



Consolidated Financial Results for the First Quarter of FY2021 [J-GAAP]

August 6, 2020

Listed company name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange
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 Representative: Toshiya Maezuru, President and Chief Operating Officer
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 Filing date of quarterly financial report: August 7, 2020
 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 FY2021 (From April 1, 2020 to June 30, 2020)

(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 FY2021	80,685	(5.7)%	1,645	(33.8)%	2,601	(20.2)%	1,685	(32.3)%
1Q of FY2020	85,544	2.6%	2,486	(1.6)%	3,259	(2.6)%	2,491	8.5%

(Note) Comprehensive income: 1Q of FY2021: ¥2,732 million (110.6%)
 1Q of FY2020: ¥1,297 million (-56.3%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
1Q of FY2021	21.99	19.17
1Q of FY2020	32.53	28.38

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
1Q of FY2021	284,657	159,928	54.5%
FY2020	290,428	158,581	52.9%

(Reference) Equity capital: 1Q of FY2021: ¥155,237 million
 FY2020: ¥153,727 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2020	—	16.00	—	18.00	34.00
FY2021	—				
FY2021 (Forecast)		17.00	—	17.00	34.00

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

3. Forecast of the consolidated financial results for FY2021 (From April 1, 2020 to March 31, 2021)

(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	
Half year	170,000	(1.3)%	3,500	(34.1)%	4,200	(30.7)%	3,000	(25.9)%	39.15
Full year	345,000	0.0%	9,000	(18.9)%	10,500	(17.6)%	7,000	(21.7)%	91.35

(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 FY2021	78,824,009 shares	FY2020	78,824,009 shares
2) Number of treasury shares at the end of each period:	1Q of FY2021	2,097,679 shares	FY2020	2,157,266 shares
3) Average number of shares (quarterly consolidated cumulative period):	1Q of FY2021	76,648,148 shares	1Q of FY2020	76,582,988 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 2020	First three months of Fiscal 2021	Difference	Change
Net sales	85,544	80,685	(4,858)	94.3%
Operating income	2,486	1,645	(841)	66.2%
Ordinary income	3,259	2,601	(658)	79.8%
Profit attributable to owners of parent	2,491	1,685	(805)	67.7%

During the first three months of the fiscal year ending March 31, 2021, economic activities in Japan remained constrained owing to concerns about the possibility of a second wave of infection in addition to the severe global impact of the COVID-19 pandemic. Prospects for the Japanese economy continued to be uncertain.

The food industry, centering on the restaurant sector, was greatly affected by the government's request for people to stay at home and for the operation of various businesses to be suspended following the declarations of a state of emergency issued in April and May, as well the introduction of shorter opening hours for certain businesses, the cancellation of large-scale events, and other developments. Moreover, COVID-19 triggered significant changes in consumer behavior in Japan and abroad that have persisted even after the lifting of the declaration of the state of emergency and the business environment is becoming increasingly harsh.

In these circumstances, as part of efforts to fulfill its social responsibility the Group exercised due care and implemented measures to prevent infection of customers and employees so as to ensure safety and a stable supply of food.

With the aim of maintaining sustainable growth even in this unforeseeable harsh business environment, the Group is strengthening its business foundation as a multifaceted food enterprise by reducing costs and beefing up sales to reinforce the existing business while, at the same time, making vigorous capital investment in promising fields in Japan and abroad. Capital investment projects currently underway include construction of a new premix plant at the Fukuoka Mill, expansion of a frozen food plant at the Isesaki Plant of NIPPON Frozen Food Co., Ltd., and construction of a frozen dough plant of NIPPON (Thailand) Co., Ltd.

Meanwhile, on April 1, 2020, the Company reformed its organization, launching an organizational system consisting of four business divisions: three divisions responsible for the flour milling, food, and ready-made meals businesses in Japan, respectively, and one division responsible for the international business. In collaboration with the Production & Technology Department that supports each business division, the business divisions will promote swift and aggressive business development.

The Company transitioned to a Company with Audit & Supervisory Committee on June 26, 2020, in order to strengthen audit and supervisory functions and further enhance the corporate governance structure so as to further increase corporate value.

Furthermore, the Company decided to change its company name (trade name) from Nippon Flour Mills Co., Ltd. to NIPPON CORPORATION, with the change scheduled to take effect on January 1, 2021. The Company aims to grow as a multifaceted food enterprise both in name and reality by changing the name that it has used since the Company's foundation. The Company will use "NIPPON," which has been used as the Company's pet name, and endeavor to further expand and develop its business as an enterprise with which customers will experience an ever-closer relationship.

Consolidated net sales for the first three months of fiscal 2021 decreased by 5.7% year on year to ¥80,685 million, operating income decreased by 33.8% to ¥1,645 million, ordinary income decreased by 20.2% to ¥2,601 million, and profit attributable to owners of parent decreased by 32.3% to ¥1,685 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	25,770	24,131	(1,638)	93.6%
Operating income	1,317	951	(366)	72.2%

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. Despite operating in an environment in which the impact of COVID-19 was expanding, we strove to strengthen initiatives in partnership with customers, enhance sales capabilities and brand power, and promoted sales activities.

As a result, shipped volume of wheat flour was higher than the level for the same period of the previous year, but sales were lower than the level for the same period of the previous year, partly affected by the price revision made in January 2020.

Both shipped volume and sales of wheat bran, a by-product, were higher than the levels for the same period of the previous year.

In line with the increase of government sales prices (tax inclusive) of imported wheat by 3.1% on average for the five key products in April 2020, we revised the prices of wheat flour products for professional use for shipments on and after June 20, 2020.

As a result, net sales for the Flour Milling segment decreased by 6.4% year on year to ¥24,131 million, and operating income decreased by 27.8% to ¥951 million.

2) Food

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	50,926	48,392	(2,533)	95.0%
Operating income	1,022	825	(197)	80.7%

In the professional-use category, demand was sluggish, centering on the restaurant sector, reflecting the government's request for people to stay at home and for the operation of various businesses to be suspended following the declarations of a state of emergency as well as the introduction of shorter opening hours, the cancellation of large-scale events, and other developments. As a result, sales of products in the professional-use category were lower than the level for the same period of the previous year.

On the other hand, in the home-use product category, the government's request for people to stay at home led to an increase in demand for products for consumption at home. As a result, there was brisk demand for home-use premixes, pasta, and pasta sauces, and sales of products in the home-use product category were higher than the level for the same period of the previous year.

In the frozen foods category, significant changes in consumer behavior were evident, such as the growth in demand for products for consumption at home, similar to the situation in the home-use product category. As a result, there was brisk demand for the Oh' my Premium series of frozen pasta and for the Yokubari Plate series of complete meals consisting of a main dish and staples, and sales of products in the frozen foods category were higher than the level for the same period of the previous year.

In the ready-made meals business, sales were lower than the level for the same period of the

previous year, affected by the sluggish demand reflecting an increase in teleworking and staying at home.

As a result, net sales of the Food segment decreased by 5.0% year on year to ¥48,392 million, and operating income decreased by 19.3% to ¥825 million.

3) Other

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	8,847	8,161	(686)	92.2%
Operating income (loss)	138	(93)	(232)	—

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 lower than the level for the same period of the previous year because shipped volume grew little owing to temporary closure and shorter opening hours of various businesses.

As a result, net sales for the Other segment decreased by 7.8% year on year to ¥8,161 million, and operating loss was ¥93 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020	Difference
Current assets	114,534	105,201	(9,332)
Non-current assets	175,832	179,397	3,564
Deferred assets	61	58	(3)
Total assets	290,428	284,657	(5,771)
Current liabilities	74,078	66,068	(8,009)
Non-current liabilities	57,768	58,660	891
Total liabilities	131,847	124,729	(7,118)
Total net assets	158,581	159,928	1,347
Total liabilities and net assets	290,428	284,657	(5,771)

Total assets at the end of the first three months of fiscal 2021 decreased by ¥5,771 million from the previous fiscal year end (March 31, 2020) to ¥284,657 million. This was mainly because investment securities and property, plant and equipment increased by ¥2,460 million and ¥1,142 million, respectively, and cash and deposits and notes and accounts receivable - trade decreased by ¥5,667 million and ¥3,104 million, respectively.

Total liabilities decreased by ¥7,118 million from the previous fiscal year end to ¥124,729 million. This was mainly because bonds payable and income taxes payable decreased by ¥5,000 million and ¥2,090 million, respectively.

Net assets increased by ¥1,347 million from the previous fiscal year end to ¥159,928 million. This was mainly attributable to an increase of ¥1,647 million in unrealized holding gain (loss) on securities.

(3) Information on forecast of the consolidated financial results

The outlook for the Japanese economy is expected to remain unclear since it is not known when the COVID-19 pandemic will abate.

In these circumstances, while continuing to exercise due care and implementing measures to prevent infection of customers and employees so as to ensure safety and a stable supply of food as part of efforts to fulfill its social responsibility, the Group aims to achieve further growth as a multifaceted food enterprise.

The Company's forecasts of consolidated business results for the first six months and the full year of the fiscal year ending March 31, 2021 announced on May 14, 2020 are unchanged because the results for the first three months were virtually in line with the forecast.

It is still unclear when the COVID-19 pandemic will abate and what its impact on business results will be. If the forecasts require revision in light of developments from now on, the Company will promptly issue a notification of the revisions.

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

(Millions of yen)

	FY2020 (As of March 31, 2020)	First quarter of FY2021 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	33,829	28,161
Notes and accounts receivable - trade	44,928	41,824
Merchandise and finished goods	14,977	14,900
Work in process	301	189
Raw materials and supplies	16,717	16,627
Other current assets	3,916	3,557
Allowance for doubtful accounts	(136)	(59)
Total current assets	114,534	105,201
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,084	42,333
Machinery, equipment and vehicles, net	20,146	19,944
Land	40,605	40,580
Construction in progress	2,199	3,247
Other, net	1,922	1,994
Total property, plant and equipment	106,957	108,100
Intangible assets		
Goodwill	514	486
Other	1,110	1,130
Total intangible assets	1,624	1,616
Investments and other assets		
Investment securities	61,525	63,985
Other assets	6,355	6,349
Allowance for doubtful accounts	(631)	(654)
Total investments and other assets	67,249	69,680
Total non-current assets	175,832	179,397
Deferred assets	61	58
Total assets	290,428	284,657

(Millions of yen)

	FY2020 (As of March 31, 2020)	First quarter of FY2021 (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,115	25,966
Short-term loans payable	20,824	21,860
Current portion of bonds	5,000	–
Income taxes payable	2,473	382
Provision for bonuses	710	546
Other current liabilities	17,954	17,312
Total current liabilities	74,078	66,068
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	25,092	25,087
Long-term loans payable	12,418	12,369
Retirement benefit liability	5,212	4,880
Accrued retirement benefits for directors	873	775
Other non-current liabilities	14,172	15,547
Total non-current liabilities	57,768	58,660
Total liabilities	131,847	124,729
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	11,262	11,262
Retained earnings	109,507	109,807
Treasury shares	(3,422)	(3,324)
Total shareholders' equity	129,587	129,986
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	24,444	26,092
Deferred gain (loss) on hedges	0	2
Foreign currency translation adjustment	961	374
Retirement benefits liability adjustments	(1,267)	(1,218)
Total accumulated other comprehensive income	24,139	25,250
Subscription rights to shares	260	183
Non-controlling interests	4,593	4,507
Total net assets	158,581	159,928
Total liabilities and net assets	290,428	284,657

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

(Millions of yen)

	First quarter of FY2020 (From April 1, 2019 to June 30, 2019)	First quarter of FY2021 (From April 1, 2020 to June 30, 2020)
Net sales	85,544	80,685
Cost of sales	61,977	57,800
Gross profit	23,567	22,885
Selling, general and administrative expenses	21,080	21,240
Operating income	2,486	1,645
Non-operating income		
Interest income	13	15
Dividend income	693	762
Other	203	295
Total non-operating income	909	1,073
Non-operating expenses		
Interest expenses	53	40
Other	82	76
Total non-operating expenses	136	117
Ordinary income	3,259	2,601
Extraordinary income		
Gain on sales of fixed assets	1	1
Gain on sales of investment securities	504	–
Total extraordinary income	506	1
Extraordinary expenses		
Loss on sales and disposal of fixed assets	38	12
Loss on valuation of investment securities	42	–
Demolition expenses	37	–
Loss related to COVID-19	–	121
Total extraordinary expenses	118	133
Profit before income taxes	3,647	2,468
Income taxes - current	544	263
Income taxes - deferred	590	601
Total income taxes	1,135	865
Profit	2,512	1,603
Profit (loss) attributable to non-controlling interests	21	(81)
Profit attributable to owners of parent	2,491	1,685

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First quarter of FY2020 (From April 1, 2019 to June 30, 2019)	First quarter of FY2021 (From April 1, 2020 to June 30, 2020)
Profit	2,512	1,603
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	(1,358)	1,675
Deferred gain (loss) on hedges	(16)	1
Foreign currency translation adjustment	142	(586)
Retirement benefits liability adjustments	13	49
Share of other comprehensive income of entities accounted for using equity method	4	(10)
Total other comprehensive income (loss)	(1,215)	1,129
Comprehensive income	1,297	2,732
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,281	2,797
Comprehensive income attributable to non-controlling interests	15	(64)

(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 FY2020 (From April 1, 2019 to June 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	25,770	50,926	76,696	8,847	85,544	—	85,544
Internal sales or transfers between segments	431	199	631	554	1,185	(1,185)	—
Total	26,201	51,126	77,328	9,402	86,730	(1,185)	85,544
Segment income	1,317	1,022	2,340	138	2,478	8	2,486

Notes: 1. The "Other" column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.

2. Segment income adjustment of ¥8 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 FY2021 (From April 1, 2020 to June 30, 2020)

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	24,131	48,392	72,524	8,161	80,685	—	80,685
Internal sales or transfers between segments	477	126	604	1,365	1,969	(1,969)	—
Total	24,608	48,519	73,128	9,527	82,655	(1,969)	80,685
Segment income (loss)	951	825	1,776	(93)	1,682	(37)	1,645

Notes: 1. The "Other" column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.

2. Segment income (loss) adjustment of ¥(37) 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.