

The 197th Period

Interim Report

April 1, 2020 to September 30, 2020



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To Our Shareholders

With the delivery to you of this “Interim Report for the 197th Period,” we would like to express our sincere appreciation for your continued support.

Nippon Flour Mills Co., Ltd. (NIPPN) announced, on November 5, 2020, its consolidated financial results for the first half of the year ending March 31, 2021 (FY2021).

I will explain about our progress and about the outlook for the rest of FY2021.

Representative Director, President and COO Toshiya Maezuru

前鶴俊哉



Interview with President

FY2021 1H Business Summary and Future Outlook

Aiming to speedily become a “multifaceted general food enterprise” both in name and substance

Q Looking back at the first half of FY2021, what do you think of the business environment?

A Notwithstanding the protracted global impact of the COVID-19 pandemic, there was a moderate resumption of economic activities in Japan after lifting of the declaration of the state of emergency. However, prospects for the Japanese economy remained uncertain owing to concerns about the possibility of a resurgence of infection.

The food industry, centering on the restaurant sector, was greatly affected by the government’s request for people to stay at home and for the operation of various businesses to be suspended, as well the introduction of shorter opening hours for certain businesses, the cancellation of large-scale events, and other developments. Moreover, changes in consumer behavior have persisted even after the lifting of the declaration of the state of emergency and the business environment has remained harsh.

Q What kind of policies do you have to respond to changes in the business environment?

A In the current circumstances in which we are facing the COVID-19 pandemic, as part of efforts to fulfill its social responsibility for ensuring a stable supply of food, the Group has continued production activities at all its plants in Japan and abroad, maintained systems for business continuity while adopting new workstyles, such as promotion of working from home, and implemented measures to prevent infection of customers and employees so as to ensure safety.

Meanwhile, with the aim of maintaining sustainable growth even in this unforeseeable harsh business environment, the Group is strengthening its business foundation as a multifaceted food enterprise by reducing costs and beefing up sales to reinforce the existing business while, at the same time, making vigorous capital investment in promising fields.

Q Please give us an overview of the consolidated performance in the first half of FY2021.

A Aiming to maintain sustainable growth, the Group is strengthening its business foundations as a multifaceted general food enterprise through the enhancement of its existing businesses based mainly on cost reduction and sales expansion as well as through group-wide vigorous capital investment in promising fields in Japan and overseas.

In the Flour Milling segment, sales of wheat flour decreased year-on-year due to weak demand, particularly in the food service industry. In the Food segment, while sales of professional-use products decreased year-on-year, sales of both processed food for home use and frozen food for home use increased year-on-year. In the ready-made meals business, sales decreased year-on-year due to the effect of weak demand on the back of the increase in working from and staying at home. As a result, consolidated net sales for the first half of FY2021 decreased by 6.2% year-on-year to ¥161,520 million, operating income decreased by 21.2% year-on-year to ¥4,182 million, ordinary income decreased by 15.2% year-on-year to ¥5,136 million, and profit attributable to owners of parent decreased by 12.8% year-on-year to ¥3,532 million as the Group has been affected significantly by the new coronavirus pandemic.

FY2021 1H Consolidated Financial Highlights (April 1, 2020 to September 30, 2020)			
Net Sales	¥161.5 billion (Down 6.2% y-o-y)	Net Income per Share	¥46.07
Operating Income	¥4.1 billion (Down 21.2% y-o-y)	Total Assets	¥290.7 billion
Ordinary Income	¥5.1 billion (Down 15.2% y-o-y)	Net Assets	¥163.0 billion
Profit Attributable to Owners of Parent	¥3.5 billion (Down 12.8% y-o-y)	Net Assets per Share	¥2,064.15

Q Please tell us about the background of the change in company name (trade name).

A The 196th Annual General Meeting of Shareholders held on June 26, 2020, shareholders approved the change of our trade name to “NIPPN CORPORATION.” At a Board of Directors meeting held on July 27, 2020, the directors agreed that the effective date of the change would be January 1, 2021. From now on, we aim to grow as a multifaceted general food enterprise both in form and substance by changing the current corporate name that we have used since our foundation with the determination that we will be substantially reborn through a “second foundation.” The Company will use “NIPPN,” which has been used as the Company’s pet name, and endeavor to further expand and develop its business as an enterprise with which customers will experience an ever-closer relationship (see the related column below).

Q Please explain the recent status of capital investment.

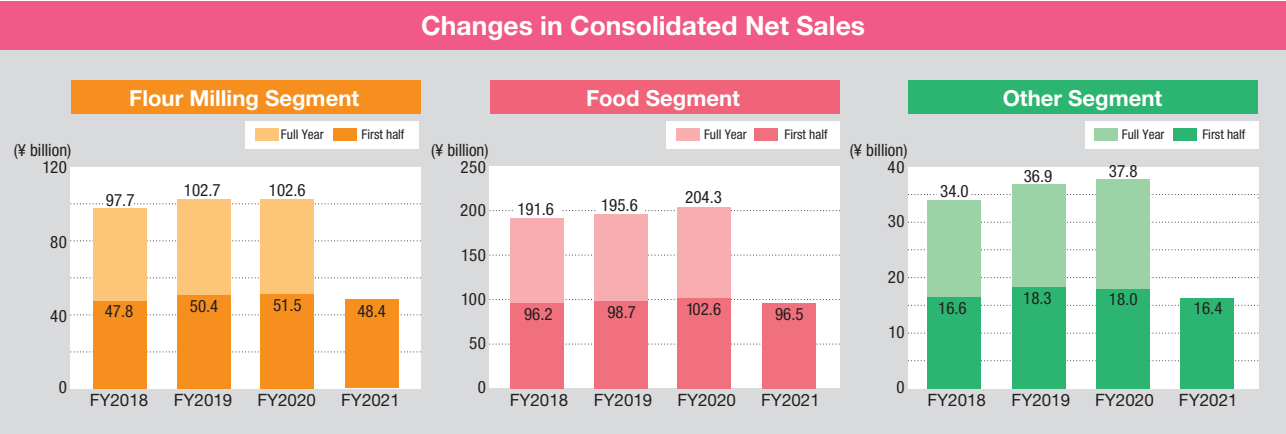
A We are making aggressive capital investments both in Japan and overseas. For example, the premix plant at the Fukuoka Mill, which we have been constructing for some time, was completed in October. In addition, works on the frozen

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)

food plant at the Isesaki Plant of NIPPON Frozen Foods Co., Ltd. and the frozen dough plant of NIPPON (Thailand) Co., Ltd. were completed in November.

Q Please tell us about the improvement of business foundation.

A In April 1, 2020, the Company reformed its organization, launching an organizational system consisting of four business divisions: three divisions responsible for the flour milling, food, and ready-made meals businesses in Japan, respectively, and one division responsible for the international business. In collaboration with the Production & Technology Department that supports each business division, the business divisions will promote swift and aggressive business development. In addition, effective June 26, the Company will be reorganized as a Company with an Audit and Supervisory Committee. This will be done for the purpose of strengthening the audit and supervisory functions and further enhancing the corporate governance system, thereby aiming to enhance our corporate value further.



Q Please tell us about the outlook for the full-year consolidated financial results for FY2021.

A Although the consolidated financial results for the first half of FY2021 were better than initial expectations, the effect of the new coronavirus pandemic is continuing longer than expected, and the current uncertainty about the outlook for trends in the food market and consumption behavior is expected to continue until around the end of the current fiscal year. In this situation, the forecasts we announced on May 14, 2020 remain unchanged, and management forecasts for the year ending March 31, 2021 consolidated net sales of ¥345 billion, an operating income of ¥9 billion, an ordinary income of ¥10.5 billion, and a profit attributable to owners of parent of ¥7 billion.

Q Finally, do you have messages for shareholders?

A The outlook for the Japanese economy is expected to remain unclear since it is not known when the COVID-19 pandemic will abate. In these circumstances, the Group aims to achieve further growth as a multifaceted food enterprise. Your ongoing support is greatly appreciated.

Overview of Business

(April 1, 2020 to September 30, 2020)

Flour Milling Segment

In line with the increase of government sales prices (tax inclusive) of imported wheat by 3.1% on average for the five key products in April 2020, we revised the prices of our products in June 2020.

The Group is strengthening quality control in response to the growing preoccupation with the safety and security of food throughout society. At the same time, to address customer needs and diversifying food preferences, the Group promoted sales initiatives with a view to resolving the issues that concern customers.

Despite operating in an environment in which the impact of COVID-19 was expanding, we strove to strengthen initiatives in partnership with

customers and enhance sales capabilities and brand power, and promoted sales activities. However, sales of wheat flour were lower than the level for the same period of the previous year, affected by sluggish demand mainly in the restaurant sector and the price revision made in January 2020.

Both shipped volume and sales of wheat bran, a by-product, were higher than the levels for the same period of the previous year.

As a result, net sales for the Flour Milling segment decreased by 5.9% year on year to ¥48,499 million, while operating income decreased by 15.8% to ¥2,196 million.

Food Segment

In the professional-use category, demand was sluggish, centering on the restaurant sector, reflecting the government's request for people to stay at home and for the operation of various businesses to be suspended following the declarations of a state of emergency as well as the introduction of shorter opening hours, the cancellation of large-scale events, and other developments. Moreover, changes in consumer behavior have persisted even after the lifting of the declaration of the state of emergency, and as a result, sales of products in the professional-use category were lower than the level for the same period of the previous year.

On the other hand, in the home-use product category, the government's request for people to stay at home led to an increase in demand for products for consumption at home. As a result, there was brisk demand for home-use premixes, pasta, and pasta sauces, and sales of products in the home-use product category were higher than

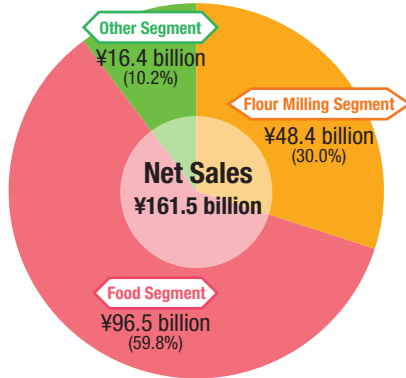
the level for the same period of the previous year.

In the frozen foods category, significant changes in consumer behavior were evident, such as the growth in demand for products for consumption at home. As a result, there was brisk demand for the Oh'my Premium series of frozen pasta and for the Yokubari Plate series of complete meals consisting of a main dish and staples, and sales of products in the frozen foods category were higher than the level for the same period of the previous year.

In the ready-made meals business, sales were lower than the level for the same period of the previous year, affected by sluggish demand reflecting an increase in teleworking and in people staying at home.

As a result, net sales of the Food segment decreased by 5.9% year on year to ¥96,584 million, and operating income decreased by 19.7% to ¥2,036 million.

Net Sales by Segment (1H of FY2021)



* Figures are rounded down to the nearest billion yen.

Other Segment

Sales of the engineering business were lower than the level for the same period of the previous year, reflecting stabilization of inquiries for large projects. On the other hand, sales of the pet food business increased year-on-year as sales volume grew.

Sales of the healthcare business decreased year-on-year as sales volume failed to grow due to the suspension of operations or shorter business hours in various industries.

As a result, net sales for the Other segment decreased by 8.7% year on year to ¥16,437 million, and operating loss was ¥26 million.

Capital Expenditure

Capital expenditure for the first half of FY2021 was ¥7,507 million (on an accrual basis).

Effective January 1, 2021

Our corporate name will be changed to “**NIPPN CORPORATION**”

The Company was founded in 1896 as the first private modern mechanical flour milling company in Japan and has come a long way to the present together with the evolution of society for the 124 years since its foundation. While operating a flour milling as core business, the Company has worked to diversify its business portfolio, including group companies, to include food materials and processed foods, ready-made meals, and healthcare. In particular, the weighting of food business is increasing within the NIPPN Group as a whole in response to changes in the environment surrounding food in recent years.

By now, the sales of the food business have grown to be twice the sales of the flour milling business.

From now on, the Group will significantly expand its growth areas beyond the existing food business, aiming to speedily become a “multifaceted general food enterprise” both in name and substance. Because of this, we have decided to change our current corporate name that we have used since our foundation with the determination that we will be reborn through a “second foundation.” By using the familiar name “NIPPN” as part of our new corporate name, we will strive for further expansion and development of our business as a company that people find familiar.

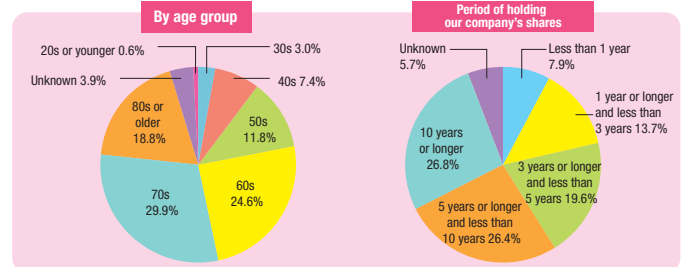
Shareholder Questionnaire Results

Thank you for your cooperation regarding the questionnaire

we carried out in the Year-end Report for the 196th Period.

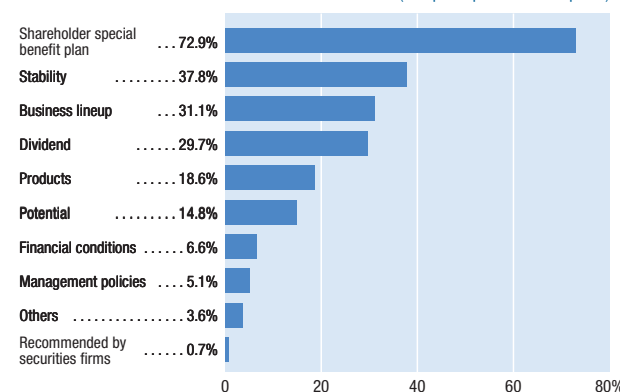
We will further improve our IR activities based on your comments.

Total respondents 2,863 shareholders (Collection rate: 14.3%)



Q Tell us the reason that you hold our company's shares.

(multiple responses are acceptable)



Q Have you seen our website?

1. Yes, I have seen it.	39.9%
2. I use the Internet but have never seen it.	32.7%
3. I do not use the Internet.	25.1%

Q How do you feel about our shareholder benefit plan?

1. Very satisfied	40.1%
2. Somewhat satisfied	35.2%
3. Neither satisfied or dissatisfied	19.0%
4. Somewhat dissatisfied	2.9%
5. Very dissatisfied	1.2%

Q Please fill in your comment, request or the like.

We received 917 comments regarding this questionnaire. The contents varied, and we reported them to our executive management team and the departments in charge. We will make use of these comments for our business activities.

I always look forward to your shareholder benefit program. Please continue it.

Thank you very much. As the shareholder benefit program is a valuable opportunity to introduce our products directly to our shareholders, we plan to continue it.

It seems that the number of products included in the shareholder benefit program has been decreasing every year.

We are deeply sorry that we did not meet your expectations, although we have not reduced the number of such products. We will make efforts to deliver products that will satisfy you in the future.

The Heart Mini-pack in the STYLE FIT SERIES is very convenient. I have been waiting for this kind of product for some time.

Thank you very much. We have received similar words of praise from many customers. We will continue to develop products that are convenient and pleasing to our shareholders.

Details of the shareholder questionnaire results can be found on our website at: [URL] <https://www.nippon.co.jp/ir/investors/enquete/> (In Japanese)

We will conduct a questionnaire survey on a regular basis. Your continued cooperation will be greatly appreciated.

Recommended products

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

Processed Foods

◆nippon Pizza Mix



Renewal

Now it is even tastier and easier for you to use it, and you can enjoy making a pizza more easily. All you have to do is to make a dough by mixing it with water, put

toppings on it, and bake it on the frying pan. The pizza will be crispy and pleasant-smelling. You can also use an oven toaster.

◆nippon Super Easy Pancake Mix



Renewal

This is a product that seeks ultimate convenience minimizing the necessary ingredients and cookware. With the renewal, it is even

tastier and easier to cook than before. Other than this product, all you need is water. You can enjoy a fluffy pancake with a rich flavor of egg and a tinge of sweetness.

◆Oh'my Pasta Sauce Super Garlic Peperoncino



NEW



Just by mixing the sauce with boiled pasta, you can enjoy exquisitely tasty peperoncino. The four different garlic ingredients of grated garlic, minced garlic, garlic oil, and fried garlic combined will produce a strong flavor on which you will get hooked.



◆REGALO Pasta Sauce Charm of Tomato Cream



Renewal



A pasta sauce in which the fresh sourness of tomato brings out the tasty flavor of red snow crab and the rich flavor of mascarpone. With the renewal, the charm of its taste has increased.

Frozen Foods

◆nippon One Plate Meal Hamburg Steak With Grated Daikon Radish Sauce & Aromatic Soy Sauce Spaghetti



No need for a separate plate as it comes with an eco-friendly paper tray



One-plate dish that combines pasta with the main dish. The main dish is the popular radish sauce Hamburg steak, which is plump and juicy, accompanied by tasty Japanese-style spaghetti with a rich flavor of dried bonito flakes.

◆nippon Trendy Meal Gapao Rice



No need for a separate plate as it comes with an eco-friendly paper tray



Gapao rice, which is a little difficult to prepare at home, will be ready to eat right out of microwave. A flavor of basil and fish sauce combined with a right amount of hot spice will make you feel like you are in Thailand. Chicken and bamboo shoots are cut into a size for you to enjoy great food texture. The ingredients also include popular pearl barley.

◆Oh'my Premium Seafood Pescatora Pasta



No need for a separate plate as it comes with an eco-friendly paper tray

Renewal



It offers a luxurious taste of ripe Italian tomato and three different types of seafood. We now increased the volume of the sauce without changing the popular taste. The taste of seafood has also been enriched by an increased amount of clam.

◆REGALO Rich Ragout Sauce



No need for a separate plate as it comes with an eco-friendly paper tray



A rich sauce prepared with ample beef, onions, and tomatoes tastes great with soft and springy rigatoni. It offers food texture and convenience that is unique to frozen food in a tray and you can prepare the finest dish with it.

The packages of “Flour We Always Wanted” and “Japanese Flour” have been renewed into an eco-friendly paper package with a sealing zipper!

Highly granular and hard to get clumpy due to its granular evenness achieved by sifting. There is no need for sifting and the kitchen will remain clean. Easy to use for any dishes and has been long-selling for 20 years since its launch.



“Flour We Always Wanted”



“Japanese Flour”

Its ingredients are 100% wheat flour from Hokkaido, which provides unique chewy texture. Being processed in Japan, it is a product that meets the increasing needs for safety and security.

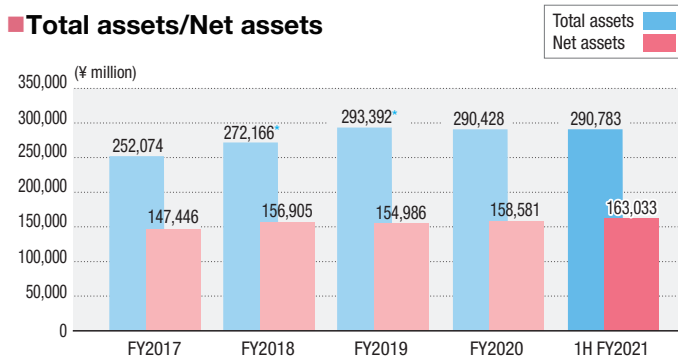
They have been reborn as flour products that respond to changes in the society and times through a renewal into eco-friendly packages to reduce the use of plastic.

Package features

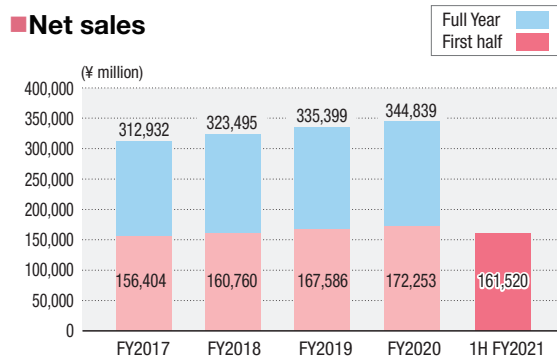
- Reduced the use of plastic by approximately 40%
- The adoption of a multi-layer structure made of paper and film achieved the same level of sealability as the old package
- Comes with a sealing zipper that is convenient for storing
- Safe water-repellent coating outside

Consolidated Financial Results

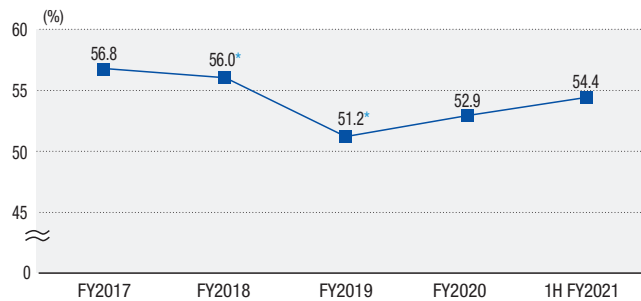
Total assets/Net assets



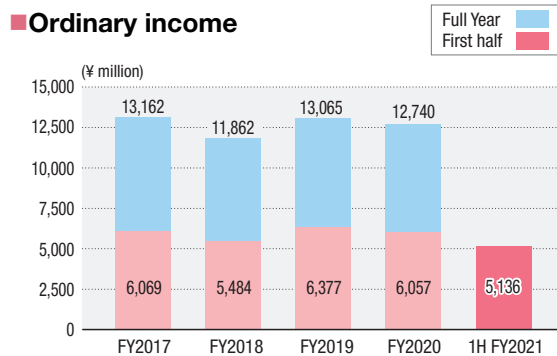
Net sales



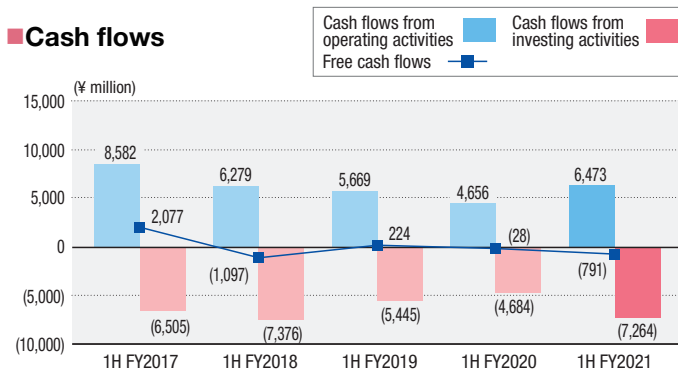
Equity ratio



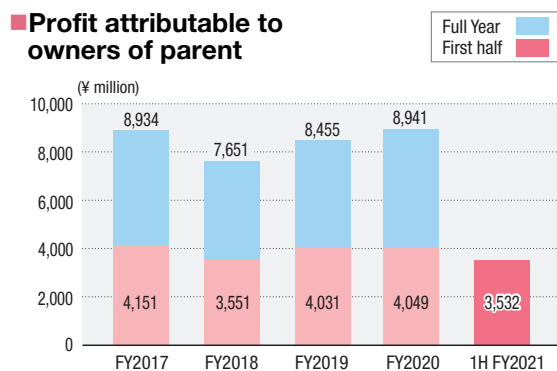
Ordinary income



Cash flows



Profit attributable to owners of parent



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 September 30, 2020)

Company Overview

Company Name:	Nippon Flour Mills Co., Ltd.
Head Office:	4-8 Kojimachi, Chiyoda-ku, Tokyo
Established:	December 1896
Capital:	¥12.24 billion
Number of Employees:	1,090 [non-consolidated basis]
Major Businesses:	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.
Locations:	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 September 30, 2020)

Shares

- Number of Authorized Shares 300,000,000 shares
- Number of Outstanding Shares 78,824,009 shares
- Number of Shareholders 19,935
- Major Shareholders

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	5,488	7.1
Nippon Flour Mills Clients Shareholding Association	4,620	6.0
Taiju Life Insurance Co., Ltd.	3,497	4.5
MITSUI & CO., LTD.	3,349	4.4
DUSKIN CO., LTD.	2,510	3.3
Custody Bank of Japan, Ltd. (trust account)	2,497	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 1,942,000 treasury shares.

(As of September 30, 2020)

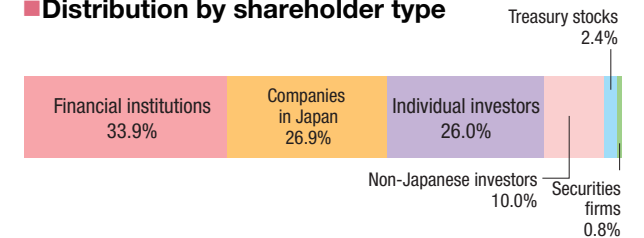
Directors and Executive Officers

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

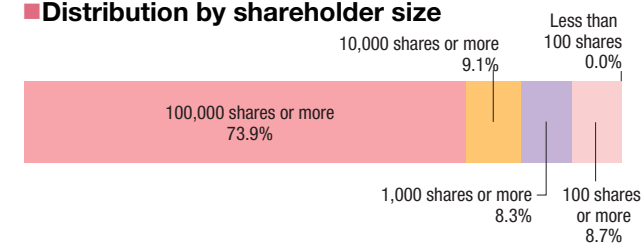
(As of September 30, 2020)

Distribution of Shares

Distribution by shareholder type



Distribution by shareholder size



Payment of Interim Dividend

The board of directors resolved at its meeting on November 5, 2020 that the 197th interim dividend per share would be ¥17. You can receive your dividend payment at a nearby branch of JP Bank or post office in exchange for the enclosed “Interim Dividend Warrant” form.

“Payee’s Bank Account Information” and “How to Receive Your Dividend Payment” forms are enclosed for those who have chosen direct deposit and those who have chosen the share-count-based proportional distribution method (to receive dividends through accounts at securities companies in proportion to the number of shares held in the accounts), respectively.

Please note that we have sent everyone the “Statement of Dividend,” which you may use to subsequently check the amount of your dividend payment or as a supporting document for your tax return. (If you chose the share-count-based proportional distribution method, please check with your securities company.)

Notice concerning Cookery Workshops for Shareholders

We have regularly held Cookery Workshops for Shareholders in February every year in Tokyo. However, we have decided to cancel the workshops that have been scheduled for February 2021 by putting the health and safety of our shareholders first. From the bottom of our heart, we apologize for this cancellation to those shareholders who were looking forward to attending the workshops.

We will notify our future workshop schedule in the future editions of “To Our Shareholders” in consideration of the status of the control of the COVID-19 pandemic. We appreciate your understanding of our decision.

nippon

Nippon Flour Mills Co., Ltd.

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

Phone: 03-3511-5301 (General) **Website:** <http://e-nippon.com/>

2021 Calendar Free Gift

Claude Monet Collection



We give away a calendar for free to the first 500 applicants of our shareholders. **Cut off and paste on a postcard the triangular token at the lower left corner** and then send it to us with your name, address, and zip code at:

Mail to: Calendar Section, Legal Group
Nippon Flour Mills Co., Ltd.
4-8 Kojimachi, Chiyoda-ku, Tokyo 102-0083

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, Suganami-ku, Tokyo 168-0063
(Telephone Contact):	0120-782-031 (toll free in Japan)
Website:	https://www.smtb.jp/personal/agency/index.html

