



# Briefing on Business Results for Fiscal Year Ended March 31, 2020 (FY2020)

May 21, 2020

Nippon Flour Mills Co., Ltd.  
<https://www.nippon.co.jp>

- ◆ Overview of Business Results for FY2020 and FY2021 Performance Forecasts
- ◆ The Group's Business Conditions and Future Growth Strategy



# Overview of Business Results for FY2020 and FY2021 Performance Forecasts

# Consolidated Statements of Income

- Net sales increased owing to the growth of the food business.
- Operating income decreased owing to an increase in strategic costs and other factors but profit attributable to owners of parent increased.

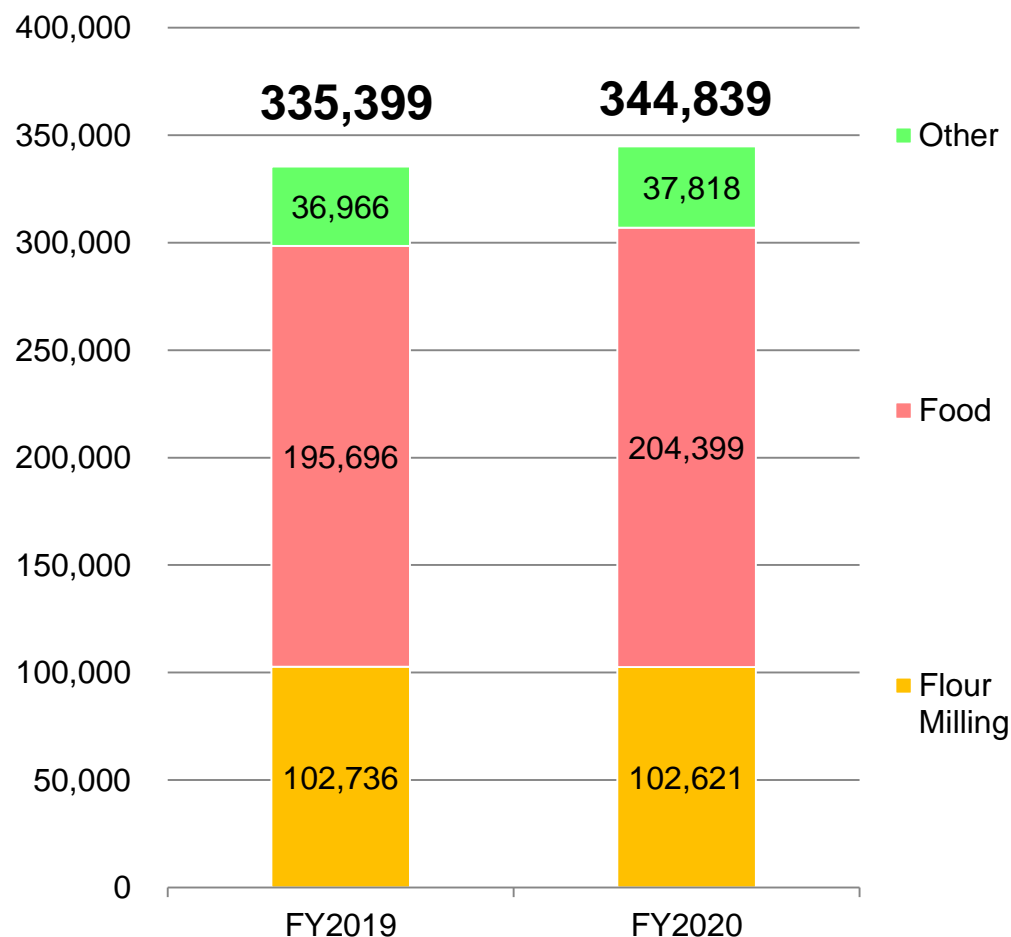
(Millions of yen)

		FY2019		FY2020		YoY	
		(2018.4 ~ 2019.3)	vs. net sales	(2019.4 ~ 2020.3)	vs. net sales	Change	Change (%)
Net sales	Flour Milling	102,736	30.6%	102,621	29.8%	(114)	(0.1)%
	Food	195,696	58.3%	204,399	59.3%	8,703	4.4%
	Other	36,966	11.0%	37,818	11.0%	851	2.3%
	Total	335,399	100.0%	344,839	100.0%	9,439	2.8%
Operating income	Flour Milling	5,538	5.4%	5,657	5.5%	118	2.1%
	Food	5,221	2.7%	4,865	2.4%	(356)	(6.8)%
	Other	460	1.2%	578	1.5%	116	25.2%
	Total	11,222	3.3%	11,101	3.2%	(120)	(1.1)%
Ordinary income		13,065	3.9%	12,740	3.7%	(324)	(2.5)%
Profit attributable to owners of parent		8,455	2.5%	8,941	2.6%	486	5.8%

# Analysis of Factors for Changes in Net Sales

## ◆ Factors for changes in net sales (overall increase of ¥9,439 million [2.8%])

(Millions of yen)



(Millions of yen)

Flour Milling (114) [(0.1)%]	
Changes in the volume of wheat flour sales	150
Increase in wheat bran sales	100
Decrease in buckwheat flour and other sales	(350)

Food 8,703 [4.4%]	
Increase in premix and other sales	700
Increase in processed food sales	1,900
Increase in frozen foods sales	4,400
Increase in ready-made meals sales	900
Increase in other food sales	200
Effect of changes in the accounting period	600

Other 851 [2.3%]	
Decrease in engineering-related sales	(1,350)
Increase in restaurant-related sales	750
Increase in health-food-related sales	150
Increase in revenue from the real estate leasing business	600
Changes in other sales	700

# Analysis of Factors for Changes in Operating Income

## ◆ Factors for changes in operating income (overall decrease of ¥120 million [(1.1)%])

(Millions of yen)



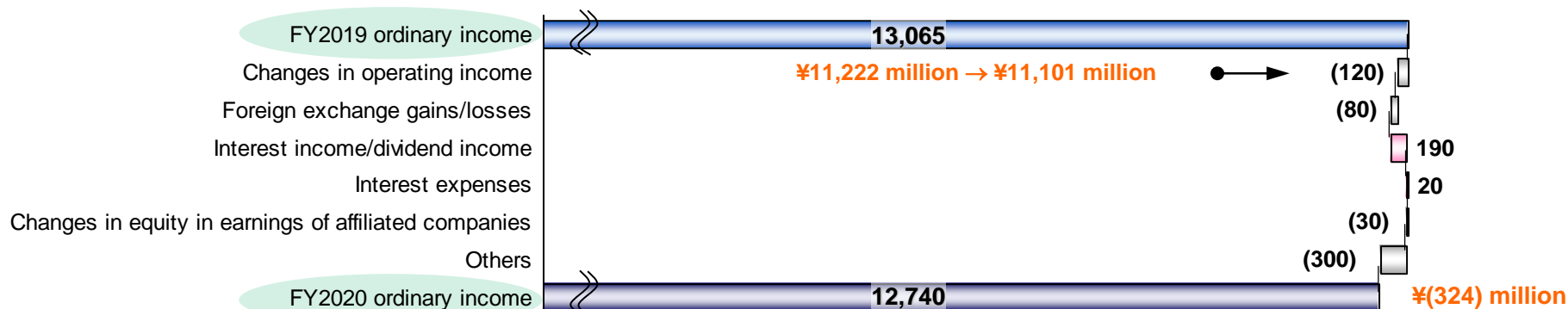
(Millions of yen)

Flour Milling 118 [2.1%]	
Changes in the volume of wheat flour sales, Change in the shipping composition	50
Fluctuations of wheat bran market conditions	100
Fluctuations of sales, manufacturing, and other operating costs	(50)
Food (356) [(6.8)%]	
Increase in food sales	1,100
Fluctuations of sales, manufacturing, and other operating costs	(1,450)
Other 116 [25.2%]	
Decrease in engineering-related sales	(50)
Increase in restaurant-related sales	200
Increase in revenue from the real estate leasing business	300
Fluctuations of sales, manufacturing, and other operating costs	(350)

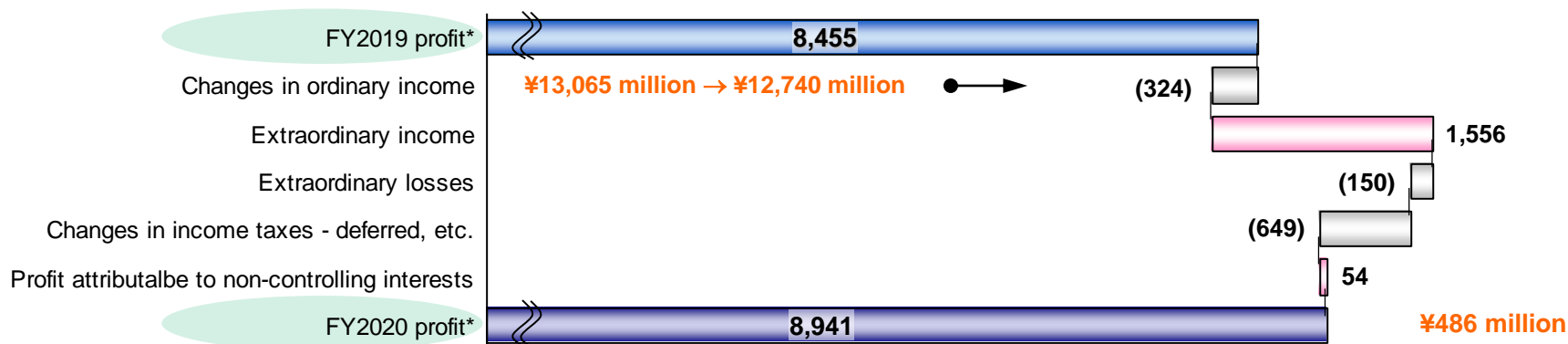
# Analysis of Factors for Changes in Ordinary Income / Profit\*

(Millions of yen)

## ◆ Factors for changes in ordinary income [(2.5)%]



## ◆ Factors for changes in profit\* [5.8%]



\* Profit attributable to owners of parent

# Consolidated Balance Sheets (Assets)

(Millions of yen)

	FY2019		FY2020		Change	
	(As of Mar. 31, 2019)	Component ratio	(As of Mar. 31, 2020)	Component ratio		
Current assets	<b>118,330</b>	<b>40.3%</b>	<b>114,534</b>	<b>39.4%</b>	<b>(3,796)</b>	<b>(0.9)p</b>
Property, plant and equipment	<b>101,233</b>	<b>34.5%</b>	<b>106,957</b>	<b>36.8%</b>	<b>5,724</b>	<b>2.3p</b>
Intangible assets	<b>1,376</b>	<b>0.5%</b>	<b>1,624</b>	<b>0.6%</b>	<b>248</b>	<b>0.1p</b>
Investments and other assets	<b>72,377</b>	<b>24.7%</b>	<b>67,249</b>	<b>23.2%</b>	<b>(5,128)</b>	<b>(1.5)p</b>
Non-current assets	<b>174,988</b>	<b>59.7%</b>	<b>175,832</b>	<b>60.6%</b>	<b>844</b>	<b>0.9p</b>
Deferred assets	<b>73</b>	<b>0.0%</b>	<b>61</b>	<b>0.0%</b>	<b>(12)</b>	<b>(0.0)p</b>
Total assets	<b>293,392</b>	<b>100.0%</b>	<b>290,428</b>	<b>100.0%</b>	<b>(2,963)</b>	<b>-</b>



# Consolidated Balance Sheets (Liabilities and Net Assets)

(Millions of yen)

		FY2019		FY2020		Change	
		(As of Mar. 31, 2019)	Component ratio	(As of Mar. 31, 2020)	Component ratio		
Current liabilities		<b>76,100</b>	<b>26.0%</b>	<b>74,078</b>	<b>25.5%</b>	<b>(2,022)</b>	<b>(0.4)p</b>
Non-current liabilities		<b>62,305</b>	<b>21.2%</b>	<b>57,768</b>	<b>19.9%</b>	<b>(4,536)</b>	<b>(1.3)p</b>
Total liabilities		<b>138,405</b>	<b>47.2%</b>	<b>131,847</b>	<b>45.4%</b>	<b>(6,558)</b>	<b>(1.8)p</b>
Shareholders' equity	Common stock	<b>12,240</b>	<b>4.2%</b>	<b>12,240</b>	<b>4.2%</b>	<b>-</b>	<b>-</b>
	Capital surplus	<b>11,262</b>	<b>3.8%</b>	<b>11,262</b>	<b>3.9%</b>	<b>0</b>	<b>0.1p</b>
	Retained earnings	<b>103,682</b>	<b>35.3%</b>	<b>109,057</b>	<b>37.6%</b>	<b>5,824</b>	<b>2.3p</b>
	Treasury shares	<b>(3,536)</b>	<b>(1.2)%</b>	<b>(3,422)</b>	<b>(1.2)%</b>	<b>113</b>	<b>-</b>
Accumulated other comprehensive income		<b>26,498</b>	<b>9.0%</b>	<b>24,139</b>	<b>8.3%</b>	<b>(2,359)</b>	<b>(0.7)p</b>
Subscription rights to shares		<b>287</b>	<b>0.1%</b>	<b>260</b>	<b>0.1%</b>	<b>(26)</b>	<b>(0.0)p</b>
Non-controlling interests		<b>4,552</b>	<b>1.6%</b>	<b>4,593</b>	<b>1.6%</b>	<b>41</b>	<b>0.0p</b>
Total net assets		<b>154,986</b>	<b>52.8%</b>	<b>158,581</b>	<b>54.6%</b>	<b>3,594</b>	<b>1.8p</b>
Total liabilities and net assets		<b>293,392</b>	<b>100.0%</b>	<b>290,428</b>	<b>100.0%</b>	<b>(2,963)</b>	<b>-</b>

# Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019	FY2020	Change
Operating activities	<b>17,063</b>	<b>15,532</b>	<b>(1,530)</b>
Investing activities	<b>(14,614)</b>	<b>(14,130)</b>	<b>484</b>
Financing activities	<b>7,135</b>	<b>(759)</b>	<b>(7,895)</b>
Effect of exchange rate change on cash and cash equivalents	<b>(55)</b>	<b>113</b>	<b>169</b>
Net increase (decrease) in cash and cash equivalents	<b>9,528</b>	<b>755</b>	<b>(8,772)</b>
Cash and cash equivalents at beginning of period	<b>20,556</b>	<b>30,085</b>	<b>9,528</b>
Increase in cash and cash equivalents from newly consolidated subsidiary	<b>-</b>	<b>171</b>	<b>171</b>
Cash and cash equivalents at end of period	<b>30,085</b>	<b>31,012</b>	<b>927</b>

- Major factors contributing to changes in cash flows from operating activities = Decrease in notes and accounts payable - trade, etc.
- Major factors contributing to changes in cash flows from investing activities = Sales of investment securities, purchase of fixed assets, etc.
- Major factors contributing to changes in cash flows from financing activities = Proceeds from financing, cash dividends paid, etc.

# FY2021 Performance Forecast

(Millions of yen)

		FY2020		FY2021 (Forecasts)		YoY	
		Result	vs. net sales	Forecasts	vs. net sales	Change	Change (%)
Net sales	Flour Milling	102,621	29.8%	102,500	29.7%	(121)	(0.1)%
	Food	204,399	59.3%	206,500	59.9%	2,101	1.0%
	Other	37,818	11.0%	36,000	10.4%	(1,818)	(4.8)%
	Total	344,839	100.0%	345,000	100.0%	161	0.0%
Operating income	Flour Milling	5,657	5.5%	5,300	5.2%	(357)	(6.3)%
	Food	4,865	2.4%	3,300	1.6%	(1,565)	(32.2)%
	Other	578	1.5%	400	1.1%	(178)	(30.8)%
	Total	11,101	3.2%	9,000	2.6%	(2,101)	(18.9)%
Ordinary income		12,740	3.7%	10,500	3.0%	(2,240)	(17.6)%
Profit attributable to owners of parent		8,941	2.6%	7,000	2.0%	(1,941)	(21.7)%

## FY2021 Performance Forecast - Impact of COVID-19 Pandemic

**Special fluctuations in demand are expected to continue at a certain level in the first half and demand for products that experienced a sharp decline in demand is expected to gradually recover toward the second half.**

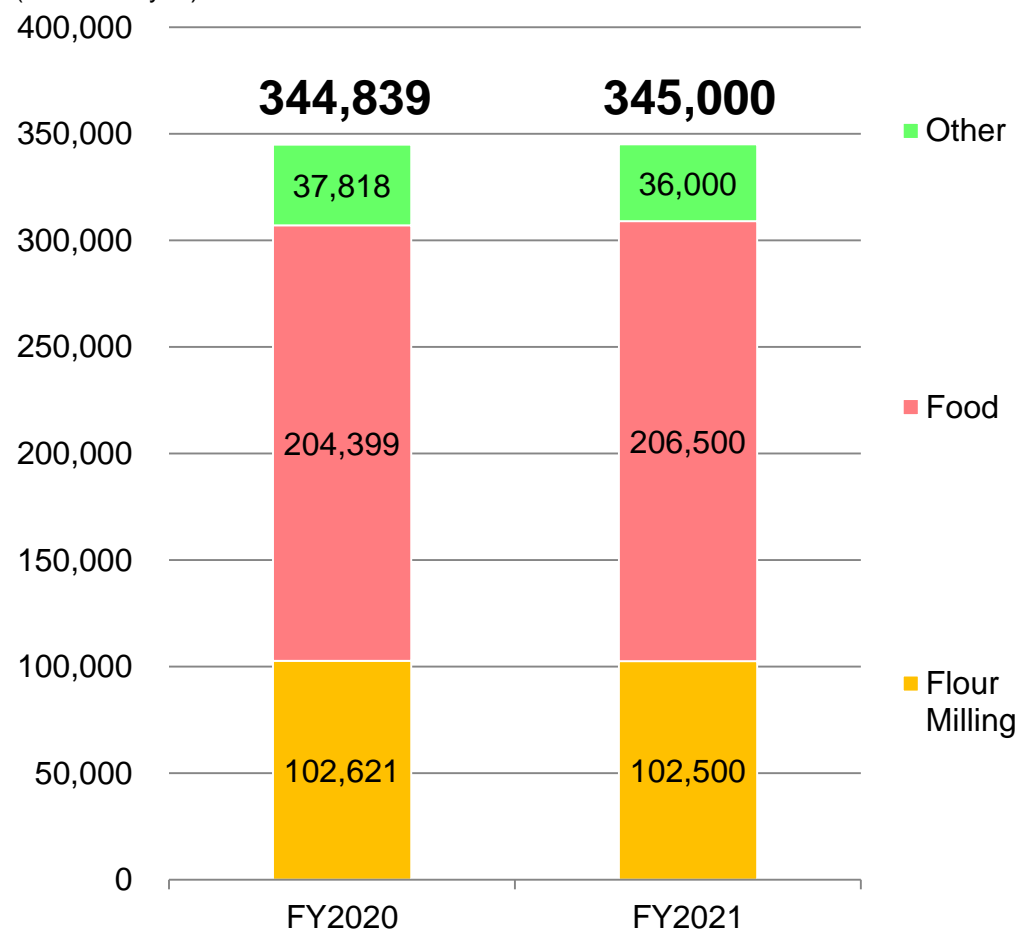
(Billions of yen)

	Net sales	Operating income	Overview of the impact
Flour Milling	<b>(0.8)</b>	<b>(0.2)</b>	Slight decrease in shipment of wheat flour and fluctuation in sales composition
Food	<b>(4.6)</b>	<b>(1.0)</b>	<p>Demand for commercial-use premixes, dry pasta, and frozen food decreased greatly, reflecting lackluster catering demand affected by voluntary closure of restaurants, and weak performance of CVSs.</p> <p>Demand for home-use dry pasta and frozen food increased because of the shift to eating at home in line with the trend toward in-home consumption and consumer psychology predisposed to stocking up.</p> <p>Demand for other commercial-use food products is expected to gradually recover and demand for home-use food products is expected to stabilize.</p> <p>Regarding ready-made meals and delicatessen products, Group companies are struggling because of a decline in sales at CVSs adjacent to train stations and in business districts.</p>
Other	<b>(1.6)</b>	<b>(0.5)</b>	Catering-related sales decreased owing to voluntary closure and shorter opening hours of restaurants
Total	<b>(7.0)</b>	<b>(1.7)</b>	

# Analysis of Factors for Changes in Net Sales Forecasts

## ◆ Factors for changes in net sales forecasts (overall increase of ¥161 million [0.0%])

(Millions of yen)



(Millions of yen)

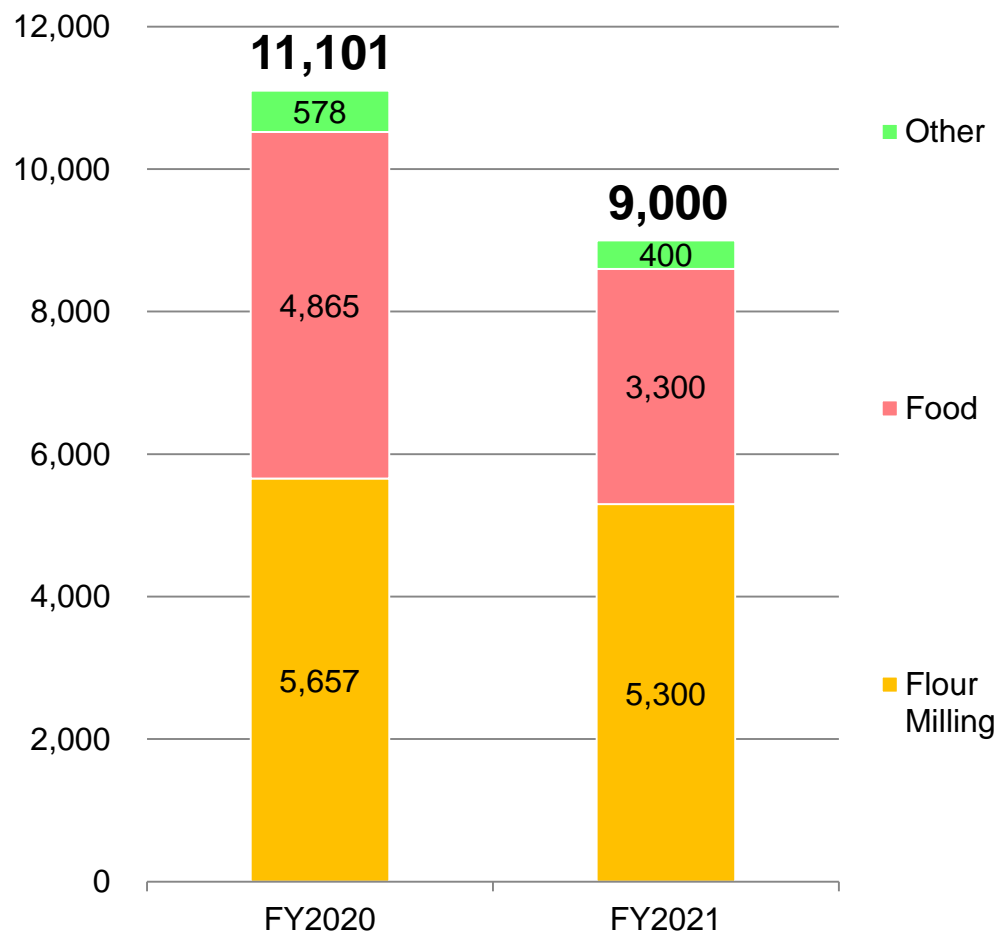
Flour Milling (121) [(0.1)%]	
Sales volume	2,200
Sales price	(2,300)
Food 2,101 [1.0%]	
Sales volume	2,400
Sales price	(300)
Other (1,818) [(4.8)%]	
Decrease in sales, etc.	(1,800)

\*The impact of the COVID-19 pandemic on consolidated net sales for FY2021 is expected to be conspicuous in the food business. The forecast reflects an expected impact totaling minus 7,000 million yen.

# Analysis of Factors for Changes in Operating Income Forecasts

## ◆ Factors for changes in operating income forecasts (overall decrease of ¥2,101 million [(18.9)%])

(Millions of yen)



(Millions of yen)

Flour Milling (357) [(6.3)%]	
Increase in sales volume	400
Change in cost, etc.	(750)

Food (1,565) [(32.2)%]	
Increase in sales volume	300
Change in cost, etc.	(1,850)

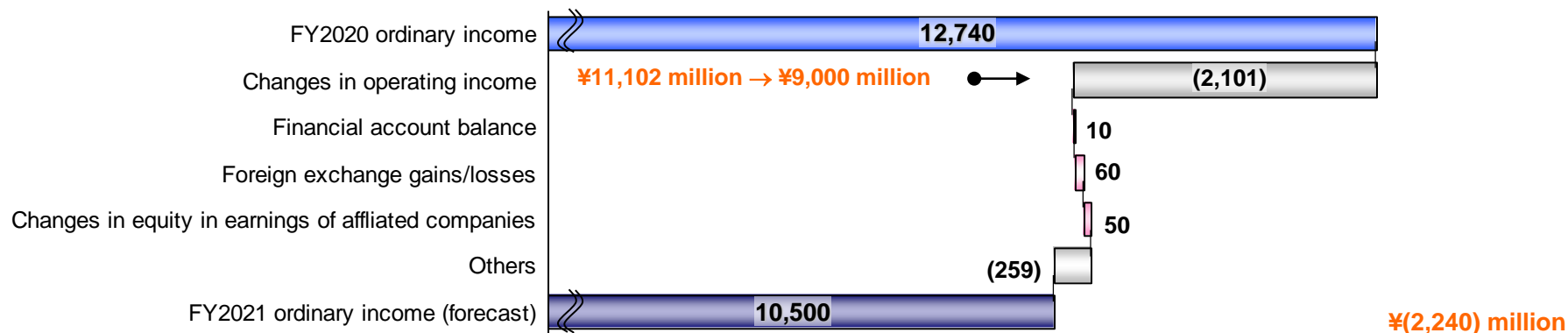
Other (178) [(30.8)%]	
Decrease in sales, etc.	(200)

\*The impact of the COVID-19 pandemic on consolidated operating income for FY2021 is expected to be conspicuous in the food business. The forecast reflects an expected impact totaling minus 1,700 million yen.

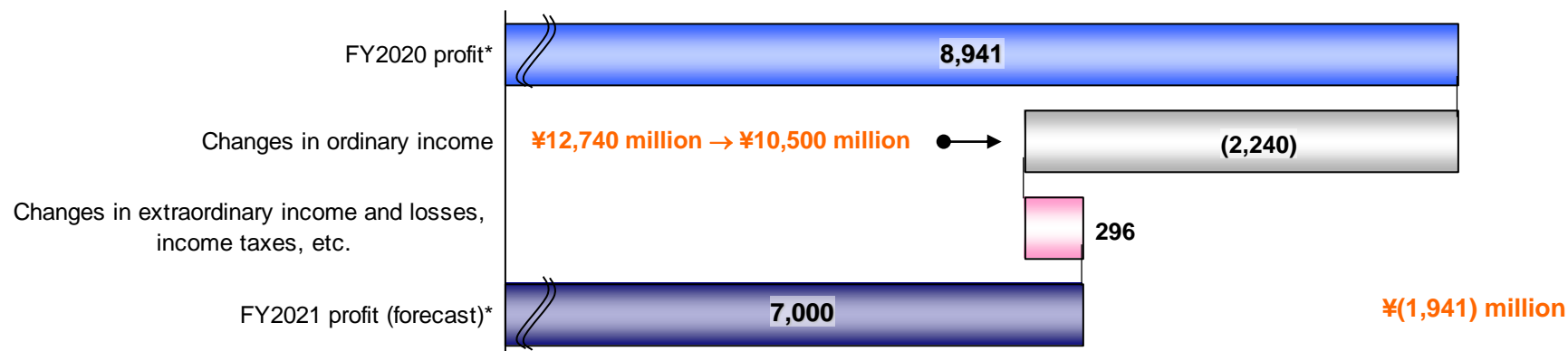
# Analysis of Factors for Changes in Ordinary Income / Profit Forecasts

(Millions of yen)

## ◆ Factors for changes in ordinary income forecasts [(17.6)%]



## ◆ Factors for changes in profit\* forecasts [(21.7)%]



\* Profit attributable to owners of parent



# The Group's Business Conditions and Future Growth Strategy



# Contents

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1 Business Contents

2 Business Environment

3 Strategy for Sustainable Growth

4 Stakeholder Engagement

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# 1. Business Contents

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# Nippon Flour Mills Group Comprehensive Services



Flour milling, Food, Other  
(health food, engineering, etc.)



松屋製粉

Matsuya Flour Mills Co., Ltd.



Processed food business



Frozen food business



Ready-made meals and  
delicatessen business



Processed food business  
(soybean)



Tomato business



Junco flora school

Cultural business



Sports business



Biotechnology business



Wholesale business



Food services business (franchisees)

**Nippon Flour Mills Group  
offers comprehensive food-  
related services by leveraging  
its multifaceted capabilities.**



- Group companies:  
63 subsidiaries and 24 affiliates  
Of which, 48 consolidated subsidiaries and  
14 affiliates accounted for by the equity method
- Number of employees:  
Nippon Flour Mills: 1,178  
Consolidated: 3,737  
(As of March 31, 2020)

# Business Contents

## ■ Other

¥**37.8** billion

- Pan-no-hana
- Health food
- Biotechnology business
- Pet food
- Sports clubs
- Cosmetics



## ■ Food

¥**204.3** billion

### ■ Ingredients



### ■ Processed food



### ■ Frozen food



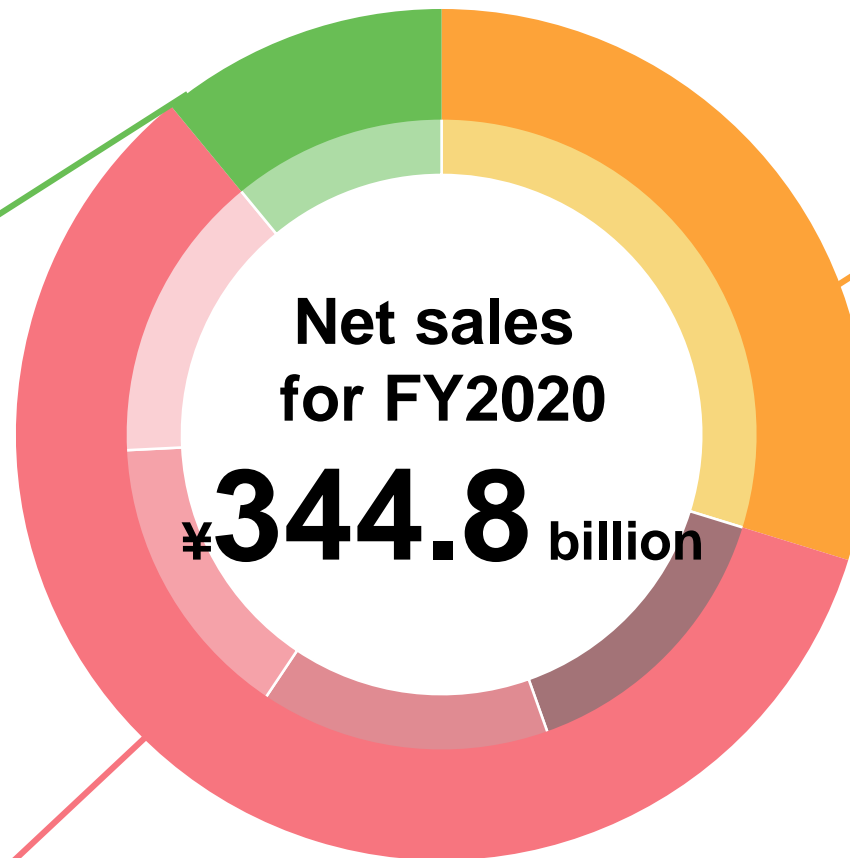
### ■ Ready-made meals



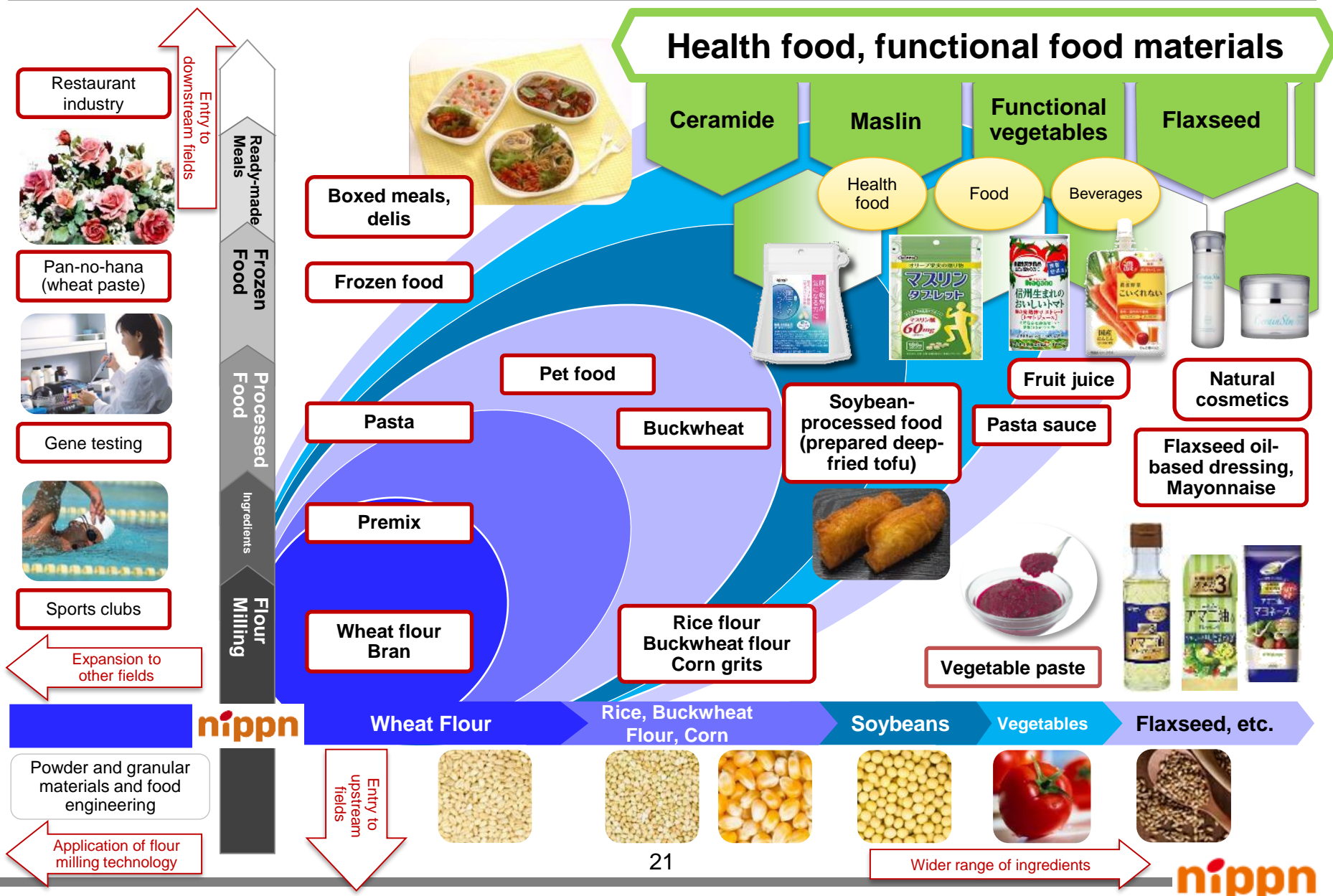
## ■ Flour Milling

¥**102.6** billion

### ■ Commercial-use wheat flour



# Direction of Diversification



# Flour Milling Business

7 flour mills

Yokohama, Chiba, Nagoya, Osaka, Kobe-Konan, Fukuoka, Otaru Mills

## NIPPN's strengths

### ■ Pursuit of efficient production systems

#### • Consolidation of mills:

Promoted consolidation to coastal mills, which are advantageous for procurement of raw materials from abroad, and increased production capacity of coastal mills

#### • Increased capacity for storing raw wheat

Construction of a new silo at Kobe-Konan Mill (2012), construction of an additional silo at Chiba Mill (2014)

### ■ Supply of high-quality low-cost wheat flour

### ■ Promotion of proposal-driven sales, development of new products



Kobe-Konan Mill



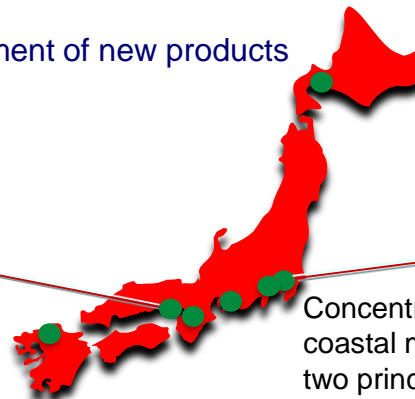
Fukuoka Mill



Osaka Mill



Nagoya Mill



Concentration (83%) on coastal mills, including the two principal mills in East and West Japan



Chiba Mill



Yokohama Mill



Otaru Mill



# Premix Business

- Respond to market needs by capitalizing on NIPPN's strengths in the core business

## Premix plants

Japan: Ryugasaki, Kobe-Konan, Fukuoka (Under construction)  
Overseas: Shanghai (China), Bangkok (Thailand), Jakarta (Under construction)

## NIPPN's strengths

- Product development capabilities addressing customers' issues
- Sophisticated management of raw materials quality supports product development capabilities
- Cost competitiveness through the pursuit of efficient production systems

## Greater demand for premixes at production workplaces

- Labor shortage → Fewer work steps
- Health consciousness, preference for products produced in Japan, orientation toward authenticity → For restaurants and delicatessen
- Fewer skilled workers → Maintaining the quality level
- Promotion of workstyle reform → Shorter production hours



Cake doughnut premix



Cake premix



Bread premix

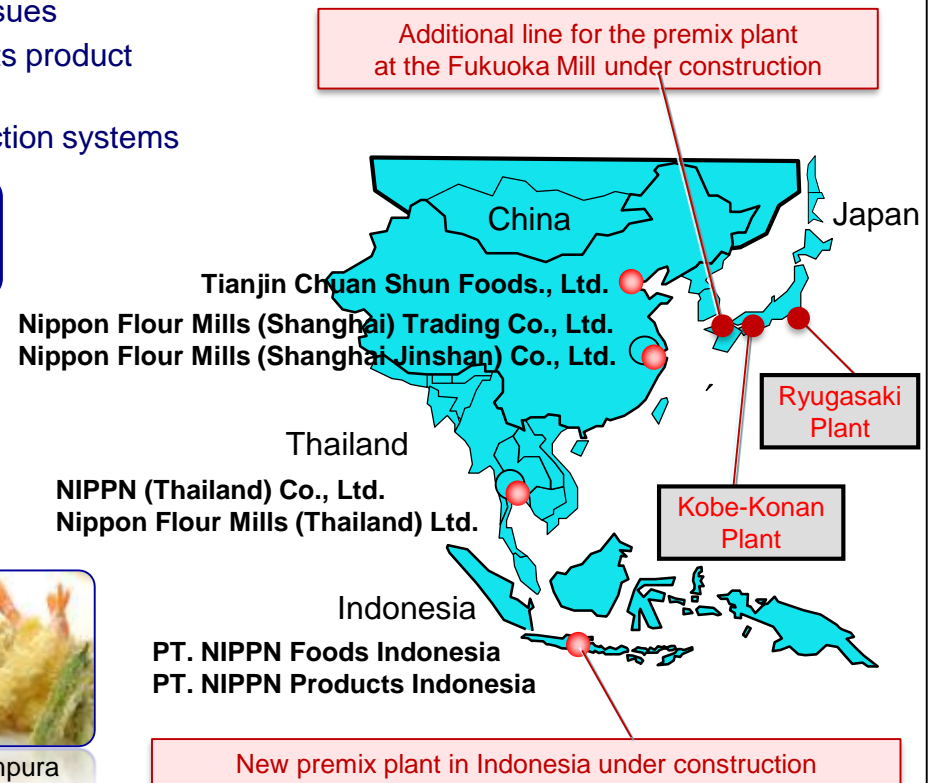


Deep fry premix



Tempura premix

Other premix products include steamed bread premix, yeast doughnut premix, snack premix (Western style, Japanese style).



# Processed Food Business

- Imported pasta accounts for over 50% of the pasta market in Japan.  
→ Supply systems in Japan and overseas to support the core business

## Supply of pasta

Bases in Japan: Atsugi (manufacturing),  
Kakogawa (manufacturing)  
Overseas bases: U.S. (manufacturing,  
importing), Italy (importing), Turkey (importing)

## Continuous development of high-grade pasta products made in Japan

- Enhancement of brand recognition of REGALO
- Additional sales by launching new products
- Cost competitiveness through the pursuit of efficient production systems

## Products for the Japanese market

### REGALO



### Oh' my



## Bases in Japan and overseas



Italy: Importing of pasta products

Turkey: Importing of pasta products

U.S.: Manufacturing of pasta  
Sales in the U.S.  
Importing of pasta products

## Proposals for new wheat flour



### STYLE FIT SERIES

Series of wheat flour products attuned to usage scenes  
No need to measure, single-use portion  
Easier to use wheat flour



# Frozen Food Business

## ● Strengthening of competitiveness in growth fields

### Frozen food plants

Japan: Ryugasaki, Isesaki

Overseas: Bangkok (Thailand) (Under construction)

### Pasta lineup attuned to various needs

- Wide lineup ranging from high end to middle range
- Further enrichment of prepared one-person-portion pasta and rice dishes
- Development of products meeting diversifying market needs

### Meeting every dining scenario

- Development of market-initiating products such as those meeting needs (simple, quick, etc.)
- Development of products for breakfast, lunch, dinner and every other scene where food is consumed
- Enrichment of the lineup of products in environmentally friendly trays

#### ★ Imadoki Gohan series



#### ★ Yokubari Plate series of one-plate dishes: "Breakfast"

#### ◆ Oh' my Premium



#### ◆ REGALO



#### ◆ Big

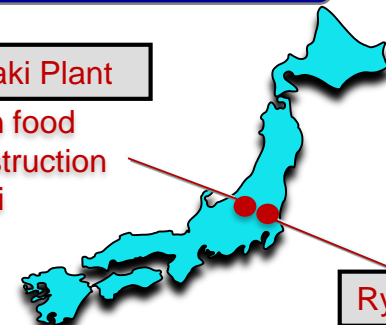


#### ◆ Bento (boxed lunch) series



### 2 frozen food plants in Japan

Isesaki Plant  
Second frozen food plant under construction at Isesaki



Ryugasaki Plant

# Ready-made Meals Business

- Expanded in line with diversification of needs (quick, simple, and quick to prepare and eat)

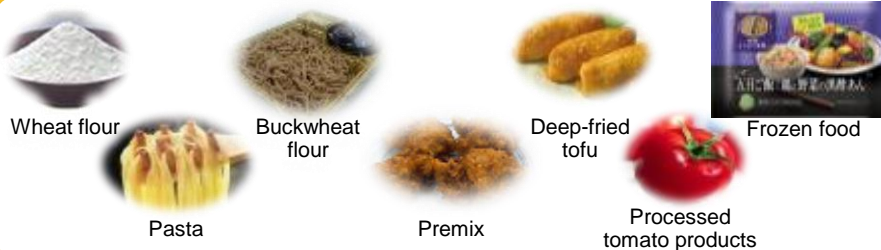
## Fast Foods Group (5 companies and 10 plants)

### Greater collaboration with convenience stores

- Strengthen across-the-board initiatives with CVSs and expand sales  
Capital investment to respond to increasing demand and to strengthen business  
→ Improvement of the supply system for boxed lunches, rice balls, pre-cooked noodles, stuffed bread, delicatessen, and frozen foods
- Initiatives for reduction of food loss  
→ Strengthening of development and manufacturing systems in order to achieve long-life ready-made meals with extended expiration dates

### Greater sales in the ready-made-meals market

- Sell the Group's diverse food products in the ready-made-meals market and to supermarkets (meal preparation area)
- Feedback of market needs and strengthening of menu proposals
- Strengthening of growth product lines (frozen food and prepared dishes), capital investment

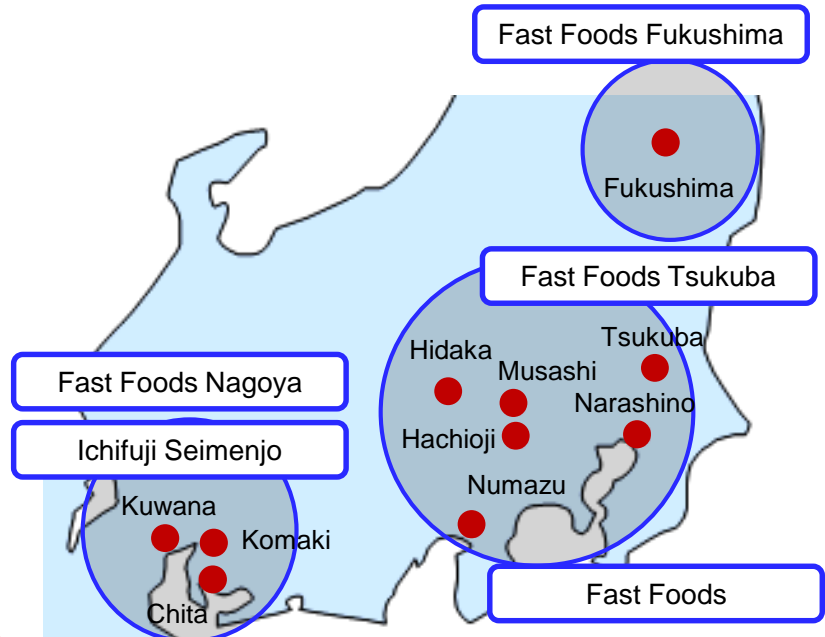


### Fast Foods

Fast Foods Fukushima  
Fast Foods Nagoya  
Fast Foods Tsukuba  
Ichifuji Seimenjo

Investment to increase capacity

→ State-of-the-art factory for pre-cooked noodles



# Overseas Business

- Focus on expanding sales channels in rapidly growing markets of Asia and North America

## Asia – Thailand, China, and Indonesia –

### Tianjin Chuan Shun Foods Co., Ltd.

- Manufacture and sale of premix products, etc.

### Nippon Flour Mills (Shanghai) Trading Co., Ltd.

- Sale of premix products, etc.

### Nippon Flour Mills (Shanghai Jinshan) Co., Ltd. (\*)

- Manufacture and sale of premix products
- Operation started in October 2018
- Acquired FSSC22000 certification

### NIPPN (Thailand) Co., Ltd.

- Manufacture and sale of premix products
- Acquired FSSC22000, halal, and other certifications
- Additional premix line constructed in 2018
- Construction of a new frozen dough production plant (planned)

### Nippon Flour Mills (Thailand) Ltd.

- Sale of premix products, etc.
- Expansion of sales channels in Thailand and adjacent countries

### PT. NIPPN Foods Indonesia

- Sale of premix products, etc.

### PT. NIPPN Products Indonesia

- Construction of a new premix plant (planned)

## U.S.

### Pasta Montana, L.L.C.

- Manufacture and sale of pasta
- Export to Japan, sale in US

### NIPPN California Inc.

- Sale of premix products, etc.

[Nippon Flour Mills (Shanghai Jinshan)]



[NIPPN (Thailand) Co., Ltd.]



[Pasta Montana, L.L.C.]



\* Transfer of manufacture from Nippon Flour Mills (Shanghai) to Nippon Flour Mills (Shanghai Jinshan)

# Healthcare Business

- Commitment to businesses extending healthy life expectancy

## Flaxseed series: Raw material, processed food, health food

### Nutritional value of flaxseed

- Containing alpha-Linolenic acid (omega-3 fatty acids), dietary fiber, and lignan in abundance

### Characteristics of Nippn's flaxseed products

- Made only of flaxseed produced in Canada or New Zealand
- Use of only the golden variety
- Products certified by the Flaxseed Association of Japan

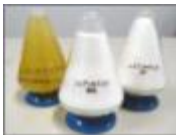


- Obtained the Japan Disaster Food Certification by the Japan Disaster Food Society
- 10 flaxseed-related products were registered on August 20, 2019
- Disaster food: Processed food that can be eaten easily in the event of a disaster as well as in ordinary situations

## Ceramide

Natural vegetable-derived (rice, corn):  
Safe, high purity, high quality

Wide-ranging applications  
Foods, supplements, cosmetics



## Maslinic acid

Development and commercialization of  
olive drupe extract

Participated in an industry-government-academia joint research organization  
Helping the elderly stay healthy

Extraction of **maslinic acid**, an active ingredient

Use of maslinic acid from olives, the Company's original ingredient

- Business development for vegetables with high added value

## Vegetables with high added value



"Lycopene carrot": carrot, beta-carotene, lycopene

"Koiaona" . . . kale, dietary fiber, beta-carotene

"Koiakane" . . . beet, dietary fiber

Primary  
processing

## Frozen vegetables



Frozen kale

## Powdered vegetables



Kale powder

## Vege (vegetable) Paste

- Vivid color and rich flavor
- Possible to use without heating after thawing
- "Superheated steam processing," a special method
- Versatile vegetable paste (frozen)

Possibility of application to  
various kinds of food

Secondary  
processing

Vegetable smoothies

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## 2. Business Environment

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# Business Environment (1) Expanding Overseas Market (Asia)

## World population estimate

- World population to increase about 1.5 times in 50 years.  
→ Increase in population in Asia
- Higher GDP per capita

(Billion people)



Source: UN World Population Prospects

## Overseas business development

- Nippon Flour Mills (Shanghai Jinshan) Co., Ltd.:  
Construction of a premix plant  
(Completed in October 2018)
- NIPPN (Thailand) Co., Ltd.:  
Construction of an additional line for premix  
(Completed in October 2018)
- NIPPN (Thailand) Co., Ltd.:  
Construction of a new frozen dough production plant  
(Scheduled for completion in FY2021)
- PT. NIPPN Products Indonesia:  
Construction of a new premix plant  
(Scheduled for completion in FY2022)



# Business Environment (2) Changing Japanese Market

## Change in Japan

- Population aging and declining birthrate



- Greater participation of women in society
- More double-income households  
→ 12.19 million households



- Increase in small households  
→ 60% of all households



- Diversification of sales channels  
→ Online sales, convenience stores, drugstores, etc.

Diversifying needs  
Time-saving, simple and  
convenient, instant food, health

## Strengthening of the business

Processed  
Food Business



Frozen Food  
Business



Ready-made  
Meals Business



Healthcare  
Business



Source: 令和元年 内閣府資料

# Business Environment (3) Trade Liberalization

~Responses by the Company

## TPP11, Japan-EU EPA, and Japan-U.S. Trade Agreement on Goods: Matters agreed

Items	Tariff rate before enforcement of the agreements	TPP11, Japan-U.S. Trade Agreement on Goods (TAG)			Japan-EU EPA	
			Tariff rate	Volume limit	Tariff rate	Volume limit
Wheat (State trading items)		TPP11	45% reduction in markup by the 9th year (Treatment under Japan-U.S. TAG to be the same as under TPP11)	Limits on imports from Canada and Australia: 78,000 tons (at start) → 103,000 tons (7th year)	45% reduction in markup by the 9th year	Limit under Japan-EU EPA (At start) 200 tons → (7th year) 270 tons
		Japan-U.S. Trade Agreement on Goods		Limit on imports from the U.S.: 120,000 tons (at start) → 150,000 tons (7th year)		
Wheat flour preparations for bakery products (Whether tariff-rate quotas are applied or not depends on individual items.)	16 - 28%	TPP11	No tariff within the limit (Tariff to be retained for the volume exceeding the limit)	Limit under TPP (At start) 6,800 tons → (6th year) 8,000 tons	No tariff within the limit (Tariff to be retained for the volume exceeding the limit)	(At start) 10,400 tons → (6th year) 14,200 tons
		Japan-U.S. Trade Agreement on Goods	No tariff within the limit (Tariff to be retained for the volume exceeding the limit)	Limit on imports from the U.S. (At start) 10,500 tons → (6th year) 12,000 tons		
Macaroni, spaghetti	¥30/kg	TPP11	60% reduction by the 9th year (Treatment under Japan-U.S. TAG to be the same as under TPP11)	—	Step-by-step reduction and removal in the 11th year	—
Biscuits	13% - 20.4%	TPP11	No tariff in the 6th year (Treatment under Japan-U.S. TAG to be the same as under TPP11)	—	Step-by-step reduction and removal in the 11th year	—



## Responses by the Company



- Enhance the system for **ensuring stable supply of safe wheat flour products to customers** in Japan
- Develop differentiation products and increase cost competitiveness to prevail over imported wheat flour-related products from countries with which Japan has trade agreements as imports will increase in line with the reduction of border measures such as tariffs
- **Further promote cultivation of overseas markets as well as the Japanese market** by emphasizing overseas business development amid accelerating globalization

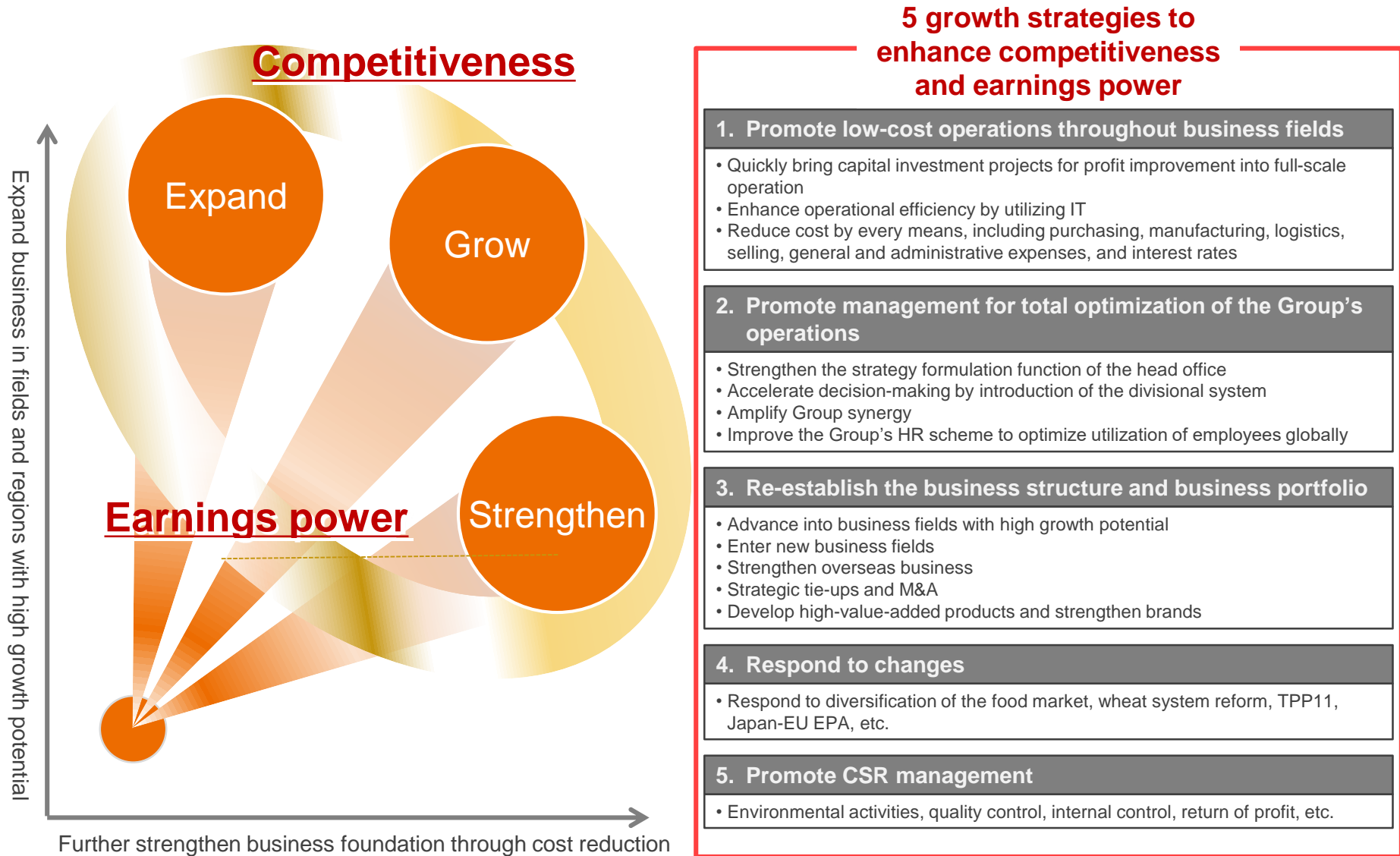


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## 3. Strategy for Sustainable Growth

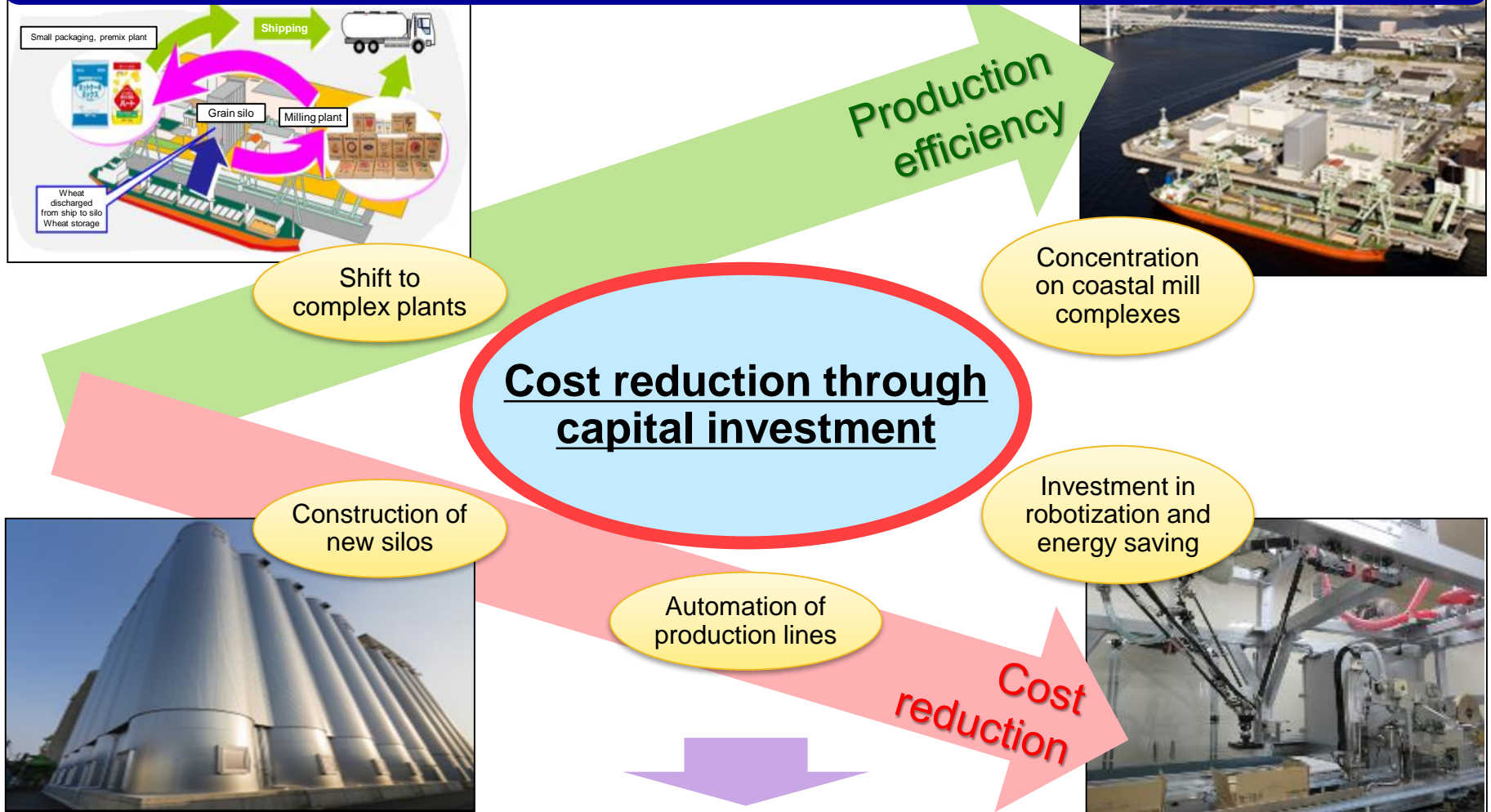
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# Growth Strategy Swiftly Responding to Change



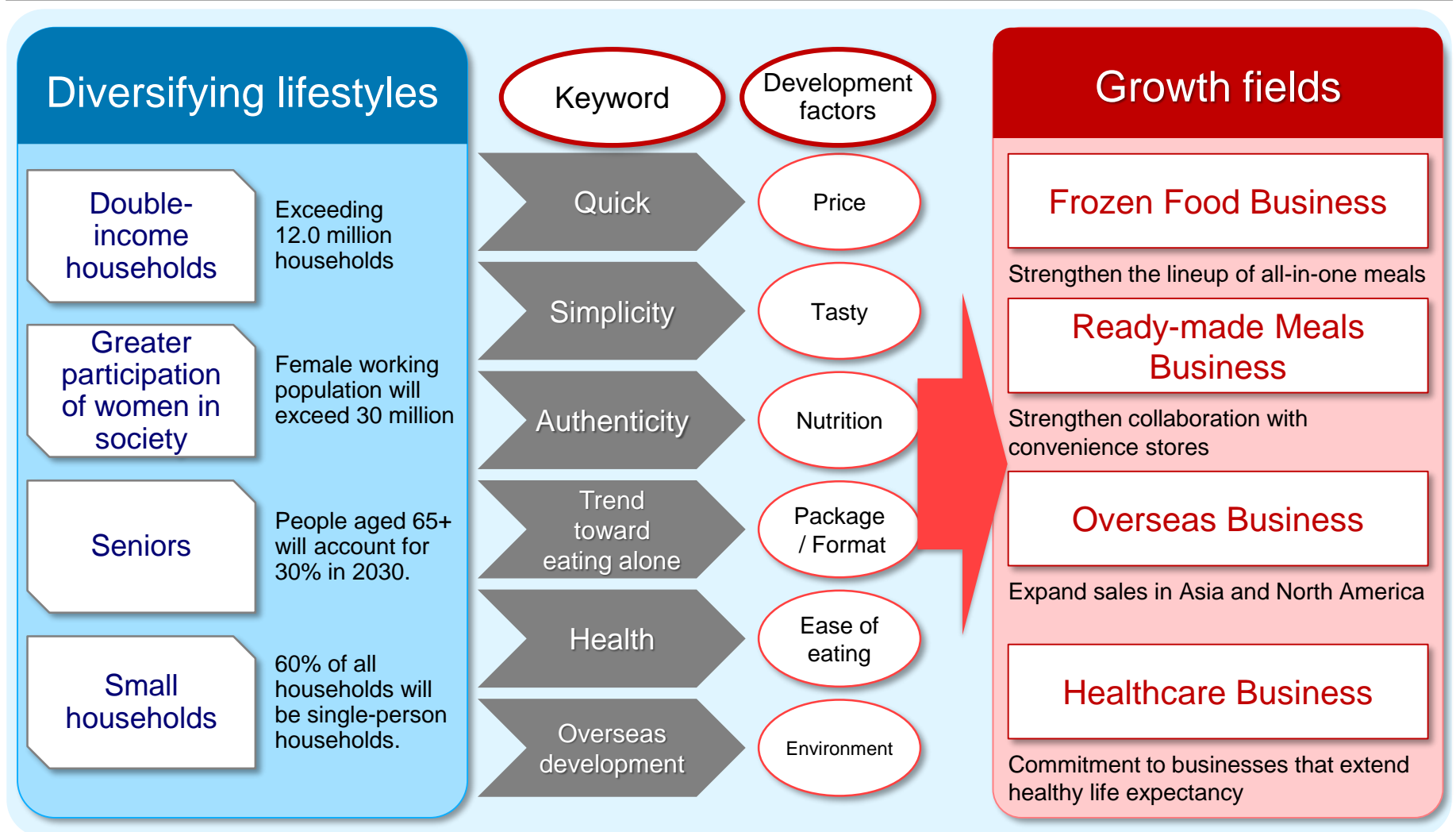
# Initiatives to Strengthen the Business Foundation

## – Strengthening Flour Milling and Food Businesses – Low-cost operations strategy



Strengthen competitiveness, enhance earnings power

# Initiatives in growth fields



Development of market-creation-type products

# Strategic Investment in Growth Fields

## ● For further promotion of sustainable growth strategy – Capital investment –

(Billions of yen)

	FY2019	FY2020	FY2021 (forecast)
Capital investment (consolidated basis)	<b>15.9</b>	<b>13.0</b>	<b>17.0</b>
(Flour Milling)	<b>3.7</b>	<b>3.0</b>	<b>2.8</b>
(Food)	<b>10.7</b>	<b>5.5</b>	<b>13.4</b>
Depreciation	<b>7.4</b>	<b>8.3</b>	<b>9.5</b>
(Flour Milling)	<b>2.8</b>	<b>2.9</b>	<b>3.1</b>
(Food)	<b>3.3</b>	<b>3.9</b>	<b>4.3</b>
Principal capital investment projects	<p>(Japan)</p> <ul style="list-style-type: none"> <li>■ Purchase of land adjacent to Kobe-Konan Mill</li> <li>■ Construction of Ichifuji Seimenjo's new factory for pre-cooked noodles</li> <li>■ Construction of an additional line for pet food</li> </ul> <p>(Overseas)</p> <ul style="list-style-type: none"> <li>■ NIPPN (Thailand) Co., Ltd. Construction of an additional line for premix</li> <li>■ Nippon Flour Mills (Shanghai Jinshan) Co., Ltd. Construction of a premix plant</li> </ul>	<p>(Japan)</p> <ul style="list-style-type: none"> <li>■ Sendagaya 5-chome redevelopment</li> <li>■ Construction of a loading facility for bulk carriers for shipping wheat bran at Chiba Mill</li> </ul> <p>(Overseas)</p> <ul style="list-style-type: none"> <li>■ Nippon Flour Mills (Shanghai Jinshan) Co., Ltd. Construction of an additional line for premix</li> </ul>	<p>(Japan)</p> <ul style="list-style-type: none"> <li>■ Construction of an additional line at Fukuoka premix plant</li> <li>■ Construction of an additional line at Isesaki frozen food plant</li> </ul> <p>(Overseas)</p> <ul style="list-style-type: none"> <li>■ NIPPN (Thailand) Co., Ltd. Construction of a new frozen dough production plant</li> <li>■ PT.NIPPN Products Indonesia Construction of a new premix plant</li> </ul>

# Capital Investment in Various Fields

Ongoing capital investment to achieve sustainable growth

## Strengthening of the core business



[Kobe-Konan Mill]

- Purchase of adjacent land
- Construction of a new silo



[Chiba Mill]

- Loading facility for bulk carriers for shipping wheat bran

## Investment in growth fields



[Nippon Flour Mills (Shanghai Jinshan) Co., Ltd.]

- Construction of an additional line for premix



[NIPPN (Thailand) Co., Ltd.]

- Construction of an additional line for premix
- Frozen food plant under construction

## Other investment

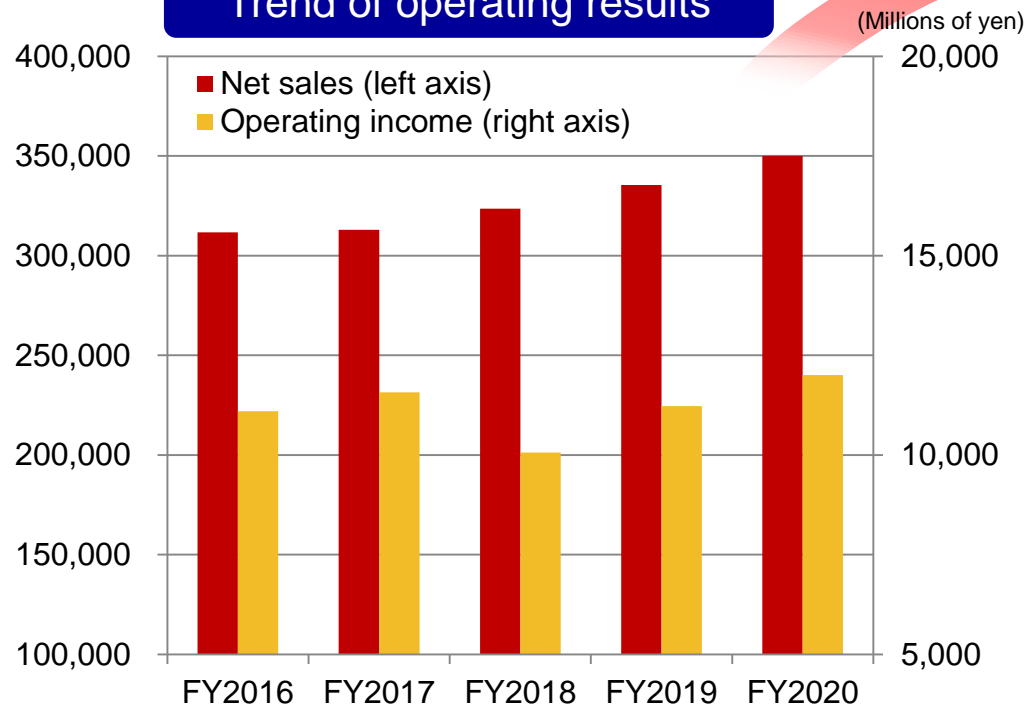


[Link Square Shinjuku]

# Growth Strategy (Summary)

## ■ Sustainable growth enterprise

### Trend of operating results



### Vision

Multifaceted global food enterprise

Net Sales: ¥500.0 billion

Operating Income: ¥25.0 billion

ROE  
8%

Operating Margin  
5%

Enhancement of corporate value  
over the medium to long term

Greater future cash flow

### Initiatives for sustainable growth

- Strengthen overseas bases
- M&A
- Investment in growth fields
- Develop market-creation-type products

### Efficient utilization of management resources

- Strengthen Group management
- Expand synergy

### Strengthening of earnings power

- Enhance customer satisfaction
- Development of products with high added value
- Pursue cost reduction
- Investment in automation

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## 4. Stakeholder Engagement

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# ESG Initiatives (1) Environment

## Environmental protection initiatives

### [Environmentally conscious products]

- Development of products that require less time for preparation
- Contribution to energy saving and resource saving



### [Tree planting at Nippon Shiki-no-Mori Forest]

Systematic tree planting in Fukagawa City, Hokkaido, since FY2012, with participation of residents of Fukagawa City



### [Food recycling loop]

Use of agricultural and livestock products, such as pork from pigs raised on feed made from food waste, for dishes served by company cafeterias



[Use of containers made of PEFC-certified paper and eco-paper trays]

Received the Minister of Agriculture, Forestry and Fisheries Award in the Environment Category of the Food Industry Excellent Enterprise Commendation

**Environmentally friendly containers are used for Nippon frozen foods.**

**Switching from plastic containers to containers made of PEFC-certified paper**



Containers for Oh' my Premium (frozen pasta) products have been switched to paper trays with PEFC certification, which indicates products made from timber procured from appropriately managed forests, to reduce use of plastic containers.



**Use of eco-paper trays as part of countermeasures for marine plastic waste**

Molded pulp containers



**Patent pending**

Eco-paper trays made from environmentally friendly unbleached wood pulp are used for Yokubari Gozen and Yokubari Plate series (frozen food).



# ESG Initiatives (2) Social

## Corporate activities for sustainable growth



- Holding of a joint CSR and environment meeting



CSR Report

- R&D structure  
Research Planning Center  
Food Research Center  
Innovation Center  
Development Division

- New products addressing customer needs



## Offering of high-quality products and services



- Gained certifications, including FSSC 22000, ISO 9001, and JFS-C, to strengthen systems for ensuring food safety and reliability
- Ryugasaki Plant gained JFS-C certification\* for its food safety management system  
\* Based on the standard of the Japan Food Safety Management Association, of which the Company is a member
- All Nippon sites are ISO14001 certified.



Ryugasaki Plant

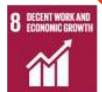
## Gaining of trust of stakeholders



- Initiatives to ensure fair transactions
- Evaluation and selection of suppliers and outsourcees
- Initiatives for enhancing logistics quality
- Promotion of responsible purchasing
- Timely and appropriate disclosure
- Communication with shareholders
- Basic policy on IR activities
  - Open
  - Easy to understand
  - Systematic



## Improvement of workplace environment



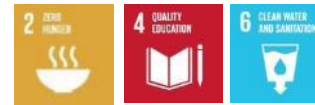
- LGBT, promotion of diversity
- Promotion of active participation of women → Participation in cross-industry forums
- Promotion of employment of people with disabilities and the elderly
- Promotion of work-life balance
- Encouraging employees to use childcare leave and childcare shift systems
- Stress check and opening of the health consultation room for maintaining employees' health
- Promotion of health and productivity management  
→ Recognized as a White 500 Company for outstanding health and productivity management



# ESG Initiatives (3) Social, Governance

## Contribution to international society and local communities

- Contribution through dietary education
  - Execution of the “Dietary Education Department of Tamesue College” project
  - Holding of cookery classes for consumers and for various groups
- Contribution to international society and local communities
  - Support of UNICEF, support of WFP
  - Support of Himalaya Elementary School in Nepal
  - Contribution through sports
  - Holding of the Luna Flora Exhibition



Dietary Education Department of Tamesue College

[Support of UNICEF]



## Legal compliance and internal control



- Corporate governance structure
- Basic Policy on Internal Control Systems
- Compliance policy: “Corporate Social Responsibility HANDBOOK”
- Information security: “Personal Information Protection Policy”
- Elimination of antisocial forces
- Whistleblower system (corporate ethics helpline)
- Risk management: Large-scale disaster  
→ Safety confirmation system
- Transition to a company with audit & supervisory committee

## SDGs tackled by NIPPON



End hunger



Ensure quality education



Achieve gender equality



Clean water and sanitation



Ensure access to affordable clean energy for all



Promote decent work and economic growth



Ensure responsible production and consumption



Take action to combat climate change



Conserve life below water

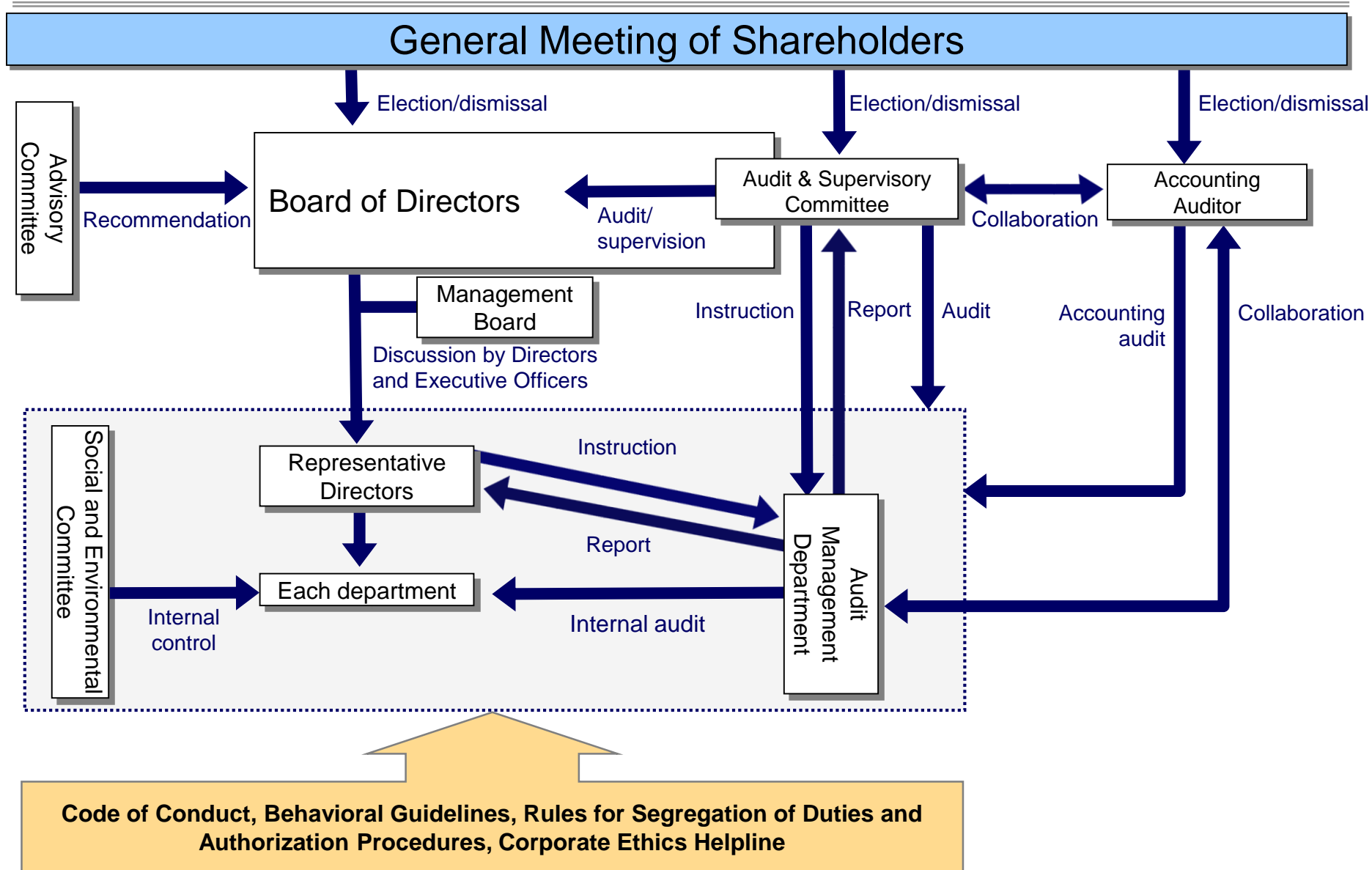


Protect life on land



Promote peaceful societies and provide access to justice

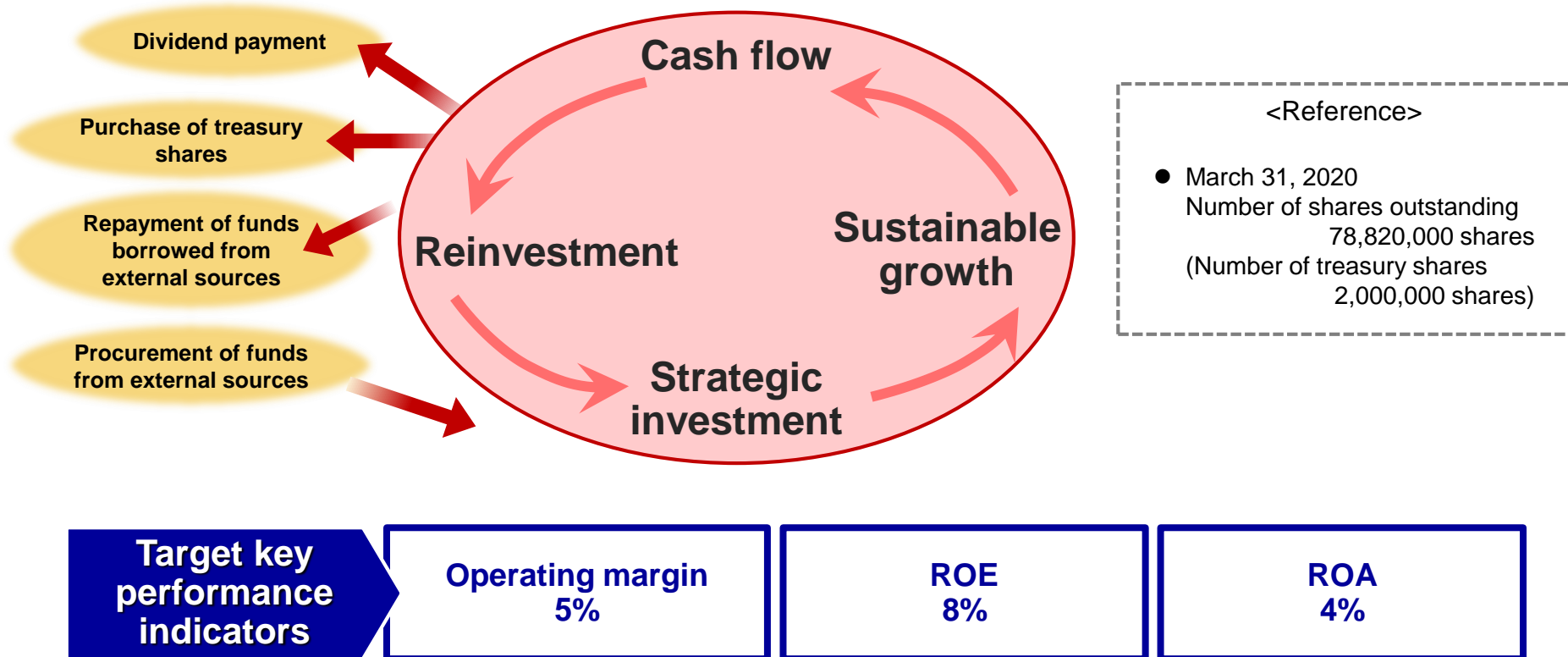
# Transition to a company with audit & supervisory committee Governance



# Shareholder Engagement Steps to Strengthen the Group's Financial Position

## ■ Basic policies

- Optimally allocate stable CF from operations through sustainable growth by strategic investment
- Realize the optimum capital structure by enhancing asset efficiency to maintain/improve ratings
- Establish the financial position enabling continuous return of profit to shareholders (including purchase of treasury shares)

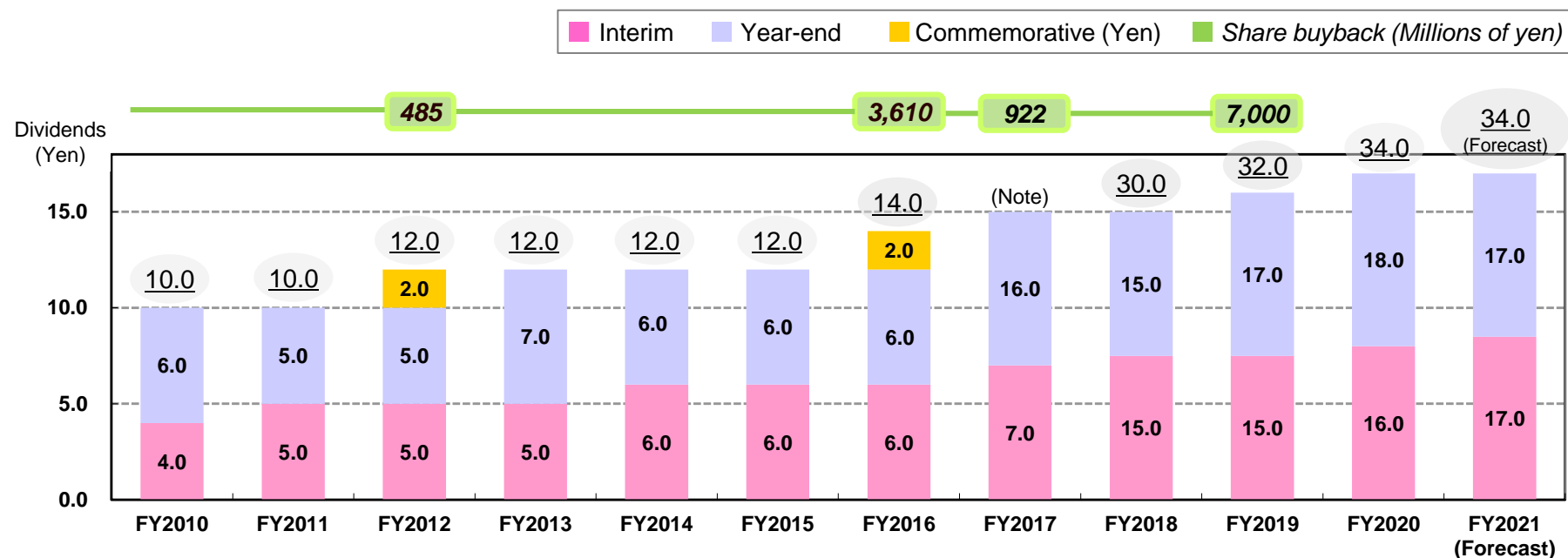




# Shareholder Engagement Returning Profits to Shareholders

- The Company's basic policy is to continue to pay stable dividends, comprehensively taking into consideration the need to strengthen the corporate structure and prepare for future business development, the business environment, and internal reserves. Returning profits to shareholders is also an important management objective.
- The payment of dividends is based on a thoroughgoing assessment of Nippon's consolidated performance and financial position.

(Note) 1-for-2 share consolidation and change of the share trading unit from 1,000 shares to 100 shares on October 1, 2016



Payout ratio (consolidated)	21.2%	27.7%	32.0%	28.3%	25.4%	28.4%	27.7%	26.9%	31.5%	29.6%	29.1%	37.2%
Shareholder return ratio* (consolidated)	21.2%	27.7%	39.8%	28.3%	25.4%	28.4%	71.6%	37.3%	31.5%	112.2%	29.1%	37.2%

115th anniversary  
of the Company's foundation

120th anniversary  
of the Company's foundation

\* Shareholder return ratio = Dividend payout ratio + Ratio of share buyback (share buyback/profit)

# Inquiries

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This document includes details of the Company's current plans and performance forecasts. These future plans and forecast figures are based on information currently available as well as the Company's plans and projections. Actual results and performance may differ materially from these plans and forecast figures due to a variety of conditions and factors. This document does not represent a definitive commitment or guarantee by the Company to achieve stated plans and forecast figures.

Investor Relations Office  
Accounting and Finance Div.  
Nippon Flour Mills Co., Ltd.