To Our Shareholders

FY2018 Business Summary and Future Outlook

Achieving a revenue increase for the seventh consecutive year while continuing aggressive investment in growth areas, and expecting further revenue growth

I will explain about the outcome in FY2018 and outlook of FY2019.

Looking back at FY2018, what do you think of the business environment?

FY2018 results on a consolidated basis showed net sales of ¥323.4 billion (up 3.4% y-o-y), operating income of ¥10.1 billion (down 13.1% y-o-y), ordinary income of ¥11.9 billion (down 53.5% y-o-y), and profit attributable to owners of parent of ¥7.6 billion (down 74.6% y-o-y). Although we achieved the seventh consecutive increase in net sales, profits decreased due to depreciation expenses arising from proactive capital investment and also due to an increase in expenses for advertising activities.

In the Flour Milling segment, as the government’s selling price for imported wheat increased by 4.6% on weighted average in April 2017 and by 3.6% on weighted average in October 2017 (including tax) for five key products, we revised the prices of commercial-use wheat flour products in June and December 2017. Shipping volume and net sales of wheat flour products both increased compared to the previous year.

In the Food segment, net sales grew due to increased sales of food ingredients and frozen food products, as well as the expansion of the ready-made meals business. In the Other segments, net sales exceeded the previous year’s level as a result of an increase in inquiries about large-scale construction work in the engineering business.

Regarding a year-end dividend, we have decided to pay ¥15 per share to show our acknowledgement of continuous support from our shareholders.

Please introduce some measures that were implemented in the Food segment during FY2018.

As for processed foods for home use, last spring we launched REGALO, a premium pasta brand created in Japan, for which we implemented sales expansion measures, including TV commercials. Since the REGALO pasta sauce series has been especially well received as an authentic pasta sauce made in pursuit of genuine Italian flavors, we strive to further expand the sales of products in this series. Eight kinds of single-serving retort pouch-type products and three types of new products that come in jars were added to the series. We will proactively continue our sales promotion activities during this fiscal year as well as enhance our product lineup even more.

In the ready-made meals business, we have been working toward expanding and restructuring of our production bases. Ichifuji Seimenjo began constructing a new plant to manufacture cooked noodle products in Chita, Aichi Prefecture, while Fast Foods Co., Ltd. and Fast Foods Tsuchiura added plants in Hidaka, Saitama.
Please tell us about the developments in the pasta business in the Food segment.

In our pasta business, in addition to our existing Oh’my brand, REGALO was launched as a high value-added product brand; a premium pasta brand made in Japan whose ingredients, semolina and manufacturing methods were carefully selected. To create this high quality pasta, high protein wheat produced under contract farming at a farm in the U.S. state of Montana, where superior quality durum wheat is produced, was carefully selected and the best manufacturing method was sought after. In addition, we launched a pasta product created in the Setouchi area and using domestically produced durum wheat called Setodur to set this product apart from our other pasta products. Furthermore, our products also include other pasta-related ingredients such as olive oil and canned tomatoes made in Italy, and we are striving to increase market penetration.

Please tell us about bolstering food safety.

While working toward expanding our production bases, we have also been making efforts to bolster food safety. In October 2017, our Ryogasaki plant gained JFS-C certification, a certification based on food safety management standards that originated in Japan. The certification requires meeting international food safety standards, and our acquiring the certification was a first in the premixes industry. In addition, in February 2018, our subsidiary FASMAC, Co., Ltd. was registered as an auditing company for JFS-A certification and JFS-B certification. Companies in our group are working together as one to establish further safety.

What is your outlook regarding the performance in FY2019?

In the food industry, contraction of the Japanese market is inevitable because of the declining population and population aging with low birth rates. In addition, the industry is facing labor shortages resulting from a decline in the working population and increasing labor costs in line with the labor shortages. Meanwhile, in view of changes in personal consumption, innovation to cultivate new needs is becoming increasingly important. For the year ending March 31, 2019, management forecasts consolidated net sales of ¥350.0 billion (up 8.2% year on year), operating profit of ¥12.0 billion (up 19.3% year on year), ordinary profit of ¥13.5 billion (up 13.8% year on year) and profit attributable to owners of parent of ¥9.0 billion (up 17.6% year on year). With regard to cash dividends for the year ending March 31, 2019, the Company plans to pay total cash dividends of ¥30 per share.

Finally, do you have messages for shareholders?

The Group intends to continue strengthening systems for food safety and reliability and stable distribution. At the same time, based on precise identification of structural change in the market, we will invest vigorously in growth fields both in Japan and overseas while striving to further strengthen competitiveness and reduce costs in each business field. We will continue to embrace new challenges with the aim of becoming a multifaceted global food enterprise. Your further support is greatly appreciated.
The Ryugasaki Plant gained the JFS-C certification based on the Japanese food safety management standard.

Our Ryugasaki plant gained JFS-C certification on October 20, 2017, the first acquisition of this certification in the premixes industry.

JFS standards are food safety management standards, which were developed and are managed by the Japan Food Safety Management Association (JFSM). They were developed so that companies in Japan could use these easily. JFS standards have three tiers: A, B, and C. These standards are easy to use even for companies that have never used them before. Such companies start at the JFS-A level and aim to move on to higher levels. JFS-C certification, which is the highest standard of the three and the one the Ryugasaki plant has acquired, includes the most internationally advanced requirements.

We are currently under review to obtain Global Food Safety Initiative (GFSI) Certification. Our company is one of the founders of the JFSM, which developed and manages these standards, and we have proactively supported the operation of the JFSM and the development of standards. Furthermore, our subsidiary FASMAC, Co., Ltd., became an auditing company for JFS operation of the JFSM and the development of standards. Furthermore, our subsidiary FASMAC, Co., Ltd., became an auditing company for JFS operation of the JFSM and the development of standards.

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The Ryugasaki Plant

Frozen Japanese Food

<Yokubari Gozen> New Release

The popular Yokubari series has evolved.

The Yokubari series, one-plate dishes consisting of a main dish and a staple food item in a tray, added two new Japanese food combinations.

Yokubari Gozen, which was featured on the information television program Sukkiri on Nippon Television during a segment featuring frozen food, is a one-plate dish, which consists of a main dish, a staple food item and a side dish.

The distinguishing feature of this product is that the three different food items are heated perfectly at the same time. The secret lies in its container.

When heating in a microwave, the center tends to become warmer faster than the rest. Therefore, the container is designed so that all three items are heated perfectly at the same time by creating a dent between two areas.

We have already started using paper trays, which have obtained forest certification for the On My Premium series of single-serving pasta dishes and the Imadoki Gohan series of single-serving rice dishes. In order to further mitigate environmental issues, non-chlorinated eco paper trays with consideration for both safety and the environment have been used for Yokubari Gozen products, replacing the plastic containers that were used for the Yokubari series previously. We will continue promoting the development of environmentally conscious products.

<Yokubari Gozen>

Sukkiri on Nippon Television during a segment featuring frozen food.

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REGALO Pasta Sauce
Another truth of Bolognese

Another truth of Bolognese is purportedly not adding tomatoes. We sought after the flavor of oil-based pasta sauce that the people in Tuscany love.

Oh‘my’ Imadoki Gohan Samgye-tang
Mid-tasting soup with rich chicken flavor and a nice accent of ginger. A popular rice soup with glutinous barley topped with hearty thick sliced chicken.

Oh‘my’ Premium Saisai Yasai Shrimp and 3 Types of Mushrooms Flavorful Salt
Rich flavors from a sea bream broth and the pleasant aroma of garlic. The pasta is topped with king trumpet, maitake and shimeji mushrooms. It comes in a convenient paper tray.

Oh‘my’ Yokubari Gozen Clam Rice and Mackerel Braised in Miso
The first Japanese food combo was added to the REGALO series. The sauce features a rich tomato flavor and fragrant garlic and has a robust flavor from red wine.

Healthy Food

Red Flaxseed Oil Series
(Food with nutrient function claims)

New-type healthy flaxseed oil made of Premium Golden Flaxseed containing a high level of omega-3 fatty acids with added astaxanthin, a red carotenoid pigment that is believed to have high health benefits

Jarred REGALO pasta sauce (garlic tomato)
3 tablespoons

DANTE Extra Virgin Olive Oil (European Blend)
As required

Pork loin (for tonkatsu) 2 slices (approx. 240 g)

Onion 1 small piece

Asparagus 2 sprigs

Paprika (Red) 1/4 piece

Watercress

Ingredients (2 servings)

Red Flaxseed Oil Clean flavor that goes well with various dishes

Red Flaxseed Oil Yuzu Flavor Delicious yuzu flavor with a delicate aroma

Red Flaxseed Oil Ginger Flavor Delicious ginger flavor that adds a nice accent to your dish

Ingredients (2 servings)

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Onion 1 small piece

Asparagus 2 sprigs

Paprika (Red) 1/4 piece

Watercress

Preparation

(1) Make some slits with a knife between the meat and fat of the pork slices, and lightly season with salt and pepper. Slice an onion in rounds, cut the asparagus diagonally, and chop the paprika coarsely.

(2) Rest extra virgin olive oil in a pan and fry the pork along with the vegetables on the side.

(3) Once the pork and the onion turn brown, turn them over to fry the other sides. When the pork is cooked through about 90 percent of the way, smear the garlic tomato sauce and sprinkle shredded cheese.

(4) Reduce the heat to low and put a lid on the pan to let it steam. Once the cheese melts, place the pork on a plate with the vegetables. Add some watercress as garnish.

Cooking tip

A pinch of each

Customer Center
0120-184-157 (Operating Hours: 9:00 to 17:00 (Mon weekdays only)

For inquiries about home-use products

New products for spring & summer 2018

Processed Foods

REGALO

Jarred Pasta Sauce Garlic Tomato

A new jarred tomato sauce was added to the REGALO series. The sauce features a rich tomato flavor and fragrant garlic and has a robust flavor from red wine.

Oh‘my’ Home Deli Flavor of Lobsters Tomato Risotto Mix

Make authentic risottos by simmering the mix with rice and milk for one minute! It can also be cooked in a microwave. It is a tomato sauce with the rich flavor of lobsters.

For inquiries about home-use products

7

For inquiries about home-use products

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Oh‘my’ Premium Saisai Yasai Shrimp and 3 Types of Mushrooms Flavorful Salt
Rich flavors from a sea bream broth and the pleasant aroma of garlic. The pasta is topped with king trumpet, maitake and shimeji mushrooms. It comes in a convenient paper tray.

Oh‘my’ Imadoki Gohan Samgye-tang
Mid-tasting soup with rich chicken flavor and a nice accent of ginger. A popular rice soup with glutinous barley topped with hearty thick sliced chicken.

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The first Japanese food combo was added to the REGALO series. The combo has fatty mackerel braised in miso and clam rice gently seasoned with light soy sauce and ginger. An eco-friendly paper tray is used.

Frozen Foods

Maslin Tablet
This supplement consists primarily of malic acid (olive drupe extract), a type of polyphenol. The daily intake of 60 mg of malic acid can be met with 6 tablets a day.

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The 194th Annual Shareholders Meeting: Notice of Resolutions

We are pleased to inform you that the following matters were reported and resolved at our 194th Annual Shareholders Meeting held on June 28, 2018.

Matters reported

2. Non-consolidated financial statements for the 194th period (April 1, 2017 through March 31, 2018).

Matters resolved

Proposal 1: Appropriation of retained earnings
This matter was approved and adopted as originally proposed, and the year-end dividend was determined to be ¥15 per share.

Proposal 2: Election of five directors
This proposal was approved and adopted as originally proposed, and Hirokazu Shimizu, Yoshiaki Murakami, Yuzuru Kogiso, and Yoshi Kumakura were re-appointed as Directors while Katsuhiko Fujii was newly appointed as Director.

Proposal 3: Election of a corporate auditor
This matter was approved and adopted as originally proposed. Akio Okuyama was newly elected and assumed the office.

Proposal 4: Appointment of an Alternate Auditor
This proposal was approved and adopted as originally proposed, and Yuriko Sagara was appointed as an Alternate Auditor.

Shareholder Information

Fiscal Year: April 1 to March 31
General Meeting of Shareholders: June
Record Date: March 31 for the General Meeting of Shareholders and Year-end Dividend
September 30 for the Interim Dividend
Administrator of Shareholder Registry
Manager of Special Account
Sumitomo Mitsui Trust Bank, Limited.
4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo

Mailing Address:
Stock Transfer Agency Business Planning Dept.,
Sumitomo Mitsui Trust Bank, Limited.
8-4 Izumi 2-chome, Suginami-ku, Tokyo 168-0063
(Telephone Contact): 0120-782-031 (toll free in Japan)
Website: http://www.smtb.jp/personal/agency/index.html

Procedural matters relating to shares

The shares recorded in accounts at securities companies and recorded in special accounts are handled by different agents. Please contact the following for any inquiry regarding various procedures related to shares:

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<th>Shares recorded in the general account (account at a securities company)</th>
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Contact

Securities company at which you have an account
0120-782-031 (toll free in Japan)

Contact

0120-782-031 (toll free in Japan)