

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

February 6, 2024

Listed company name: NIPPON CORPORATION
 Listing: The Prime Market of Tokyo Stock Exchange
 Code number: 2001 URL <https://www.nippon.co.jp>
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 Filing date of quarterly financial report: February 7, 2024
 Scheduled 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 FY2024 (From April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of FY2024	304,974	11.0	18,000	88.2	20,704	74.5	14,307	77.0
Third quarter of FY2023	274,681	13.6	9,564	10.1	11,865	4.3	8,084	5.9

(Note) Comprehensive income: Third quarter of FY2024: ¥25,734 million (86.7%)
 Third quarter of FY2023: ¥13,779 million (61.5%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
Third quarter of FY2024	183.52	160.29
Third quarter of FY2023	104.27	91.03

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of FY2024	371,940	214,424	56.5
FY2023	344,606	192,613	54.8

(Reference) Equity capital: Third quarter of FY2024 ¥210,285 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	—	28.00	—		
FY2024 (Forecast)				28.00	56.00

(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 change compared to the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent		Profit per Share (Yen)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Full year	400,000	9.4	19,000	54.6	21,500	45.1	24,500	138.8	314.26

(Note) Adjustment for the most recent forecast of the consolidated financial results in the current term: Yes

* 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 FY2024	78,824,009 shares	FY2023	78,824,009 shares
3Q of FY2024	847,884 shares	FY2023	860,850 shares
3Q of FY2024	77,961,316 shares	3Q of FY2023	77,536,670 shares

2) Number of treasury shares at the end of each period:

3) Average number of shares (quarterly consolidated cumulative period):

(Note) The number of shares at the end of the period includes the Company's shares (240,000 shares at the end of the third quarter of FY2024) held by Custody Bank of Japan, Ltd. (Trust E Account). The number of treasury shares deducted in calculating the average number of shares during the period includes the Company's shares (133,333 shares at the end of the third quarter of FY2024) held by Custody Bank of Japan, Ltd. (Trust E Account).

* These consolidated financial results are outside the scope of quarterly review procedures conducted 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 the forecast for 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)

	Third quarter of FY2023	Third quarter of FY2024	Difference	Change
Net sales	274,681	304,974	30,292	111.0%
Operating income	9,564	18,000	8,436	188.2%
Ordinary income	11,865	20,704	8,838	174.5%
Profit attributable to owners of the parent	8,084	14,307	6,222	177.0%

During the third quarter of the fiscal year ending March 31, 2024, the Japanese economy benefited from a recovery in both personal consumption and inbound consumption, reflecting the relaxation of restrictions on activities. Although manufacturing and logistics costs remained high against a backdrop of soaring prices of raw materials and energy, grain prices, which had soared following Russia's invasion of Ukraine, have subsided and remained stable. Although the outlook remains uncertain due to unstable international conditions and the yen's continued depreciation in foreign exchange markets, the business environment surrounding us has been gradually improving as economic activities have normalized.

In these circumstances, in accordance with our management philosophy of "Contributing to realization of a sustainable society by pursuing the well-being (happiness, health, and smiles) of people," we worked to strengthen our business foundation while expanding the scope of business through vigorous investment in Japan and overseas. At the same time, in order to fulfill our corporate social responsibility, we stepped up our initiatives to address sustainability issues, such as reducing our environmental impacts and investing in human capital. Through these initiatives we strove to achieve sustainable enhancement of corporate value.

In Japan, a ground-breaking ceremony was held in October last year to mark the start of construction of a new flour mill in Chita City, Aichi Prefecture. The mill is scheduled to start operating in February 2026 as a state-of-the-art flour mill that will be a smart factory utilizing DX. It will be resistant to natural disasters and consider SDGs, including energy conservation and the environment. In addition to building the new mill, we have been steadily making investments, including the expansion of equipment at the Kobe-Konan Mill and the Isesaki Plant.

Overseas, in May last year we invested in Utah Flour Milling, LLC, a US flour mill company, to expand our business in North America, and in September we installed solar power generation equipment at NIPPON (Thailand) Co. Ltd.'s premix and frozen dough factory. In addition, construction of a premix plant for PT NIPPON PRODUCTS INDONESIA was completed in October, and we continue to work on business expansion in the ASEAN region.

Consolidated net sales for the third quarter of fiscal 2024 increased by 11.0% year on year to ¥304,974 million. This reflected an increase in demand due to recovery of personal consumption and inbound consumption as well as the implementation of sales price revisions in response to rising raw-material costs and various other expenses. In terms of profit, despite these higher costs and an increase in strategic costs related to generating sales, operating income increased by 88.2% to ¥18,000 million, ordinary income rose by 74.5% to ¥20,704 million, and profit attributable to owners of the parent grew by 77.0% to ¥14,307 million owing to a rise in the sales volume of frozen foods and robust performance of the Nakashoku (Ready-made meal) Business, cost reductions through productivity improvement, and other factors.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	Third quarter of FY2023	Third quarter of FY2024	Difference	Change
Net sales	87,972	96,342	8,369	109.5%
Operating income	5,889	7,965	2,075	135.2%

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 and the decrease of 11.1% in October of the same year, we revised the prices of wheat flour products for professional use from June 2023 and January 2024.

As a result, net sales in the Flour Milling segment increased by 9.5% year on year to ¥96,342 million, and operating income increased by 35.2% to ¥7,965 million.

2) Food

(Millions of yen)

	Third quarter of FY2023	Third quarter of FY2024	Difference	Change
Net sales	154,949	172,601	17,652	111.4%
Operating income	2,857	8,059	5,201	282.0%

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. 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, the "Oh' My Premium" series, which marked the 20th anniversary of its launch, was launched as a new lineup of the "SHIGOKU" series, which aims for the highest level of taste, and efforts were made to expand sales of high value-added products. Sales also increased year-on-year due to strong sales of frozen foods for home use, such as the "One Plate Meal" series of single-serving ready-to-eat meals, as well as the implementation of a price revision.

In the Nakashoku (Ready-made meal) 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, and also owing to price revisions.

As a result, net sales in the Food segment increased by 11.4% year on year to ¥172,601 million, and operating income rose by 182.0% to ¥8,059 million.

3) Other

(Millions of yen)

	Third quarter of FY2023	Third quarter of FY2024	Difference	Change
Net sales	31,759	36,030	4,270	113.4%
Operating income	782	1,976	1,193	252.6%

Sales in 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 in the Food service 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 13.4% year on year to ¥36,030 million, and operating income increased by 152.6% to ¥1,976 million.

(2) Overview of financial position

(Millions of yen)

	FY2023	As of December 31, 2023	Difference
Current assets	143,021	151,342	8,320
Non-current assets	201,557	220,581	19,023
Deferred assets	26	16	(9)
Total assets	344,606	371,940	27,334
Current liabilities	78,613	82,834	4,220
Non-current liabilities	73,378	74,682	1,303
Total liabilities	151,992	157,516	5,523
Net Assets	192,613	214,424	21,810
Total liabilities and net assets	344,606	371,940	27,334

Total assets at the end of the third quarter of fiscal 2024 increased by ¥27,334 million from the previous fiscal year end (March 31, 2023) to ¥371,940 million. This was mainly because investment securities; notes and accounts receivable - trade and contract assets; property, plant and equipment; and merchandise and finished goods, rose by ¥16,351 million, ¥12,030 million, ¥3,057 million, and ¥1,459 million, respectively, and cash and deposits; and raw materials and supplies, declined by ¥3,251 million and ¥2,400 million, respectively.

Total liabilities increased by ¥5,523 million from the previous fiscal year end to ¥157,516 million. This was mainly because other non-current liabilities; other current liabilities; and notes and accounts payable - trade, increased by ¥3,832 million, ¥2,010 million, and ¥1,957 million respectively, and long-term loans payable decreased by ¥2,374 million.

Net assets increased by ¥21,810 million from the previous fiscal year end to ¥214,424 million. This was mainly because retained earnings, unrealized holding gain (loss) on securities, and foreign currency translation adjustment increased by ¥10,472 million, ¥9,888 million, and ¥1,231 million, respectively.

(3) Information on the forecast for 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. 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 promoting improvement and expansion of supply bases as well as acquisitions and alliances to enhance sales and profit.

In addition, based on the intent of the Corporate Governance Code, we are examining the significance of holding our cross-shareholdings on an individual stock-by-stock basis with an awareness of the cost of capital. As a result, we resolved to sell a portion of our investment securities in the fourth quarter of FY2024. In order to improve capital efficiency and strengthen our financial position to enhance corporate value, we aim to reduce our policy shareholdings to less than 20% of consolidated net assets by FY2026. For details, please refer to the "Notice Regarding Expected Posting of Gain on Sales of Investment Securities (Extraordinary Income)" released today (February 6, 2024).

We have revised upward our earnings forecast for FY2024. This is due to the trend in consolidated operating results in the third quarter of the year, as well as the anticipated gain on the sale of investment securities (extraordinary income). We are maintaining our plan to pay an annual dividend of 56 yen per share at the end of the fiscal year, but if an upward revision is necessary, we will announce it promptly. For details, please refer to the "Notice Regarding Revisions to the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024" released today (February 6, 2024).

Revision of the forecast for the consolidated financial results for FY2024 (From April 1, 2023 to March 31, 2024)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of the parent	Profit per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	400,000	17,500	20,000	14,500	186.00
Revised forecast (B)	400,000	19,000	21,500	24,500	314.26
Difference (B-A)	0	1,500	1,500	10,000	
Rate of change (%)	0.0	8.6	7.5	69.0	
(Ref.) Results for FY2023 (Fiscal year ended March 31, 2023)	365,525	12,288	14,816	10,260	132.16

We have the shareholder benefit program for further understanding our products. To further express our gratitude to our shareholders and to encourage their continued support, we have decided to partially expand the contents of our shareholder special benefit program listed or recorded in our shareholder registry as of March 31, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY2023 (As of March 31, 2023)	Third quarter of FY2024 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	36,815	33,564
Notes and accounts receivable - trade and contract assets	54,119	66,149
Merchandise and finished goods	20,918	22,378
Work in process	222	136
Raw materials and supplies	26,400	23,999
Other current assets	4,607	5,172
Allowance for doubtful accounts	(61)	(58)
Total current assets	143,021	151,342
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	46,745	47,299
Machinery, equipment, and vehicles, net	21,170	21,937
Land	41,027	41,198
Construction in progress	1,741	3,063
Other, net	2,782	3,025
Total property, plant, and equipment	113,467	116,524
Intangible assets		
Goodwill	1,179	1,045
Other	996	1,484
Total intangible assets	2,175	2,530
Investments and other assets		
Investment securities	77,254	93,606
Other assets	8,979	8,225
Allowance for doubtful accounts	(320)	(305)
Total investments and other assets	85,914	101,526
Total non-current assets	201,557	220,581
Deferred assets	26	16
Total assets	344,606	371,940

(Millions of yen)

	FY2023 (As of March 31, 2023)	Third quarter of FY2024 (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,669	38,627
Short-term loans payable	17,572	17,543
Current portion of bonds	221	306
Income taxes payable	2,645	3,259
Provision for bonuses	764	347
Other current liabilities	20,740	22,750
Total current liabilities	78,613	82,834
Non-current liabilities		
Bonds payable	128	—
Convertible bond-type bonds with subscription rights to shares	25,038	25,024
Long-term loans payable	21,175	18,801
Retirement benefit liability	3,881	3,872
Accrued retirement benefits for directors	406	361
Provision for share awards for directors (and other officers)	—	40
Other non-current liabilities	22,748	26,581
Total non-current liabilities	73,378	74,682
Total liabilities	151,992	157,516
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	9,693	9,762
Retained earnings	128,965	139,438
Treasury shares	(1,287)	(1,317)
Total shareholders' equity	149,612	160,123
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	36,462	46,351
Deferred gain (loss) on hedges	(23)	(42)
Foreign currency translation adjustment	2,161	3,393
Retirement benefit liability adjustments	473	460
Total accumulated other comprehensive income	39,074	50,162
Subscription rights to shares	226	221
Non-controlling interests	3,699	3,916
Total net assets	192,613	214,424
Total liabilities and net assets	344,606	371,940

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)
(Third quarter of FY2024)

(Millions of yen)

	Third quarter of FY2023 (From April 1, 2022 to December 31, 2022)	Third quarter of FY2024 (From April 1, 2023 to December 31, 2023)
Net sales	274,681	304,974
Cost of sales	214,250	232,782
Gross profit	60,430	72,192
Selling, general, and administrative expenses	50,866	54,191
Operating income	9,564	18,000
Non-operating income		
Interest income	51	59
Dividend income	1,891	2,051
Equity in earnings of affiliates	258	180
Other	864	677
Total non-operating income	3,066	2,968
Non-operating expenses		
Interest expenses	152	137
Share exchange related expenses	222	—
Other	390	128
Total non-operating expenses	765	265
Ordinary income	11,865	20,704
Extraordinary income		
Gain on sale of fixed assets	9	48
Gain on sale of investment securities	129	91
Gain on sale of businesses	—	350
Total extraordinary income	139	490
Extraordinary expenses		
Loss on sale and disposal of fixed assets	134	126
Loss on sale of shares of subsidiaries and associates	—	245
Impairment losses	—	25
Loss of valuation of investment securities	84	96
Other	32	41
Total extraordinary expenses	250	534
Profit before income taxes	11,753	20,660
Income taxes - current	2,987	5,444
Income taxes - deferred	597	667
Total income taxes	3,584	6,112
Profit	8,168	14,547
Profit attributable to non-controlling interests	84	240
Profit attributable to owners of the parent	8,084	14,307

(Quarterly consolidated statements of comprehensive income)

(Third quarter of FY2024)

(Millions of yen)

	Third quarter of FY2023 (From April 1, 2022 to December 31, 2022)	Third quarter of FY2024 (From April 1, 2023 to December 31, 2023)
Profit	8,168	14,547
Other comprehensive income		
Unrealized holding gain (loss) on securities	4,195	9,967
Deferred gain (loss) on hedges	(187)	(19)
Foreign currency translation adjustment	1,664	1,134
Retirement benefit liability adjustments	(73)	(13)
Share of other comprehensive income of entities accounted for using the equity method	13	118
Total other comprehensive income	5,611	11,186
Comprehensive income	13,779	25,734
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	13,683	25,472
Comprehensive income (loss) attributable to non- controlling interests	96	261

(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 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

(Note) 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, health food, engineering, food service business, and real estate business.

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 with 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 FY2024 (From April 1, 2023 to December 31, 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	96,342	172,566	268,909	35,310	304,220	—	304,220
Other revenue	—	34	34	719	754	—	754
Net sales to external customers	96,342	172,601	268,943	36,030	304,974	—	304,974
Internal sales or transfers between segments	2,328	931	3,260	3,919	7,179	(7,179)	—
Total	98,671	173,533	272,204	39,949	312,154	(7,179)	304,974
Segment income	7,965	8,059	16,024	1,976	18,000	0	18,000

(Note) 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, health food, engineering, food service business, and real estate business.

2. Segment income adjustment of ¥0 million includes elimination of inter-segment transactions and corporate expenses.

3. Segment income is adjusted to reconcile total segment income with 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)

In the “Other” segment, impairment loss on fixed assets is a recorded investment that is no longer recoverable. The amount of impairment loss recorded amounted to ¥25 million for the third quarter of fiscal 2024.