

Consolidated Financial Results for FY2019 and Forecast for FY2020 [J-GAAP]

May 10, 2019

Listed company name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange
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 Date of the general meeting of shareholders: June 27, 2019
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*Amounts less than one million yen have been rounded down.

1. Consolidated financial results for the year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

(Millions of yen, percentage figures indicate changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
FY2019	335,399	3.7%	11,222	11.5%	13,065	10.1%	8,455	10.5%
FY2018	323,495	3.4%	10,060	(13.1)%	11,862	(9.9)%	7,651	(14.4)%

(Note) Comprehensive income: FY2019: ¥7,258 million (-39.0%) FY2018: ¥11,889 million (-20.3%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)	ROE (%)	Ordinary Income to Total Assets (%)	Operating Income to Net Sales (%)
FY2019	108.78	97.07	5.6	4.6	3.3
FY2018	95.34	95.16	5.2	4.5	3.1

(Reference) Equity in earnings of affiliated companies: FY2019: ¥290 million FY2018: ¥300 million

(2) Consolidated financial position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY2019	293,392	154,986	51.2	1,961.17
FY2018	272,166	156,905	56.0	1,897.64

(Reference) Equity capital: FY2019: ¥150,147 million FY2018: ¥152,307 million

* Effective from the fiscal year ended March 31, 2019 (FY2019), the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (ASBJ Statement No. 28, February 16, 2018) and other standards, and for total assets and the equity ratio for the previous fiscal year (FY2018), figures after retrospective application of these accounting standards are presented.

(3) Consolidated cash flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
FY2019	17,063	(14,614)	7,135	30,085
FY2018	15,217	(11,941)	2,824	20,556

2. Dividends

	Dividends per Share (Yen)					Total Amount of Cash Dividends (Millions of yen)	Dividend Payout Ratio (Consolidated) (%)	Dividends on Net Assets (Consolidated) (%)
	1Q-end	2Q-end	3Q-end	Year-end	Full Year			
FY2018	—	15.00	—	15.00	30.00	2,413	31.5	1.6
FY2019	—	15.00	—	17.00	32.00	2,469	29.4	1.7
FY2020 (Forecast)	—	16.00	—	16.00	32.00		27.6	

3. Forecast of consolidated business results for FY2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen, percentage figures show the rate of changes from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share (Yen)
Half Year	175,000	4.4%	5,500	2.9%	6,400	0.3%	4,300	6.7%	56.17
Full Year	350,000	4.4%	12,000	6.9%	13,500	3.3%	9,000	6.4%	117.55

* Notes

(1) Significant changes in subsidiaries during the term (changes in specified subsidiaries in accordance with changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and retrospective restatements

- 1) Changes in accounting policies due to revisions of accounting standards: None
- 2) Changes other than 1): None
- 3) Change in accounting estimates: None
- 4) Retrospective restatements: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares outstanding at the end of each period (including treasury shares):	FY2019	78,824,009 shares	FY2018	82,524,009 shares
2) Number of treasury shares at the end of each period:	FY2019	2,226,385 shares	FY2018	2,225,475 shares
3) Average number of shares:	FY2019	77,733,795 shares	FY2018	80,257,570 shares

* These consolidated financial results are outside the scope of audit.

* Explanation regarding the appropriate use of projected financial results and other special instructions

Descriptions regarding the future, including the financial outlook contained in this material, are based on certain information currently available to the Company and particular assumptions, which are, at the discretion of the Company, deemed reasonable, and actual financial results may significantly vary due to various factors. Please refer to “1. Overview of Financial Results (1) Overview of business results for the fiscal year under review 2) Future Outlook” on page 4 for information on preconditions underlying the above outlook and other related information.

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1. Overview of Financial Results

(1) Overview of business results for the fiscal year under review**1) Business results for the fiscal year under review**

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Difference	Change
Net sales	323,495	335,399	11,903	103.7%
Operating income	10,060	11,222	1,161	111.5%
Ordinary income	11,862	13,065	1,203	110.1%
Profit attributable to owners of parent	7,651	8,455	803	110.5%

During the fiscal year ended March 31, 2019, the Japanese economy remained on a moderate recovery track, supported by improvements in corporate earnings and the labor market owing to the impact of the government's economic policy and the Bank of Japan's ongoing monetary easing. However, triggered by the change in the tone of the Chinese economy due to U.S.-China trade friction, concerns about possible slowing of the world economy increased, and the effect on the outlook of the Japanese economy is a concern.

The food industry is operating in a challenging environment due to labor shortages and an increase in costs, such as logistics costs and materials costs, amid the prevailing frugality of consumers.

In these circumstances, in order to respond to the unceasingly changing business environment, in Japan, the Group is strengthening the business foundation for the purpose of reducing costs. We are promoting vigorous investment in promising fields and re-establishment of production sites, with the aim of achieving sustainable growth.

Regarding the international business, construction of the premix plant of Nippon Flour Mills (Shanghai, Jinshan) Co., Ltd. to meet growing demand for premix products in China was completed and it started operation. In Thailand, NIPPON (Thailand) Co., Ltd., a subsidiary, increased premix production capacity. Moreover, construction of a frozen food production facility is planned.

We are emphasizing initiatives for environmental protection. In the frozen food operations, we are expanding use of paper trays made of environmentally friendly raw materials, such as PEFC-certified paper, for pasta and rice dishes. Moreover, we have expanded the scope of our ISO14001 certification for environmental management systems to cover the headquarters and all eight factories.

As a result, consolidated net sales for the fiscal year under review increased by 3.7% year on year to ¥335,399 million, operating income increased by 11.5% to ¥11,222 million, ordinary income increased by 10.1% to ¥13,065 million, and profit attributable to owners of parent increased by 10.5% to ¥8,455 million.

The performance of individual business segments was as follows.

Flour Milling

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Difference	Change
Net sales	97,752	102,736	4,983	105.1%
Operating income	5,216	5,538	322	106.2%

The Group is further strengthening quality control in response to the growing preoccupation with the safety and security of food throughout society. At the same time, we are engaged in closer communication with our customers to strengthen proposal-driven sales that will lead to resolution of their issues, including by quickly identifying customer needs and reflecting them in product development and through the provision of useful information. Moreover, we conducted vigorous sales & marketing initiatives, including participation in various trade shows and holding of workshops and seminars around Japan, some of which were for management. As a result, both shipped volume and sales of wheat flour exceeded the level for the previous year.

Shipped volume and sales of wheat bran, a byproduct, also exceeded the previous year's level.

In line with the increase of government sales prices (tax inclusive) of imported wheat by 3.5% and by 2.2% on average for the five key products in April and October 2018, respectively, we revised the sales prices of commercial-use wheat flour in June and December 2018, respectively.

As a result, net sales for the Flour Milling segment increased by 5.1% year on year to ¥102,736 million, and operating income increased by 6.2% to ¥5,538 million.

Food

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Difference	Change
Net sales	191,643	195,696	4,052	102.1%
Operating income	4,435	5,221	786	117.7%

In the professional-use category, the Group engaged in vigorous marketing, including participation in various exhibitions and the holding of Italian cookery workshops for professional cooks. As a result, sales of premixes and pastas for professional use were brisk both in Japan and overseas.

In the home-use product category, in the context of consumers' increasing desire to spend less time cooking, we launched the Cho-hayayude series of short pasta that is ready after boiling for just 80 seconds, the fastest product of its kind in the industry. Regarding the REGALO premium pasta brand line, we strengthened merchandising from customers' viewpoints, including replacement of its popular pasta sauce series with a new series offering more authentic taste, and strove to reinforce the brand. Strong demand for flaxseed-related food products, which contribute to extension of healthy life expectancy, an important indicator in an aging society, continued. As a result, sales of products in this category increased compared with the previous year.

In the home-use frozen foods category, we introduced new products featuring distinctive ingredients in the Oh' my Premium series that has the biggest sales in the one-person-portion frozen pasta market. In addition, in the Yokubari Plate series of complete well-balanced meals consisting of a main dish and staples, we introduced products suitable for breakfast. As a result of offering of products corresponding to various dining scenarios, sales of home-use frozen foods greatly exceeded the level for the previous year.

In the ready-made meals business, construction of new plants started in the previous year was completed, leading to higher sales. Consequently, sales of the ready-made meals business increased compared with the previous year.

As a result, net sales of the Food segment increased by 2.1% year on year to ¥195,696 million, and operating income increased by 17.7% to ¥5,221 million.

Other

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Difference	Change
Net sales	34,099	36,966	2,867	108.4%
Operating income	374	439	65	117.6%

Sales of the pet care business were lower than the level for the previous year as a result of little growth of the sales volume. Sales of the engineering business were higher than the level for the previous year, reflecting an increase in inquiries for large projects.

As a result, net sales for the Other segment increased by 8.4% year on year to ¥36,966 million, and operating income increased by 17.6% to ¥439 million.

2) Future Outlook

The impact of downside risks to the world economy, such as U.S. protectionism and the as yet unresolved complexities of the Brexit issue, on the Japanese economy is a concern. In addition, there is anxiety about the impact of the consumption tax increase scheduled in October 2019 on consumer behavior. Thus, the outlook is expected to remain unclear.

The food industry is facing various issues, among which labor shortages and the consequent rise in labor costs are particularly pressing. Meanwhile, in view of the shifting patterns of personal consumption, companies need to respond swiftly in a market environment undergoing structural change.

Regarding the flour milling industry, government sales prices (tax inclusive) of imported wheat were decreased by 1.7% on average for the five key products in April 2019. Meanwhile, international trade agreements, such as TPP 11 and the EU-Japan Economic Partnership Agreement (EPA), have been concluded, and these developments may have a significant impact on the business environment from now on.

In these circumstances, while striving to further strengthen competitiveness in each business field and expanding the international business, the Group will continue to embrace new challenges with the aim of becoming a multifaceted global food enterprise. We will also continue strengthening the systems ensuring food safety and reliability for consumers and stable distribution.

For the year ending March 31, 2020, management forecasts consolidated net sales of ¥350.0 billion (up 4.4% year on year), operating income of ¥12.0 billion (up 6.9% year on year), ordinary income of ¥13.5 billion (up 3.3% year on year) and profit attributable to owners of parent of ¥9.0 billion (up 6.4% year on year).

Note: Forecasts for future operating results have been prepared based on certain assumptions and beliefs that can be inferred from the current situation. The Company undertakes to provide no guarantee or assurance that the forecasts will be realized.

(2) Overview of financial position for the fiscal year under review**1) Assets, liabilities and net assets**

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019	Difference
Current assets	105,143	118,330	13,187
Non-current assets	167,022	174,988	7,965
Deferred assets	–	73	73
Total assets	272,166	293,392	21,225
Current liabilities	77,675	76,100	(1,574)
Non-current liabilities	37,585	62,305	24,719
Total liabilities	115,261	138,405	23,144
Total net assets	156,905	154,986	(1,918)
Total liabilities and net assets	272,166	293,392	21,225

Total assets at the end of fiscal 2019 increased by ¥21,225 million from the previous fiscal year end (March 31, 2018) to ¥293,392 million. This was mainly because cash and deposits, property, plant and equipment and notes and accounts receivable - trade increased by ¥9,566 million, ¥8,365 million and ¥2,107 million, respectively.

Total liabilities increased by ¥23,144 million from the previous fiscal year end to ¥138,405 million. This was mainly because convertible bond-type bonds with subscription rights to shares and notes and accounts payable – trade increased by ¥25,110 million, and ¥4,363 million, respectively.

Net assets decreased by ¥1,918 million from the previous fiscal year end to ¥154,986 million. This was mainly attributable to decreases of ¥1,070 million in unrealized holding gain (loss) on securities, and treasury shares of ¥900 million.

Effective from fiscal 2019, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018) and other standards, and the figures at the end of the previous year after retrospective application of these accounting standards were used for comparison.

2) Cash flows

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Difference
Cash flows from operating activities	15,217	17,063	1,845
Cash flows from investing activities	(11,941)	(14,614)	(2,672)
Cash flows from financing activities	2,824	7,135	4,310
Effect of exchange rate changes on cash and cash equivalents	61	(55)	(117)
Net increase (decrease) in cash and cash equivalents	6,162	9,528	3,365
Increase in cash and cash equivalents from newly consolidated subsidiary	25	–	(25)
Cash and cash equivalents at end of period	20,556	30,085	9,528

As of March 31, 2019, the balance of cash and cash equivalents stood at ¥30,085 million, an increase of ¥9,528 million compared with the end of the previous fiscal year. The conditions of cash flows were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥17,063 million. The main factors were profit before income taxes amounting to ¥12,305 million, depreciation amounting to ¥7,428 million, and income taxes paid amounting to ¥4,069 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥14,614 million. This mainly reflected spending of ¥13,984 million for purchase of fixed assets.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥7,135 million. This mainly reflected proceeds from issuance of convertible bond-type bonds amounting to ¥25,041 million, proceeds from long-term loans payable amounting to ¥2,908 million, a purchase of treasury shares amounting to ¥7,028 million, repayments of long-term loans payable amounting to ¥5,175 million, a redemption of bonds amounting to ¥5,000 million, and cash dividends paid amounting to ¥2,371 million.

—Cash flow indicator trends—

	FY2015	FY2016	FY2017	FY2018	FY2019
Equity ratio (%)	53.3	52.7	56.8	56.0	51.2
Equity ratio at market value (%)	39.5	60.0	52.3	48.4	49.58
Ratio of interest-bearing debt to cash flows (%)	392.6	222.8	223.7	293.1	212.4
Interest coverage ratio (times)	26.8	54.6	60.2	56.4	71.3

Note: Equity ratio: (Net assets – Minority interests) / Total assets

Equity ratio at market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows from operating activities / Interest expense

- * The consolidated financial figures constitute the basis for calculating these indicators.
- * Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (after the deduction of treasury shares).
- * The basis for calculating the ratio of interest-bearing debt to cash flows is cash flows from operating activities in the consolidated statements of cash flows.
- * Interest-bearing debt includes all debts recorded on the consolidated balance sheets on which interest is paid.
- * The basis for interest expense is the amount of interest paid recorded in the consolidated statements of cash flows.

(3) Basic policy on profit distribution and dividends for the year ended March 31, 2019 and the year ending March 31, 2020

The Company's basic policy on profit distribution is to continue to pay stable dividends while maintaining adequate internal reserves in light of the need to strengthen the corporate structure, prepare for future business development, and respond to change in the operating environment. At the same time, management considers returning profits to shareholders to be an important management issue. We intend to use free cash flow from a long-term perspective, taking into consideration investment efficiency. As well as using free cash flow to invest in order to enhance corporate value, which is our priority, for example through the expansion of the existing core businesses and the cultivation of new businesses, we intend to flexibly conduct share buybacks as a means of returning profit to shareholders.

In accordance with this basic policy, taking into consideration consolidated results for the year under review, the Company intends to pay a year-end dividend of ¥17 per share for fiscal 2019, instead of ¥15 per share in the initial forecast, in order to reward shareholders for their support. The total cash dividends for the full year will amount to ¥32 per share, including the interim dividend paid.

With regard to cash dividends for the year ending March 31, 2020, the Company plans to pay total cash dividends of ¥32 per share for the full year.

Furthermore, the Company has a shareholder benefit program designed to facilitate shareholders' understanding of the Group's products and to earn their support.

2. Basic Approach to the Selection of Accounting Standards

The Group intends to prepare consolidated financial statements in conformity with the accounting principles and practices generally accepted in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

The Group's policy is to respond to the application of the International Financial Reporting Standards (IFRS) in an appropriate manner, taking into consideration situations in Japan and abroad.

3. Consolidated Financial Statements**(1) Consolidated balance sheets**

(Millions of yen)

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	23,392	32,958
Notes and accounts receivable - trade	45,303	47,410
Merchandise and finished goods	14,481	15,508
Work in process	165	32
Raw materials and supplies	18,310	19,230
Other current assets	3,663	3,348
Allowance for doubtful accounts	(172)	(159)
Total current assets	105,143	118,330
Non-current assets		
Property, plant and equipment		
Buildings and structures	86,873	92,072
Accumulated depreciation	(53,303)	(54,913)
Buildings and structures, net	33,569	37,159
Machinery, equipment and vehicles	111,075	116,691
Accumulated depreciation	(93,438)	(96,179)
Machinery, equipment and vehicles, net	17,636	20,511
Land	37,373	40,032
Construction in progress	2,442	1,719
Other	11,258	11,631
Accumulated depreciation	(9,412)	(9,822)
Other, net	1,846	1,809
Total property, plant and equipment	92,867	101,233
Intangible assets	1,424	1,376
Investments and other assets		
Investment securities	66,854	65,472
Long-term loans receivable	84	1,117
Deferred tax assets	1,685	1,767
Net retirement benefits asset	95	91
Other	4,634	4,548
Allowance for doubtful accounts	(624)	(620)
Total investments and other assets	72,730	72,377
Total non-current assets	167,022	174,988
Deferred assets	-	73
Total assets	272,166	293,392

(Millions of yen)

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,200	34,564
Short-term loans payable	22,528	19,201
Current portion of bonds	5,000	–
Income taxes payable	2,466	2,084
Accrued expenses	11,875	12,357
Provision for bonuses	611	615
Other current liabilities	4,992	7,276
Total current liabilities	77,675	76,100
Non-current liabilities		
Bonds payable	5,000	5,000
Convertible bond-type bonds with subscription rights to shares	–	25,110
Long-term loan payable	12,075	12,041
Deferred tax liabilities	12,618	12,126
Net retirement benefits liability	4,530	4,494
Accrued retirement benefits for directors	808	819
Other non-current liabilities	2,551	2,713
Total non-current liabilities	37,585	62,305
Total liabilities	115,261	138,405
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	11,415	11,262
Retained earnings	103,522	103,682
Treasury shares	(2,635)	(3,536)
Total shareholders' equity	124,542	123,648
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	27,495	26,424
Deferred gain (loss) on hedges	(14)	(2)
Foreign currency translation adjustment	725	572
Retirement benefits liability adjustments	(440)	(495)
Total accumulated other comprehensive income	27,765	26,498
Subscription rights to shares	211	287
Non-controlling interests	4,385	4,552
Total net assets	156,905	154,986
Total liabilities and net assets	272,166	293,392

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(Millions of yen)

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Net sales	323,495	335,399
Cost of sales	234,823	243,017
Gross profit	88,672	92,381
Selling, general and administrative expenses		
Sales fare related expenses	40,455	43,535
Provision of allowance for doubtful accounts	309	–
Salaries and allowances	19,571	19,943
Retirement benefit expenses	1,324	986
Depreciation	1,205	1,138
Other	15,744	15,555
Total selling, general and administrative expenses	78,611	81,159
Operating income	10,060	11,222
Non-operating income		
Interest income	80	121
Dividend income	1,253	1,316
Rent income on fixed assets	320	301
Share of profit of entities accounted for using equity method	300	290
Foreign exchange gains	–	23
Gain on sales of securities	28	4
Other	343	392
Total non-operating income	2,327	2,448
Non-operating expenses		
Interest expenses	266	230
Cost of rent income	22	32
Foreign exchange losses	61	–
Other	175	342
Total non-operating expenses	525	605
Ordinary income	11,862	13,065
Extraordinary income		
Gain on sales of investment securities	22	41
Other	207	10
Total extraordinary income	229	52

(Millions of yen)

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Extraordinary expenses		
Loss on sales and disposal of fixed assets	158	182
Impairment loss	244	23
Loss of valuation of investment securities	103	55
Demolition expenses	–	384
Expense on restructuring of factory	–	139
Other	99	27
Total extraordinary losses	606	812
Profit before income taxes	11,486	12,305
Income taxes - current	3,567	3,725
Income taxes - deferred	(26)	(4)
Total income taxes	3,541	3,720
Profit	7,944	8,584
Profit attributable to non-controlling interests	293	129
Profit attributable to owners of parent	7,651	8,455

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Profit	7,944	8,584
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	2,953	(1,220)
Deferred gain (loss) on hedges	(2)	12
Foreign currency translation adjustment	178	(147)
Retirement benefits liability adjustments	777	(54)
Share of other comprehensive income of entities accounted for using equity method	37	83
Total other comprehensive income (loss)	3,944	(1,326)
Comprehensive income	11,889	7,258
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	11,588	7,183
Comprehensive income attributable to non-controlling interests	300	74

(3) Consolidated statements of changes in net assets
FY2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at beginning of current period	12,240	11,412	98,361	(2,668)	119,346
Changes of items during period					
Dividends of surplus			(2,493)		(2,493)
Profit attributable to owners of parent			7,651		7,651
Change of scope of consolidation			2		2
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		3		33	36
Retirement of treasury shares					-
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	2	5,160	32	5,195
Balance at end of current period	12,240	11,415	103,522	(2,635)	124,542

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at beginning of current period	24,515	(12)	545	(1,220)	23,828	169	4,102	147,446
Changes of items during period								
Dividends of surplus								(2,493)
Profit attributable to owners of parent								7,651
Change of scope of consolidation								2
Purchase of treasury shares								(0)
Disposal of treasury shares								36
Retirement of treasury shares								-
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(0)
Net changes of items other than shareholders' equity	2,979	(2)	179	779	3,936	42	283	4,263
Total changes of items during period	2,979	(2)	179	779	3,936	42	283	9,459
Balance at end of current period	27,495	(14)	725	(440)	27,765	211	4,385	156,905

FY2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at beginning of current period	12,240	11,415	103,522	(2,635)	124,542
Changes of items during period					
Dividends of surplus			(2,371)		(2,371)
Profit attributable to owners of parent			8,455		8,455
Change of scope of consolidation					-
Purchase of treasury shares				(7,001)	(7,001)
Disposal of treasury shares		0		7	7
Retirement of treasury shares		(169)	(5,923)	6,093	-
Change in treasury shares of parent arising from transactions with non-controlling shareholders		15			15
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(153)	160	(900)	(893)
Balance at end of current period	12,240	11,262	103,682	(3,536)	123,648

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at beginning of current period	27,495	(14)	725	(440)	27,765	211	4,385	156,905
Changes of items during period								
Dividends of surplus								(2,371)
Profit attributable to owners of parent								8,455
Change of scope of consolidation								-
Purchase of treasury shares								(7,001)
Disposal of treasury shares								7
Retirement of treasury shares								-
Change in treasury shares of parent arising from transactions with non-controlling shareholders								15
Net changes of items other than shareholders' equity	(1,070)	12	(153)	(55)	(1,266)	75	166	(1,025)
Total changes of items during period	(1,070)	12	(153)	(55)	(1,266)	75	166	(1,918)
Balance at end of current period	26,424	(2)	572	(495)	26,498	287	4,552	154,986

(4) Consolidated statements of cash flows

(Millions of yen)

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Operating activities		
Profit before income taxes	11,486	12,305
Depreciation	7,791	7,428
Increase (decrease) in net retirement benefits asset/liability	(296)	(453)
Increase (decrease) in provision for directors' retirement benefits	(91)	10
Increase (decrease) in allowance for doubtful accounts	325	11
Impairment loss	244	23
Demolition expenses	-	384
Interest and dividend income	(1,333)	(1,437)
Interest expenses	266	230
Loss (gain) on sales of investment securities	(50)	(5)
Loss (gain) on valuation of investment securities	103	55
Foreign exchange losses (gains)	50	(28)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(300)	(290)
Loss (gain) on sales of fixed assets	(207)	(2)
Loss on disposal of fixed assets	161	186
Decrease (increase) in notes and accounts receivable - trade	(3,204)	(2,171)
Decrease (increase) in inventories	(3,764)	(1,829)
Increase (decrease) in notes and accounts payable - trade	4,555	4,367
Increase (decrease) in accrued consumption taxes	(157)	376
Decrease (increase) in other receivables	(554)	123
Increase (decrease) in other payables	1,389	95
Other, net	999	548
Subtotal	17,410	19,927
Interest and dividend income received	1,358	1,444
Interest expenses paid	(269)	(239)
Income taxes paid	(3,280)	(4,069)
Net cash provided by (used in) operating activities	15,217	17,063

(Millions of yen)

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Investing activities		
Decrease (increase) in time deposits	(550)	(62)
Purchase of fixed assets	(10,164)	(13,984)
Proceeds from sales of fixed assets	388	16
Purchase of investment securities	(1,302)	(568)
Proceeds from sales and redemption of investment securities	1,079	297
Payments for transfer of business	(1,101)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(461)	–
Payments of loans receivable	(16)	(410)
Collection of loans receivable	33	26
Other, net	154	70
Net cash provided by (used in) investing activities	(11,941)	(14,614)
Financing activities		
Net increase (decrease) in short-term loans payable	1,547	(1,089)
Proceeds from long-term loans payable	7,156	2,908
Repayment of long-term loans payable	(3,069)	(5,175)
Redemption of bonds	–	(5,000)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	–	25,041
Proceeds from share issuance to non-controlling shareholders	–	150
Purchase of treasury shares	(0)	(7,028)
Cash dividends paid	(2,493)	(2,371)
Dividends paid to non-controlling interests	(16)	(14)
Repayments of finance lease obligations	(298)	(261)
Other, net	(1)	(23)
Net cash provided by (used in) financing activities	2,824	7,135
Effect of exchange rate change on cash and cash equivalents	61	(55)
Net increase (decrease) in cash and cash equivalents	6,162	9,528
Cash and cash equivalents at beginning of period	14,368	20,556
Increase in cash and cash equivalents from newly consolidated subsidiary	25	–
Cash and cash equivalents at end of period	20,556	30,085

(Segment information, etc.)**Segment information****1. Overview of reporting segments**

The Group's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

The Group consists of three main business units classified by product types—Flour Milling, Food and Other. Each business unit formulates business strategies and promotes business activities.

The Group has classified its operations into two reporting segments: Flour Milling and Food.

The Flour Milling segment covers wheat flour, bran, and buckwheat flour, while the Food segment covers wheat flour for home use, premixes, pasta, frozen foods, deli foods, and rice flour.

2. Calculation methods for sales, profit (loss), assets, liabilities and other items by reporting segment

Profit figures reported for business segments are based on operating income. Inter-segment sales and transfers are based on prevailing market prices.

**3. Information on sales, profit (loss), assets, liabilities and other items by reporting segment
FY2018 (From April 1, 2017 to March 31, 2018)**

(Millions of yen)

	Reporting segments			Other	Total	Adjustments	Amounts recorded in consolidated financial statements
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	97,752	191,643	289,396	34,099	323,495	–	323,495
Internal sales or transfers between segments	1,781	644	2,425	2,394	4,820	(4,820)	–
Total	99,533	192,288	291,821	36,494	328,316	(4,820)	323,495
Segment income	5,216	4,435	9,651	374	10,025	35	10,060
Segment assets	107,136	93,983	201,120	19,004	220,125	52,040	272,166
Other items							
Depreciation	3,001	3,561	6,563	911	7,475	316	7,791
Increase in property, plant and equipment and intangible assets	2,486	6,359	8,846	1,884	10,731	8	10,739

- Notes: 1. The "Other" column indicates businesses not included in the reporting segments, including pet food, health food and engineering.
2. Segment income adjustment of ¥35 million is an elimination of inter-segment transactions.
3. Corporate assets included in adjustments of segment assets amounted to ¥54,472 million and mainly comprise the Company's surplus funds (cash and deposits, and securities) and property, plant and equipment concerning administrative operations.
4. Adjustments amounting to ¥8 million for the increase in property, plant and equipment and intangible assets mainly relate to capital investment by the administrative departments and elimination of inter-segment transactions.
5. Segment income or loss is adjusted to reflect operating income as recorded in the consolidated financial statements.
6. Depreciation expenses and an increase in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses and amortization thereof.
7. The standards for allocation of fixed assets to segments are different from the standards for allocation of related depreciation.

FY2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reporting segments			Other	Total	Adjustments	Amounts recorded in consolidated financial statements
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	102,736	195,696	298,432	36,966	335,399	–	335,399
Internal sales or transfers between segments	1,798	789	2,587	6,886	9,474	(9,474)	–
Total	104,534	196,485	301,020	43,853	344,874	(9,474)	335,399
Segment income	5,538	5,221	10,760	439	11,200	21	11,222
Segment assets	111,078	103,721	214,799	19,958	234,757	58,634	293,392
Other items							
Depreciation	2,894	3,318	6,213	885	7,099	328	7,428
Increase in property, plant and equipment and intangible assets	3,887	10,819	14,707	1,505	16,213	69	16,282

- Notes: 1. The “Other” column indicates businesses not included in the reporting segments, including pet food, health food and engineering.
2. Segment income adjustment of ¥21 million is an elimination of inter-segment transactions.
3. Corporate assets included in adjustments of segment assets amounted to ¥59,889 million and mainly comprise the Company’s surplus funds (cash and deposits, and securities) and property, plant and equipment concerning administrative operations.
4. Adjustments amounting to ¥69 million for the increase in property, plant and equipment and intangible assets mainly relate to capital investment by the administrative departments and elimination of inter-segment transactions.
5. Segment income or loss is adjusted to reflect operating income as recorded in the consolidated financial statements.
6. Depreciation expenses and an increase in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses and amortization thereof.
7. The standards for allocation of fixed assets to segments are different from the standards for allocation of related depreciation.

(Per share information)

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Net assets per share	¥1,897.64	¥1,961.17
Profit per share	¥95.34	¥108.78
Fully diluted profit per share	¥95.16	¥97.07

Note: Basis for the calculation of profit per share and fully diluted profit per share is as follows.

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Profit per share		
Profit attributable to owners of parent (Millions of yen)	7,651	8,455
Amount not attributable to common shareholders (Millions of yen)	–	–
Amount pertaining to common stock (Millions of yen)	7,651	8,455
Average number of shares of common stock in the fiscal year (Thousands of shares)	80,257	77,733
Fully diluted profit per share		
Amount attributable to owners of parent (Millions of yen)	–	(10)
< of which interest income (after deducting the amount equivalent to tax) > (Millions of yen)	–	(10)
Increase in common stock (Thousands of shares)	152	9,262
Summary of residual securities not included in calculation of fully diluted profit per share because of no dilutive effect	–	–