



Consolidated Financial Results for the Third Quarter of FY2023 [J-GAAP]

February 3, 2023

Listed company name: **NIPPON CORPORATION**
 Listing: The Prime Market of Tokyo Stock Exchange
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 Filing date of quarterly financial report: February 6, 2023
 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 FY2023 (From April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
3Q of FY2023	274,681	13.6%	9,564	10.1%	11,865	4.3%	8,084	5.9%
3Q of FY2022	241,779	12.0%	8,686	12.6%	11,376	18.3%	7,634	22.8%

(Note) Comprehensive income: 3Q of FY2023: ¥13,779 million (61.5%)
 3Q of FY2022: ¥8,529 million (9.7%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
3Q of FY2023	104.27	91.03
3Q of FY2022	99.54	86.79

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
3Q of FY2023	338,832	188,970	54.6%
FY2022	325,869	178,697	53.4%

(Reference) Equity capital: 3Q of FY2023: ¥185,064 million
 FY2022: ¥174,120 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2022	—	18.00	—	20.00	38.00
FY2023	—	19.00	—		
FY2023 (Forecast)				19.00	38.00

(Note) Adjustment for the most recent forecast of the dividends in the current term: None

3. Forecast of the consolidated financial results for FY2023 (From April 1, 2022 to March 31, 2023)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share (Yen)
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount
Full year	355,000	10.5%	10,100	(10.5)%	12,200	(14.5)%	8,300	(11.0)%	108.13

(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: Yes
- 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 FY2023	78,824,009 shares	FY2022	78,824,009 shares
2) Number of treasury shares at the end of each period:	3Q of FY2023	860,414 shares	FY2022	2,021,404 shares
3) Average number of shares (quarterly consolidated cumulative period):	3Q of FY2023	77,536,670 shares	3Q of FY2022	76,696,200 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 5 for information on preconditions underlying the above outlook and other related information.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Overview of business results

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	241,779	274,681	32,902	113.6%
Operating income	8,686	9,564	878	110.1%
Ordinary income	11,376	11,865	488	104.3%
Profit attributable to owners of parent	7,634	8,084	450	105.9%

During the first nine months of the fiscal year ending March 31, 2023, the Japanese economy was heading toward normalization through efforts to vitalize economic activity while controlling the spread of COVID-19. On the other hand, manufacturing and transportation costs remain high owing to soaring raw materials prices and energy costs reflecting geopolitical risks, the rapid depreciation of the yen, and other factors. Rising prices are resulting in heightened concerns of an economic recession, and the impact on the business environment continues to be unpredictable.

In these circumstances, under our management philosophy of “contributing to the realization of a sustainable society by pursuing the well-being (happiness, health, and smiles) of people,” we are working with our customers, employees, shareholders, society, and other stakeholders to create future-focused value. We are reinforcing existing businesses and vigorously investing in promising fields with the aim of achieving growth to the scale of net sales of ¥500 billion and operating income of ¥25 billion as envisaged in our long-term vision. In addition, by promoting ESG management for sustainable growth, with the aim of achieving ¥400 billion in net sales and ¥15 billion in operating income by fiscal 2027 as a milestone on the path toward realization of our long-term vision, the Group is working as one, further fleshing out the business strategy.

Consolidated net sales for the first nine months of fiscal 2023 increased by 13.6% year on year to ¥274,681 million, reflecting the implementation of sales price revisions in response to rising raw materials prices and various other costs, in addition to a continuing recovery in demand mainly in the restaurant sector, following the relaxation of restrictions on activities. In terms of profit, despite repeated increases in raw materials prices and various other costs and an increase in strategic costs for sales expansion, operating income increased by 10.1% to ¥9,564 million, ordinary income increased by 4.3% to ¥11,865 million, and profit attributable to owners of parent increased by 5.9% to ¥8,084 million, reflecting an increase in shipments due to a recovery in demand mainly in the restaurant sector and cost reductions due to improved productivity.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	72,247	87,972	15,725	121.8%
Operating income	4,494	5,889	1,394	131.0%

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. We strove to strengthen initiatives in partnership with customers, and enhance sales capabilities and brand power, and promoted sales activities, so as not to miss any opportunity during the recovery in the aftermath of the COVID-19 pandemic.

As a result, in the Flour Milling business, sales were higher than the levels for the same period of the previous year, mainly because of the wheat flour price revision and a robust trend of sales prices of wheat bran, a by-product.

In line with the increase of government sales prices (tax inclusive) of imported wheat by 17.3% on average for the five key products in April 2022, we revised the prices of wheat flour products for professional use from June 2022. However, since the Japanese government kept the sales prices from October 2022 unchanged, we kept the prices of wheat flour products for professional use unchanged.

As a result, net sales for the Flour Milling segment increased by 21.8% year on year to ¥87,972 million, and operating income increased by 31.0% to ¥5,889 million.

2) Food

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	140,924	154,949	14,025	110.0%
Operating income	3,525	2,857	(667)	81.1%

In the professional-use category, demand showed a tendency to recover owing to the relaxation of the restrictions on activities and in reaction to the fact that the government requested large commercial facilities, restaurants, etc. to shorten opening hours in the previous year, and as a result, sales of products in this category were higher than the level for the same period of the previous year.

In the home-use product category, although demand for products for consumption at home associated with people refraining from going out ran its course, sales of products in this category were higher than the level for the same period of the previous year, owing to price revisions in July and August 2022 in line with increases in raw materials prices and other costs.

In the frozen foods category, in addition to strong shipments of commercial-use frozen foods reflecting the recovery in demand from the restaurant sector, demand for home-use frozen foods, such as the One Plate Meal series of complete meals consisting of a main dish and staples in a tray and the Trendy Meal series of rice dishes, was brisk. In addition, the revision of prices of home-use frozen foods in September 2022 also contributed to higher sales. As a result, sales of products in this category were higher than the level for the same period of the previous year.

In the ready-made meals business, sales were higher than the level for the same period of the previous year because demand is on a recovery trend in line with the relaxation of the restrictions on activities.

As a result, net sales of the Food segment increased by 10.0% year on year to ¥154,949 million, while operating income decreased by 18.9% to ¥2,857 million.

3) Other

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	28,607	31,759	3,152	111.0%
Operating income	676	782	105	115.7%

Sales of the pet food business were higher than the level for the same period of the previous year because of price revision and an increase in shipped volume of products whose unit prices are high.

Sales of the restaurant business were higher than the level for the same period of the previous year, reflecting the recovery of demand in line with the relaxation of the restrictions on activities and price revisions.

As a result, net sales for the Other segment increased by 11.0% year on year to ¥31,759 million, and operating income increased by 15.7% to ¥782 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022	Difference
Current assets	130,768	140,124	9,356
Non-current assets	195,063	198,678	3,615
Deferred assets	37	29	(8)
Total assets	325,869	338,832	12,963
Current liabilities	74,842	77,219	2,377
Non-current liabilities	72,328	72,641	313
Total liabilities	147,171	149,861	2,690
Total net assets	178,697	188,970	10,272
Total liabilities and net assets	325,869	338,832	12,963

Total assets at the end of the first nine months of fiscal 2023 increased by ¥12,963 million from the previous fiscal year end (March 31, 2022) to ¥338,832 million. This was mainly because notes and accounts receivable - trade and contract assets, investment securities, raw materials and supplies, and merchandise and finished goods increased by ¥10,689 million, ¥5,759 million, ¥4,399 million and ¥2,762 million, respectively, and cash and deposits, other current assets, and property, plant and equipment decreased by ¥6,468 million, ¥2,219 million and ¥1,958 million, respectively.

Total liabilities increased by ¥2,690 million from the previous fiscal year end to ¥149,861 million. This was mainly because other current liabilities increased by ¥5,872 million and loans payable decreased by ¥2,829 million.

Net assets increased by ¥10,272 million from the previous fiscal year end to ¥188,970 million. This was mainly attributable to increases of ¥5,042 million in retained earnings and ¥4,194 million in unrealized holding gain on securities.

(3) Information on forecast of the consolidated financial results

The Japanese government is expected to seek the recovery of socioeconomic activities while gradually curbing the spread of COVID-19. However, the outlook for the Japanese economy is expected to remain uncertain for the time being owing to geopolitical risks and increases in prices of raw materials and energy caused by geopolitical risks, exchange rate fluctuations, and other factors.

In these circumstances, based on the management philosophy of “contributing to the realization of a sustainable society by pursuing the well-being (happiness, health, and smiles) of people,” the Group is further fleshing out the business strategy. At the same time, we are strengthening the foundation of existing businesses and increasing production capacity to respond to diverse lifestyles and continuing vigorous investment of management resources in growth areas while leveraging the Group’s strengths.

In view of the difficulty of predicting the impact of the above-mentioned uncertainties on the Group’s business environment, the forecasts of consolidated business results for the full year of fiscal 2023 announced on May 13, 2022, are unchanged.

With regard to dividends, our target payout ratio is 30% or more and the Company plans to pay total cash dividends of ¥38 per share for the full year ending March 31, 2023, unchanged from the forecast.

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

(Millions of yen)

	FY2022 (As of March 31, 2022)	Third Quarter of FY2023 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	34,063	27,595
Notes and accounts receivable - trade and contract assets	50,466	61,155
Merchandise and finished goods	18,484	21,247
Work in process	57	260
Raw materials and supplies	21,348	25,748
Other current assets	6,407	4,187
Allowance for doubtful accounts	(59)	(70)
Total current assets	130,768	140,124
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,582	47,456
Machinery, equipment and vehicles, net	22,492	21,668
Land	41,453	41,092
Construction in progress	471	732
Other, net	2,611	2,703
Total property, plant and equipment	115,611	113,652
Intangible assets		
Goodwill	1,404	1,232
Other	1,124	1,027
Total intangible assets	2,529	2,259
Investments and other assets		
Investment securities	69,001	74,760
Other assets	8,307	8,361
Allowance for doubtful accounts	(385)	(355)
Total investments and other assets	76,922	82,765
Total non-current assets	195,063	198,678
Deferred assets	37	29
Total assets	325,869	338,832

(Millions of yen)

	FY2022 (As of March 31, 2022)	Third Quarter of FY2023 (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,910	32,567
Short-term loans payable	19,530	18,668
Current portion of bonds	91	86
Income taxes payable	1,926	1,057
Provision for bonuses	705	289
Other current liabilities	18,678	24,551
Total current liabilities	74,842	77,219
Non-current liabilities		
Bonds payable	349	306
Convertible bond-type bonds with subscription rights to shares	25,056	25,042
Long-term loans payable	23,684	21,716
Retirement benefit liability	3,810	3,835
Accrued retirement benefits for directors	462	407
Other non-current liabilities	18,966	21,333
Total non-current liabilities	72,328	72,641
Total liabilities	147,171	149,861
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	11,307	9,693
Retained earnings	121,817	126,859
Treasury shares	(3,198)	(1,286)
Total shareholders' equity	142,166	147,507
Accumulated other comprehensive income		
Unrealized holding gain on securities	30,409	34,604
Deferred gain (loss) on hedges	88	(98)
Foreign currency translation adjustment	981	2,655
Retirement benefits liability adjustment	475	395
Total accumulated other comprehensive income	31,954	37,557
Subscription rights to shares	195	209
Non-controlling interests	4,381	3,696
Total net assets	178,697	188,970
Total liabilities and net assets	325,869	338,832

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

(Millions of yen)

	Third Quarter of FY2022 (From April 1, 2021 to December 31, 2021)	Third Quarter of FY2023 (From April 1, 2022 to December 31, 2022)
Net sales	241,779	274,681
Cost of sales	185,100	214,250
Gross profit	56,678	60,430
Selling, general and administrative expenses	47,992	50,866
Operating income	8,686	9,564
Non-operating income		
Interest income	48	51
Dividend income	1,507	1,891
Share of profit of entities accounted for using equity method	197	258
Other	1,281	864
Total non-operating income	3,034	3,066
Non-operating expenses		
Interest expenses	147	152
Share exchange related expenses	–	222
Other	195	390
Total non-operating expenses	343	765
Ordinary income	11,376	11,865
Extraordinary income		
Gain on sale of fixed assets	57	9
Gain on sale of investment securities	1,051	129
Total extraordinary income	1,108	139
Extraordinary expenses		
Loss on sale and disposal of fixed assets	64	134
Loss on sale of shares of subsidiaries and associates	24	–
Loss of valuation of investment securities	1	84
Impairment loss	31	–
System failure response costs	1,174	–
Other	17	32
Total extraordinary expenses	1,314	250
Profit before income taxes	11,171	11,753
Income taxes - current	2,951	2,987
Income taxes - deferred	617	597
Total income taxes	3,568	3,584
Profit	7,603	8,168
Profit (loss) attributable to non-controlling interests	(31)	84
Profit attributable to owners of parent	7,634	8,084

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third Quarter of FY2022 (From April 1, 2021 to December 31, 2021)	Third Quarter of FY2023 (From April 1, 2022 to December 31, 2022)
Profit	7,603	8,168
Other comprehensive income		
Unrealized holding gain on securities	795	4,195
Deferred gain (loss) on hedges	(18)	(187)
Foreign currency translation adjustment	115	1,664
Retirement benefits liability adjustment	9	(73)
Share of other comprehensive income of entities accounted for using equity method	24	13
Total other comprehensive income	926	5,611
Comprehensive income	8,529	13,779
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	8,556	13,683
Comprehensive income (loss) attributable to non-controlling interests	(26)	96

(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.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2023, the Company applies the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Implementation Guidance No. 31, June 17, 2021) and will apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement from now on in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. Third quarter of FY2022 (From April 1, 2021 to December 31, 2021)

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

(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							
Revenue from contracts with customers	72,247	140,889	213,136	27,891	241,028	—	241,028
Other revenue	—	34	34	715	750	—	750
Net sales to external customers	72,247	140,924	213,171	28,607	241,779	—	241,779
Internal sales or transfers between segments	1,535	475	2,011	1,736	3,747	(3,747)	—
Total	73,783	141,399	215,182	30,344	245,527	(3,747)	241,779
Segment income	4,494	3,525	8,019	676	8,696	(10)	8,686

Notes: 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, health food, engineering, restaurant and real estate leasing.
2. Segment income adjustment of ¥(10) million includes elimination of inter-segment transactions and corporate expenses.
3. Segment income 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
(Material impairment loss pertaining to fixed assets)

The other operations recorded an impairment loss on fixed assets amounting to ¥31 million.

II. Third quarter of FY2023 (From April 1, 2022 to December 31, 2022)

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

(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							
Revenue from contracts with customers	87,972	154,914	242,887	31,041	273,929	—	273,929
Other revenue	—	34	34	718	752	—	752
Net sales to external customers	87,972	154,949	242,921	31,759	274,681	—	274,681
Internal sales or transfers between segments	2,036	520	2,557	1,469	4,027	(4,027)	—
Total	90,009	155,470	245,479	33,229	278,709	(4,027)	274,681
Segment income	5,889	2,857	8,747	782	9,529	34	9,564

Notes: 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, health food, engineering, restaurant, and real estate leasing.
2. Segment income adjustment of ¥34 million includes elimination of inter-segment transactions and corporate expenses.
3. Segment income 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.