



Consolidated Financial Results for the First Quarter of FY2024 [J-GAAP]

August 4, 2023

Listed company name: **NIPPN CORPORATION**
 Listing: The Prime Market of Tokyo Stock Exchange
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 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 first quarter of FY2024 (From April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Millions of yen, percentage figures show the rate 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
1Q of FY2024	98,631	14.4%	5,447	117.8%	6,687	74.7%	4,479	64.3%
1Q of FY2023	86,205	10.6%	2,500	(5.1)%	3,828	0.6%	2,726	4.6%

(Note) Comprehensive income: 1Q of FY2024: ¥11,684 million (165.6%)
 1Q of FY2023: ¥4,399 million (114.6%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
1Q of FY2024	57.47	50.19
1Q of FY2023	35.52	30.98

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
1Q of FY2024	352,619	202,572	56.3%
FY2023	344,606	192,613	54.8%

(Reference) Equity capital: 1Q of FY2024: ¥198,602 million
 FY2023: ¥188,687 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2023	—	19.00	—	21.00	40.00
FY2024	—				
FY2024 (Forecast)		20.00	—	20.00	40.00

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

3. Forecast of the consolidated financial results for FY2024 (From April 1, 2023 to March 31, 2024)

(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)
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount
Half year	191,000	8.2%	6,300	8.1%	7,400	2.6%	5,100	2.8%	65.45
Full year	387,000	5.9%	12,500	1.7%	14,600	(1.5)%	10,800	5.3%	138.60

(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):	1Q of FY2024	78,824,009 shares	FY2023	78,824,009 shares
2) Number of treasury shares at the end of each period:	1Q of FY2024	847,659 shares	FY2023	860,850 shares
3) Average number of shares (quarterly consolidated cumulative period):	1Q of FY2024	77,939,275 shares	1Q of FY2023	76,762,585 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 three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	86,205	98,631	12,425	114.4%
Operating income	2,500	5,447	2,946	217.8%
Ordinary income	3,828	6,687	2,858	174.7%
Profit attributable to owners of parent	2,726	4,479	1,752	164.3%

During the first three months of the fiscal year ending March 31, 2024, the Japanese economy benefited from a recovery of both personal consumption and inbound consumption, reflecting the relaxation of restrictions on activities. On the other hand, manufacturing and logistics costs remained high, against a backdrop of soaring prices of raw materials and energy due to the Russo-Ukraine situation as well as instability elsewhere internationally. Thus, the outlook remained uncertain.

In these circumstances, in accordance with our management philosophy of “contributing to the realization of a sustainable society by pursuing the well-being (happiness, health, and smiles) of people,” we promoted initiatives to create future-focused value, working with our customers, employees, shareholders, society, and other stakeholders. In addition to cost reductions through operational improvements, we strove to strengthen our business foundation by further bolstering sales of mainstay products through upfront investments to expand sales and by enhancing our competitive advantage through the provision of high-value-added products and services.

In May 2023, the Company invested in Utah Flour Milling, LLC, a flour milling company in the U.S., in order to achieve business expansion in North America and promote the inorganic growth strategy. Through direct engagement in the flour milling business in the U.S. we aim to enhance the Group’s overall strength as a flour miller and accelerate business growth in the U.S. by leveraging synergy with the Group’s two existing sites in the U.S., namely, NIPPON California Inc., a California-based premix sales company, and Pasta Montana, L.L.C., a Montana-based pasta production and sales company, with a view to further expanding the global business.

Consolidated net sales for the first three months of fiscal 2024 increased by 14.4% year on year to ¥98,631 million, reflecting an increase in demand due to recovery of personal consumption and inbound consumption and the implementation of sales price revisions in stages in response to rising raw material costs and various other costs. In terms of profit, despite these higher costs and an increase in strategic costs for sales expansion, operating income increased by 117.8% to ¥5,447 million, ordinary income increased by 74.7% to ¥6,687 million, and profit attributable to owners of parent increased by 64.3% to ¥4,479 million owing to growth of the sales volume of frozen foods and robust performance of the ready-made meal business.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	28,003	31,466	3,463	112.4%
Operating income	1,512	2,199	687	145.4%

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

In line with the increase of government sales prices (tax inclusive) of imported wheat by 5.8% on average for the five key products in April 2023, we revised the prices of wheat flour products for professional use from June 2023.

As a result, net sales of the Flour Milling segment increased by 12.4% year on year to ¥31,466 million, and operating income increased by 45.4% to ¥2,199 million.

2) Food

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	48,346	55,540	7,193	114.9%
Operating income	858	2,765	1,906	322.0%

In the professional-use category, demand increased mainly from restaurants owing to recovery of personal consumption and inbound consumption, 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, we continued price revisions from the previous year in line with cost increases, such as for raw materials, logistics, and energy, 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 frozen foods category, sales of home-use frozen foods, centering on the One Plate Meal series of complete meals consisting of a main dish and staples, were buoyant in response to increasing needs for “quick and easy” meals. Sales of products in this category were higher than the level for the same period of the previous year, also reflecting price revisions.

In the ready-made meals business, sales were higher than the level for the same period of the previous year because demand increased as more people were out and about, resuming their normal lifestyles.

As a result, net sales of the Food segment increased by 14.9% year on year to ¥55,540 million, and operating income increased by 222.0% to ¥2,765 million.

3) Other

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	9,854	11,624	1,769	118.0%
Operating income	117	489	372	416.2%

Sales of the pet food business were higher than the level for the same period of the previous year because of price revisions in line with cost increases, such as for raw materials, in addition to an increase in the volume of products shipped.

Sales of the restaurant business were higher than the level for the same period of the previous year, reflecting buoyant sales of products in addition to an increase in demand as more people were out and about, resuming their normal lifestyles.

As a result, net sales for the Other segment increased by 18.0% year on year to ¥11,624 million, and operating income increased by 316.2% to ¥489 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023	Difference
Current assets	143,021	139,272	(3,749)
Non-current assets	201,557	213,281	11,724
Deferred assets	26	64	38
Total assets	344,606	352,619	8,013
Current liabilities	78,613	75,147	(3,466)
Non-current liabilities	73,378	74,899	1,520
Total liabilities	151,992	150,046	(1,945)
Total net assets	192,613	202,572	9,959
Total liabilities and net assets	344,606	352,619	8,013

Total assets at the end of the first three months of fiscal 2024 increased by ¥8,013 million from the previous fiscal year end (March 31, 2023) to ¥352,619 million. This was mainly because investment securities, merchandise and finished goods, and notes and accounts receivable - trade and contract assets increased by ¥11,939 million, ¥995 million, and ¥938 million, respectively, and cash and deposits decreased by ¥5,657 million.

Total liabilities decreased by ¥1,945 million from the previous fiscal year end to ¥150,046 million. This was mainly because other non-current liabilities and short-term loans payable increased by ¥2,686 million and ¥1,391 million, respectively, and notes and accounts payable - trade, income taxes payable and long-term loans payable decreased by ¥3,264 million, ¥1,395 million, and ¥1,023 million, respectively.

Net assets increased by ¥9,959 million from the previous fiscal year end to ¥202,572 million. This was mainly because unrealized holding gain (loss) on securities and retained earnings increased by ¥6,688 million and ¥2,837 million, respectively.

(3) Information on forecast of the consolidated financial results

In its long-term vision, the Group aims to grow to a scale of ¥500 billion in net sales and ¥25 billion in operating income on a consolidated basis. As a milestone on the path to achieving this goal, we aim to achieve ¥400 billion in net sales and ¥15 billion in operating income by fiscal 2027.

In order to achieve this goal, we will endeavor to grow our core businesses of flour milling, food ingredients, and processed foods by strengthening our brand power, developing differentiated products, and increasing production capacity. We position frozen foods, ready-made meals, healthcare, and overseas business, which are growth businesses, as priority fields and are focusing management resources on these priority fields while promoting improvement and expansion of supply bases as well as acquisitions and alliances to enhance sales and profit.

In accordance with the management philosophy, the Group will strive to further enhance its corporate value by sincerely addressing the issues confronting society such as climate change and other environmental issues, the need for effective use of food resources, population issues, and the extension of healthy life expectancy.

The forecasts of consolidated business results for the first six months and the full year of fiscal 2024 announced on May 12, 2023, are unchanged.

With regard to dividends, the Company plans to pay total cash dividends of ¥40 per share for the full year ending March 31, 2024, unchanged from the forecast.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY2023 (As of March 31, 2023)	First quarter of FY2024 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	36,815	31,157
Notes and accounts receivable - trade and contract assets	54,119	55,057
Merchandise and finished goods	20,918	21,914
Work in process	222	314
Raw materials and supplies	26,400	25,046
Other current assets	4,607	5,830
Allowance for doubtful accounts	(61)	(48)
Total current assets	143,021	139,272
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,745	46,940
Machinery, equipment and vehicles, net	21,170	21,029
Land	41,027	40,759
Construction in progress	1,741	2,381
Other, net	2,782	2,962
Total property, plant and equipment	113,467	114,072
Intangible assets		
Goodwill	1,179	1,132
Other	996	952
Total intangible assets	2,175	2,084
Investments and other assets		
Investment securities	77,254	89,194
Other assets	8,979	8,290
Allowance for doubtful accounts	(320)	(317)
Total investments and other assets	85,914	97,167
Total non-current assets	201,557	213,324
Deferred assets	26	22
Total assets	344,606	352,619

(Millions of yen)

	FY2023 (As of March 31, 2023)	First quarter of FY2024 (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,669	33,405
Short-term loans payable	17,572	18,963
Current portion of bonds	221	221
Income taxes payable	2,645	1,250
Provision for bonuses	764	688
Other current liabilities	20,740	20,617
Total current liabilities	78,613	75,147
Non-current liabilities		
Bonds payable	128	128
Convertible bond-type bonds with subscription rights to shares	25,038	25,033
Long-term loans payable	21,175	20,152
Retirement benefit liability	3,881	3,784
Accrued retirement benefits for directors	406	365
Other non-current liabilities	22,748	25,434
Total non-current liabilities	73,378	74,899
Total liabilities	151,992	150,046
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	9,693	9,709
Retained earnings	128,965	131,803
Treasury shares	(1,287)	(1,265)
Total shareholders' equity	149,612	152,487
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	36,462	43,151
Deferred gain (loss) on hedges	(23)	81
Foreign currency translation adjustments	2,161	2,413
Retirement benefit liability adjustments	473	469
Total accumulated other comprehensive income	39,074	46,114
Subscription rights to shares	226	221
Non-controlling interests	3,699	3,747
Total net assets	192,613	202,572
Total liabilities and net assets	344,606	352,619

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

(Millions of yen)

	First quarter of FY2023 (From April 1, 2022 to June 30, 2022)	First quarter of FY2024 (From April 1, 2023 to June 30, 2023)
Net sales	86,205	98,631
Cost of sales	66,937	75,650
Gross profit	19,267	22,980
Selling, general and administrative expenses	16,766	17,532
Operating income	2,500	5,447
Non-operating income		
Interest income	15	17
Dividend income	1,019	1,012
Other	449	295
Total non-operating income	1,484	1,325
Non-operating expenses		
Interest expenses	49	45
Other	107	40
Total non-operating expenses	156	86
Ordinary income	3,828	6,687
Extraordinary income		
Gain on sales of fixed assets	9	36
Gain on sales of investment securities	18	13
Total extraordinary income	28	49
Extraordinary expenses		
Loss on sales and disposal of fixed assets	16	44
Loss on sale of shares of subsidiaries and associates	–	239
Other	1	46
Total extraordinary expenses	17	331
Profit before income taxes	3,839	6,406
Income taxes - current	463	1,160
Income taxes - deferred	694	690
Total income taxes	1,157	1,851
Profit	2,681	4,554
Profit (loss) attributable to non-controlling interests	(45)	75
Profit attributable to owners of parent	2,726	4,479

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First quarter of FY2023 (From April 1, 2022 to June 30, 2022)	First quarter of FY2024 (From April 1, 2023 to June 30, 2023)
Profit	2,681	4,554
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	905	6,772
Deferred gain (loss) on hedges	88	104
Foreign currency translation adjustments	738	268
Retirement benefit liability adjustments	(23)	(4)
Share of other comprehensive income of entities accounted for using equity method	8	(11)
Total other comprehensive income (loss)	1,718	7,129
Comprehensive income	4,399	11,684
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,439	11,597
Comprehensive income (loss) attributable to non-controlling interests	(39)	86

(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, etc.)

[Segment information]

I. First Quarter of FY2023 (From April 1, 2022 to June 30, 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	28,003	48,335	76,338	9,615	85,954	—	85,954
Other revenue	—	11	11	239	251	—	251
Net sales to external customers	28,003	48,346	76,350	9,854	86,205	—	86,205
Internal sales or transfers between segments	550	166	716	401	1,118	(1,118)	—
Total	28,553	48,513	77,067	10,256	87,323	(1,118)	86,205
Segment income	1,512	858	2,371	117	2,489	11	2,500

- Notes: 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, healthcare, engineering, restaurant, and real estate leasing.
2. Segment income adjustment of ¥11 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.

II. First Quarter of FY2024 (From April 1, 2023 to June 30, 2023)

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	31,466	55,528	86,995	11,384	98,380	—	98,380
Other revenue	—	11	11	239	250	—	250
Net sales to external customers	31,466	55,540	87,006	11,624	98,631	—	98,631
Internal sales or transfers between segments	689	266	955	851	1,806	(1,806)	—
Total	32,155	55,806	87,962	12,475	100,438	(1,806)	98,631
Segment income	2,199	2,765	4,965	489	5,455	(7)	5,447

- Notes: 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, healthcare, engineering, restaurant, and real estate leasing.
2. Segment income adjustment of ¥(7) 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.