2020) to further expand its yeast business in the growing Indian bread market. Oriental Yeast has technology to breed its over 30,000 varieties of yeast strains to final products. The company also has abundant experience and success applying its yeast propagation expertise and techniques, which it will leverage to supply high-quality fresh yeast catered to local needs.

As we develop the yeast business in India, we are also strengthening the connections across our biotechnology business, which already has operations in India. This will make

it easier to acquire plant sites, gather information locally, and attract leading business partners.

When the new factory is completed, in addition to supplying yeast products, we also plan to develop operations selling bread-making improvers and other commercial products to bakeries. India will become another overseas base for bakery and confectionery ingredients so we can develop further business in other countries in the region. The information and expertise that the Group accumulates through the new operations will further strengthen our Group-wide capabilities.

### The challenge of building a yeast factory outside Japan

India and Japan are vastly different countries. I knew this when I took this position eight months ago, but I'm still learning something new about India every day. The culture, environment, food, systems, and rules are all different, and people's personalities and ways of thinking are the most different of all. My mission is to bridge those differences as I oversee the construction of the new factory.

**Ayano Shibuya** Oriental Yeast India Pvt. Ltd.

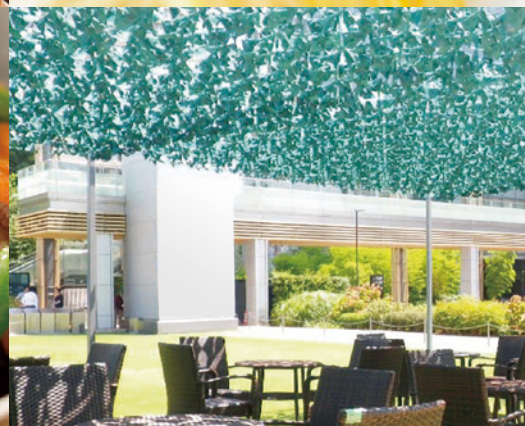




## Part 2

# Value Creation Strategy by Segment

Taking wheat flour as the starting point, Nisshin Seifun Group has developed eight diverse business segments. We are striving to enhance our business competitiveness in order to realize our long-term vision.



## At a Glance

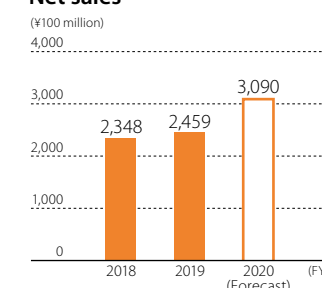
### Segment

Results for fiscal year ended March 31, 2019 and forecasts for fiscal year ending March 31, 2020 (As of October 2019)

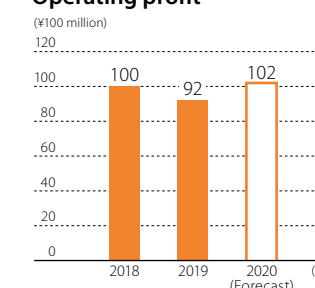
### Flour Milling Segment

Share of net sales (FY2020 forecast) **43%**

#### Net sales



#### Operating profit



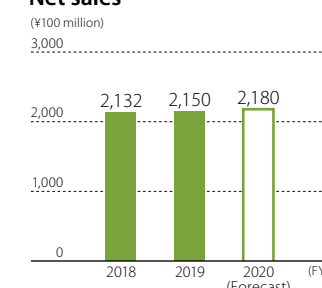
In the fiscal year ended March 31, 2019, net sales increased due to factors including higher selling prices for wheat flour following a domestic price revision for wheat, and increased shipments in Canada and Thailand where we implemented strategic investments. While solid wheat bran prices and strength in the Group's overseas operations contributed to operating profit, acquisition-related expenses associated with the purchase of Allied Pinnacle Pty Ltd. resulted in a drop in operating profit overall.

For the fiscal year ending March 31, 2020, we forecast an increase in net sales due to factors including the effect of the consolidation of Allied Pinnacle Pty Ltd. We also anticipate an increase in operating profit, as earnings deterioration in the US business will be minimized as a result of performance recovery measures including a correction of selling prices, as well as cost reductions both in Japan and overseas and the effect of the consolidation of Allied Pinnacle Pty Ltd.

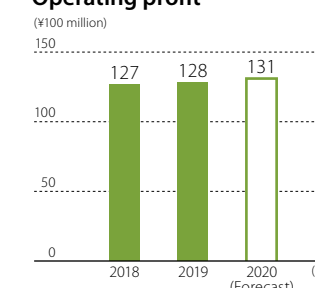
### Processed Food Segment

Share of net sales (FY2020 forecast) **30%**

#### Net sales



#### Operating profit



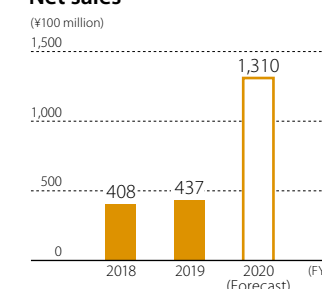
In the fiscal year ended March 31, 2019, net sales increased due to factors including higher shipments of processed foods and other products, and increased exports of raw materials for pharmaceuticals. Operating profit also increased due to higher shipments of products in the yeast and biotechnology business, and higher shipments of raw materials for pharmaceuticals, in spite of a rise in personnel expenses, distribution costs and strategic costs including advertising and promotion expenses.

For the fiscal year ending March 31, 2020, we forecast an increase in net sales due to factors including increased exports of raw materials for pharmaceuticals. We also anticipate an increase in operating profit due to an improvement in sales expansion costs in conjunction with the development of high-value-added processed food products and increased exports of raw materials for pharmaceuticals, in spite of a rise in distribution costs and an increase in strategic costs including personnel expenses, advertising and promotion expenses and R&D expenses.

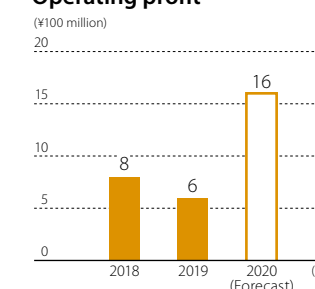
### Prepared Dishes and Other Prepared Foods Segment

Share of net sales (FY2020 forecast) **18%**

#### Net sales



#### Operating profit



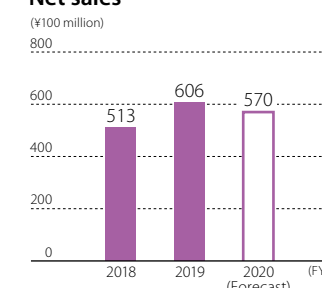
In the fiscal year ended March 31, 2019, net sales increased due to factors including a full-year contribution from the new Nagoya Plant, which commenced operations in the previous fiscal year and specializes in prepared Japanese dishes, as well as solid sales of pre-cooked noodles due to the exceptionally hot summer. Operating profit decreased, however, despite a revenue boost from higher shipments, due to factors including costs associated with the launch of the Kyushu Plant, which specializes in prepared Japanese dishes.

For the fiscal year ending March 31, 2020, we forecast an increase in net sales due to the coming-on-line of the Kyushu Plant, which mainly supplies prepared Japanese dishes, and the effect of the consolidation of Tokatsu Foods Co., Ltd., a supplier of a comprehensive range of prepared dishes and other prepared foods, despite weaker sales of pre-cooked noodles following unseasonal weather conditions in the first half of the year. We also forecast an increase in operating profit due to factors including the effect of the consolidation of Tokatsu Foods Co., Ltd.

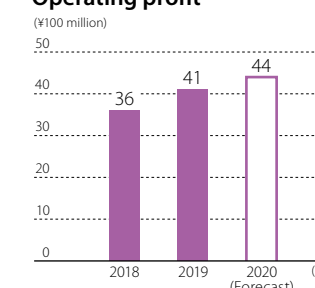
### Others Segment

Share of net sales (FY2020 forecast) **9%**

#### Net sales



#### Operating profit



In the fiscal year ended March 31, 2019, net sales increased on the back of a strong performance in the engineering business, where there was solid progress with large-scale construction projects. Operating profit also increased due to the solid performance of the engineering business, offsetting a decrease in the pet food business and mesh cloth business, where market conditions are challenging.

For the fiscal year ending March 31, 2020, we forecast a reduction in net sales due to factors including a snapback from the previous year's major construction projects in the engineering business, despite a projected increase in shipments in the pet food business centered on high-value-added products. We forecast an increase in operating profit, however, due to factors including solid progress with construction projects in the engineering business.



## Flour Milling Segment



### Flour Milling Business



**Takao Yamada**  
Director and President  
Nisshin Flour Milling Inc.

#### Fortifying our business base in Japan and accelerating the expansion of our business overseas

We expect the market for flour in Japan to contract due to the major changes in the domestic business environment caused by international trade agreements like the Trans-Pacific Partnership along with Japan's declining population and diversifying food preferences. We are responding to these developments by diligently maintaining our production system and integrating new technologies, such as AI, to establish low-cost operations at all of our production sites and set our production cost base at a level that will give us a global competitive advantage.

We will also boost sales by establishing an

overwhelming leading position in the domestic flour market. By leveraging our formidable strength in milling technologies, we will carefully meet changing customer needs and clearly differentiate our products from rival offerings.

Overseas, we will apply the technologies cultivated in Japan to local markets to solidify our presence in each region and quickly strengthen and expand our earnings base.

We will put the full force of our Group-wide capabilities behind these initiatives and aim to be a flour milling company that delivers the highest level of service and customer satisfaction.



Commercial wheat flour

#### Strengths

- Strong milling technology and expertise
- A leading company with high market share and a wide-ranging product line
- Highly refined product and process development capabilities derived from our wheat research
- Ability to offer customers a comprehensive lineup of products
- Technology designed to meet the needs of local overseas markets

#### Opportunities and Risks

- A contracting domestic flour market due to international trade agreements and the dwindling population
- Diversifying food preferences and growing shift to health-oriented and high value-added products
- Increasing demand for flour due to growing populations and rising incomes, particularly in developing countries

#### Growth Strategies for the Long-Term Vision

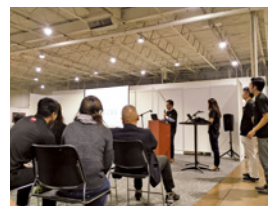
- Establish low-cost operations by maintaining the production system and integrating new technologies to set our production cost base at a level that will give us a global competitive advantage
- Establish an overwhelming leading position in the domestic flour market by meeting customer needs
- Develop new businesses, including by applying our unique technologies to further expand business overseas

#### Presentation at Ramen Expo USA 2018

Nisshin Flour Milling participated at the ramen industry trade fair Ramen Expo USA 2018 held in Dallas, Texas, in October 2018.

In a joint booth with Oriental Yeast Co., Ltd., Miller Milling Company, LLC, Rogers Foods Ltd., and OYC Americas, Inc., we introduced a wide lineup of our products beginning with flour for ramen noodles and including noodle improver and ingredients to improve food quality. We also held a very popular seminar at the expo about the secrets behind the delicious flavor of Japanese ramen and how to pair ramen noodles and soups.

We will continue working with other Group companies to apply techniques and expertise cultivated over many years in the Japanese market and use our Group-wide capabilities to drive ramen market growth in the United States.



Ramen Expo USA 2018

#### The First Nisshin Flour Milling International Cereal Science Symposium

We presented the First Nisshin Flour Milling International Cereal Science Symposium in January 2019. We invited top cereal science researchers from around the world to look at issues being faced by secondary processors of flour. The symposium, which was the first in Japan to focus specifically on cereal science, was a resounding success.

In addition to our customers, many wheat cultivation researchers from public institutions also attended. At the event, the Cereal Science Research Center of Tsukuba introduced the results of some of its latest research and received invaluable comments and advice from participants.

We look forward to continue being a leader in the flour industry by arranging fundamental research and symposiums on cereal that will contribute to advancing cereal science research and raising the quality of wheat-related products.



The First Nisshin Flour Milling International Cereal Science Symposium

## Processed Food Segment



### Processed Food Business



**Yuji Koike**  
Director and President  
Nisshin Foods Inc.

#### Increasing our offerings of high value-added products for a changing market

Nisshin Foods offers wheat secondary processed products, including premixes, pasta, pasta sauce, and frozen pasta for both the commercial- and household-use markets.

We expect accelerating population decline and an aging society in Japan, and population growth and development in developing countries. Anticipating these changes, we are implementing various strategies to develop new products for healthy and flourishing diets. In the Processed Food Business, we are expanding our offerings



Wheat flour for household use, frozen pasta, and dry pasta

of high value-added health-function, simple, and convenient products. Overseas, we are seeking to establish a solid foundation for earnings by forming an optimized supply structure that will increase our cost competitiveness. To this end, we are actively expanding our business operations in overseas markets.

We are also using digital marketing to strengthen our brand, such as holding an *Ao-No-Dokutsu* illumination event that was linked to social media sites.

#### Strengths

- Strong brand power and several products with top market share in Japan
- Consumer trust in the high quality, safety, and reliability of our products
- Product development and technical services geared to domestic and overseas markets
- Abundant proprietary technology and expertise accumulated through research and technology development

#### Opportunities and Risks

- Shrinking market due to population decline
- Increasing trends for simple, convenient, quicker, and one-person meals and health consciousness
- Persistent rises in labor costs, logistics costs, and raw material prices
- Growing global population and economic growth in developing countries in Asia
- Progress with international trade negotiations

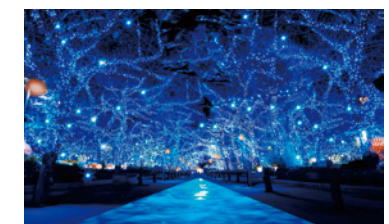
#### Growth Strategies for the Long-Term Vision

- Increase our offerings of health-function, simple, convenient, and delicious high value-added products
- Improve cost competitiveness by establishing an optimized global supply structure
- Actively implement digital marketing strategies using new technologies
- Step up overseas business expansion

#### Ao-No-Dokutsu Shibuya Illumination Event

Since 2014, Nisshin Foods has been a special sponsor of the perennial favorite *Ao-No-Dokutsu* (blue grotto), an illumination event that bathes city streets in blue LED light. Presented in Tokyo, Sapporo, Osaka, and other cities across Japan, the 2018 event was held for a third straight year in Shibuya, Tokyo, one of Japan's premier trend hotspots. The 2018 event again bathed the city in a glowing blue grotto from Shibuya Koen boulevard to the row of towering Japanese elm trees of Yoyogi Park.

The event boosts our branding and brand awareness through the use of digital marketing and via social media.



Ao-No-Dokutsu Shibuya



Ao-No-Dokutsu pasta sauce 2018 winter limited edition

#### Overseas B to B premix business

We are constructing a new plant in Vietnam to be completed in 2019 in anticipation of a growing market there for B to B premixes. We are looking to expand our business in the country by bringing in Group technology and expertise to offer differentiated products that meet increasingly sophisticated customer needs.

# Processed Food Segment



## Yeast and Biotechnology Business



**Masashi Nakagawa**  
Director and President  
Oriental Yeast Co., Ltd.

### Wide range of food ingredients and high-value-added biotechnology

Oriental Yeast develops and supplies yeast, fillings, mayonnaise, and other ingredients to customers ranging from bread and confectionery companies to prepared dish makers and restaurant operators.

We also use our proprietary biotechnology to manufacture and sell diagnostic and research reagents, while also providing support services for R&D of pharmaceuticals.

While the domestic food market is shrinking, we plan to increase earnings by using the strength of our wide range of food ingredients to develop high value-added products and by increasing our product offerings to fields outside the baking industry. We are



Yeast products

also accelerating business development in markets overseas where populations are growing and actively seeking to partner with overseas companies, install new technology, and establish local companies and plants.

We are also seeking to grow the biotechnology business. We are developing high value-added diagnostic reagents, culture media, reagents, and testing services in Japan and overseas, and increasing our ability to meet the growing need for preventive medicines associated with the increasing world population and the aging population in Japan.

#### Strengths

##### Processed Food

- Wide-ranging lineup of food ingredients
- Strong R&D capabilities
- Strong proposal capabilities based on our ingredients and technologies
- Vast archive of yeast strains

##### Biotechnology

- Strong global brand power in the diagnostic reagent and medical industries and in academia
- Highly refined R&D and manufacturing capabilities
- Abundant customer bases in Japan and overseas

#### Opportunities and Risks

##### Processed Food

- Shrinking markets from population decline in Japan
- Growing world population, changing logistics conditions and diversifying food preferences in Asia

##### Biotechnology

- Expanding markets from world population growth
- Increasing needs for preventive medicines accompanying the aging population in Japan
- Advances in polymer and regenerative medicines

#### Growth Strategies for the Long-Term Vision

##### Processed Food

- Enhance earning capability by expanding business for our yeast and other ingredients in Japan and overseas

##### Biotechnology

- Grow the biotechnology business by developing high value-added diagnostic reagents, culture media, reagents, and testing services in Japan and overseas

### Nice-Rice Yui and Kai solution to cooked rice dilemma

Oriental Yeast developed its first quality improver for cooked rice used to make *onigiri* rice balls. Called *Nice-Rice Yui* and *Kai*, *Yui* helps crumbly rice balls retain their shapes, and *Kai* makes sticky rice balls easier to eat. The *Nice-Rice Yui* and *Kai* solve some persistent problems with some types of rice balls and are being increasingly used by major convenience stores and supermarket chains. We are developing the technology for other applications while also seeking to increase our sales channels for the products. These products were awarded the Food Industry Technology Award of Merit from Shokuhin Sangyo Shimbunsha in November 2017 and the New Technology and Food Development Award from The Japan Food Journal in February 2018.



Exhibit at The Japan Food Journal's New Technology and Food Development Award ceremony

### Actively participating in trade fairs worldwide

In recent years, an increasing number of companies in India and China have been exploring the possibility of producing diagnostic kits in response to the increasing demand for medical checkups in developing countries. At the same time, sales in the niche market of immunochemical products are growing in the United States. We have been actively participating in trade fairs worldwide to introduce our products that meet the needs in each of the countries.

In December 2018, for a second straight year Oriental Yeast India Pvt. Ltd. participated in CPhI India, the largest international trade fair in South Asia for medical raw materials and intermediates, where it actively presented its products to a large number of visitors. We maintain close contact with our customers and are seeking to increase use of our products in the Indian biotechnology market.



The presentation booth at CPhI India



## Healthcare Foods Business



**Kiyoshi Sato**  
Director and President  
Nisshin Pharma Inc.

### Meeting the growing need for healthcare food products and fine chemicals

The market for healthcare foods is growing with the increasing health awareness accompanying the aging of society and increasing burden of medical costs. Nisshin Pharma is developing safe and reliable food supplements, foods with function claims, and healthcare foods aimed at meeting the needs of customers in this market. We are also using our unique technologies to develop and market high quality raw materials for pharmaceuticals. Anticipating increasing competition in each of these markets, we are using our technologies and materials to differentiate our products.



Healthcare food products

In healthcare foods, we are focusing on developing products and strengthening our brand; in medical products, we are using our strength in refining technologies to expand business in the market in the United States and to develop new markets. We are also broadening our material development activities to target new fields while drawing on Group synergies to create growth drivers for the future.

#### Strengths

- Dual sales channels of B to B for pharmaceutical raw materials and B to C for mail order sales
- Fully integrated structure from in-house raw material R&D through manufacture and sale of consumer products
- Advanced pharmaceutical business technologies and quality assurance structure based on good manufacturing practices (GMP)

#### Opportunities and Risks

- The aging society, increasing use of self medication, and growing e-commerce
- Increasing awareness of healthy diets and the food with function claims system
- Diversifying consumer needs and demand for high value-added products
- Expanding market for raw materials for pharmaceutical products "EPA-E" and subsequently growing number of generic products
- Application of our technologies to materials for new fields

#### Growth Strategies for the Long-Term Vision

- Broaden the development of materials beyond our current businesses and into new fields and generate Group synergies to cultivate growth drivers for the future

### Consolidating the healthcare product mail order sales channels

In November 2018, we consolidated the mail order sales of our LivLon series of healthcare products, which we had been selling through distributors since 1995, into our direct mail order site Nisshin Pharma Direct.

Conducting sales through a single site allows us to offer more choices to customers while also enabling us to stay on top of customer needs. We will use information gained through the site to aggressively develop products.



The LivLon product series available on the Nisshin Pharma Direct website

### A stable supply of raw materials for hyperlipidemia treatments

We have been using our proprietary technology to produce high purity EPA-E, which we have been supplying to the United States as a raw material for the antihyperlipidemic drug Vascepa since 2012. Jointly developed with Amarin Corporation plc., Vascepa is steadily attracting increasing demand in the United States as an effective treatment for lowering high triglycerides without raising bad cholesterol (LDL-C). Currently prescribed for patients with severe hyperlipidemia, the drug is expected to receive authorization in 2019 for use for patients with mild symptoms, which would further increase demand.

We also anticipate growing demand outside the United States as the drug is developed for sale in Canada, the Middle East, and China and are accordingly making preparations to ensure our supply capabilities grow in tandem with demand.



## Prepared Dishes and Other Prepared Foods Segment



### Prepared Dishes and Other Prepared Foods Business



**Koichi Iwasaki**  
Director, Managing Executive Officer and Division Executive Business Development Division  
Nisshin Seifun Group Inc.

#### A business model pursuing delicious foods and high manufacturing efficiency

The market for prepared dishes and foods is growing with the increases in single-person and working couple households and the aging population. The Nisshin Seifun Group supplies various offerings, centered on prepared Japanese dishes, to the prepared dishes and foods segment, which it is approaching as a growth segment. In 2016, we added pre-cooked noodles to our offerings, and in 2019 brought in Tokatsu Foods Co., Ltd. as a subsidiary. These moves established our full lineup structure



Pre-cooked noodles



A prepared Japanese dish

of prepared foods, including bento lunch boxes, *onigiri* rice balls, and sandwiches. We are forming a business model for the Prepared Dishes and Other Prepared Foods Business that brings together the Group's R&D, technology development, raw material procurement, and product development capabilities from its manufacturing and distribution structures across Japan. This business model will enable us to develop delicious food offerings and maintain high manufacturing efficiency.

#### Strengths

- Nationwide manufacturing and distribution structure and top-class manufacturing plants and workforce in Japan
- A full lineup structure providing products in every prepared food category
- A product development structure encompassing the Group's R&D and technology development activities
- The ability to use the Group's raw material procurement

#### Opportunities and Risks

- Change in wage-earner demographics with more women workers, people working at home, and single-person households
- Lifestyle changes accompanying the declining birthrate and aging population in Japan
- Shrinking markets and increasing labor shortage due to population decline
- Accelerating technological innovation, such as in automation, robotics, and AI

#### Growth Strategies for the Long-Term Vision

- Formulate a potent business model driven by developing delicious food offerings and highly efficient manufacturing operations

#### Business domain expanded with the addition of Tokatsu Foods

In July 2019, the Group acquired additional shares in Tokatsu Foods Co., Ltd. and made it a consolidated subsidiary as part of the Group initiative to build the Prepared Dishes and Other Prepared Foods Business into a core operation.

The move set up a three-company structure for the Group's Prepared Dishes and Other Prepared Foods Business consisting of Initio Foods Inc. providing prepared Japanese dishes, Joyous Foods Co., Ltd. pre-cooked noodles, and Tokatsu Foods Co., Ltd. *onigiri* rice balls, bento lunch boxes, sandwiches, salads, and other prepared foods.

Tokatsu Foods Co., Ltd. was established in 1968 and is a leading supplier of prepared dishes with 18 manufacturing sites in Japan. Its delicatessen prepared food business supplies products mainly to convenience stores, and its frozen prepared food business supplies products mainly directly to households. Total sales in the year ended in March 2019 amounted to ¥113.8 billion. The Nisshin Seifun Group's relationship with Tokatsu Foods Co., Ltd., began with consignment

manufacturing of delicatessen prepared food and frozen foods and became the capital alliance in December 2012.

The acquisition of additional shares further strengthens our partnership and enables the Group to add its R&D and manufacturing technology capabilities while also strengthening the cooperation among the three prepared dish and food companies. Bringing the companies closer together will create opportunities to further expand the business domain of the Prepared Dishes and Other Prepared Foods Business.



Yokohama Tsurumi Plant of Tokatsu Foods Co., Ltd.

## Others Segment



### Pet Food Business



**Hidekuni Tanaka**  
President  
Nisshin Pet Food Inc.

#### Focusing on developing high value-added products for changing times

Nisshin Pet Food's strengths are its pulverization, granulation, and coating technologies and the high quality management of the Nisshin Seifun Group. We anticipate increasing demand for high value-added food and a growing variety



Pet food products

of sales channels, and are accordingly focusing on developing high value-added pet food, such as therapeutic pet food, and expanding our business through e-commerce channels.

#### Strengths

- Sophisticated R&D capabilities at our research laboratories and through research collaborations with universities and other companies
- A fully developed quality control structure for pet food reflecting our position in a food manufacturing Group
- Strong proprietary technologies in pulverization, granulation, and coating

#### Opportunities and Risks

- Increasing demand for high value-added pet food
- Growing variety of sales channels
- Trend for smaller pets and longer-living pets
- The fourth revision to Japan's Animal Protection Law
- Growing awareness of the contribution pets make to the health of pet owners

#### Growth Strategies for the Long-Term Vision

- Focus on high value-added products such as therapeutic pet foods
- Expand business through e-commerce sales channels



### Engineering Business



**Hiroshi Murata**  
President  
Nisshin Engineering Inc.

#### Using our powder technologies to expand our engineering services

The plant engineering business is generating steady business growth by meeting needs for plant automation and integration of IoT mainly for food manufacturing factories but also in



Food manufacturing plant



Powder classifier

newly emerging fields. We are using our world-class powder technologies to increase sales of our unique equipment and expand our powder processing business.

#### Strengths

- Abundant experience in plant engineering and powder handling
- System of the same manager remaining in charge of all customer support from sales to maintenance
- The Nisshin Seifun Group's world-class powder technologies and R&D structure for plant automation
- Customer perspective approach to R&D

#### Opportunities and Risks

- Increasing competition for food manufacturing plant construction due to a shrinking market for food products as Japan's population declines
- Growing demand for plant automation and IoT integration as new technologies emerge
- Maturing of the powder market
- Growing demand for leading electronic materials

#### Growth Strategies for the Long-Term Vision

- Develop the plant engineering business for food manufacturing plants needing automation and new technologies, and leverage our specialized powder technologies to sell original equipment and expand the powder processing business



Others Segment

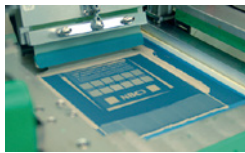
Mesh Cloth Business



Akiya Fukada  
President  
NBC Meshtec Inc.

Providing high value-added products using our state-of-the-art mesh technology

NBC Meshtec sells high-performance advanced industrial materials and develops new high-performance products. We use our strong product development and manufacturing technology capabilities to create a wide variety



Mesh cloth for screen printing



A fractal awning

of high-performance mesh cloth offerings. We are also creating new businesses for expansion into new areas like the environmental, medical, and health fields, where we anticipate growing demand for mesh cloth technologies.

- Strengths**
- Development and manufacturing technologies for high-performance mesh for thinning and densifying
  - Catalyst, bio-, and nanotechnologies enabling us to develop products with dust proofing, antifouling, water repelling functions
  - Molded plastic business with integrated mesh and molding technologies

- Opportunities and Risks**
- Growing demand in new areas, such as the environmental, medical, and health fields
  - Increasing demand for high-performance mesh for use in electronic devices and circuit molding created by advances in new technologies
  - Changes in supply chains triggered by trade friction or geopolitical risk

- Growth Strategies for the Long-Term Vision**
- Construct a dual business and manufacturing structure using our proprietary technologies for high performance advanced industrial materials and general-purpose mesh materials, and establish NBC Meshtec Inc. as the world's leading company for mesh materials

The Nisshin Seifun Group's Strategic Investment

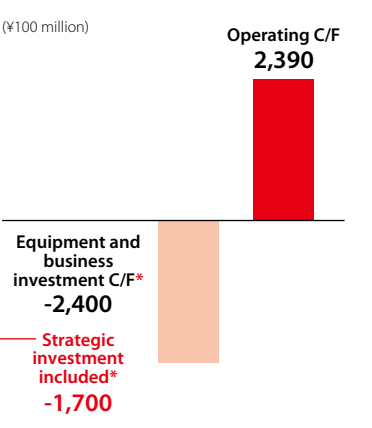
The Nisshin Seifun Group's NNI-120 medium-term management plan sets a budget of approximately ¥170 billion for strategic investment over seven years. Resources will be allocated primarily toward establishing sustainable profit growth and developing growth businesses.

Key Strategic Investments Fiscal 2013–2019

Strategic investments include making Tokatsu Foods Co., Ltd. a consolidated subsidiary, acquiring Allied Pinnacle Pty Ltd., constructing a plant at Vietnam Nisshin Technomic Co., Ltd., and constructing a yeast plant at Oriental Yeast India Pvt. Ltd. in fiscal 2020. Figures in parentheses are approximate anticipated investment amounts (¥100 million)

Japan	Construction of the Fukuoka Plant	(100)
	Expansion of the Chita Plant	(60)
	Construction of a frozen processed food plant at the Kobe manufacturing site of Ma-Ma Macaroni Co., Ltd.	(28)
	Increase of share capital holding and making a consolidated subsidiary of Tokatsu Foods Co., Ltd.	(226)
	Acquisition of Joyous Foods Co., Ltd.	(32)
Overseas	Purchase and expansion of the facilities of Miller Milling Company, LLC	(420)
	Purchase of Champion Flour Milling Ltd.	(35)
	Expansion of the Chilliwack plant of Rogers Foods Ltd.	(34)
	Purchase of the Sriracha plant of Nisshin-STC Flour Milling Co., Ltd.	(17)
	Purchase of Allied Pinnacle Pty Ltd.	(468)
	Construction of a pasta plant at Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S.	(24)
	Construction of a pasta sauce plant at Vietnam Nisshin Seifun Co., Ltd.	(15)
	Construction of a premix plant at Vietnam Nisshin Technomic Co., Ltd.	(17)
	Construction of a yeast plant at Oriental Yeast India Pvt. Ltd.	(157)

Cumulative Cash Flows Fiscal 2013–2019



\* Includes ¥10 billion to acquire Miller Milling Company, LLC in March 2012 and ¥70 billion in strategic investments since the start of fiscal 2020

Part 3

The Foundation of Value Creation

Aiming to maximize corporate value and achieve sustainable cyclical growth, Nisshin Seifun Group is focused on strengthening its management foundation to support value creation, including identifying our CSR priorities (materiality) and further enhancing governance.





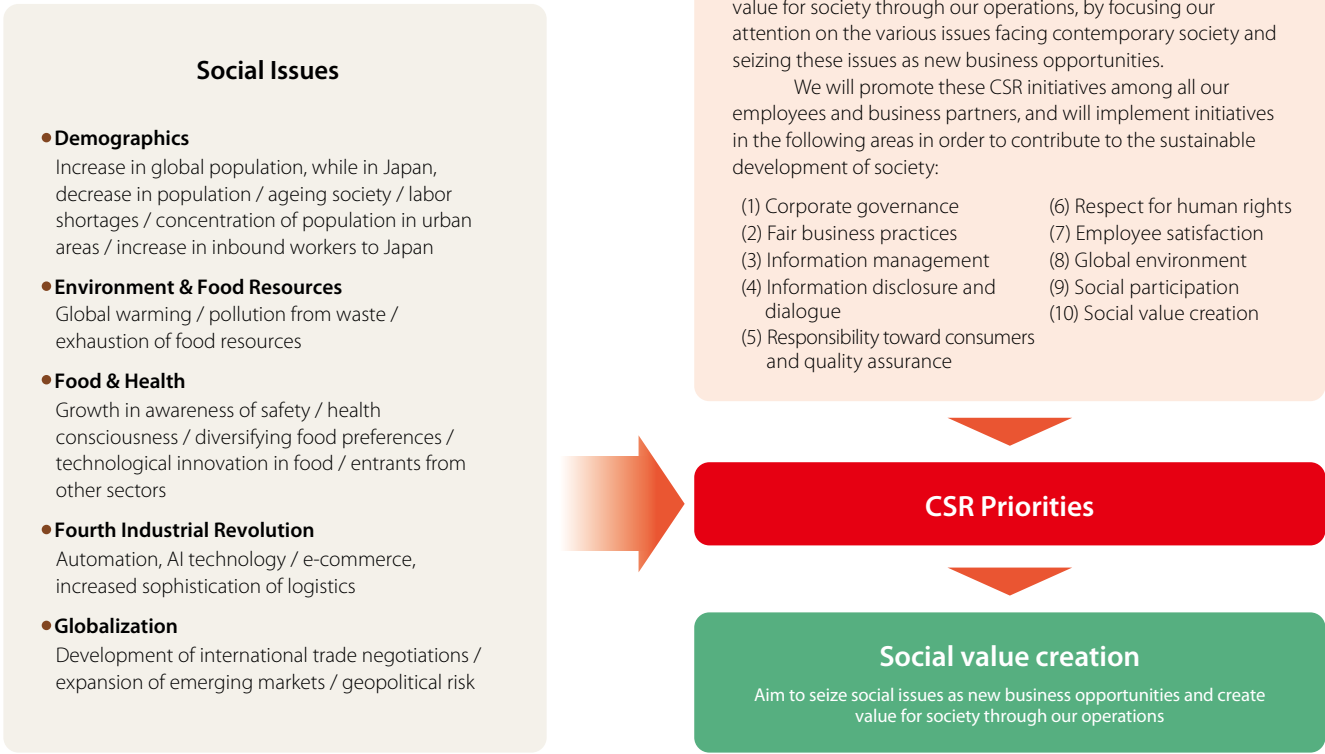
# Initiatives for Sustainable Cyclical Growth

Nisshin Seifun Group’s long-term vision, NNI “Compass for the Future,” establishes sustainable cyclical growth as one of the Group’s business strategies. In order to earn even greater trust from our stakeholders and realize the sustainable development of society and long-term enhancement of corporate value, the Group has identified five CSR priorities (materiality) and is planning/implementing various activities.

## CSR Structure

Based on the Nisshin Seifun Group Corporate Principle, the Group has enacted the Corporate Code of Conduct and Employee Action Guidelines, which set out our basic stance as a company and the basic attitude and code of behavior of our employees in their business activities. In addition, in December 2018 we drew up the Nisshin Seifun Group Approach to CSR, which conveys the Group’s approach to CSR in an easy-to-understand manner.

Additionally, in March 2019 we identified five CSR priorities, comprising those issues the Group considers should be tackled as a matter of priority. We believe that by integrating these initiatives into our management and business strategy, we will be able to enhance our corporate value and competitiveness over the long term, while also contributing to the sustainable development of society.



## CSR Priorities

Nisshin Seifun Group has drawn up the Group CSR Priorities comprising five focus areas to be strengthened, taking into account our current priorities and the trajectory of future initiatives. The CSR Priorities will be reviewed regularly in future, based on changes in the social environment.

Five CSR Priorities	Areas contributing to the SDGs
<p><b>Provide safe and healthy food and responsible consumer information</b></p> <p>Based on our corporate slogan of “delivering good health and reliability,” Nisshin Seifun Group regards product quality assurance as the most critical duty of a food manufacturer, and our business is founded on “quality assurance from the consumer’s view-point.” With the advance of the ageing society and rising health awareness, and by leveraging the knowledge we have cultivated as a Group, we will focus our efforts on research and development of products and technologies that contribute to consumers’ health and create and provide new value. In addition, we will promote consumer-orientated management, with a rigorous focus on consumer and customer preferences.</p>	
<p><b>Enable secure and sustainable raw material procurement</b></p> <p>The stable supply of food that is consistently safe and of high quality is predicated on the stable and sustainable procurement of safe raw materials. To achieve this, it is necessary to implement procurement while fulfilling our social responsibility, both as a company and throughout the supply chain. We have recently drawn up a Responsible Procurement Policy, and will conduct procurement activities responsibly based on fair and ethical trading in collaboration with our suppliers.</p>	
<p><b>Efficiently handle product and packaging waste</b></p> <p>In order to make effective use of limited resources, Nisshin Seifun Group bears a duty to reduce food product waste. The product waste produced in-house is reused, but food loss arising at the stage of domestic distribution and consumption is increasing, and this needs to be tackled in cooperation with the supply chain and distribution channels. Plastic used as a material for packaging has accumulated as waste in our oceans and rivers, and there are concerns about its impact on the marine ecosystem and human health. Initiatives are needed to reduce the use of plastic, including the introduction of alternative materials and returnable, reusable packaging, together with the design of environmentally sound packaging.</p>	
<p><b>Prepare for climate change and water resource issues</b></p> <p>The impact of climate change is becoming more serious year on year. It is an issue that has an enormous impact on society, the environment and corporate activities on a global scale, transcending the generations, and initiatives urgently need to be elucidated. Recognizing that protection of the environment is a prerequisite for corporate survival and corporate activities, we will cut carbon dioxide emissions and also promote further environmental protection activities, including the efficient use of energy and water.</p>	
<p><b>Provide work environments that are healthy and fulfilling</b></p> <p>Japan is now faced with issues including a decrease in the working age population due to the declining birth rate and aging society, diversifying needs of working people, including having to balance their work with childcare and nursing care, and the need for measures to enhance productivity. Given these circumstances, increasing employment opportunities and creating environments in which people can be motivated and achieve their full potential are important issues, both in a social sense and for companies. The Group’s operations are becoming increasingly diverse and global. Our employees have various lifestyles and values, and we will promote work style reform so that they can, regardless of gender, individually achieve their potential, experience personal growth, and work in fulfilling office and company environments.</p>	

Message from the Directors 1

Identifying CSR Priorities (Materiality)

We are focusing on five CSR priorities for society and our times.

Naoto Masujima  
Managing Executive Officer  
Division Executive  
General Administration Division



Q1 What is your basic approach to CSR?

A1 Providing a reliable source of safe food is the cornerstone of the Group's CSR.

Contributing to society has been at the center of Nisshin Seifun's business activities since its founding. The spirit of our Company was described by our founder Teiichiro Shoda when he said, "In conducting business, all activities must be rooted in a desire to do one's best for society," and that spirit remains in our DNA to this day. As a maker of food products, our Group mission is to consistently and reliably provide safe and high quality products. The Group holds the top market share in flour, pasta, yeast, and other products in Japan, and fulfilling the great responsibility that comes with this is the foundation and source of our corporate value as well as the starting point for our CSR activities.

To continue fulfilling this role and responsibility, all of our employees must understand and implement our guiding philosophies of "the basis of business is built on trust" and to be "in tune with the changing climate" along with our corporate principle of "contributing to a healthy and fruitful life for all."

We formulated the Corporate Code of Conduct and Employee Action Guidelines in 2002 to guide us as we continue earning the trust of society and developing the Group into the medium and long term. These codes are the cornerstones of our business and CSR activities. In 2018, we further clarified our CSR objectives with the Nisshin Seifun Group Approach to CSR. The codes of conduct and our CSR guidelines are shared throughout the Group to ensure all employees put them into action.

Q2 How are you carrying out your CSR strategies?

A2 We set clear strategies and apply the PCDA cycle to verify their results and improve effectiveness.

I believe conventional methods are key to realizing sustained execution of any important initiative, not just CSR. The first step is to develop business strategies based on the guiding philosophies and corporate principle and to create a structure and guidelines for strategy execution. The next step is making employees and all related individuals aware of the strategies and to constantly monitor the progress as the strategies are put into action. Applying the PDCA cycle is essential to achieving strategy objectives.

For example, the assurance of quality we provide for our products is based on our fundamental view that quality assurance be approached from the consumer's perspective. Our policy is that we must be able to clearly show the consumer that our products and the ingredients we use are safe, and that we will not ship a product if there is any doubt about its safety. In our quality assurance structure, we have Quality Assurance Controllers at each manufacturing site with the authority to stop any delivery even if the plant manager has already approved it for shipment. We also have quality assurance auditors to determine if our quality policies and initiatives are being implemented thoroughly. In addition, we seek third-party certification, including the ISO 22000 and FSSC 22000, to further strengthen our quality assurance systems.

We take a similar approach to internal control, risk management, and other safety-related activities by maintaining structures to promote their execution and improving them by applying the PDCA cycle. The Nisshin Seifun Group maintains a Social Committee dedicated to overseeing all of the Group's CSR activities and planning initiatives to advance our CSR objectives.

Q3 What is the process for identifying CSR priorities for the Group?

A3 We have identified five key issues based on society expectations and business impact.

Meeting society's expectations and responding to the changes in society is vital to the Group's business. In March 2019, we identified social issues that are the most relevant to our business and warranting the highest priority. The process we used was to first list all of the issues that we recognized as relevant to our business activities, then we ordered the issues based on the degree of expectations that society has in us to act as a parent corporation and the degree of impact the issues could have on our business. Out of these, we identified the five CSR priorities for the Group.

The issues we are focusing on are connected to our core businesses of "providing safe and healthy food and responsible consumer information" and "enabling secure and sustainable procurement of raw materials" and so these core businesses are behind the Group's CSR activities. Wheat flour is a staple ingredient in Japan, and our greatest responsibility is to ensure the stable supply of products we provide. The government imports roughly 90% of all the raw wheat materials used in Japan and we work closely with the government to ensure stable supply. Our processed food business and prepared dishes and other prepared foods business also use other agricultural products as primary materials, so ensuring stable and sustainable procurement of those raw materials is also essential.

Efficiently handling product and packaging waste is another area where we have initiatives to improve our performance. In line with our Basic Environmental Policy, we are voluntarily and actively reducing CO<sub>2</sub> emissions and waste. We have set performance targets and routinely check each business site's progress. At present, the Group has achieved virtually zero waste, and we are looking into ways to step up our drives to address the environmental issues of food loss and plastic waste.

Preparing for climate change and for water resource issues are also key issues for the Group. Considering the amount of water needed to grow wheat, importing one million tons of wheat is equivalent to importing 10 million tons of water, and therefore the impact on natural resources is also the same. We also recognize that climate change brings not only the risk of causing increasingly intense natural disasters in Japan and direct impacts on our product distribution, but also threatens to impact worldwide wheat production and could both directly and indirectly impact every stage of our supply chains, such as by affecting the availability of water for crops. As a corporate citizen, the Nisshin Seifun Group is intently monitoring the

situation and is deeply cognizant of the urgency to actively implement measures to preserve the environment.

In addition to addressing these key issues, we also consider it our duty to declare our stances on human rights, safe procurement practices, and corruption prevention, which have become increasing concerns in society. We have accordingly set a Human Rights Policy, Responsible Procurement Policy, and Bribery & Corruption Prevention Policy.

We have also linked the five CSR priorities with the Sustainable Development Goals put forward by the United Nations, which has given us even more clarity about where our Group can best contribute to the social good. We intend to do a better job of communicating our CSR values and initiatives both inside and outside the Group and remain fully committed to being "true to our word."

Q4 What are the main elements in providing work environments that are healthy and fulfilling?

A4 We create work environments that support each employee's motivation and personal growth.

Our employees are vital to our business and the Group's single most important asset. Employees must feel a sense of motivation and meaning in their jobs and a company must bring out their full potential for it to have hope of sustaining business growth.

For this reason, providing work environments that are healthy and fulfilling is another of our key issues.

The Nisshin Seifun Group actively implemented Japan's nationwide workstyle reform initiative in 2017. Our reform measures went beyond simply shortening work hours and included refashioning work environments to enable employees to feel themselves growing through their work and to encourage each employee to develop to their full potential. Some of the key improvements we have made are reformulating the work infrastructure and improving the work environments to boost work efficiency and productivity, adding more education and training opportunities to promote employee development, broadening our structure supporting child and nursing care, supporting women in the workplace and diversity management, and offering health management to support employee health improvement. Along with these initiatives, we introduced N-Voice, an employee engagement survey designed to visually track improvements from the workstyle reforms so we can continue making our worksites better.

We will continue to actively implement measures focused on the five CSR priorities to fulfill the expectations of consumers and our customers, suppliers, shareholders, investors, employees, stakeholders, and all of society.



**Example 1 Provision of safe and healthy foods, and responsible communication with consumers**

**Acquisition and retention of food safety management system certification**

Every Nisshin Seifun Group employee practices quality assurance from the consumer's perspective, asking themselves whether they could clearly explain the work they are doing to the consumer.

Based on this approach, and with our sights set on global expansion, Nisshin Seifun Group has taken a lead in the industry by obtaining and maintaining ISO 22000 food safety management system certification, an international certification standard, as well as certification under the international standard FSSC 22000 (Food Safety System Certification 22000), approved by the Global Food Safety Initiative (GFSI).

Additionally, Nisshin Seifun was the first food manufacturer in Japan to obtain JFS-C certification\*, operating a food safety management system at all nine of our domestic plants. Maintaining certification results in the continuous improvement of our operations and strengthens

the food safety system.

We also hold quality assurance training for employees who are involved with all processes from development through to production, distribution and sales, in order to implement quality assurance from the consumer's perspective. At our plants, a Quality Assurance Controller independent of the production department makes the final shipment decision from the consumer's standpoint.

For new raw materials and new products, a broad assessment of safety is made in a "safety review." There are a wide range of assessment items, including legal compliance, hazard factor analysis, universal design, and environmental consideration, and assessments are made repeatedly until the criteria for all items are met.

\* JFS-C: A food safety management system standard in Japan, developed by Japan Food Safety Management Association (JFSM)

**GFSI**

GFSI is a non-profit organization that provides a food safety scheme in which global retailers, manufacturers, food service companies, certification bodies and food safety bodies participate. It launched in the year 2000 with the goal of unifying global food safety standards and improving cost efficiency throughout the food supply chain.

**FSSC 22000**

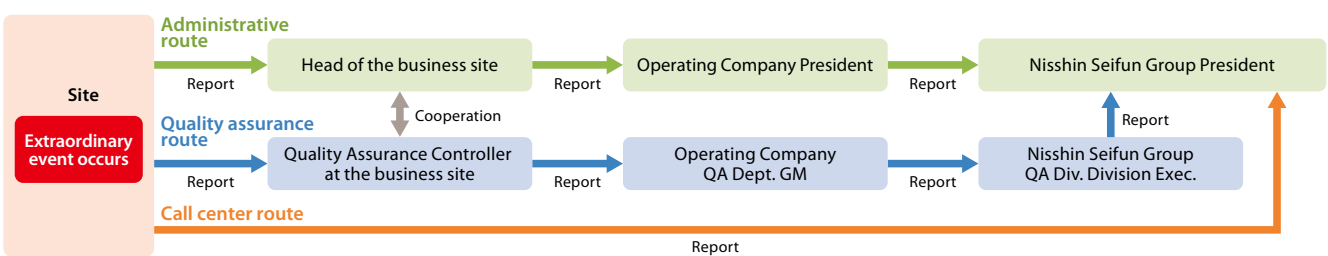
FSSC 22000 is a global food management system standard approved by GFSI. Nisshin Seifun obtained certification in June 2012 for an integrated system incorporating headquarters and all domestic plants. This was the first case of certification for a Japanese flour milling company.

**Multi-route reporting system for emergency response following an extraordinary event**

When an extraordinary event occurs that could have a serious impact on the Company's business, such as a fire, natural disaster, incident or accident, our employees are obligated to contact the Company's call center to make an initial report. Employees bear the obligation to report via three communications routes: direct contact with the call center to make the initial report,

multi-route reporting via the office administrative system, and a quality assurance route when the circumstance concerns product quality or food safety. Simulation training is carried out regularly, based on the scenario of a customer making an inquiry after discovering a quality issue. This includes reporting and ascertaining information, initial response and investigation of the causes.

**Call center reporting system**



**Pursuing customer satisfaction through consumer support system "CHORUS"**

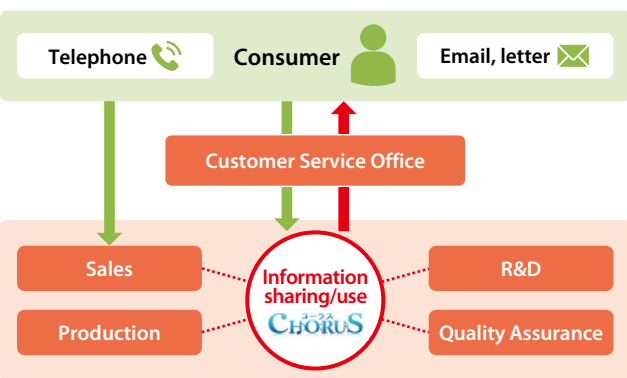
Information is shared effectively using the consumer support system "CHORUS" at Nisshin Foods' Customer Service Office. The creation of a transparent consumer support system promotes smooth cooperation between the Investigation Department and Sales Department (which handles visits), utilization of customer feedback in the R&D Department, and strengthening of risk management in the Quality Department.

A Quality Improvement Meeting is held, in which there are participants from the quality assurance, production, development and research departments, and feedback from

consumers is used to improve products and services.

With regard to issues indicated by consumers, which are received via the Customer Service Office or other channels, the department responsible checks the item in question, reviews the completed case, and continuously identifies the occurrence status. In addition, a Customer Feedback Review Meeting is held weekly to confirm the number of incidents and the content of the feedback, cases of dissatisfaction with the investigative report, etc., and information is shared among the responsible personnel in the related departments.

**Role of the consumer support system "CHORUS"**



**Example of Addressing Customer Feedback**

Feedback was received for "Ma•Ma Macaroni Tappuri Gratin Set" that the macaroni was hard and powdery. In order to make it easier to understand the cooking instruction "After the water has boiled, simmer on low heat for 3 minutes," instructions for the boiling and simmering processes were improved by listing them separately.



Ma•Ma Macaroni Tappuri Gratin Set

**Example 2 Promoting stable and sustainable procurement of raw materials**

**Working to ensure safe raw materials from the consumer's perspective**

Nisshin Seifun Group is working to ensure the procurement of safe raw materials, based on the importance of ensuring safety from the consumer's perspective as defined in the Responsible Procurement Policy.

Wheat is the primary raw material for the Group, and around 90% of the wheat used in Japan is imported on the basis of state trading by the government. As a result, inspections are carried out appropriately according to the law, ensuring quality and safety.

Our QE Center (quality examination center; see p.17) has obtained ISO 17025 certification, a global standard for

organizations performing tests, and conducts voluntary monitoring to ensure the safety of the wheat used by the Group.

In addition, purchasing and quality control personnel are dispatched to sites of wheat production in Japan and overseas, where they gather a wide range of information including on the wheat growing process and quality conditions, use of agricultural chemicals, etc. In this way, efforts are made to ensure a stable supply of safe wheat raw materials.

Other raw materials besides wheat are also managed in the manner described above, so as to ensure the safety of raw materials.

Example 3 Approach to food and packaging waste

Promoting effective utilization of resources up to the stage of product use

Nisshin Seifun Group is working to make effective use of resources across our operations, with almost all food waste from our operations being reused as animal feed or fertilizer. However, we recognize that food loss and waste is a major social challenge. Therefore, we are conducting efforts to reduce food loss and waste generated not only as a result of our group operations, but also at all stages in the supply chain, by providing products that help food to be fully used up.

Nisshin Seifun Group’s products use a variety of packaging. The packaging plays an important role in maintaining the quality of the contents until they have been used up. Since packages become waste once their contents have been consumed, we recognize the social impact this has and take an approach to package design that reduces the environmental impact of our products while maintaining product safety.

**Paper tray used for frozen food products**

Certain new microwaveable frozen food products offered by Nisshin Foods since the autumn of fiscal 2019 have used paper trays rather than the fossil fuel-derived plastic trays.



Paper tray for Ma-Ma Watashi-Omoi-No Mochimugi (Pearl Barley) Risotto

**Nisshin Cooking Bottle series**

The Cooking Bottle series helps to prevent food from being wasted, as the required portion can be shaken out from the bottle, and the cap doubles as a convenient level measuring spoon. In addition, a refill is available to replenish the bottle, reducing the volume of plastic used for packaging as well as the quantity of household packaging waste.



Nisshin Cooking Flower\* flour Bottle type (left), refill (right)

Example 4 Major challenges posed by climate risk and water stewardship

Climate change and water risk management in our operations


Nisshin Seifun Group has set out medium-term CO<sub>2</sub> reduction targets to address climate change, and we are actively implementing measures such as energy conservation and CO<sub>2</sub> emissions reduction at our domestic and overseas operation sites, as well as the introduction of renewable energy. However, climate change has both a direct and indirect impact at various stages of the Group’s supply chain—not only natural disasters affecting our business and wheat production sites, but also issues surrounding the sourcing of the water needed for our business activities, and distribution. There are concerns that the impact of this will only increase in the coming years.

In order to maintain the social infrastructure for the supply of food, we are making efforts to ensure stable supply to prepare for natural disasters such as *tsunami*, including comprehensive and planned maintenance, while also investing in facilities.

In response to interest from our stakeholders, as part of our climate initiatives we are making preparations for information disclosure. Additionally, we conduct assessments of water risk in regions where we source raw materials, while at production sites in Japan and overseas we monitor the volume and quality of water usage as well as the water discharged from our all production sites so as to minimize the environmental impact.

**Ma-Ma Quick Cook Spaghetti**

Spaghetti with a thickness of 1.6 mm (our previous product) takes 7 minutes to boil, whereas “Ma-Ma Quick Cook Spaghetti” takes only 3 minutes with the rapid-boil “super Pronto” preparation manufacturing method. Our uniquely developed pinwheel-shaped pasta allows consumers to reduce the energy and the CO<sub>2</sub> emissions required to cook the spaghetti, while still retaining a delicious al dente flavor.



Ma-Ma 3-Minute Quick Cook Spaghetti

Example 5 Providing work environments that are healthy and fulfilling

Promoting work style reform and health management

**Enactment of human rights policy**

The Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines make clear our respect for human values, and we are implementing initiatives to ensure that this is put into practice. As the Group expands its business globally, an understanding of human rights and appropriate conduct in the countries where we operate are becoming important issues.

Accordingly, in December 2018 we enacted the Nisshin Seifun Group Policy on Human Rights based on the UN Guiding Principles on Business and Human Rights. As set out in this policy, we respect the rights of our employees and all other people involved in the Group’s operations, and strive to ensure that human rights are not infringed.

**Work style reform**

Nisshin Seifun Group has been promoting work style reform since fiscal 2018. As well as the streamlining of work tasks using IT, we have implemented system transformation, including introducing a home-based work scheme and annual paid leave by the hour, as well as removal of the core time within flextime. In fiscal 2020, under our basic policy of “Becoming a Company That Is Rewarding for All,” we established targets in three areas: employees’ growth and demonstration of ability, work style diversity, and invigoration of communications. Through these initiatives, we will realize workplaces/companies that are rewarding to work in.

We have also carried out an employee engagement survey “N-Voice” to identify and analyze progress with work style reform, the results of this reform and related issues, which will enable the Group to resolve issues.

**Labor health and safety**

To ensure that all employees can work with confidence in a safe environment, Nisshin Seifun Group draws up a health and safety management policy each fiscal year, and based on this policy, we work to prevent workplace accidents and traffic accidents, and implement health measures.

In addition, a Health & Safety Management Committee has been formed at Nisshin Seifun Group, composed of the Group companies and chaired by the director responsible for labor health and safety, and a health and safety management office has also been set up in order to strengthen the management structure at the Group level.

**Health management**

Nisshin Seifun Group strives to provide its customers with healthy products manufactured by each Group company. In July 2019, the President of Nisshin Seifun Group announced a Health Declaration, launching health management initiatives focused on three areas: creation of a comfortable and rewarding working environment, physical care, and mental health care.

Our employees and the Company will work together to ensure that as they continue to convey the value of “health” worldwide, our employees can work healthily and energetically. This is the essence of Nisshin Seifun Group’s health management.

Among the measures being implemented, in September 2019 we launched the chat-style health consultation service “first call,” which all Group employees and their families can use free of charge to obtain the advice of a doctor. In addition, two staff cafeterias, including the one at Head Office, have obtained “healthy meal and dietary environment” certification (commonly known as Smart Meal certification). We also hold health seminars and various types of e-learning.



Smart Meal logo



Sample cafeteria menu

**Nurturing human resources**

Nisshin Seifun Group actively promotes measures to nurture human resources, based on the concept that “the Company and its employees are partners sharing growth and development.”

As one recent example, in 2018 we introduced “N-Map” (Nisshin-Manager’s advanced program) in order to nurture candidates for management of the Group. Selected staff think about their future image of the Group and their own perspective on management, and make a proposal to the management team.

Additionally, in fiscal 2020 we launched “N-College,” a self-learning support program that supplements conventional correspondence education with Web-based learning content. The Company will continue to provide support measures to promote the growth of our employees.



## Corporate Governance Structure

### ■ Basic approach to corporate governance

The mission of the Group (the Company and its subsidiaries and affiliates) is to stably provide safe and reliable “shoku” (food), including flour, with the corporate principle of “contributing to a healthy and fruitful life for all,” which is founded on our guiding philosophies of “the basis of business is built on trust” and “in tune with the changing climate.”

In keeping with this basic principle and with the aim of realizing sustainable corporate growth and long-term corporate value maximization, the Company’s basic approach to corporate governance is as follows: (i) to develop an efficient management system and clarify management responsibility; and (ii) to promote management that respects the status of each stakeholder, beginning with our shareholders, and achieve transparent, timely and appropriate decision-making.

### ■ Adoption of holding company structure

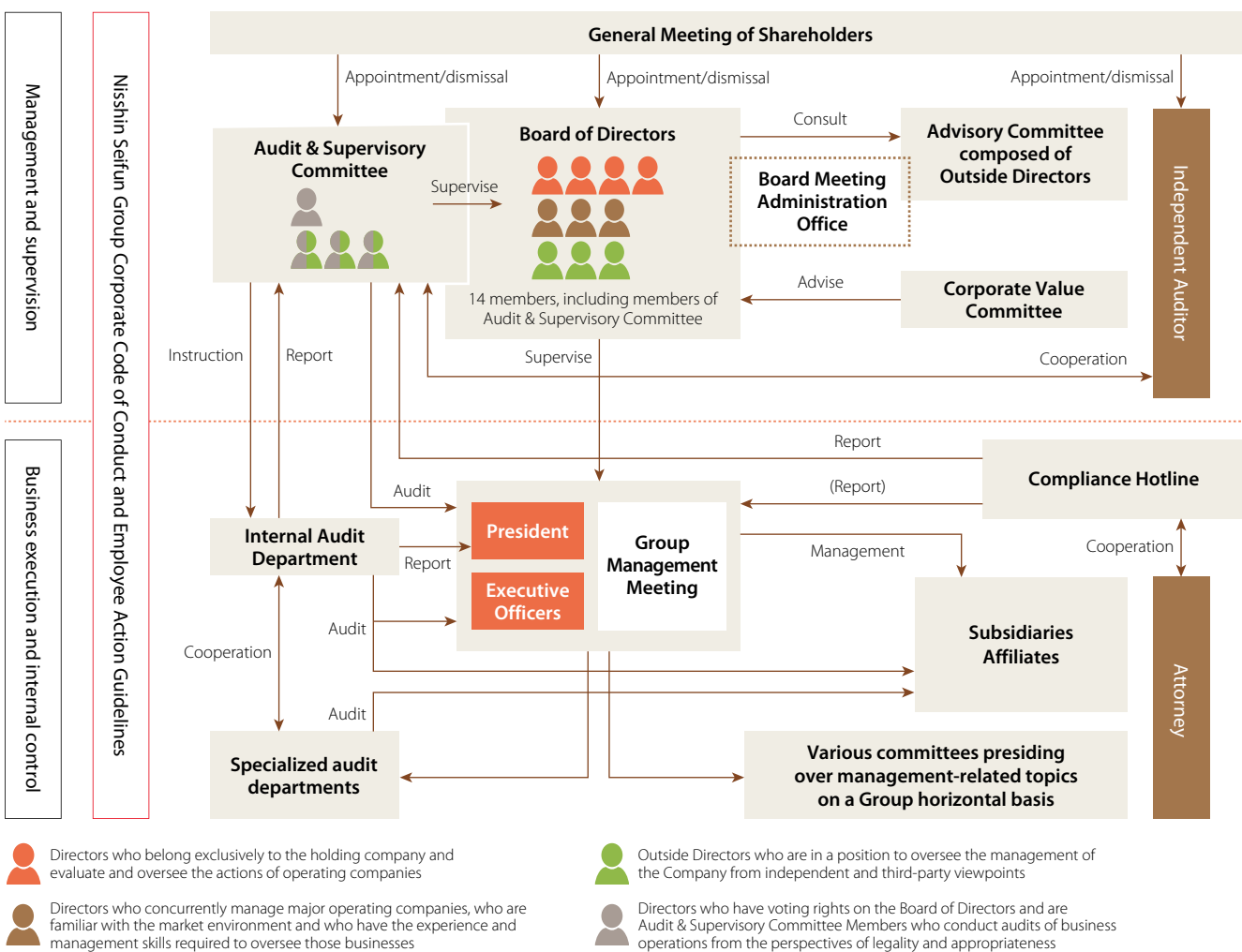
Nisshin Seifun Group has adopted a holding company structure, which enables our Group companies to achieve a best fit for their respective markets, operate swiftly and flexibly, and realize further growth for their businesses. In turn, this enhances the Group’s overall corporate value.

The holding company evaluates and monitors its business subsidiaries from the shareholders’ perspective, and has the role of executing Group operations through strategic use of management resources while ensuring effectiveness in corporate governance.

### ■ Adoption of Executive Officer system

For execution of the Company’s business, we have established a system that clarifies management responsibility and allows for timely and appropriate decision-making. In order to separate the management supervisory and executive functions and enhance the speed and flexibility of business execution, we have adopted an Executive Officer system.

Diagram of Corporate Governance Structure



### Transition to a company with an Audit & Supervisory Committee

The Company transitioned to a company with an Audit & Supervisory Committee, changing from a company with an Audit & Supervisory Board, upon passage of a resolution approving the necessary changes to the Articles of Incorporation at the 175th ordinary general meeting of shareholders, which was held on June 26, 2019. The reasons are as follows:

- By transitioning to a company with an Audit & Supervisory Committee in which Directors who are Audit & Supervisory Committee Members have voting rights on the Board of Directors and also increasing the ratio of Outside Directors, the Company will strengthen the supervisory function of the Board of Directors with regard to company operations.
- By having the Audit & Supervisory Committee, in which the majority of members are Outside Directors, conduct audits of business operations from the perspectives of legality and appropriateness, the Company will further promote transparency of its business operations, and will enhance its auditing functions by means of the Audit & Supervisory Committee exercising direct supervision over the Internal Audit Department.
- The Company reviews the authority of the Executive Directors and enables timely decision-making, which expedites the execution of business operations.

### ■ Board of Directors

The Company has a Board of Directors as the supervisory body for decision-making on important matters of management policy and business execution. Six Outside Directors who meet the independence criteria have been appointed to the Board of Directors in order to benefit from their wide-ranging opinions and advice on management from a third-party perspective, and to strengthen the supervision of business execution.

Both male and female directors with differing backgrounds have been appointed, including some with overseas business experience, so as to ensure Board diversity.

### ■ Group Management Meeting

The Company holds Group Management Meetings, composed primarily of Executive Officers who discuss and exchange opinions as to important matters regarding the execution of business operations of the Nisshin Seifun Group and its Group companies. The Group Management Meeting convenes twice a month as a general rule, and whenever the need arises.

### ■ Advisory Committee composed of Outside Directors

The Advisory Committee is composed entirely of Outside Directors, and has functions similar to a nomination committee and remuneration committee. It facilitates information exchange among the Outside Directors, and in response to a request for consultation from the Board of Directors, it discusses and advises on the appointment of Representative Directors and Outside Directors, the framework of Senior Management\* remuneration and similar matters.

\* Senior Management: Refers to Executive Directors, Executive Officers and directors and presidents of major operating companies, etc.

### ■ Corporate Value Committee

We have established a Corporate Value Committee, which

consists solely of Outside Directors. It deliberates on acquisition proposals submitted to the Company from the perspective of whether the acquisition proposal secures and improves the Company’s corporate value and the common interests of the shareholders. The results of deliberation of the Corporate Value Committee have binding force on the Board of Directors, provided that there are no circumstances that clearly run counter to the duty of care of the Board of Directors, thereby ensuring transparency of management decisions.

### ■ Audit & Supervisory Committee, Internal Audit Department

The Company has set up an Audit & Supervisory Committee comprising a total of four Directors—three Outside Directors and one Inside Director. The Audit & Supervisory Committee Members attend important meetings, including those of the Board of Directors, hold regular meetings with the Representative Directors, and audit the execution of business by the Directors, in accordance with the Board’s auditing standards and audit plans. One full-time Audit & Supervisory Committee Member, who is an Inside Director, has regular meetings with the Representative Directors and directors responsible for general affairs, legal affairs, accounting and finance, and also performs audits of Group companies.

The Company also appoints auditors for the main business subsidiaries, who regularly hold an “Audit & Supervisory Liaison Committee of the Nisshin Seifun Group” to share audit and risk information. In addition, an Audit & Supervisory Committee Administration Office has been established to support the work of the Audit & Supervisory Committee, so as to further enhance the audit system.

The Internal Audit Department is under the direct control of the Audit & Supervisory Committee and performs audits as instructed. It also carries out internal control assessments.

Committees

Nisshin Seifun Group Inc. has established a variety of committees to address management-related topics, as horizontal organizations comprising staff from different departments. Each committee takes decisions and makes proposals to management on particular issues, and promotes a range of measures.

Examples of committees chaired by the Group Director and President and Vice President

- Social Committee
- Risk Management Committee
- Brand Committee
- Work Style Reform Implementation Committee, etc.

In-depth specialized audits

Nisshin Seifun Group considers four categories of safety (the safety of people, products, equipment and the environment) as being the precondition to sound production activities, from the perspective of ensuring legal compliance and preventing accidents. Accordingly, the Group’s audit structure consists not only of audits of Directors’ work execution carried out by Audit & Supervisory Committee Members, and audits by the Internal Audit Department, but also various specialized audits performed by sections or departments with specialist viewpoints. Specialized audits include equipment/safety audits and environmental audits to ensure sound company operations, as well as quality assurance audits aimed at ensuring product safety based on quality assurance from the consumer’s perspective. With the exception of certain audits, specialized audits are carried out without notice for the department being audited. The necessary guidance and improvements are made, and by extending these improvements horizontally across the Group, we aim to maintain and enhance the overall Group-wide level. The results of audits are also reported to the Audit & Supervisory Committee.

Content of specialized audits

Title of specialized audit	Audited matters
Equipment/safety audit	Management of equipment installation, equipment management, health and safety management, fire prevention management, security-related management
Environmental audit	Environmental preservation management, compliance with environmental laws and regulations
Quality assurance audit	Implementation of safety measures in production activity for products, preparation and application of management documentation required for quality assurance, etc.

Global Forum

Since fiscal 2015, a Global Forum has been held each year, attended by representatives of all overseas subsidiaries of the Group. The Group’s management policy and various issues are shared among the attendees, thereby strengthening global governance.

Operation of the Board of Directors

Director training

The Company provides its Directors with opportunities to acquire the necessary knowledge appropriate to their role in a governance body that is a critical part of a listed company. For example, the Company plans and holds workshops about the Companies Act, corporate governance and other issues, given by lawyers and other experts. The Company also provides and arranges training opportunities along with financial support for associated expenses in order for Directors to acquire and update the professional expertise required to lead the industry. Making use of these opportunities, Directors deepen their understanding of their roles and responsibilities and endeavor to acquire and enhance the necessary knowledge and skills.

Topics of main workshops held to date

- “CSR Trends and Future Issues to be Tackled by Nisshin Seifun Group”
- “The Role of Management: In an Era of Dramatic Change, Management Holds the Future in its Hands”
- “Cases of Corporate Misconduct and Corporate Governance,” etc.

Follow-up system for Outside Directors

Contact with the Outside Directors is made through the Board Meeting Administration Office, which distributes the materials for the meeting in advance and provides Outside Directors with an overview of the proposals to be presented to the Board of Directors. In addition, the Company’s applicable sections or departments explain the proposals to be presented to Outside Directors in advance, as necessary. For Outside Directors who are Audit & Supervisory Committee Members, the Audit & Supervisory Committee Administration Office drafts documents for the Audit & Supervisory Committee, and a full-time Audit & Supervisory Committee Member or the Audit & Supervisory Committee Administration Office provides explanations of the agenda as necessary.

Evaluation of the Effectiveness of the Board of Directors

In order to realize effective governance that leads to the Company’s sustainable growth and the creation of corporate value over the medium- to long-term, an evaluation of the effectiveness is made to verify that the Board of Directors and its members are functioning appropriately. The aim of this is to enhance the functionality of the Board of Directors, and since fiscal 2016 this “Evaluation of the Effectiveness of the Board of Directors” has been carried out annually.

In fiscal 2019, the Advisory Committee composed of Outside Directors debated those matters that were highlighted in the fiscal 2018 effectiveness evaluation, and these matters were then considered and assessed by the Board of Directors. The matters in question, which concern the operation of the Board of Directors, were: “approach to efficient provision of materials” and “review of Board of Directors agenda items.”

First, with regard to “approach to efficient provision of materials,” it was confirmed that initiatives were being implemented, including new ideas concerning the method of submitting similar proposals for discussion, and the content of documentary attachments. Concerning “review of Board of Directors agenda items,” a revision was made after transitioning to a company with an Audit & Supervisory Committee. Going forward, we will continue to implement analysis and evaluation of the effectiveness of the Board of Directors.

Appointment and Compensation of Directors

Appointment, dismissal and nomination

The appointment and dismissal of Senior Management is subject to deliberation and resolution by the Board of Directors, in which Outside Directors also participate. Additionally, the Board of Directors proactively engages in the establishment and implementation of a development plan for Senior Management, and appropriately oversees the systematic development of a succession plan. The appointment and dismissal of the Company’s Representative Directors is

discussed at the Advisory Committee, which is composed of all the Outside Directors, in addition to the Board of Directors.

Remuneration

The Company determines Senior Management remuneration from the perspective of (i) retaining outstanding human resources; (ii) setting an appropriate level of remuneration corresponding to the Company’s scale and business category; and (iii) providing healthy incentives for increasing the medium- to long-term corporate value of the Company. Management remuneration will include a variable performance-based portion, considering the degree of contribution to the Group and the medium- to long-term basic strategy of the Group.

Based on the above approach of providing a mix of appropriate remuneration in line with the nature of the business, remuneration comprises a combination of the following: (i) a fixed basic portion corresponding to role; (ii) a variable portion (bonus) reflecting the individual’s past performance contributions; and (iii) stock-based remuneration reflecting future performance aimed at promoting shareholder-value-oriented management. The baseline mix of (i) to (iii) is around 70:15:15, and the amounts and ratios vary depending on performance.

The remuneration of Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) comprises fixed remuneration (basic portion) and stock-based remuneration. While Outside Directors are required to perform a management supervisory role, we also consider it important to provide them with an appropriate incentive aimed at enhancing corporate value over the medium- to long-term. The remuneration of Directors who are Audit & Supervisory Committee Members comprises only fixed remuneration (basic portion).

Additionally, concerning the approach to the remuneration of Senior Management, an Advisory Committee composed of Outside Directors discusses remuneration in response to a request for consultation from the Board of Directors, in order to strengthen independence and objectivity in the process of determining remuneration.

Total remuneration by type for each director category (FY2019 actual)

Director category	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of eligible directors
		Fixed remuneration (basic portion)	Variable remuneration (bonus)	Stock-based remuneration	Stock options	
Directors (excluding Outside Directors)	361	229	78	51	2	13
Auditors (excluding Outside Auditors)	26	26	—	—	—	3
Outside Directors and Outside Auditors	48	46	—	2	0	5



Message from the Directors 2

Regarding becoming a Company with Audit & Supervisory Committee

The new structure will provide a foundation to maximize corporate value and achieve sustainable cyclical growth.

Shoh Ohuchi  
Director (Full-time Member of Audit & Supervisory Committee)



Q1 Why did the Company become a Company with Audit & Supervisory Committee?

A1 We adopted the new structure to establish an appropriate governance system that will better enable us to continue growing our business in an increasingly complex society.

The Nisshin Seifun Group launched the NNI Compass for the Future in fiscal 2019 as a long-term vision to transform the Group for success in society as it will be 10–20 years in the future. The key to realizing this vision will be to use the foundation of corporate value that we have built since our founding to expand our Group-wide capabilities. This will enable us to establish and execute a business model overhaul of our current businesses, strengthen our business portfolio, and advance other strategies aimed at maximizing our corporate value and achieving sustainable cyclical growth.

Our previous holding company structure and audit system was intended to fortify our corporate governance by using various committees, such as an Advisory Committee composed completely of outside directors. However, we determined that the Company with Audit & Supervisory Committee would enable even stronger corporate governance as we seek to maximize corporate value and establish sustainable cyclical growth. Following the guidance of the Advisory Committee composed of Outside Directors and the decision by the Board of Directors, we adopted the new structure to give us the most appropriate governance system as we seek to grow in the changing business environment.

Q2 How do you expect the Group to benefit from the new structure?

A2 I see three major benefits: stronger supervisory functions by the Board of Directors, more in-depth auditing functions, and greater flexibility for business execution.

Regarding strengthening the supervisory functions by the Board of Directors, I think it's best to begin by explaining the structure of our Board of Directors. Under the previous structure, the Board consisted of full-time directors placed by the holding company who oversaw all functions of the Group, directors who also mainly represented the views of managers of the main business subsidiaries, and outside directors who contributed an independent, third party perspective. Under the new structure, directors serving on the Board of Directors include members of the Audit & Supervisory Committee, thereby giving them voting rights and the ability to closely scrutinize the legality and appropriateness of the Group's business execution.

The Board of Directors was also pared down to 14 members, and the percentage of outside directors was increased. The Board now has six outside directors, three of whom also serve on the Audit & Supervisory Committee. Advice and oversight by independent, third-party outside directors are essential to making our corporate governance stronger, and increasing their presence on the Board of Directors will increase third-party input.

Next, including directors from the Audit & Supervisory Committee on the Board of Directors will enable more in-depth auditing functions, and it will also improve our management transparency because the majority of the directors from the Audit & Supervisory Committee are outside directors who will closely scrutinize the legality and appropriateness of the Group's business execution. The Audit & Supervisory Committee has

four members—myself and three outside directors with legal, or accounting and financial expertise.

Also, the Company changed the Internal Control Department to the Internal Audit Department and expanded its responsibilities to assist auditors in their duties. We also clarified the auditors' authority to order inspections by the Internal Audit Department and strengthened the department's internal auditing functions. Under the new structure, we also placed the Internal Audit Department under the direct control of the Audit & Supervisory Committee, rather than the representative directors as it was previously. All of these moves have helped make our internal auditing system stronger.

Lastly, the shift to the Company with Audit & Supervisory Committee will give us greater flexibility in our business execution. One example of this flexibility is the new standards for what is submitted to the Board of Directors for approval.

Under our previous structure as a Company with Audit & Supervisory Board, important business execution needed a resolution by the Board of Directors, which burdened the Board with considering a vast range of business execution plans. This has been streamlined under the new structure by increasing the percentage of outside directors and allocating authority over certain matters to the Group President and officers in charge so the Board can focus on supervising business execution. The Group President and officers in charge are now authorized to make decisions regarding capital expenditure and fixed asset disposal, revising or eliminating certain regulations, and reorganizing the Group companies' organizational and personnel structures.

As a Company with Audit & Supervisory Board, each auditor worked autonomously and had the authority to order an audit examination. Now the Audit & Supervisory Committee has that authority and the committee designates a member to be in charge of carrying out the audits.

Other changes include the Audit & Supervisory Committee including one full-time member, establishing an Audit & Supervisory Committee Administration Office, and placing the Internal Audit Department under the committee's direct supervision. These changes give us the advantages of continuing our effective operational audits and accommodating external auditors while making the auditing structure stronger by adding an internal control structure to our organizational audits.

Main Features of the New Corporate Structure

Number of Directors	Reduced to 14, including 4 members of the Audit & Supervisory Committee * 20 people, including auditors, in the previous fiscal year (prior to the corporate structure change)
Number of Outside Directors	Increased to 6, making 42% of the Board of Directors Outside Directors * In the previous fiscal year, there were 5 Outside Directors, 3 of which were outside auditors
Audit & Supervisory Committee Member	1 full-time member
Internal Audit Function	The Audit & Supervisory Committee now directly supervises the Internal Audit Department
Powers of the Board of Directors	The Group President or officers in charge now have certain powers (such as concerning capital investment, organizational changes, and personnel)

Q4 Since adopting the new structure, what have been some immediate changes, and how do you see the Company changing going forward?

A4 Under the new structure, we are increasing the effectiveness of our governance and are making steady progress toward fulfilling our long-term vision.

The challenges from this point are to employ the full advantages of the new corporate structure and to increase the effectiveness of our governance. We are formulating a structure for greater cooperation and more effective auditing within the organization. We will create more connection points between the Board of Directors and the business execution side to strengthen the auditing and oversight of the directors in their execution of duties, and we will provide more time for the Audit & Supervisory Committee to meet than was available for the previous Audit & Supervisory Board. We will also enable closer cooperation between the Internal Audit Department and the internal auditing departments in charge of quality assurance, environmental, and infrastructure.

Our long-term vision is to be "a globally-operating company that assists healthy lifestyles and plays a critical role in building the food infrastructure of the future." The Company is entering a period of major changes in its surrounding business environment that will bring both opportunities and threats. Adopting the new corporate structure is a key step for ensuring we will continue steadily advancing through the times ahead.

From my position as a part of the new corporate structure, I will do my utmost to hold the Nisshin Seifun Group to the highest standard and maintain the support of our shareholders and all stakeholders as we seek to maximize the Group's corporate value and achieve sustainable cyclical growth.

Compliance

Basic approach

In October 2002, Nisshin Seifun Group enacted the Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines, which set out our basic stance as a company and the basic attitude and code of behavior of our Directors and employees in their business activities.

We recognize that it is the role of the Presidents and Directors of Nisshin Seifun Group Inc., as well as of each Group company, to uphold the Code and Guidelines, to lead by example, and to ensure its thorough familiarization among related parties, so as to enforce corporate ethics. Should a situation arise that contravenes the Code and Guidelines, the president of the relevant company will work to resolve the issue, demonstrate that they are doing this, both internally and externally, investigate the causes and work to prevent recurrence. In addition, they will disclose information quickly and accurately to society, fulfil their accountability, and take firm disciplinary action (including against him- or herself where necessary) after first clarifying their authority and responsibility.

Compliance Hotline System

In the event that a case of misconduct, in contravention of laws or regulations, the Code of Conduct or Action Guidelines, or an act that contravenes corporate ethics, occurs within the Group, or there is the possibility of such misconduct or act occurring, it is important that the person who learned of the matter reports this to and consults with their manager, etc., so as to resolve the matter in a systematic way, including liaising with their workplace and/or related departments. At the same time, measures to identify and deal with the issue via a different route are also necessary, so as to achieve a quick resolution without ignoring the problem and also prevent its occurrence in future.

Therefore, in 2003 the Group set up a Compliance Hotline System, which has been in operation ever since. As well as an internal reporting service, there is also an external reporting service located at an independent law office. This enables reports to be made anonymously, and it has been designed to be easy to use for our employees. Received reports are investigated by a team composed of staff from related departments, according to the type of incident, while protecting the person who made the report so that they are not disadvantaged. In this way, investigations are conducted swiftly and the appropriate measures are taken.

Prevention of corruption

The Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines clearly call for the promotion of fair corporate activities, and we are implementing initiatives to ensure that this is put into practice. Amid the tightening of anti-bribery regulations worldwide, in March 2019 we enacted the Nisshin Seifun Group Bribery & Corruption Prevention Policy to ensure the Group’s compliance with anti-bribery legislation in various countries, including the Unfair Competition Prevention Act in Japan, the Foreign Corrupt Practices Act in the US, The Bribery Act in the UK and related regulations.

This policy forbids corrupt practices involving the abuse of one’s authority or status to gain personal or organizational benefit, including bribery and corruption, embezzlement, breach of trust, the obstruction of justice, money laundering and insider trading, and aims to prevent them from occurring.

Compliance training

Nisshin Seifun Group carries out compliance training once a year for three categories of employee: new hires, young employees and new managers (number of trainees in fiscal 2019: 84 new hires, 32 young employees, 59 new managers).

The training for new hires comprises an explanation of the Code and Guidelines, as well as laws and regulations pertaining to corporate activities such as the Antitrust Law and Subcontract Act, and various internal rules including those concerning the internal reporting system. The training for young employees comprises group training and e-learning in preparation for this, and an explanation of the laws and regulations affecting the Company, including insider trading, and compliance. The training for new managers comprises an explanation of the laws and regulations affecting the Company, including insider trading, and compliance, as well as recent case studies in order to promote an understanding of the significance and importance of compliance.

Risk Management and Crisis Control

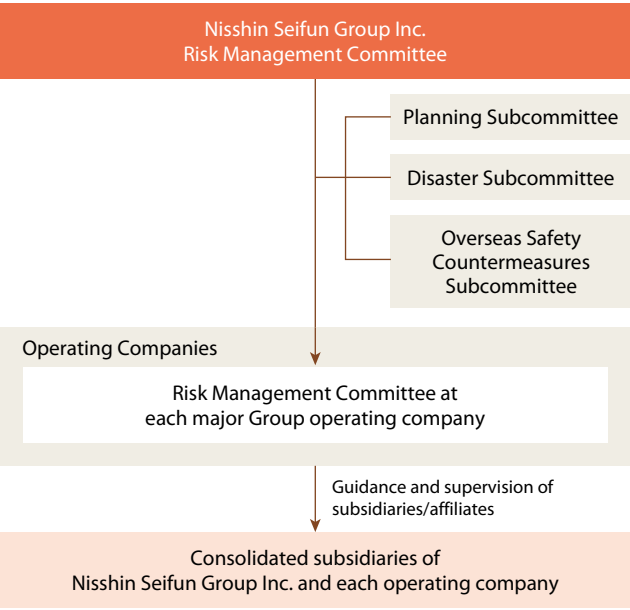
Risk management structure

In 2008, Nisshin Seifun Group enacted the Risk Management Rules and Crisis Control Rules, and we are strengthening day-to-day risk management in order to ensure an appropriate response to risk and the prevention/control of risk.

In addition, we have established a Risk Management Committee in which the president of Nisshin Seifun Group Inc. is Chair, the director in charge of the General Administration Division is Vice Chair, and the committee members are the

presidents of the operating companies. This committee oversees risk management at the Group-wide level, and the activities of the committee are reported to the Group Management Meeting. Additionally, the Planning Subcommittee, Disaster Subcommittee and Overseas Safety Countermeasures Subcommittee are established as sub-bodies of the Risk Management Committee, which consider and propose specific measures for each issue. Based on this structure, we strive to implement risk management in Group operations, so that we can play our role effectively in the event of a crisis and safeguard business continuity as well as the stability of product supply.

Risk Management Structure



Main extraordinary events subject to call center reporting

Type of extraordinary event	Specific example
1. Environmental management-related	Environmental contamination, pollution
2. Health and safety management-related	Fire at a plant, workplace accident
3. Natural disaster-related	Earthquake, volcanic eruption, windstorm/flood/snow damage
4. Product safety-related	Defective product, product incident
5. Finance-related	Investment loss, collapse of business partner or customer
6. Management-related	Illegal act, antisocial act
7. Labor affairs-related	Human rights issue, employee accident/criminal offense/misconduct
8. Corporate intimidation, violence-related	Contamination of product by a third party, terrorism
9. Information systems-related	Leak of confidential information, computer virus
10. Overseas incident/accident-related	Aircraft accident, kidnapping
11. PR and consumer-related	Inadequacy of response to the media or consumers

Response in case of extraordinary event

When an extraordinary event occurs that has or could have a serious impact on the Company’s business, such as a fire, natural disaster, incident or accident, the Group’s employees are obligated to contact the Company’s call center to make a report, in addition to a report via the usual office organizational structure and chain of command. The received information is reported quickly to senior management and the appropriate first response measures are taken to minimize the impact (see p.54).

Risk management at overseas operations

The Group’s Corporate Code of Conduct includes the item, “promotion of locally-rooted overseas operations.”

When launching an overseas business, we give careful consideration to ensure that we comply with the laws and regulations of each country, based on advice from local lawyers and other experts. Also, in order to prevent risk in advance when starting a new business, we have drawn up and employ our own risk management checklist. Using this checklist (Startup Kit), it is obligatory for the representative of the local subsidiary to verify that it is in compliance with local rules, including in relation to business licenses and approvals, labor terms such as compliance with minimum wages, the environment, health and safety, and payment of taxes.

In addition, amid the tightening of anti-bribery regulations worldwide, at the Global Forum in September 2018 members were reminded about related laws and regulations, including the Unfair Competition Prevention Act, OECD Anti-Bribery Convention, The Foreign Corrupt Practices Act (US), and The Bribery Act (UK).



## ■ Key material risks

Nisshin Seifun Group regards risk awareness and the sharing of countermeasures within the Group as the most critical issues for management.

Risk	Impact on business management	Nisshin Seifun Group measures
(1) Economic conditions and industry environment	<ul style="list-style-type: none"> <li>Performance fluctuation resulting from changes in economic conditions and industry environment</li> <li>Shipment fluctuation and falls in unit prices of main products</li> <li>Losses through collapse of major investees and business partners or customers</li> </ul>	<ul style="list-style-type: none"> <li>Promote strategy to strengthen competitiveness based on business model change and portfolio enhancement</li> <li>Strengthen relationships with business partners or customers by being rigorously customer-oriented</li> <li>Implement thorough debt management through the Group's horizontal committee system</li> </ul>
(2) Development of international trade negotiations and changes in Wheat Policy	<ul style="list-style-type: none"> <li>Demand fluctuation in related sectors associated with lower border tariffs and other measures for wheat and wheat flour-related products</li> <li>Changes in national trading policy and wheat management methods</li> <li>Instability in domestic wheat flour and flour-related secondary processing markets, reorganization of related sectors, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Enhance production structure and realize low-cost operation using new technologies</li> <li>Adapt to changing customer requirements</li> <li>Further accelerate overseas business expansion</li> </ul>
(3) Product safety	<ul style="list-style-type: none"> <li>Rising social concern about food safety and reliability</li> <li>Demand for ever stricter safety management standards</li> <li>Product recalls and/or defective items resulting from unforeseen events</li> </ul>	<ul style="list-style-type: none"> <li>Continually strengthen quality assurance (QA) procedures, including rigorous audits</li> <li>Practice quality assurance from the consumer's perspective (a Quality Assurance Controller system with extensive powers, safety reviews, food defense, etc.)</li> <li>Obtain international third party certification such as ISO and FSSC, and continually verify effectiveness</li> </ul>
(4) Rising raw material costs	<ul style="list-style-type: none"> <li>Rise in distribution and packaging materials costs due to changes in raw material market conditions and high crude oil prices</li> <li>Adverse impact in the event that price revisions for wheat flour and processed foods are not properly carried out when the government raises the price of imported wheat, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Continual low-cost operation</li> <li>Strategy of new product development and shift to high added value through customer service, and initiatives to maintain appropriate pricing</li> </ul>
(5) Foreign exchange movements	<ul style="list-style-type: none"> <li>Rise in cost of imported raw materials</li> <li>Impact of fluctuation in imported wheat bran prices on domestic wheat bran market</li> </ul>	<ul style="list-style-type: none"> <li>Set and operate rules for currency forwards (finance operations for risk mitigation, including currency forwards)</li> <li>Establish a Group horizontal Foreign Exchange Committee to share forex-related information and discuss measures</li> <li>Work with customers to ensure stable supply of wheat bran, while monitoring the overall feedstuff supply chain</li> </ul>
(6) Outsourcing of production	<ul style="list-style-type: none"> <li>Rise in procurement costs and obstruction of product supply associated with collapse of a contractor due to reasons not attributable to trading with the Group, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure plant management and procurement stability equivalent to Group plants</li> <li>Establish stable supply structure through strategic positioning of supply bases</li> </ul>
(7) Information systems	<ul style="list-style-type: none"> <li>Costs of addressing operating issues and computer viruses, cyber terrorism, etc., and impact of the loss of trust, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Proactive information security activities (including training and drills) based on the Basic Rules on Information Security</li> <li>Build an appropriate IT management structure</li> </ul>
(8) Alliances with other companies and realizing the effects of corporate acquisitions	<ul style="list-style-type: none"> <li>Unexpected performance deterioration and failure of synergies to emerge following an alliance or acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Workflow based on M&amp;A Execution Guidelines</li> <li>Sound launch of operations based on Startup Kit</li> <li>Build an appropriate M&amp;A team structure and ensure comprehensive post-merger integration (PMI) activities</li> </ul>
(9) Equipment safety, natural disasters, etc.	<ul style="list-style-type: none"> <li>Human casualties resulting from accidents such as fire and explosion, or natural disasters such as earthquake and storm/flood, as well as damage to equipment and obstruction of product supply</li> </ul>	<ul style="list-style-type: none"> <li>Protect equipment by strengthening systems for preventing accidents such as fires and explosions</li> <li>Ongoing improvement of business continuity planning (BCP), including disaster countermeasures at main plants and response in the event of the spread of an infectious disease</li> </ul>
(10) Legal regulations and litigation	<ul style="list-style-type: none"> <li>Unanticipated change in laws or regulations in Japan or other countries, and restriction of business activities and cost burden resulting from litigation, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Establish an internal compliance system (compliance hotline system, compliance training)</li> <li>Build a network of contacts with experts in different countries</li> </ul>
(11) Overseas operations	<ul style="list-style-type: none"> <li>Performance deterioration and/or impediment to business continuity due to unexpected change in political or economic circumstances, terrorism, conflict, major outbreak of infectious disease, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate management and support structure for the local business environment and business operation, including Group horizontal Risk Management Committee, etc.</li> </ul>
(12) Intellectual property rights	<ul style="list-style-type: none"> <li>Damage to business, products or brand, and loss of competitive advantage due to inability to acquire, protect or defend intellectual property rights</li> </ul>	<ul style="list-style-type: none"> <li>Promote an intellectual property strategy that is integrated with business operations</li> </ul>
(13) Environmental management	<ul style="list-style-type: none"> <li>Cost burden and reduction in corporate brand value resulting from unanticipated change, tightening, etc. of laws or regulations in Japan or other countries</li> </ul>	<ul style="list-style-type: none"> <li>Actively promote environmental management based on the Nisshin Seifun Group Basic Environmental Policy (Group-wide ISO 14001 certification, enhancement of environmental management systems, energy conservation, reduction of CO<sub>2</sub> emissions and waste, etc.)</li> </ul>
(14) Securing human resources	<ul style="list-style-type: none"> <li>Impediments to securing human resources due to decrease in working population and changes in employment conditions, etc., and associated drop in Group competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Promote work style reform</li> <li>Further strengthen graduate and mid-career hiring activities aimed at securing human resources capable of transforming the Group's business</li> <li>Enhance employees' skills through an employee interview system and in-depth education and training systems</li> </ul>

List of Directors (as of June 26, 2019)

We aim to maximize corporate value and achieve sustainable cyclical growth for the Group over the long term, from four perspectives: the holding company, which has overall control of the Group; the operating companies, which are at the heart of the Group and drive growth; the outside directors, who bring a fresh perspective on management of the Company and the public interest; and the members of the Audit & Supervisory Committee, who perform audits on the legality and appropriateness of business execution.



Directors

(Back row)

11 Shoh Ohuchi  
Director (Full-time  
Member of Audit &  
Supervisory  
Committee)

4 Akira Mori  
Director

3 Takashi Harada  
Director

2 Michinori Takizawa  
Representative Director

6 Takao Yamada  
Director  
(Part-time)

7 Yuji Koike  
Director  
(Part-time)

5 Koichi Iwasaki  
Director

(Front row)

13 Satoshi Ito  
Director (Member of  
Audit & Supervisory  
Committee) (Part-time)  
Outside Director

14 Mieko Tomita  
Director (Member of  
Audit & Supervisory  
Committee) (Part-time)  
Outside Director

12 Tetsuo Kawawa  
Director (Member of  
Audit & Supervisory  
Committee) (Part-time)  
Outside Director

8 Akio Mimura  
Director  
(Part-time)  
Outside Director

9 Kazuhiko Fushiya  
Director  
(Part-time)  
Outside Director

10 Motoo Nagai  
Director  
(Part-time)  
Outside Director

(Center of photo)

1 Nobuki Kemmoku  
Representative Director and President

Note: See pages 69–71 for biographies of the directors

Directors

1 Nobuki Kemmoku  
Representative Director and President

Apr. 1984  
Sep. 2011  
Jun. 2012  
Jun. 2013

Joined the Company  
Managing Director, Nisshin Flour Milling Inc.  
Executive Officer  
Director  
Senior Managing Director, Nisshin Flour Milling Inc.  
Director and President, Nisshin Flour Milling Inc.

Apr. 2015  
Jun. 2015  
Apr. 2017

Director and President, Nisshin Flour Milling Inc. (to present)  
Managing Director  
Director and President (to present)  
Director and Chairman, Nisshin Flour Milling Inc. (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Nobuki Kemmoku as Director as he has a wealth of experience and excellent track record in management of the flour milling business and also has been leading the holding company's management as President of the Company, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

4 Akira Mori  
Director

Apr. 1979  
Jun. 2010

Joined the Company  
General Manager  
(Finance Department of Finance and Accounting Division)  
Executive Officer and General Manager  
(Finance Department of Finance and Accounting Division)

Jun. 2012  
Jun. 2013  
Jun. 2015  
Apr. 2017  
Jun. 2019

Director and Division Executive (Corporate Planning Division)  
Managing Director and Division Executive (Corporate Planning Division)  
Managing Director and Division Executive (Finance and Accounting Division)  
Director, Managing Executive Officer and Division Executive (Finance and Accounting Division) (to present)

Board of Directors attendance: 12/13 meetings (92.3%)

Reasons for appointment

The Company selected Mr. Akira Mori as Director as he has a wealth of experience and excellent track record in areas including accounting, finance and corporate planning, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

2 Michinori Takizawa  
Representative Director

Apr. 1976  
Jul. 2001  
Jun. 2005

Joined the Company  
General Manager (Legal Group of General Administration Division)  
Executive Officer and General Manager  
(Legal Group of General Administration Division)

Jun. 2006  
Jun. 2009  
Jul. 2011  
Jun. 2012  
Jun. 2013

Executive Officer and General Manager (Legal Department of General Administration Division)  
Executive Officer and General Manager (Internal Control Department)  
Executive Officer and Division Executive (Corporate Planning Division)  
Director and Division Executive (Corporate Planning Division)  
Managing Director and Division Executive (General Administration Division)

Jun. 2015  
Apr. 2017  
Jun. 2017  
Jun. 2019

Senior Managing Director and Division Executive (General Administration Division)  
Director, Vice President and Division Executive (General Administration Division)  
Director and Vice President (In charge of General Administration Division)  
Director, Vice President and Executive Officer (In charge of General Administration Division) (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Michinori Takizawa as Director as he has a wealth of experience and excellent track record in corporate management in general, including legal affairs, human resources and general administration, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

5 Koichi Iwasaki  
Director

Apr. 1980  
Jun. 2007  
Jun. 2010

Joined the Company  
Director and Division Executive (Sales Division), Nisshin Foods Inc.  
Executive Officer  
Managing Director and Division Executive (Sales Division), Nisshin Foods Inc.

Jun. 2012  
Jun. 2014  
Jun. 2015  
Jun. 2017  
Jun. 2019

Director  
Director and President, Nisshin Foods Inc.  
Managing Director  
Director, Tokatsu Foods Co., Ltd.  
Executive Officer  
Director and Vice Chairman, Tokatsu Foods Co., Ltd.\*  
Managing Executive Officer and Division Executive (Business Development Division) (to present)

Board of Directors attendance: --/-- meetings (---%)

Reasons for appointment

The Company selected Mr. Koichi Iwasaki as Director as he has a wealth of experience and excellent track record in management of the prepared dishes and other prepared foods business, as well as processed food business, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

3 Takashi Harada  
Director

Apr. 1979  
Jun. 2008  
Jun. 2009

Joined the Company  
Manager (Tsurumi Plant), Nisshin Flour Milling Inc.  
Executive Officer  
Director and Manager (Tsurumi Plant), Nisshin Flour Milling Inc.

Jun. 2010  
Jun. 2015  
Jun. 2019

Director and Division Executive (R&D and Quality Assurance Division)  
Managing Director and Division Executive (R&D and Quality Assurance Division)  
Director, Managing Executive Officer and Division Executive (R&D and Quality Assurance Division) (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Takashi Harada as Director as he has a wealth of experience and excellent track record in areas including research and development as well as quality assurance, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

6 Takao Yamada  
Director (Part-time)

Apr. 1983  
Jun. 2011

Joined the Company  
Director and General Manager (Tokyo Sales Department), Nisshin Flour Milling Inc.

Jun. 2012  
Jun. 2013

Executive Officer  
Director  
Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc.

Apr. 2015  
Apr. 2017  
Jun. 2019

Senior Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc.  
Director and President, Nisshin Flour Milling Inc. (to present)  
Director, Managing Executive Officer (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Takao Yamada as Director as he has a wealth of experience and excellent track record in management of the flour milling business, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.



Directors

7

Yuji Koike

Director (Part-time)

Outside Director

Apr. 1983

Joined the Company

Jun. 2014

Executive Officer  
Director and President, Nisshin Petfood Inc.

Jun. 2017

Director  
Director and President, Nisshin Foods Inc. (to present)

Jun. 2019

Director, Managing Executive Officer (to present)

Board of Directors attendance: 12/13 meetings (92.3%)

Reasons for appointment

The Company selected Mr. Yuji Koike as Director as he has a wealth of experience and excellent track record as a business manager, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

8

Akio Mimura

Director (Part-time)

Outside Director

Apr. 1963

Joined Fujii Iron & Steel Co., Ltd.

Jun. 1993

Director, Nippon Steel Corporation (NSC)

Apr. 1997

Managing Director, NSC

Apr. 2000

Representative Director and Executive Vice President, NSC

Apr. 2003

Representative Director and President, NSC

Jun. 2006

Audit & Supervisory Board Member

Apr. 2008

Representative Director and Chairman, NSC

Jun. 2009

Director (to present)

Oct. 2012

Director and Senior Advisor, Nippon Steel & Sumitomo Metal Corporation (NSSMC)

Jun. 2013

Senior Advisor, NSSMC

Nov. 2013

Senior Advisor, Honorary Chairman, NSSMC

Jun. 2018

Senior Advisor, Honorary Chairman, NSSMC

Apr. 2019

Senior Advisor, Honorary Chairman, Nippon Steel Corporation (to present)

Board of Directors attendance: 11/13 meetings (84.6%)

Reasons for appointment

The Company selected Mr. Akio Mimura as Outside Director as he currently provides appropriate advice and supervision over the Company's business execution, based on a wealth of experience and broad-based insight as a corporate executive, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

9

Kazuhiko Fushiya

Director (Part-time)

Outside Director

Apr. 1967

Joined the Ministry of Finance

Jul. 1999

Commissioner, National Tax Agency

Jul. 2001

Deputy Governor, National Life Finance Corporation

Jul. 2002

Assistant Chief Cabinet Secretary

Jan. 2006

Commissioner, Board of Audit of Japan

Feb. 2008

Commissioner (President), Board of Audit of Japan

Jan. 2009

Retired

Jun. 2009

Audit & Supervisory Board Member

Jun. 2015

Director (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Kazuhiko Fushiya as Outside Director as he currently provides appropriate advice and supervision over the Company's business execution, based on a wealth of experience and high-level expertise gained through his career in the Ministry of Finance and other governmental organizations where he held important positions, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

10

Motoo Nagai

Director (Part-time)

Outside Director

Apr. 1977

Joined Industrial Bank of Japan, Limited

Apr. 2005

Executive Officer, Mizuho Corporate Bank, Ltd.

Apr. 2007

Managing Executive Officer, Mizuho Corporate Bank, Ltd.

Apr. 2011

Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.

Jun. 2011

Deputy President (Representative Director) and  
Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.

Apr. 2014

Commissioner, Mizuho Trust & Banking Co., Ltd.

Jun. 2014

Retired as Commissioner, Mizuho Trust & Banking Co., Ltd.

Jun. 2015

Audit & Supervisory Board Member

Jun. 2019

Director (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Motoo Nagai as Outside Director as he has a wealth of experience and broad-based insight gained through management of financial institutions, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

11

Shoh Ohuchi

Director (Full-time Member of Audit & Supervisory Committee)

Apr. 1983

Joined the Company

Jun. 2014

General Manager  
(Finance Department of Finance and Accounting Division)

Jun. 2015

Executive Officer and General Manager  
(Finance Department of Finance and Accounting Division)

Jun. 2018

Audit & Supervisory Board Member

Jun. 2019

Director (Full-time Member of Audit & Supervisory Committee) (to present)

Board of Directors attendance: 10/10 meetings (100%)

Reasons for appointment

The Company selected Mr. Shoh Ohuchi as Director who is a member of the Audit & Supervisory Committee, as he has been diligently performing the audit duties of the Company as an Audit & Supervisory Board Member, drawing on his wealth of experience and excellent track record in accounting, finance, and auditing, and thus is considered to qualify for the office of Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operational execution from an objective standpoint.

12

Tetsuo Kawawa

Director (Member of Audit & Supervisory Committee) (Part-time)

Outside Director

Apr. 1975

Qualified as an attorney

Apr. 1996

Proprietor, Kawawa Law Offices (to present)

Aug. 2002

Member, the Corporation Law (Modernization) Subcommittee,  
Legislative Council of the Ministry of Justice

Sep. 2002

Member, the Special Commission of the Judicial Advisory  
Committee of the Japan Federation of Bar Associations

Jun. 2007

Audit & Supervisory Board Member

Jun. 2019

Director (Member of Audit & Supervisory Committee) (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Tetsuo Kawawa as Outside Director who is a member of the Audit & Supervisory Committee, as he has been diligently performing the audit duties of the Company as an Outside Audit & Supervisory Board Member from a viewpoint of legal compliance, drawing on his wealth of knowledge and experience as an attorney, and thus is considered to qualify for the office of Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operational execution from an objective standpoint.

Directors

13

Satoshi Ito

Director (Member of Audit & Supervisory Committee) (Part-time)

Outside Director

Jan. 1967

Joined Arthur Andersen & Co., Japan branch

Dec. 1970

Qualified as a Certified Public Accountant

Sep. 1978

Partner, Arthur Andersen & Co.

Oct. 1993

Representative Partner, Asahi & Co. (Currently KPMG AZSA LLC)

Aug. 2001

Proprietor, Ito Certified Public Accountant Offices (to present)

Apr. 2002

Specially Appointed Professor, Institute of Accounting  
Research, Chuo University

Mar. 2007

Retirement as a Specially Appointed Professor, Institute of  
Accounting Research, Chuo University

Jun. 2010

Audit & Supervisory Board Member

Jun. 2019

Director (Member of Audit & Supervisory Committee) (to present)

Board of Directors attendance: 13/13 meetings (100%)

Reasons for appointment

The Company selected Mr. Satoshi Ito as Outside Director who is a member of the Audit & Supervisory Committee, as he has been diligently performing the audit duties of the Company as an Outside Audit & Supervisory Board Member, drawing on his extensive auditing experience as a Certified Public Accountant and high-level expertise in finance and accounting, and thus is considered to qualify for the office of Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operational execution from an objective standpoint.

14

Mieko Tomita

Director (Member of Audit & Supervisory Committee) (Part-time)

Outside Director

Apr. 1980

Qualified as an attorney  
Joined Nishi and Iseki Law Office (Currently Nishi & Partners  
Attorneys and Counselors at Law)

Apr. 2001

Civil Conciliation Commissioner, Tokyo District Court (to present)

Apr. 2017

Senior Partner, Nishi & Partners Attorneys and Counselors at Law (to present)

Jun. 2019

Director (Member of Audit & Supervisory Committee) (to present)

Board of Directors attendance: --/-- meetings (---%)

Reasons for appointment

The Company selected Ms. Mieko Tomita as Outside Director who is a member of the Audit & Supervisory Committee, as she has a wealth of knowledge and experience as an attorney, and based on her knowledge and experience, she is considered to qualify for the office of Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operational execution from an objective standpoint.

**Note:** All Outside Directors meet the Company's "Independence Standards for Outside Directors," which were drawn up based on the Tokyo Stock Exchange's independence criteria, and therefore they have been designated and reported to the Tokyo Stock Exchange as independent directors.

Executive Officers

Nobuki Kemmoku

President

Satoshi Odaka

Managing Executive Officer  
Division Executive,  
Technology and  
Engineering Division

Takao Yamada

Managing Executive Officer (Part-time)  
Director and President (Representative Director),  
Nisshin Flour Milling Inc.

Yasuo Ito

Executive Officer  
Deputy Division Executive, R&D and Quality Assurance Division  
Managing Director, Nisshin Foods Inc.

Koji Shintani

Executive Officer (Part-time)  
Managing Director, Nisshin Foods Inc.

Masao Nakagawa

Vice President & Executive Officer

Masashi Koike

Managing Executive Officer  
Division Executive, Corporate Planning Division

Kiyoshi Sato

Managing Executive Officer (Part-time)  
Director and President (Representative Director),  
Nisshin Pharma Inc.

Tadashi Fuyuki

Executive Officer  
Deputy Division Executive, Technology and Engineering Division  
Division Executive, Production & Technology Development Department of Business Development Division

Kazuyoshi Watanabe

Executive Officer (Part-time)  
Managing Director, Nisshin Flour Milling Inc.

Michinori Takizawa

Vice President & Executive Officer  
In charge of General Administration Division

Naoto Masujima

Managing Executive Officer  
Division Executive, General Administration Division

Yuji Koike

Managing Executive Officer (Part-time)  
Director and President (Representative Director),  
Nisshin Foods Inc.

Eiichi Suzuki

Executive Officer  
General Manager, Accounting Department of Finance and Accounting Division

Satoshi Sekiguchi

Executive Officer (Part-time)  
Director, Nisshin Flour Milling Inc.

Takashi Harada

Managing Executive Officer  
Division Executive, R&D and Quality Assurance Division

Koichi Iwasaki

Managing Executive Officer  
Division Executive, Business Development Division

Kenji Takihara

Managing Executive Officer (Part-time)  
Managing Director, Nisshin Flour Milling Inc.

Hironori Kurosu

Executive Officer  
General Manager, Human Resource & Labor Planning Office of General Administration Division  
General Manager, Labor Relations Department of General Administration Division

Akira Mori

Managing Executive Officer  
Division Executive, Finance and Accounting Division

Masashi Nakagawa

Managing Executive Officer (Part-time)  
Director and President (Representative Director),  
Oriental Yeast Co., Ltd.

Takahiko Iwahashi

Managing Executive Officer (Part-time)  
Managing Director, Nisshin Foods Inc.

Shigeru Kotani

Executive Officer (Part-time)  
Managing Director, Nisshin Flour Milling Inc.

## Summary Consolidated Financial Statements (Past 11 years)

(Millions of yen)

(FY)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Profit &amp; Loss Statement</b>											
Net sales	466,671	443,728	424,156	441,963	455,566	495,930	526,144	556,701	532,040	540,094	<b>565,343</b>
Cost of sales	334,992	306,675	285,700	306,649	316,141	348,619	377,729	402,218	374,028	378,742	<b>401,584</b>
Gross profit	131,679	137,053	138,455	135,313	139,424	147,311	148,414	154,483	158,012	161,352	<b>163,759</b>
Selling, general and administrative expenses	109,924	110,476	113,120	112,200	117,684	125,036	127,937	130,713	132,500	134,152	<b>136,842</b>
Operating profit	21,755	26,576	25,335	23,113	21,740	22,274	20,476	23,769	25,511	27,200	<b>26,916</b>
Amortization of goodwill, others	0	0	0	24	649	1,208	1,862	2,270	2,181	2,239	<b>2,256</b>
o/w amortization of goodwill	0	0	0	24	330	637	990	1,157	1,195	1,224	<b>1,324</b>
Operating profit before amortization of goodwill, others	21,755	26,576	25,335	23,137	22,389	23,483	22,338	26,040	27,693	29,440	<b>29,172</b>
Non-operating income	3,203	3,078	2,866	3,394	3,291	3,622	5,388	4,615	5,119	5,084	<b>5,751</b>
Non-operating expenses	340	327	362	375	289	317	320	285	301	485	<b>605</b>
Ordinary profit	24,618	29,327	27,839	26,132	24,742	25,579	25,544	28,099	30,329	31,800	<b>32,062</b>
Extraordinary income	2,538	1,479	4,117	889	289	1,140	1,223	121	2,669	1,365	<b>1,581</b>
Extraordinary losses	2,560	1,502	6,142	2,660	2,592	1,518	1,340	757	1,809	734	<b>529</b>
Profit before income taxes	24,596	29,304	25,815	24,361	22,438	25,201	25,427	27,462	31,189	32,430	<b>33,113</b>
Total income taxes	—	10,988	10,448	10,297	8,030	9,183	8,555	9,031	10,426	9,760	<b>9,526</b>
Profit attributable to owners of parent	13,852	16,839	14,187	13,326	13,688	15,098	16,036	17,561	19,466	21,339	<b>22,268</b>
Capital expenditure	13,795	12,785	13,605	14,608	17,203	18,290	19,895	14,970	12,689	21,484	<b>18,719</b>
Depreciation and amortization	15,403	14,998	13,681	13,636	13,749	13,669	14,747	16,816	16,132	15,509	<b>14,951</b>
R&D expenses	5,448	5,812	5,866	5,980	6,008	5,769	5,467	5,580	5,648	5,913	<b>6,168</b>

**Balance Sheet (Period end)** Note: Figures from fiscal 2015 onward reflect the application of "Partial Revision of Accounting Standards for Tax Effect Accounting" (Corporate Accounting Standards No. 28, February 16, 2018).

### Assets

Current assets	175,112	196,606	195,213	213,431	218,468	216,409	224,529	228,271	234,172	260,751	<b>268,170</b>
Cash and deposits	51,967	69,871	57,938	59,020	56,722	49,104	42,584	61,665	85,458	91,635	<b>101,974</b>
Non-current assets	195,767	199,710	194,204	218,525	243,382	254,630	322,566	319,849	321,164	330,761	<b>326,583</b>
Property, plant and equipment	116,650	114,158	110,456	115,370	120,975	128,939	148,702	151,339	144,840	150,942	<b>156,317</b>
Intangible assets	3,482	3,827	3,756	12,798	12,746	12,998	21,629	18,489	15,089	12,409	<b>10,462</b>
Goodwill	—	—	—	9,044	4,373	5,008	10,355	8,610	7,050	5,623	<b>5,016</b>
Investments and other assets	75,634	81,725	79,991	90,355	109,660	112,692	152,234	150,019	161,234	167,408	<b>159,802</b>
Investment securities	66,256	72,325	69,597	80,378	100,643	105,975	143,288	140,347	151,963	158,211	<b>149,659</b>
<b>Total assets</b>	<b>370,879</b>	<b>396,317</b>	<b>389,418</b>	<b>431,956</b>	<b>461,851</b>	<b>471,039</b>	<b>547,096</b>	<b>548,120</b>	<b>555,337</b>	<b>591,512</b>	<b>594,754</b>

### Liabilities

Current liabilities	56,381	62,137	74,429	92,287	99,474	90,433	112,237	106,799	89,526	114,189	<b>114,806</b>
Short-term loans payable	2,943	2,864	2,866	5,813	5,260	6,607	17,175	15,219	9,745	7,892	<b>9,535</b>
Non-current liabilities	28,403	30,953	29,739	40,869	44,940	46,514	56,144	54,835	59,005	63,528	<b>61,098</b>
Long-term loans payable	336	271	145	2,117	3,207	3,367	3,874	4,386	4,967	7,194	<b>6,771</b>
<b>Total liabilities</b>	<b>84,785</b>	<b>93,090</b>	<b>104,168</b>	<b>133,157</b>	<b>144,414</b>	<b>136,947</b>	<b>168,381</b>	<b>161,635</b>	<b>148,532</b>	<b>177,718</b>	<b>175,905</b>
<b>Total net assets</b>	<b>286,094</b>	<b>303,226</b>	<b>285,249</b>	<b>298,798</b>	<b>317,436</b>	<b>334,092</b>	<b>378,715</b>	<b>386,485</b>	<b>406,805</b>	<b>413,794</b>	<b>418,848</b>
<b>Total liabilities and net assets</b>	<b>370,879</b>	<b>396,317</b>	<b>389,418</b>	<b>431,956</b>	<b>461,851</b>	<b>471,039</b>	<b>547,096</b>	<b>548,120</b>	<b>555,337</b>	<b>591,512</b>	<b>594,754</b>

### Statements of Cash Flows

I Net cash provided by (used in) operating activities	20,072	47,484	34,856	26,078	34,479	25,058	25,107	35,839	35,361	42,869	<b>39,873</b>
II Net cash provided by (used in) investing activities	(10,235)	(52,393)	(16,067)	(15,244)	(23,854)	(1,797)	(43,636)	(12,201)	(5,240)	(18,067)	<b>(19,184)</b>
III Net cash provided by (used in) financing activities	(6,675)	(5,684)	(6,373)	(6,134)	(4,587)	(5,072)	4,331	(9,446)	(11,470)	(18,593)	<b>(10,567)</b>
IV Effect of exchange rate changes on cash and cash equivalents	(1,738)	229	(302)	(400)	823	1,247	1,409	(1,128)	(246)	1,415	<b>(202)</b>
V Net increase (decrease) in cash and cash equivalents	1,422	(10,364)	12,112	4,299	6,862	19,435	(12,788)	13,062	18,404	7,624	<b>9,920</b>
VI Cash and cash equivalents at beginning of period	38,850	40,339	29,975	42,087	46,387	53,249	72,685	59,897	72,960	90,837	<b>98,461</b>
VII Net increase in cash and cash equivalents associated with new consolidation	66	—	—	—	—	—	—	—	—	—	<b>—</b>
VIII Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	—	—	—	—	—	—	—	—	(527)	—	<b>(1,006)</b>
IX Cash and cash equivalents at end of period	40,339	29,975	42,087	46,387	53,249	72,685	59,897	72,960	90,837	98,461	<b>107,374</b>
Free cash flow (I–II)	9,837	(4,909)	18,789	10,834	10,625	23,261	(18,529)	23,638	30,121	24,802	<b>20,689</b>



## Wheat flour distribution channels

Around 90% of the wheat flour consumed in Japan is made from imported wheat. Imported wheat is purchased in a stable manner by the Japanese government, and sold to domestic milling companies. The wheat sold to milling companies is processed as

wheat flour, and is then sold wholesale to food manufacturers to manufacture products that use wheat flour, including bread, noodles, and confectionery. The products made by these manufacturers are then delivered to the table via retailers such as supermarkets.



## Imported wheat price fluctuations

The Standard Selling Price System, whereby the selling price of imported wheat was fixed for the year, was abolished from April 2007, and a new Market-Linked System was introduced. Under this system, movements on the global wheat market, etc. are reflected quickly and appropriately in the domestic prices of imported wheat and wheat flour, and in the domestic prices of products that use wheat flour. With this system, a fixed annual mark-up is added to the average government purchase price that applied during a fixed period in the past. The selling price of wheat, which was previously fixed for the year, is revised twice a year, and the effects of the global wheat and foreign exchange markets, etc. are reflected automatically in the wheat selling price.

### Price fluctuation factors

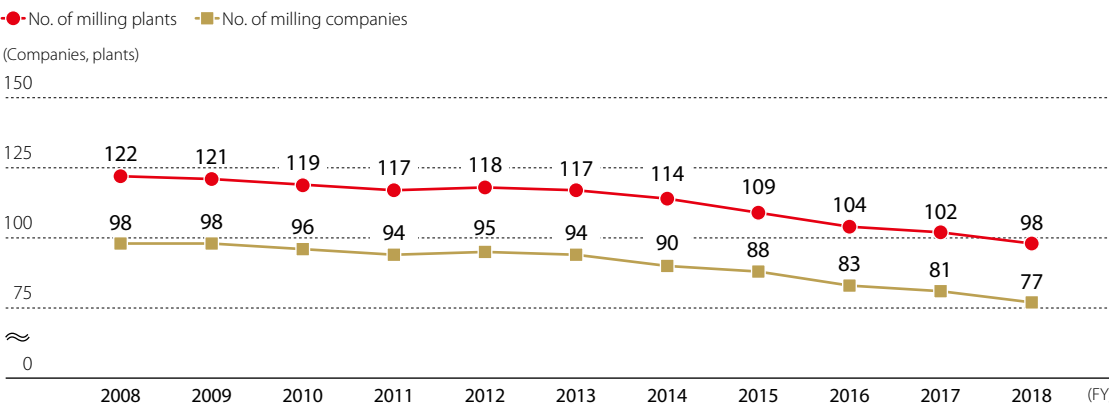


## Milling company conditions

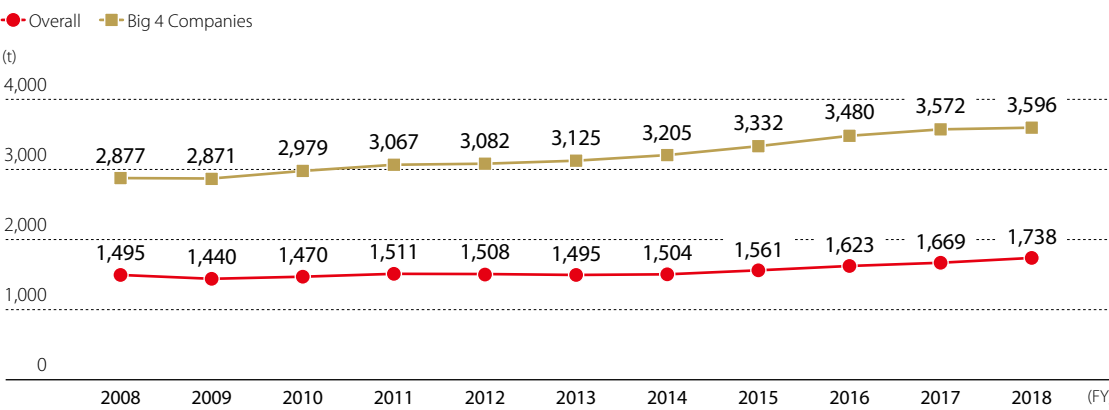
The number of milling companies has fallen by 21 over the past ten years due to factors including intensification of the competitive landscape. Demand for wheat flour has been flat or slightly lower (Japan wheat flour sales volume: 4,896,000 t in fiscal 2016, 4,860,000 t in fiscal

2017, 4,877,000 t in fiscal 2018<sup>\*1</sup>). However, as a result of structural improvements in the milling industry overall, including the consolidation of production bases particularly among the major milling companies, production output per employee has significantly increased.

### No. of milling companies and plants<sup>\*2</sup>



### Wheat flour production output per employee<sup>\*2</sup>



<sup>\*1</sup> Survey by Nikkan Keizai Tsushin Co., Ltd.

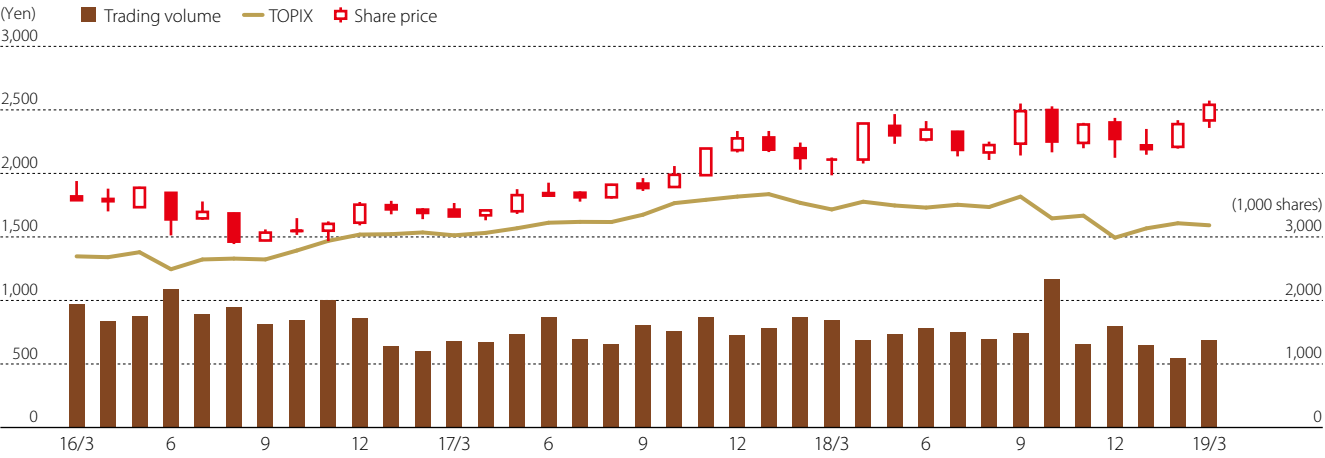
<sup>\*2</sup> Compiled by Nisshin Seifun based on "Wheat supply and demand projections" (March 2019), Ministry of Agriculture, Forestry and Fisheries

Company Information (as of March 31, 2019)

<b>Corporate name</b> Nisshin Seifun Group Inc.	<b>Securities code</b> 2002
<b>Head office</b> 25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo	<b>Fiscal year closing date and record date for year-end dividends from surplus (profit distribution)</b> March 31
<b>Foundation</b> October 1900	<b>Date of record for interim dividends</b> September 30
<b>Paid-in capital</b> ¥17,117,856,746	<b>Ordinary general meeting of shareholders</b> June
<b>Number of employees (consolidated)</b> 6,760	<b>Method of public notice</b> The Company posts notices via electronic notification on its website at <a href="https://www.nisshin.com">https://www.nisshin.com</a> However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notices will be published in the Nikkei newspaper.
<b>Total number of shares issued and outstanding</b> 304,357,891 shares	<b>Custodian of shareholder register</b> Sumitomo Mitsui Trust Bank, Limited
<b>Number of shareholders</b> 19,332	
<b>Listing market</b> First Section of the Tokyo Stock Exchange	

Stock Information (as of March 31, 2019)

Share Price and Trading Volume



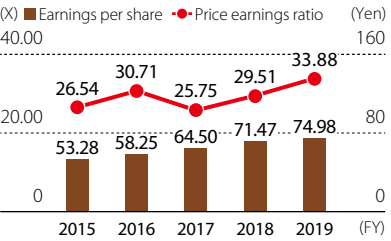
Total Shareholder Return (TSR)<sup>\*1</sup>

	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Nisshin Seifun Group Inc.</b>	<b>139.3%</b>	<b>178.0%</b>	<b>168.1%</b>	<b>214.4%</b>	<b>259.3%</b>
TOPIX	130.6%	116.5%	133.6%	154.8%	147.0%

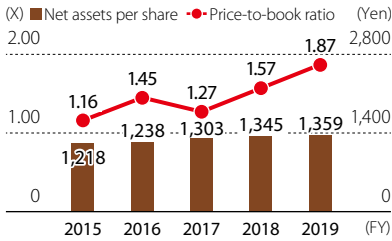
<sup>\*1</sup> The income from stock investment (dividends and capital gains) divided by the investment value (share price), calculated based on a formula stipulated by Cabinet Office Ordinance.

Stock Indicators

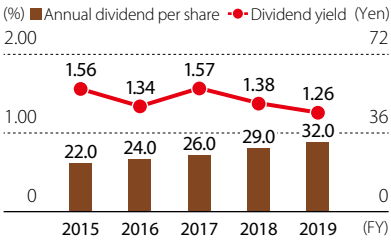
Earnings Per Share<sup>\*2,3</sup> / Price Earnings Ratio (PER)<sup>\*4</sup>



Net Assets Per Share<sup>\*3</sup> / Price-To-Book Ratio (PBR)<sup>\*5</sup>



Annual Dividend Per Share / Dividend Yield<sup>\*6</sup>

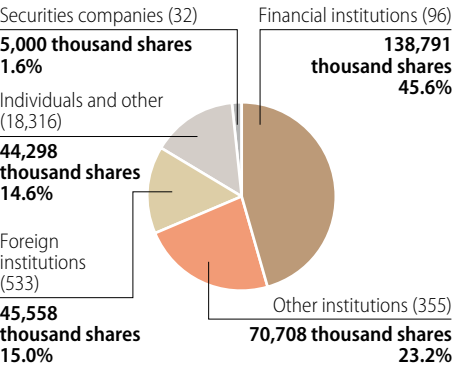


<sup>\*2</sup> A stock split was carried out on October 1, 2014 at a ratio of 1.1 shares for 1 ordinary share, and therefore the calculation has been made as if the stock split were carried out at the opening of the fiscal year ended March 31, 2015.  
<sup>\*3</sup> From the fiscal year ended March 31, 2018, in the calculation of earnings per share or net assets per share, the shares of the Company held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock remuneration system, which are recorded as treasury stock in shareholders' equity, are included in treasury stock which is deducted when calculating the number of shares.  
<sup>\*4</sup> Period-end share price (yen) divided by earnings per share (yen)    <sup>\*5</sup> Period-end share price (yen) divided by net assets per share (yen)  
<sup>\*6</sup> Annual dividend per share (yen) divided by period-end share price (yen)

Major Shareholders (Top 10)

Name	Number of Shares Held (Thousands)	Shareholding Ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,622	10.30
Nippon Life Insurance Company	19,387	6.52
Yamazaki Baking Co., Ltd.	16,988	5.71
Japan Trustee Services Bank, Ltd. (Trust Account)	15,011	5.05
Mizuho Bank, Ltd.	10,447	3.51
Mitsubishi Corporation	8,448	2.84
Marubeni Corporation	6,284	2.11
Sumitomo Corporation	6,091	2.04
Sumitomo Mitsui Banking Corporation	5,585	1.87
The Norinchukin Bank	5,432	1.82

Composition of Shareholders (Shareholders by Type)



External evaluation of the Group

Nisshin Seifun Group is actively engaged in PR, IR and SR activities, and provides accurate information about the business activities of the Group's companies widely to society in a timely and appropriate manner, on a continuous basis. In this way, we work to ensure that our stakeholders are able to correctly understand and evaluate the Group, and we strive to gain their trust. The Group has also received positive external evaluations of its CSR-focused management initiatives, and has been chosen for inclusion in Socially Responsible Investing (SRI) indices

including FTSE4Good, FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, S&P/JPX Carbon Efficient Index, and SNAM Sustainability Index.

The Group has also been selected for inclusion as one of the 225 constituents of the Nikkei Stock Average (Nikkei 225), one of the leading stock indices in Japan, and has been assigned an AA Long-term Issuer Rating by the Japan Credit Rating Agency, Ltd., the highest rating level for a domestic foods manufacturer. (As of March 31, 2019)



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