



Consolidated Financial Results for the Third Quarter of FY2020 [J-GAAP]

February 6, 2020

Listed company name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange
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 Representative: Masayuki Kondo, President and Chief Operating Officer
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 Filing date of quarterly financial report: February 7, 2020
 Start of cash dividend payments: —
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

*Amounts less than one million yen have been rounded down.

1. Consolidated financial results for the third quarter of FY2020 (From April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
3Q of FY2020	263,141	3.2%	8,593	(1.6)%	10,042	(4.4)%	6,844	0.1%
3Q of FY2019	254,992	4.0%	8,729	14.5%	10,500	12.8%	6,839	9.5%

(Note) Comprehensive income: 3Q of FY2020: ¥8,261 million (67.9%)
 3Q of FY2019: ¥4,920 million (-63.8%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
3Q of FY2020	89.34	77.94
3Q of FY2019	87.55	78.73

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
3Q of FY2020	292,062	160,304	53.2%
FY2019	293,392	154,986	51.2%

(Reference) Equity capital: 3Q of FY2020: ¥155,431 million
 FY2019: ¥150,147 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2019	—	15.00	—	17.00	32.00
FY2020	—	16.00	—		
FY2020 (Forecast)				18.00	34.00

(Note) Adjustment for the most recent forecast of the dividends in the current term: Yes

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

(Millions of yen, percentage figures show the rates 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)
Full year	350,000	4.4%	12,000	6.9%	13,500	3.3%	9,000	6.4%	117.55

(Note) Adjustment for the most recent forecast of the consolidated financial results in the current term: None

* Notes

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

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial information: None

(3) 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) Changes in accounting estimates: None
- 4) Retrospective restatements: None

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

1) Number of shares outstanding at the end of each period (including treasury shares):	3Q of FY2020	78,824,009 shares	FY2019	78,824,009 shares
2) Number of treasury shares at the end of each period:	3Q of FY2020	2,157,224 shares	FY2019	2,226,385 shares
3) Average number of shares (quarterly consolidated cumulative period):	3Q of FY2020	76,613,587 shares	3Q of FY2019	78,125,020 shares

* These consolidated financial results are outside the scope of quarterly review procedures by certified public accountants or an audit corporation.

* 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. Qualitative Information on Quarterly Consolidated Financial Results, (3) Information on forecast of the consolidated financial results” on page 4 for information on preconditions underlying the above outlook and other related information.

Contents

1. Qualitative Information on Quarterly Consolidated Financial Results	2
(1) Overview of business results	2
(2) Overview of financial position	4
(3) Information on forecast of the consolidated financial results	4
2. Quarterly Consolidated Financial Statements	5
(1) Quarterly consolidated balance sheets	5
(2) Quarterly consolidated statements of income and comprehensive income	7
(Quarterly consolidated statements of income)	7
(Quarterly consolidated statements of comprehensive income)	8
(3) Notes on quarterly consolidated financial information	9
(Notes on going concern assumption)	9
(Notes to significant changes in the amount of shareholders' equity)	9
(Segment information)	9

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Overview of business results

(Millions of yen)

	First nine months of Fiscal 2019	First nine months of Fiscal 2020	Difference	Change
Net sales	254,992	263,141	8,148	103.2%
Operating income	8,729	8,593	(135)	98.4%
Ordinary income	10,500	10,042	(457)	95.6%
Profit attributable to owners of parent	6,839	6,844	5	100.1%

During the first nine months of the fiscal year ending March 31, 2020, despite expectations of increased personal consumption in the runup to the forthcoming Tokyo Olympic and Paralympic Games, concerns mounted about the possible impact of fluctuations of the world economy on the Japanese economy due to U.S.-China trade friction and Brexit, and the outlook remained unclear.

The business environment of the food industry continues to become more challenging. Amid continuing consumer frugality, in addition to shrinkage of the market corresponding to population aging combined with a declining birthrate and rises in both labor costs and logistics costs due to labor shortages, trade liberalization, such as the enforcement of TPP 11 and the EU-Japan Economic Partnership Agreement (EPA) and the signing of the trade agreement between Japan and the U.S., is expected to have an impact.

In these circumstances, with the aim of maintaining sustainable growth in the midst of a changing business environment, the Group is strengthening the business foundation based on cost reduction and sales expansion as well as through Group-wide vigorous capital investment in promising fields in Japan and overseas. A facility for bulk shipping of wheat bran has been completed at the Chiba Mill. Capital investment projects currently underway include construction of a new premix plant at the Fukuoka Mill, expansion of a frozen food plant at the Isezaki Plant of NIPPON Frozen Food Co., Ltd., construction of a frozen food plant of NIPPON (Thailand) Co., Ltd., and construction of a premix plant in Indonesia.

In September 2019, we revised the corporate brand logo and slogan. With the new corporate brand logo and a new slogan “Enjoy every meal,” we aim to get much closer to customers by providing better service in every scene where food is consumed.

Moreover, we are promoting establishment of an internal organizational structure capable of responding to further business development. In this regard, we implemented structural reform of the foods operations and enhanced the structure of the international business operations and the home-use product development structure. We are stepping up our efforts to resolve issues in order to contribute to realization of a sustainable environment and society.

As a result, consolidated net sales for the first nine months of fiscal 2020 increased by 3.2% year on year to ¥263,141 million, operating income decreased by 1.6% to ¥8,593 million, ordinary income decreased by 4.4% to ¥10,042 million, and profit attributable to owners of parent increased by 0.1% to ¥6,844 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First nine months of Fiscal 2019	First nine months of Fiscal 2020	Difference	Change
Net sales	77,970	78,832	862	101.1%
Operating income	4,249	4,506	256	106.0%

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. 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, and rolling out of new products.

As a result, sales of wheat flour and wheat bran, a by-product, were higher than the levels for the same period of the previous year.

In line with the decrease of government sales prices (tax inclusive) of imported wheat by 1.7% and by 8.7% on average for the five key products in April 2019 and October 2019, respectively, we revised the prices of our products in July 2019 and January 2020, respectively.

As a result, net sales for the Flour Milling segment increased by 1.1% year on year to ¥78,832 million, and operating income increased by 6.0% to ¥4,506 million.

2) Food

(Millions of yen)

	First nine months of Fiscal 2019	First nine months of Fiscal 2020	Difference	Change
Net sales	149,249	155,497	6,248	104.2%
Operating income	4,217	3,633	(584)	86.1%

In the professional-use category, owing to vigorous marketing, including participation in various exhibitions and the holding of Italian cookery workshops, sales of premixes for professional use were brisk both in Japan and overseas, resulting in higher sales of products in the professional-use category than for the same period of the previous year.

In the home-use product category, we implemented vigorous sales promotion activities for the REGALO premium pasta brand and flaxseed-related products, including broadcasting of TV commercials. As a result, sales of home-use products were higher than the level for the same period of the previous year.

In the home-use frozen foods category, there was brisk demand for the Oh' my Premium series of frozen pasta, which we completely renewed, and for the Yokubari Plate series of complete meals consisting of a main dish and staples, whose lineup we strengthened, for example by the addition of products suitable for breakfast. As a result, sales of home-use frozen foods were higher than the level for the same period of the previous year.

In the ready-made meals business, as sales volume increased owing to the start of operation of a new factory in Chita City, Aichi Prefecture, sales were higher than the level for the same period of the previous year.

As a result, net sales of the Food segment increased by 4.2% year on year to ¥155,497 million, while operating income decreased by 13.9% to ¥3,633 million.

3) Other

(Millions of yen)

	First nine months of Fiscal 2019	First nine months of Fiscal 2020	Difference	Change
Net sales	27,772	28,810	1,038	103.7%
Operating income	248	413	165	166.5%

Sales of the healthcare business were higher than the level for the same period of the previous year because of strong demand for ceramides, which are functional materials.

Revenue from the real estate leasing business exceeded the level for the same period of the previous year as a result of an increase in rental income due to the completion of Link Square Shinjuku in August 2019.

As a result, net sales for the Other segment increased by 3.7% year on year to ¥28,810 million, and operating income increased by 66.5% to ¥413 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019	Difference
Current assets	118,330	112,835	(5,495)
Non-current assets	174,988	179,163	4,174
Deferred assets	73	64	(9)
Total assets	293,392	292,062	(1,329)
Current liabilities	76,100	73,209	(2,890)
Non-current liabilities	62,305	58,548	(3,756)
Total liabilities	138,405	131,758	(6,647)
Total net assets	154,986	160,304	5,318
Total liabilities and net assets	293,392	292,062	(1,329)

Total assets at the end of the first nine months of fiscal 2020 decreased by ¥1,329 million from the previous fiscal year end (March 31, 2019) to ¥292,062 million. This was mainly because cash and deposits, raw materials and supplies and merchandise and finished goods decreased by ¥5,901 million, ¥3,757 million and ¥437 million, respectively.

Total liabilities decreased by ¥6,647 million from the previous fiscal year end to ¥131,758 million. This was mainly because loans payable increased by ¥2,758 million, and notes and accounts payable - trade and income taxes payable decreased by ¥7,502 million and ¥1,214 million, respectively.

Net assets increased by ¥5,318 million from the previous fiscal year end to ¥160,304 million. This was mainly because retained earnings and unrealized holding gain (loss) on securities increased by ¥3,727 million and ¥1,252 million, respectively.

(3) Information on forecast of the consolidated financial results

In the food industry, trade liberalization, such as the enforcement of TPP 11 and the EU-Japan Economic Partnership Agreement (EPA) and the signing of the trade agreement between Japan and the U.S., will bring about a great change in the business environment. In addition, the novel coronavirus outbreak in China is expected to have an impact on the economy and the outlook remains unclear. The Group will respond flexibly to such uncertainties by continuing to promote product development attuned to customer needs.

The forecast of the financial results for the fiscal year ending March 31, 2020 is unchanged from the forecasts announced on May 10, 2019: net sales of ¥350.0 billion, operating income of ¥12.0 billion, ordinary income of ¥13.5 billion, and profit attributable to owners of parent of ¥9.0 billion.

We plan to pay a year-end dividend of ¥18 per share, an increase of ¥2 from the initial forecast. As a result, full-year dividends will amount to ¥34 per share.

2. Quarterly Consolidated Financial Statements**(1) Quarterly consolidated balance sheets**

(Millions of yen)

	FY2019 (As of March 31, 2019)	Third Quarter of FY2020 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	32,958	27,056
Notes and accounts receivable - trade	47,410	51,548
Merchandise and finished goods	15,508	15,070
Work in process	32	233
Raw materials and supplies	19,230	15,473
Other current assets	3,348	3,622
Allowance for doubtful accounts	(159)	(169)
Total current assets	118,330	112,835
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,159	42,227
Machinery, equipment and vehicles, net	20,511	20,081
Land	40,032	40,724
Construction in progress	1,719	740
Other, net	1,809	1,820
Total property, plant and equipment	101,233	105,594
Intangible assets		
Goodwill	622	542
Other	753	940
Total intangible assets	1,376	1,483
Investments and other assets		
Investment securities	65,472	66,485
Other assets	7,525	6,207
Allowance for doubtful accounts	(620)	(607)
Total investments and other assets	72,377	72,085
Total non-current assets	174,988	179,163
Deferred assets	73	64
Total assets	293,392	292,062

(Millions of yen)

	FY2019 (As of March 31, 2019)	Third Quarter of FY2020 (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,564	27,061
Short-term loans payable	19,201	21,723
Current portion of bonds	-	5,000
Income taxes payable	2,084	869
Provision for bonuses	615	270
Other current liabilities	19,634	18,283
Total current liabilities	76,100	73,209
Non-current liabilities		
Bonds payable	5,000	-
Convertible bond-type bonds with subscription rights to shares	25,110	25,096
Long-term loans payable	12,041	12,278
Net defined benefit liability	4,494	4,045
Accrued retirement benefits for directors	819	824
Other non-current liabilities	14,840	16,303
Total non-current liabilities	62,305	58,548
Total liabilities	138,405	131,758
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Capital surplus	11,262	11,262
Retained earnings	103,682	107,409
Treasury shares	(3,536)	(3,422)
Total shareholders' equity	123,648	127,490
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	26,424	27,677
Deferred gain (loss) on hedges	(2)	1
Foreign currency translation adjustment	572	718
Retirement benefits liability adjustments	(495)	(456)
Total accumulated other comprehensive income	26,498	27,941
Subscription rights to shares	287	241
Non-controlling interests	4,552	4,630
Total net assets	154,986	160,304
Total liabilities and net assets	293,392	292,062

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)

(Millions of yen)

	Third quarter of FY2019 (From April 1, 2018 to December 31, 2018)	Third quarter of FY2020 (From April 1, 2019 to December 31, 2019)
Net sales	254,992	263,141
Cost of sales	184,936	189,736
Gross profit	70,056	73,405
Selling, general and administrative expenses	61,327	64,811
Operating income	8,729	8,593
Non-operating income		
Interest income	73	46
Dividend income	1,297	1,375
Share of profit of entities accounted for using equity method	236	207
Other	573	394
Total non-operating income	2,180	2,024
Non-operating expenses		
Interest expenses	176	157
Other	232	417
Total non-operating expenses	409	575
Ordinary income	10,500	10,042
Extraordinary income		
Gain on sales of fixed assets	3	173
Gain on sales of investment securities	40	504
Insurance income	18	–
Total extraordinary income	62	677
Extraordinary expenses		
Loss on sales and disposal of fixed assets	100	95
Loss on valuation of investment securities	30	33
Demolition expenses	372	71
Expenses for change of the corporate brand logo and related items	–	397
Other	30	32
Total extraordinary expenses	533	630
Profit before income taxes	10,028	10,090
Income taxes - current	2,528	2,604
Income taxes - deferred	493	546
Total income taxes	3,021	3,150
Profit	7,007	6,939
Profit attributable to non-controlling interests	167	94
Profit attributable to owners of parent	6,839	6,844

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third quarter of FY2019 (From April 1, 2018 to December 31, 2018)	Third quarter of FY2020 (From April 1, 2019 to December 31, 2019)
Profit	7,007	6,939
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	(2,390)	1,319
Deferred gain (loss) on hedges	4	3
Foreign currency translation adjustment	36	28
Retirement benefits liability adjustments	177	39
Share of other comprehensive income of entities accounted for using equity method	84	(69)
Total other comprehensive income (loss)	(2,086)	1,322
Comprehensive income	4,920	8,261
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,804	8,163
Comprehensive income attributable to non-controlling interests	116	98

(3) Notes on quarterly consolidated financial information**(Notes on going concern assumption)**

Not applicable.

(Notes to significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information)

[Segment information]

I. Third quarter of FY2019 (From April 1, 2018 to December 31, 2018)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in quarterly consolidated financial statements ^(Note 3)
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	77,970	149,249	227,219	27,772	254,992	—	254,992
Internal sales or transfers between segments	1,321	547	1,869	5,738	7,607	(7,607)	—
Total	79,292	149,796	229,088	33,511	262,600	(7,607)	254,992
Segment income	4,249	4,217	8,467	248	8,715	13	8,729

Notes: 1. The "Other" column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.
 2. Segment income adjustment of ¥13 million includes elimination of inter-segment transactions and corporate expenses.
 3. Segment income (loss) is adjusted to reconcile total segment income to operating income in the quarterly consolidated financial statements.

2. Information about impairment loss on fixed assets and about goodwill etc. by reportable segment

Not applicable.

II. Third quarter of FY2020 (From April 1, 2019 to December 31, 2019)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in quarterly consolidated financial statements ^(Note 3)
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	78,832	155,497	234,330	28,810	263,141	—	263,141
Internal sales or transfers between segments	1,661	487	2,149	1,306	3,455	(3,455)	—
Total	80,494	155,985	236,480	30,117	266,597	(3,455)	263,141
Segment income	4,506	3,633	8,139	413	8,553	40	8,593

Notes: 1. The "Other" column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.
 2. Segment income adjustment of ¥40 million includes elimination of inter-segment transactions and corporate expenses.
 3. Segment income (loss) is adjusted to reconcile total segment income to operating income in the quarterly consolidated financial statements.

2. Information about impairment loss on fixed assets and about goodwill etc. by reportable segment

Not applicable.