

Enjoy every meal.

nippon

NIPPON FLOUR MILLS

..... To Our Shareholders

The 196th Period

# Year-end Report

April 1, 2019 to March 31, 2020



## CONTENTS

Interview with President.....	1
Topics .....	5
Product Profiles.....	7
Consolidated Financial Results.....	9
Company Profile and Share Information .....	10
Back Cover: ● Annual Shareholders Meeting: Notice of Resolutions ● Shareholder Information	



Representative Director, President and COO  
Toshiya Maezuru

前鶴俊哉

## To Our Shareholders

With the delivery of this “Year-end Report for the 196th Period” to you, we would like to express our sincere appreciation for your continued support. At a meeting of the Board of Directors following the close of the Annual General Meeting of Shareholders, held on June 26, 2020, Senior Managing Director Toshiya Maezuru assumed the offices of Representative Director, President and COO. New President Maezuru explained the outcomes of FY2020 and the outlook for FY2021.

### ■ Interview with President

# FY2020 Business Summary and Future Outlook

Continuing aggressive investment in growth areas while responding to drastic changes in the business environment.

### Q What are your aspirations upon assuming the office of President?

A As I assume the office of President of Nippon Flour Mills Co., Ltd. and as the successor to Former President Kondo, I have a strong sense of the gravity of the responsibility I have taken on. The Company was founded as the first modern mechanical flour milling company in Japan and marks its 124th

anniversary this year. We owe this to the support of our shareholders and the many other stakeholders. The basic business policy of the Group is to contribute to society by providing excellent products and services under the motto of “taking on the challenge of commercializing new businesses while embracing technological innovations in response to the changing times,” which was the original venture spirit of the Company when it was founded. Recalling this founding spirit

once again, we will work to resolve any management challenges to achieve growth as an enterprise that is worthy of the trust and respect of our shareholders.

### Q Looking back at FY2020, what do you think of the business environment?

A The Japanese economy in FY2020 was continuing on a path of moderate recovery, with employment and income improving despite some stagnation in personal consumption that was mainly due to the effect of the consumption tax hike in October 2019, until the situation drastically changed due the rapid spread the new coronavirus (COVID-19). As the pandemic has hit the global economy, as well as the Japanese economy, hard, the economic outlook remains uncertain.

The food industry faces an increasingly challenging business environment because of the strong saving propensity of consumers and rising costs, such as higher personnel and logistics expenses.

In this unpredictable and challenging business environment and aiming to maintain sustainable growth, the Group is strengthening its business foundation as a multifaceted general food enterprise through the enhancement of existing businesses based mainly on cost reduction and sales expansion, as well as through vigorous Group-wide capital investment in promising fields in Japan and overseas.

### Q Looking back at FY2020, what do you think of the business environment?

A Consolidated net sales for the fiscal year under review increased by 2.8% year on year to ¥344.839 billion, operating income decreased by 1.1% to ¥11.101 billion, ordinary income decreased by 2.5% to ¥12.740 billion, and profit attributable to parent company owners increased by 5.8% to ¥8.941 billion. In the Flour Milling segment, net sales of wheat flour and wheat bran, a by-product of wheat flour, were basically unchanged from the previous fiscal year, while net sales in the Food segment grew. As a result, we achieved

FY2020 Consolidated Financial Highlights (April 1, 2019 to March 31, 2020)			
Net Sales	¥344.8 billion (Up 2.8% y-o-y)	Net Income per Share	¥116.71
Operating Income	¥11.1 billion (Down 1.1% y-o-y)	Total Assets	¥290.4 billion
Ordinary Income	¥12.7 billion (Down 2.5% y-o-y)	Net Assets	¥158.5 billion
Profit Attributable to Owners of Parent	¥8.9 billion (Up 5.8% y-o-y)	Net Assets per Share	¥2,006.14

FY2021 Full-Year Forecasts (April 1, 2020 to March 31, 2021)	
Net Sales	¥345.0 billion (Up 0.0% y-o-y)
Operating Income	¥9.0 billion (Down 18.9% y-o-y)
Ordinary Income	¥10.5 billion (Down 17.6% y-o-y)
Profit Attributable to Owners of Parent	¥7.0 billion (Down 21.7% y-o-y)

growth in consolidated net sales. As for profit, net profit increased, although operating income decreased mainly due to a strategic cost increase in the Food segment.

Regarding the year-end dividend, we have decided to pay ¥18 per share (annual dividend of ¥34 per share), up ¥2 (ordinary dividend), to acknowledge the continuous support we receive from our shareholders.

**Q Please explain the status of capital investment both in Japan and overseas.**

**A** The Group is promoting vigorous capital investment both in Japan and overseas. A facility for the bulk shipping of wheat bran was completed at the Chiba Mill in FY2020. Capital investment projects currently underway include the expansion of a premix plant at the Fukuoka Mill, the expansion of a frozen food plant at the Isesaki Plant of NIPPON Frozen Foods Co., Ltd., the expansion of a NIPPON (Thailand) Co., Ltd. frozen food plant, and the construction of a new premix plant in Indonesia.

**Q Please tell us how you are building an organizational structure that goes hand in hand with business expansion.**

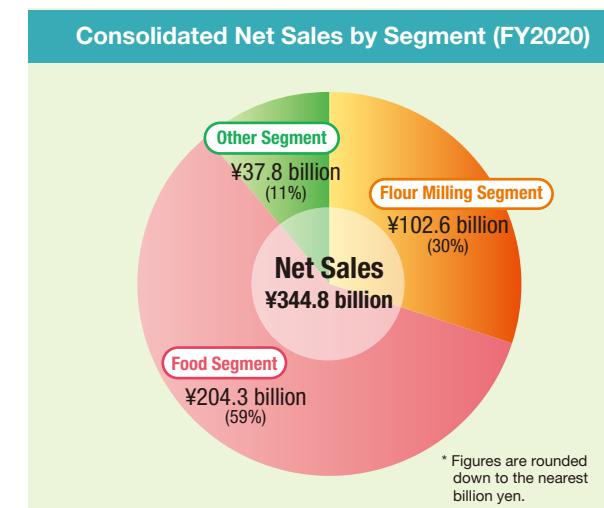
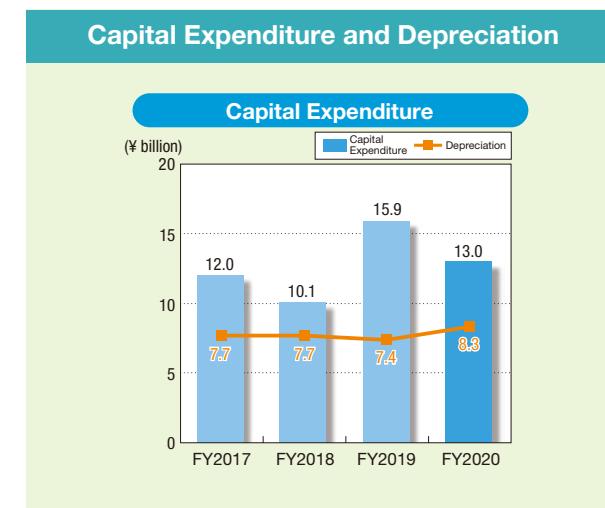
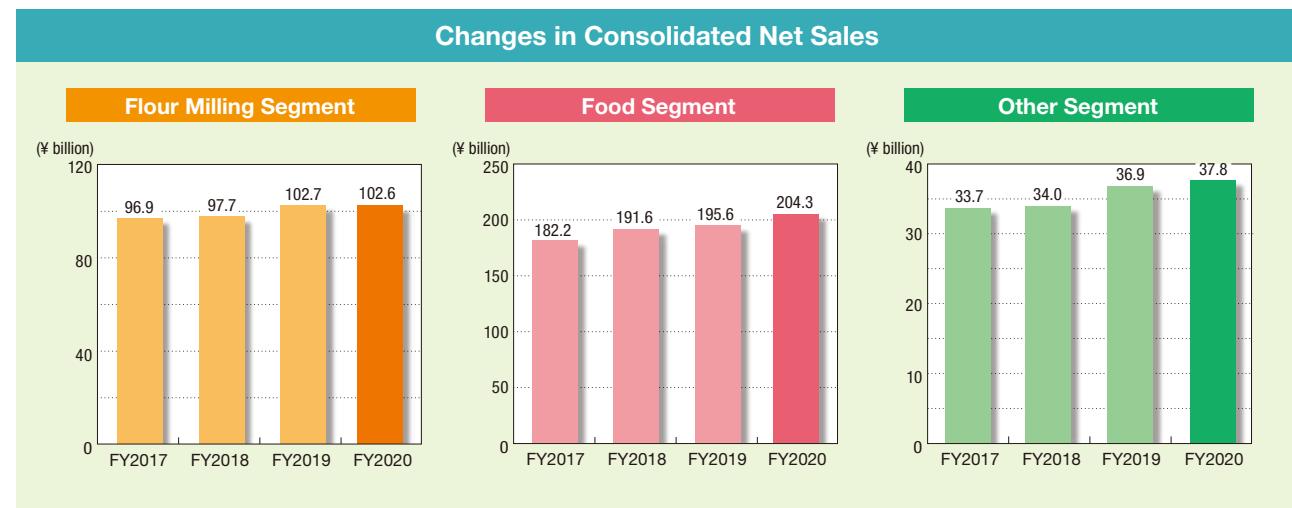
**A** In FY2020, the Group pushed forward with the establishment of an organizational structure that can support further business expansion, including structural reform of foods operations and enhancement of the structure of the international business operations and home-use product development operations. Our organizational structure has improved further to be able to support speedy and aggressive business development with structural reforms that reorganized business operations into four business divisions consisting of “Flour Milling,” “Food,” “Ready-made Meals,” and a division in charge of overseas business all of which took effect on April 1, 2020 to further strengthen competitiveness in each of these business areas.

**Q What is your outlook regarding the performance in FY2021?**

**A** The Group is taking every precaution to prevent infections and protect the safety of our customers and employees while fulfilling our social responsibility to provide a stable supply of food even in this situation where the effects of COVID-19 continue to expand. However, the operating results of the Group may be significantly affected by changes in consumer behavior both in Japan and overseas. While demand for home-use food products is rising, due to the effects of the state of emergency declaration to control infections, including stay-home recommendations, requesting temporary suspension of business operations in various industries, shortening business hours, and cancelling large events, demand for professional-use products for restaurants and ready-made meals is expected to be weak. For the year ending March 31, 2021, management forecasts consolidated net sales of ¥345 billion (unchanged year on year), an operating profit of ¥9 billion (down 18.9% year on year), an ordinary profit of ¥10.5 billion (down 17.6% year on year), and a profit attributable to parent company owners of ¥7.0 billion (down 21.7% year on year).

**Q Finally, do you have any messages for shareholders?**

**A** The Group aims to achieve further growth and become a more multifaceted food enterprise while promoting safety and security for consumers and strengthening its systems to ensure stable supply. Your further support is greatly appreciated.



**Received an award from the Minister of Agriculture, Forestry and Fisheries at the "41st Food Industry Excellent Company Awards"**

Nippon Flour Mills Co., Ltd. received its second award from the Minister of Agriculture, Forestry and Fisheries in the environmental division of the "41st Food Industry Excellent Company Awards," which was cosponsored by the Japan Food Industry Association and Shokuhin Tou Ryutsu Gourika Sokushin Kiko (Organization to Promote Rational Food Distribution) and supported by the Ministry of Agriculture, Forestry and Fisheries.

We initially had used plastic trays for our frozen pasta products to reduce the amount of detergent and water used, but later changed to paper trays for some of the products. In fall 2010, we switched from plastic to PEFC-certified paper trays for all products in the Oh'my Premium series to reduce the use of plastic containers. In addition, as part of our efforts to reduce marine plastic waste, we currently use eco-friendly paper trays made of unbleached wood pulp for some of our frozen food products such as "Yokubari Gozen" and "Yokubari Plate." Moreover, NIPPON Frozen Foods Co., Ltd., a Nippon group company engaging in the manufacturing of frozen food, upgraded its refrigeration equipment to reduce power usage for such equipment at its plants by 35 to 50%. The upgrading of our refrigerators in recent years led to our accreditation as a "business that accelerates the introduction of energy-saving and natural refrigerant using equipment for the earlier realization of a dechlorofluorocarbon, low carbon society," which makes us eligible for subsidies granted by the Ministry of the Environment. Recognizing that the award we received recently was in acknowledgement of our environmental preservation and energy-saving activities, we will continue to make further efforts going forward.



**Help save the planet**  
 PEFC  
 FSC-certified paper is used for the paper trays. By purchasing this product, customers can support appropriate forest management and contribute to the conservation of forest resources around the world.

**Website renovation Our websites have been redesigned to be more convenient.**

Nippon Flour Mills Co., Ltd. has renovated its websites. We revamped the design and organization of our websites to allow visitors to use them more easily.

- Japanese website <https://www.nippon.co.jp>
- English website <https://www.nippon.co.jp/en>
- Recruiting website <https://www.nippon.co.jp/recruit/>

- Major improvements**
- The Japanese website was divided into a corporate information site and a product information site to make it easier for visitors to find the particular information they are looking for. The screen width has been expanded to broaden the display area for easier viewing.
  - The English website was significantly expanded, and information is now arranged in an easy-to-understand manner for better communication with overseas customers.
  - The recruiting website now includes new content to communicate our values of "challenge" and "contributing to the food of the world," which are cherished by our hard-working employees.
  - These websites can be displayed properly on the screens of various devices so that they can be viewed comfortably not only on PCs, but also on other devices such as smartphones.



We will continue to aim to improve the friendly image of our websites to appeal to an increasing number of visitors.

**Notice of "Cookery Workshops for Shareholders 2020 in Nagoya & Osaka"**



This year we will again hold Cookery Workshops for Shareholders, which have long been popular among participants, in Nagoya and Osaka. We look forward to receiving your applications.

\* The workshops are subject to cancellation depending on the status of the spread of the new coronavirus.

Class name	A. Cooking Class (Nagoya)	B. Cooking Class (Osaka)
Date & time	Friday, October 16, 2020 10:30 to 13:30 (Doors open at 10:10)	Friday, October 23, 2020 10:00 to 13:00 (Doors open at 9:40)
Capacity	28 participants	30 participants
Course details	<p>You will practice cooking, watch demonstrations and enjoy brief tastings with our products. You will practice cooking dishes. Menu may change.</p> <p><b>Planned menu</b></p> <ul style="list-style-type: none"> <li>Tuna and beans simmered in tomatoes</li> <li>Lasagna style penne</li> <li>Chicken and grilled cabbage steamed in white wine</li> <li>Lemon pound cake</li> </ul>	

- Venue**
- ★ **Toho Gas Cooking Salon Imaike** 1-8-8 Imaike, Chikusa-ku, Nagoya, 4F of the Imaike Gas Building
    - ◆ Directly connected to exit 10 of Imaike station on Higashiyama or Sakuradori Subway Line
    - ◆ Ten-minute walk from Chikusa station on JR Chuo Line
  - ★ **Osaka Gas Cooking School Yodoyabashi** First floor, Osaka Gas Head Office Building, 4-1-2 Hirano-machi, Chuo-ku, Osaka-shi
    - ◆ Three-minute walk from Yodoyabashi station of Midosuji Subway Line

- Items participants need to bring** Apron, hand towel, something to write with
- Tuition** Free of charge
- How to apply for** Paste the triangular "token" on a postcard with the information shown below.

- (1) zip code; (2) mailing address; (3) name; (4) phone number; (5) cellphone number (Only if you have one); (6) name of desired workshop (A. Cooking Class [Nagoya] or B. Cooking Class [Osaka]); (7) name of the accompanying person (if you wish to be accompanied) who can be a non-shareholder
- Send it to us at: "Cookery Workshop" Section, IR Office Nippon Flour Mills Co., Ltd. 4-8 Kojimachi, Chiyoda-ku, Tokyo 102-0083

- Application deadline** Friday, July 31, 2020, as indicated by the postmark on the postcard  
 \*If more than the set number applies, a lottery will be held to select winners.
- Notice of winners** Winners will receive a participation ticket by Tuesday, September 15, 2020. There will be no announcement of winners prior to the delivery of the ticket.
- Contact point** IR Office, Nippon Flour Mills Co., Ltd. at 03-3511-5316 (phone) (Weekdays 9:00 to 17:00)



**Notes**

- Paste one token per postcard.
- No parking space available. (Use public transportation.)
- Refrain from bringing children.
- Note that we will take pictures at the venue on the day and use them on our website or "To Our Shareholders."
- Pay transportation cost to and from the venue.
- Applications from non-shareholders will not be accepted.
- Online or telephone applications will not be accepted.

Postcard  
 1020083

Send it to us at:  
 "Cookery Workshop for Shareholders"  
 Section, IR Office, Nippon Flour Mills Co., Ltd.  
 4-8 Kojimachi,  
 Chiyoda-ku, Tokyo  
 102-0083

- (1) zip code;  
 (2) mailing address;  
 (3) name;  
 (4) phone number;  
 (5) cellphone number;  
 (6) name of desired workshop;  
 (7) name of the accompanying person

No need to fill in if you participate alone

Paste this token

# New products for spring & summer 2020

More convenient and easier to use!  
Introducing new products designed to meet customers' needs.

## Processed Foods

### ◆ REGALO Pasta Sauce Truth of Bolognese



The recipe of this popular sauce has been changed from a mixture of ground beef and pork to that of pure ground beef—resulting in a sauce richer in its sweet and savory meat flavor.

### ◆ Oh'my Pasta Sauce Meat Sauce for Microwave



Heat the pouch for 30 seconds in a microwave and enjoy a rich-flavored pasta sauce with ground meat, tomato paste, and pot herb.

### ◆ nippon Mune Chiki! Flour Mixture for Fried Chicken



A flour mixture for easy preparation of delicious chicken breast. An enzyme found in papaya works to help the preparation of tender chicken breast, which otherwise tends to be dry.

### ◆ nippon Bonito-flavored Furikake with Flaxseeds



A new furikake product containing 10% roasted flaxseeds. The bonito flavor tastes just good with rice.



Our flaxseed products are certified by the Flaxseed Association of Japan.

## Frozen Foods

### ◆ REGALO Rich Ragout Sauce



A rich sauce prepared with ample beef, onions, and tomatoes tastes great with rigatoni. Packaged in an eco-friendly paper tray.

In an eco-friendly paper tray that does not require a separate plate

### ◆ REGALO Seafood Pescatora



A sauce rich with the flavor of tomato and seafood with a tinge of white wine, which will be mixed well with casarecce for great taste.

In an eco-friendly paper tray that does not require a separate plate

### ◆ nippon Alluring Plate Turkish Rice



A voluminous one-plate dish combining popular choices of Neapolitan, pork cutlet, and spicy curry pilaf.

Contained in a convenient tray.

### ◆ nippon Japanese Side Dish of the Hattoris Fried Chicken with Japanese Starchy Sauce



A satisfying plate of fried chicken with Japanese starchy sauce using real ingredients, which is balanced well with Japanese-style sweet potato salad and boiled spinach.

Contained in a convenient tray.

## NEW

# STYLE FIT SERIES

The new flour product “STYLE FIT SERIES” meets the needs of customers who “want to use only a small amount for cooking” and “always want to use freshly opened packs.” A convenient series for easily using just the right amount of flour for different purposes.

### ◆ nippon Heart Stick Type (Soft flour) (9 g × 6 sticks)

1 stick = 1 tbsp for easy measuring without a scale! Packaged in a stick for easy sprinkling, it also prevents clouds of flour from floating up into the air, keeping your kitchen clean. Highly granular and clump resistant.



### ◆ nippon Heart Mini-pack (Soft flour) (100 g × 3 packs)

1 pack = 100 g for easy measuring without a scale! Always fresh as each pack is used completely every time. No need to worry about dampness or bugs. Just right for tempura, okonomiyaki, and pancakes.

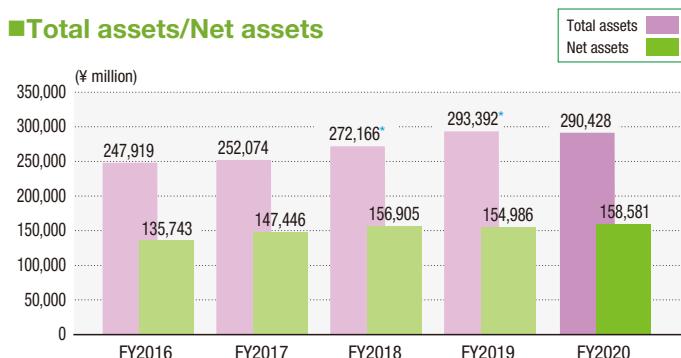
### ◆ nippon Fluffy Bread Strong Flour Slim pack (250 g)

Always fresh as it is packaged with just the right amount for one loaf of bread (250 g) to be baked in a bread maker. Packaged to fit well in any bread case and to prevent flour from floating up into the air.

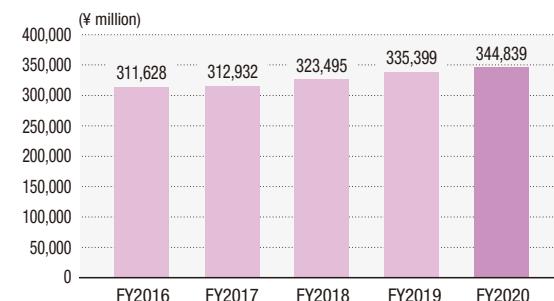


## Consolidated Financial Results

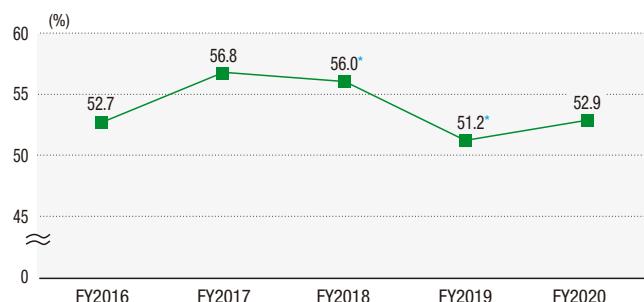
### Total assets/Net assets



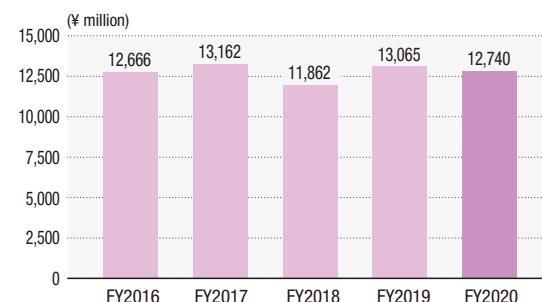
### Net sales



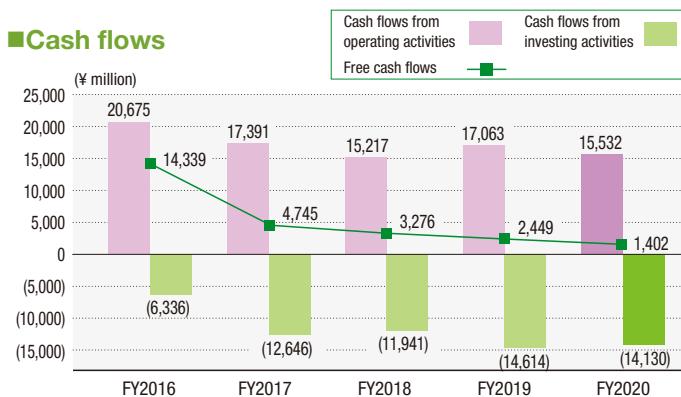
### Equity ratio



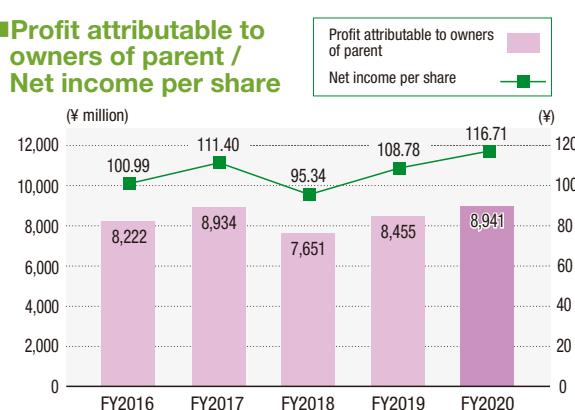
### Ordinary income



### Cash flows



### Profit attributable to owners of parent / Net income per share



\* Effective from the fiscal year ended March 31 2019, the Company has applied the partial amendments to "Accounting Standard for Tax Effect Accounting" and other standards, and the figures for total assets and equity ratio for the previous fiscal year (FY2018) are presented after the retrospective application of these accounting standards.

(As of March 31, 2020)

## Company Overview

<b>Company Name:</b>	Nippon Flour Mills Co., Ltd.
<b>Head Office:</b>	4-8 Kojimachi, Chiyoda-ku, Tokyo
<b>Established:</b>	December 1896
<b>Capital:</b>	¥ 12.24 billion
<b>Number of Employees:</b>	1,025 [non-consolidated basis]
<b>Major Businesses:</b>	Manufacturing and marketing of wheat flour and secondary processed foods, including premixes, pastas and frozen foods, deli (packaged lunch), pet food products, health care products, biotechnology business, etc.
<b>Locations:</b>	Head office (Tokyo), two administration divisions, eight branches, eight plants, laboratory (Atsugi)

## Major Group Companies

Matsuya Flour Mills Co., Ltd.	Tofuku Flour Mills Co., Ltd.
NIPPN SHOJI Co., Ltd.	OHMY Co., Ltd.
NIPPN Frozen Foods Co., Ltd.	Nippon Rich Co., Ltd.
Fast Foods Co., Ltd.	OK Food Industry Co., Ltd.
NAGANO TOMATO Co., Ltd.	NPF Japan Co., Ltd.
NIPPN Donut Co., Ltd.	Nippon Engineering Co., Ltd.
Overseas (United States, China, Thailand, and Indonesia)	

(As of March 31, 2020)

## Shares

● Number of Authorized Shares	300,000,000 shares	
● Number of Outstanding Shares	78,824,009 shares	
● Number of Shareholders	20,059	
● Major Shareholders		
Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Nippon Flour Mills Clients Shareholding Association	4,531	5.9
The Master Trust Bank of Japan, Ltd. (trust account)	4,361	5.7
Taiju Life Insurance Co., Ltd.	3,497	4.6
MITSUI & CO., LTD.	3,349	4.4
DUSKIN CO., LTD.	2,510	3.3
Japan Trustee Services Bank, Ltd. (trust account)	2,454	3.2
Itochu Corporation	2,250	2.9
Sumitomo Mitsui Banking Corporation	2,246	2.9
The Norinchukin Bank	2,060	2.7
Mitsui Sumitomo Insurance Co., Ltd.	2,004	2.6

Note: The calculation of the shareholding ratios excludes 2,007,000 treasury shares.

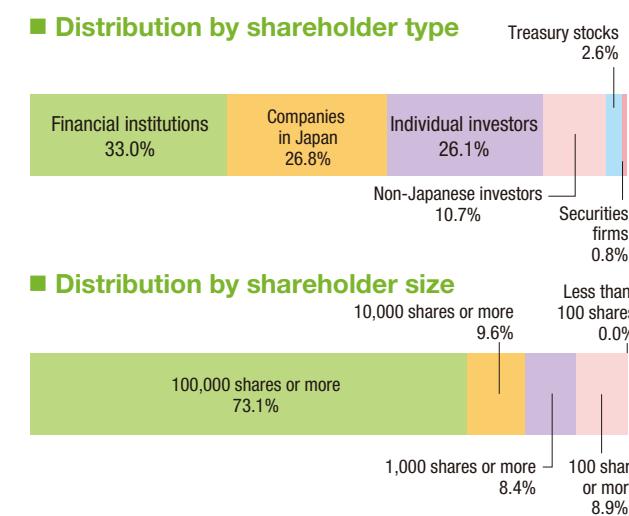
(As of June 26, 2020)

## Directors and Executive Officers

Representative Director, Chairman and CEO:	Hiroshi Sawada	Managing Director:	Katsuhiko Fujii
Representative Director, President and COO:	Toshiya Maezuru	Managing Director:	Shizuo Yamaguchi
Representative Director, Executive Vice President:	Toshifumi Horiuchi	Managing Director:	Yasunori Tanaka
Senior Managing Director:	Atsuo Ouchi	Managing Director:	Tomio Kimura
Senior Managing Director:	Yuzuru Kogiso	Executive Officer:	Akira Higashino
Managing Director:	Takaaki Aonuma	Executive Officer:	Akihisa Miyata
Managing Director:	Takashi Eshima	Executive Officer:	Miharu Kobayashi
Managing Director:	Akiko Kimura	Executive Officer:	Hideki Okusu
Managing Director:	Keizo Kagawa	Executive Officer:	Hiroaki Kawasaki
Director (Outside Director):	Yoshio Kumakura	Executive Officer:	Masayuki Tomitaka
Director (Outside Director):	Naotaka Kawamata	Executive Officer:	Hiroshi Koura
[Directors who are Audit & Supervisory Committee Members]			
Director (Outside Director):	Akio Okuyama	Executive Officer:	Motono Takahashi
Director (Outside Director):	Kazuhiko Yoshida	Executive Officer:	Hiroyuki Matsumoto
Director (Outside Director):	Kentaro Naruse	Executive Officer:	Hisayasu Soejima
Director	Etsuzo Tamagawa		

(As of March 31, 2020)

## Distribution of Shares



# The 196th Annual Shareholders Meeting: Notice of Resolutions

We are pleased to inform you that the following matters were reported and resolved at our 196th Annual Shareholders Meeting held on June 26, 2020.

## Details

Matters reported	<ol style="list-style-type: none"> <li>Business report, consolidated financial statements and audit reports on the consolidated financial statements by accounting auditor and the board of corporate auditors for the 196th period (April 1, 2019 through March 31, 2020).</li> <li>Non-consolidated financial statements for the 196th period (April 1, 2019 through March 31, 2020). The details of the above items were reported.</li> </ol>
Matters resolved	<p>Proposal 1: Appropriation of retained earnings This matter was approved and adopted as originally proposed, and the year-end dividend was determined to be ¥18 per share.</p> <p>Proposal 2: Partial amendment to the Articles of Incorporation This matter was approved and adopted as originally proposed, and the Articles of Incorporation were amended to change the trade name to NIPPON CORPORATION, to establish in the Company an Audit &amp; Supervisory Committee, to change the scope in which directors can enter into a limited liability agreement with the Company, and to grant the Board of Directors the ability to approve dividends from retained earnings. The effective date of the trade name change will be determined at a meeting of the Board of Directors to be scheduled on or before September 30, 2020.</p> <p>Proposal 3: Election of eleven directors (Audit &amp; Supervisory Committee nonmembers) This matter was approved and adopted as originally proposed, and Hiroshi Sawada, Toshiya Maezuru, Toshifumi Horiuchi, Atsuo Ouchi, Yuzuru Kogiso, Takaaki Aonuma, Takashi Eshima, Akiko Kimura, Yoshio Kumakura, and Naotaka Kawamata were reappointed and assumed office as directors (Audit &amp; Supervisory Committee nonmembers), and Keizo Kagawa was newly appointed and assumed office as a director.</p> <p>Proposal 4: Election of a corporate auditor This matter was approved and adopted as originally proposed, and Akio Okuyama, Kazuhiko Yoshida, Kentaro Naruse, and Koshizo Tamagawa were newly appointed and assumed office as directors and Audit &amp; Supervisory Committee members.</p> <p>Proposal 5: Determination of compensation for directors (Audit &amp; Supervisory Committee nonmembers) This matter was approved and adopted as originally proposed. Compensation for directors (Audit &amp; Supervisory Committee nonmembers) was agreed to be 380 million yen or less per year.</p> <p>Proposal 6: Determination of compensation for directors who are Audit &amp; Supervisory Committee members This matter was approved and adopted as originally proposed. Compensation for directors who are Audit &amp; Supervisory Committee members was agreed to be 80 million yen or less per year.</p> <p>Proposal 7: Determination of the terms and conditions and amounts of stock options as share-based compensation of directors (excluding directors who are Audit &amp; Supervisory Committee members and/or outside directors) The terms and conditions of the subscription rights to shares as stock options were determined, and the subscription rights to shares as stock options to be allotted to directors (excluding directors who are Audit &amp; Supervisory Committee members and/or outside directors) are limited to 120 million yen per year.</p>

## Request for questionnaires

We request that you complete a questionnaire designed to foster better communication with our shareholders.

Please write your answers on the enclosed postcard and return it by mail or provide your answers via the URL shown on the postcard. Your cooperation is highly appreciated. Results of the questionnaire will be taken into consideration for the planning and production of future IR activities and this "To Our Shareholders" booklet. We appreciate your understanding and cooperation. (Please provide your answers on or before August 31, 2020.)

## 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	Sumitomo Mitsui Trust Bank, Limited.
[Manager of Special Account] :	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:	<a href="https://www.smtb.jp/personal/agency/index.html">https://www.smtb.jp/personal/agency/index.html</a>



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

4-8 Kojimachi, Chiyoda-ku, Tokyo 102-0083

Phone: 03-3511-5301 (General) Website: <https://www.nippon.co.jp/en>

