



Consolidated Financial Results for the First Half of FY2020 [J-GAAP]

November 7, 2019

Listed company name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange
 Code number: 2001 URL: <https://www.nippon.co.jp/> TEL: 03-3511-5307
 Representative: Masayuki Kondo, President and Chief Operating Officer
 Contact: Naoyuki Tsuda, General Manager of Corporate Communications Group
 Filing date of quarterly financial report: November 8, 2019
 Start of cash dividend payments: November 29, 2019
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first half of FY2020 (From April 1, 2019 to September 30, 2019)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
First half of FY2020	172,253	2.8%	5,308	(0.7)%	6,057	(5.0)%	4,049	0.5%
First half of FY2019	167,586	4.2%	5,346	18.8%	6,377	16.3%	4,031	13.5%

(Note) Comprehensive income: First half of FY2020: ¥3,250 million (-51.4%)
 First half of FY2019: ¥6,694 million (-11.4%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
First half of FY2020	52.87	46.11
First half of FY2019	51.16	46.70

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
First half of FY2020	287,828	156,503	52.7%
FY2019	293,392	154,986	51.2%

(Reference) Equity capital: First half of FY2020: ¥151,702 million
 FY2019: ¥150,147 million

2. Dividends

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

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

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

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share (Yen)
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount
Full year	350,000	4.4%	12,000	6.9%	13,500	3.3%	9,000	6.4%	117.55

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

* Notes

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

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

(3) Changes in accounting policies, accounting estimates and retrospective restatements

- 1) Changes in accounting policies due to revisions of accounting standards: None
- 2) Changes other than 1): None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatements: None

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

1) Number of shares outstanding at the end of each period (including treasury shares):	First half of FY2020	78,824,009 shares	FY2019	78,824,009 shares
2) Number of treasury shares at the end of each period:	First half of FY2020	2,157,151 shares	FY2019	2,226,385 shares
3) Average number of shares (quarterly consolidated cumulative period):	First half of FY2020	76,605,992 shares	First half of FY2019	78,797,450 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 six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	167,586	172,253	4,667	102.8%
Operating income	5,346	5,308	(38)	99.3%
Ordinary income	6,377	6,057	(320)	95.0%
Profit attributable to owners of parent	4,031	4,049	18	100.5%

During the first half of the fiscal year ending March 31, 2020, concerns about possible slowing of the Japanese economy increased owing to uncertainties about the prospects for the world economy, including the outlook of U.S.-China trade friction. In addition, there is anxiety about the impact of the consumption tax increase implemented in October 2019 on consumer behavior amid continuing frugality.

The food industry is operating in an increasingly challenging environment. In addition to the impact of fluctuations in demand due to unsettled weather, the impact of rising labor costs due to labor shortages and the impact of trade liberalization, such as the enforcement of TPP 11 and the EU-Japan Economic Partnership Agreement (EPA) and the signing of the trade agreement between Japan and the U.S., are not negligible.

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

In September 2019, we revised the corporate brand logo and slogan. Over the course of 23 years since the adoption of the previous corporate brand logo, the food environment has changed dramatically and we have expanded our business domain in response to such change. We launched the new corporate brand logo and a new slogan “Enjoy every meal,” with the aim of getting much closer to customers by providing better service in every scene where food is consumed.

Moreover, we are promoting establishment of an internal organizational structure capable of responding to further business development. In this regard, we implemented structural reform of the foods operations and enhanced the structure of the international business operations.

The Sendagaya 5-chome North District Type 1 Urban Redevelopment Project including the site of the former headquarters building, which the Company promoted jointly with Mitsubishi Estate Co., Ltd. and Japan Real Estate Investment Corporation, was completed in August 2019 and Link Square Shinjuku opened.

As a result, consolidated net sales for the first half of fiscal 2020 increased by 2.8% year on year to ¥172,253 million, operating income decreased by 0.7% to ¥5,308 million, ordinary income decreased by 5.0% to ¥6,057 million, and profit attributable to owners of parent increased by 0.5% to ¥4,049 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	50,439	51,566	1,126	102.2%
Operating income	2,709	2,609	(99)	96.3%

The Group is strengthening quality control in response to the growing preoccupation with the safety and security of food throughout society. At the same time, to address customer needs and diversifying food preferences, the Group promoted sales initiatives with a view to resolving the issues that concern customers. Moreover, we conducted vigorous sales & marketing initiatives, including participation in various trade shows and holding of workshops and seminars around Japan, some of which were for management, and rolling out of new products.

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

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

As a result, net sales for the Flour Milling segment increased by 2.2% year on year to ¥51,566 million, while operating income decreased by 3.7% to ¥2,609 million.

2) Food

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	98,790	102,683	3,892	103.9%
Operating income	2,644	2,535	(109)	95.9%

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

In the home-use product category, we implemented vigorous sales activities for the REGALO premium pasta brand, including improvements to existing products and the launch of new products. As a result, sales of products in this category increased compared with the same period of the previous year.

In the home-use frozen foods category, we completely reformed the Oh' my Premium series with the launch of four new products and the package redesign of the existing nine products. Moreover, in the Yokubari Plate series of complete meals consisting of a main dish and staples, we strengthened the lineup suitable for breakfast. As a result, sales of home-use frozen foods were higher than the level for the same period of the previous year.

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

As a result, net sales of the Food segment increased by 3.9% year on year to ¥102,683 million, while operating income decreased by 4.1% to ¥2,535 million.

3) Other

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	18,356	18,004	(352)	98.1%
Operating income	(5)	147	153	—

Sales of the engineering business were lower than the level for the same period of the previous year, reflecting stabilization of inquiries for large projects.

Sales of the healthcare business were higher than the level for the same period of the previous year

because of strong demand for ceramides, which are functional materials, and vigorous development and launches of other health-enhancing products. For example, our applications to have Amani Shukan (Golden Flaxseed) and Ginkgoleaf & Lutein designated as foods with function claims were accepted and our ten flaxseed-related products were certified by the Japan Disaster Food Society.

As a result, net sales for the Other segment decreased by 1.9% year on year to ¥18,004 million, and operating income was ¥147 million.

(2) Overview of financial position

1) Assets, liabilities and net assets

	As of March 31, 2019	As of September 30, 2019	Difference
			(Millions of yen)
Current assets	118,330	112,099	(6,231)
Non-current assets	174,988	175,661	673
Deferred assets	73	67	(6)
Total assets	293,392	287,828	(5,563)
Current liabilities	76,100	74,620	(1,480)
Non-current liabilities	62,305	56,704	(5,600)
Total liabilities	138,405	131,325	(7,080)
Total net assets	154,986	156,503	1,517
Total liabilities and net assets	293,392	287,828	(5,563)

Total assets at the end of the first half of fiscal 2020 decreased by ¥5,563 million from the previous fiscal year end (March 31, 2019) to ¥287,828 million. This was mainly because property, plant and equipment increased by ¥4,354 million, and notes and accounts receivable - trade, investment securities and raw materials and supplies decreased by ¥4,284 million, ¥2,570 million and ¥1,145 million, respectively.

Total liabilities decreased by ¥7,080 million from the previous fiscal year end to ¥131,325 million. This was mainly because short-term loans payable increased by ¥1,353 million, and notes and accounts payable - trade decreased by ¥8,285 million.

Net assets increased by ¥1,517 million from the previous fiscal year end to ¥156,503 million. This was mainly attributable to an increase of ¥2,161 million in retained earnings, and a decrease of ¥894 million in unrealized holding gain (loss) on securities.

2) Cash flows

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference
Net cash provided by (used in) operating activities	5,669	4,656	(1,013)
Net cash provided by (used in) investing activities	(5,445)	(4,684)	761
Net cash provided by (used in) financing activities	11,731	(533)	(12,265)
Effect of exchange rate changes on cash and cash equivalents	(68)	20	88
Net increase (decrease) in cash and cash equivalents	11,886	(541)	(12,428)
Increase in cash and cash equivalents from newly consolidated subsidiary	–	171	171
Cash and cash equivalents at end of period	32,443	29,715	(2,728)

The balance of cash and cash equivalents at the end of the first half of fiscal 2020 stood at ¥29,715 million, a decrease of ¥369 million compared with the end of the previous fiscal year. The conditions of cash flows were as follows:

(Operating activities)

Net cash provided by operating activities amounted to ¥4,656 million compared with ¥5,669 million for the same period of the previous year. This mainly reflected ¥5,988 million for profit before income taxes, ¥4,051 million for depreciation, ¥2,032 million for income taxes paid, ¥4,269 million for decrease in notes and accounts receivable - trade and ¥8,250 million for decrease in notes and accounts payable - trade.

(Investing activities)

Net cash used in investing activities amounted to ¥4,684 million compared with ¥5,445 million for the same period of the previous year. This mainly reflected ¥916 million for proceeds from sales of investment securities and ¥5,526 million for purchase of fixed assets.

(Financing activities)

Net cash used in financing activities amounted to ¥533 million compared with net cash provided by financing activities amounting to ¥11,731 million for the same period of the previous year. The main factors were proceeds from loans payable amounting to ¥901 million and cash dividends paid amounting to ¥1,304 million.

(3) Information on forecast of the consolidated financial results

The forecast of the financial results for the fiscal year ending March 31, 2020 is unchanged from the forecasts announced on May 10, 2019.

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

(Millions of yen)

	FY2019 (As of March 31, 2019)	First half of FY2020 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	32,958	32,655
Notes and accounts receivable - trade	47,410	43,126
Merchandise and finished goods	15,508	15,241
Work in process	32	266
Raw materials and supplies	19,230	18,085
Other current assets	3,348	2,867
Allowance for doubtful accounts	(159)	(142)
Total current assets	118,330	112,099
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,159	42,634
Machinery, equipment and vehicles, net	20,511	20,615
Land	40,032	39,959
Construction in progress	1,719	508
Other, net	1,809	1,870
Total property, plant and equipment	101,233	105,587
Intangible assets		
Goodwill	622	570
Other	753	888
Total intangible assets	1,376	1,459
Investments and other assets		
Investment securities	65,472	62,902
Other assets	7,525	6,320
Allowance for doubtful accounts	(620)	(608)
Total investments and other assets	72,377	68,614
Total non-current assets	174,988	175,661
Deferred assets	73	67
Total assets	293,392	287,828

(Millions of yen)

	FY2019 (As of March 31, 2019)	First half of FY2020 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,564	26,279
Short-term loans payable	19,201	20,555
Current portion of bonds	-	5,000
Income taxes payable	2,084	1,750
Provision for bonuses	615	659
Other current liabilities	19,634	20,374
Total current liabilities	76,100	74,620
Non-current liabilities		
Bonds payable	5,000	-
Convertible bond-type bonds with subscription rights to shares	25,110	25,101
Long-term loans payable	12,041	11,588
Net defined benefit liability	4,494	4,138
Accrued retirement benefits for directors	819	800
Other non-current liabilities	14,840	15,076
Total non-current liabilities	62,305	56,704
Total liabilities	138,405	131,325
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Capital surplus	11,262	11,262
Retained earnings	103,682	105,844
Treasury shares	(3,536)	(3,422)
Total shareholders' equity	123,648	125,924
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	26,424	25,530
Deferred gain (loss) on hedges	(2)	0
Foreign currency translation adjustment	572	716
Retirement benefits liability adjustments	(495)	(469)
Total accumulated other comprehensive income	26,498	25,777
Subscription rights to shares	287	222
Non-controlling interests	4,552	4,578
Total net assets	154,986	156,503
Total liabilities and net assets	293,392	287,828

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

(Millions of yen)

	First half of FY2019 (From April 1, 2018 to September 30, 2018)	First half of FY2020 (From April 1, 2019 to September 30, 2019)
Net sales	167,586	172,253
Cost of sales	121,697	124,717
Gross profit	45,889	47,535
Selling, general and administrative expenses	40,542	42,227
Operating income	5,346	5,308
Non-operating income		
Interest income	49	33
Dividend income	655	708
Other	585	392
Total non-operating income	1,290	1,133
Non-operating expenses		
Interest expenses	118	108
Other	140	275
Total non-operating expenses	258	384
Ordinary income	6,377	6,057
Extraordinary income		
Gain on sales of fixed assets	1	146
Gain on sales of investment securities	39	504
Total extraordinary income	40	651
Extraordinary expenses		
Loss on sales and disposal of fixed assets	61	60
Loss on valuation of investment securities	1	206
Demolition expenses	372	45
Expenses for change of the corporate brand logo and related items	–	397
Other	8	10
Total extraordinary expenses	444	720
Profit before income taxes	5,974	5,988
Income taxes - current	1,694	1,703
Income taxes - deferred	166	184
Total income taxes	1,861	1,888
Profit	4,112	4,100
Profit attributable to non-controlling interests	81	50
Profit attributable to owners of parent	4,031	4,049

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First half of FY2019 (From April 1, 2018 to September 30, 2018)	First half of FY2020 (From April 1, 2019 to September 30, 2019)
Profit	4,112	4,100
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	2,579	(831)
Deferred gain (loss) on hedges	24	2
Foreign currency translation adjustment	(227)	23
Retirement benefits liability adjustments	118	26
Share of other comprehensive income of entities accounted for using equity method	86	(70)
Total other comprehensive income (loss)	2,581	(849)
Comprehensive income	6,694	3,250
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,619	3,205
Comprehensive income attributable to non-controlling interests	74	44

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First half of FY2019 (From April 1, 2018 to September 30, 2018)	First half of FY2020 (From April 1, 2019 to September 30, 2019)
Operating activities		
Profit before income taxes	5,974	5,988
Depreciation	3,533	4,051
Increase (decrease) in allowance for doubtful accounts	(0)	(29)
Demolition expenses	372	45
Interest and dividend income	(704)	(741)
Interest expenses	118	108
Loss (gain) on sales of investment securities	(2)	(476)
Loss (gain) on valuation of investment securities	1	206
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(175)	(113)
Foreign exchange losses (gains)	(55)	55
Loss (gain) on sales of fixed assets	(0)	(146)
Loss on disposal of fixed assets	62	66
Decrease (increase) in notes and accounts receivable - trade	(1,345)	4,269
Decrease (increase) in inventories	669	1,189
Increase (decrease) in notes and accounts payable - trade	(765)	(8,250)
Other, net	(315)	(175)
Subtotal	7,365	6,049
Interest and dividend income received	729	763
Interest expenses paid	(127)	(123)
Income taxes paid	(2,297)	(2,032)
Net cash provided by (used in) operating activities	5,669	4,656
Investing activities		
Decrease (increase) in time deposits	11	(29)
Purchase of investment securities	(336)	(338)
Proceeds from sales of investment securities	190	916
Purchase of fixed assets	(4,970)	(5,526)
Proceeds from sales of fixed assets	11	236
Payments of loans receivable	(388)	(2)
Collection of loans receivable	9	6
Decrease (increase) in other investments	26	53
Net cash provided by (used in) investing activities	(5,445)	(4,684)

(Millions of yen)

	First half of FY2019 (From April 1, 2018 to September 30, 2018)	First half of FY2020 (From April 1, 2019 to September 30, 2019)
Financing activities		
Net increase (decrease) in short-term loans payable	247	1,194
Proceeds from long-term loans payable	508	700
Repayments of long-term loans payable	(1,940)	(992)
Redemption of bonds	(5,000)	–
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	25,041	–
Proceeds from share issuance to non-controlling shareholders	150	–
Purchase of treasury shares	(5,323)	(0)
Repayments of finance lease obligations	(132)	(112)
Cash dividends paid	(1,206)	(1,304)
Dividends paid to non-controlling interests	(14)	(18)
Other, net	(598)	0
Net cash provided by (used in) financing activities	11,731	(533)
Effect of exchange rate changes on cash and cash equivalents	(68)	20
Net increase (decrease) in cash and cash equivalents	11,886	(541)
Cash and cash equivalents at beginning of period	20,556	30,085
Increase in cash and cash equivalents from newly consolidated subsidiary	–	171
Cash and cash equivalents at end of period	32,443	29,715

(4) 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 Half of FY2019 (From April 1, 2018 to September 30, 2018)

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

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in quarterly consolidated financial statements ^(Note 3)
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	50,439	98,790	149,230	18,356	167,586	—	167,586
Internal sales or transfers between segments	869	360	1,229	1,161	2,391	(2,391)	—
Total	51,308	99,150	150,459	19,518	169,978	(2,391)	167,586
Segment income (loss)	2,709	2,644	5,353	(5)	5,347	(1)	5,346

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

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

Not applicable.

II. First Half of FY2020 (From April 1, 2019 to September 30, 2019)

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

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in quarterly consolidated financial statements ^(Note 3)
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	51,566	102,683	154,249	18,004	172,253	—	172,253
Internal sales or transfers between segments	1,033	340	1,373	912	2,286	(2,286)	—
Total	52,599	103,023	155,623	18,917	174,540	(2,286)	172,253
Segment income (loss)	2,609	2,535	5,144	147	5,292	15	5,308

Notes: 1. The "Other" column indicates businesses not included in the reportable segments, including pet food, health food and engineering.
2. Segment income adjustment of ¥15 million includes elimination of inter-segment transactions and corporate expenses.
3. Segment income (loss) is adjusted to reconcile total segment income to operating income in the quarterly consolidated financial statements.

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

Not applicable.