



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

November 5, 2020

Listed company name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange
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 Filing date of quarterly financial report: November 6, 2020
 Start of cash dividend payments: November 30, 2020
 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 FY2021 (From April 1, 2020 to September 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	
First half of FY2021	161,520	(6.2)%	4,182	(21.2)%	5,136	(15.2)%	3,532	(12.8)%
First half of FY2020	172,253	2.8%	5,308	(0.7)%	6,057	(5.0)%	4,049	0.5%

(Note) Comprehensive income: First half of FY2021: ¥5,851 million (80.0%)
 First half of FY2020: ¥3,250 million (-51.4%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
First half of FY2021	46.07	40.18
First half of FY2020	52.87	46.11

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
First half of FY2021	290,783	163,033	54.4%
FY2020	290,428	158,581	52.9%

(Reference) Equity capital: First half of FY2021: ¥158,304 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	—	17.00			
FY2021 (Forecast)			—	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)
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):	First half of FY2021	78,824,009 shares	FY2020	78,824,009 shares
2) Number of treasury shares at the end of each period:	First half of FY2021	2,093,060 shares	FY2020	2,157,266 shares
3) Average number of shares (quarterly consolidated cumulative period):	First half of FY2021	76,669,471 shares	First half of FY2020	76,605,992 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 2020	First six months of Fiscal 2021	Difference	Change
Net sales	172,253	161,520	(10,732)	93.8%
Operating income	5,308	4,182	(1,125)	78.8%
Ordinary income	6,057	5,136	(920)	84.8%
Profit attributable to owners of parent	4,049	3,532	(517)	87.2%

During the first half of the fiscal year ending March 31, 2021, notwithstanding the protracted global impact of the COVID-19 pandemic, there was a moderate resumption of economic activities in Japan after lifting of the declaration of the state of emergency. However, prospects for the Japanese economy remained uncertain owing to concerns about the possibility of a resurgence of infection.

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, as well the introduction of shorter opening hours for certain businesses, the cancellation of large-scale events, and other developments. Moreover, changes in consumer behavior have persisted even after the lifting of the declaration of the state of emergency and the business environment has remained harsh.

In these circumstances, as part of efforts to fulfill its social responsibility for ensuring a stable supply of food, the Group has continued production activities at all its plants in Japan and abroad, maintained systems for business continuity while adopting new workstyles, such as promotion of working from home, and implemented measures to prevent infection of customers and employees so as to ensure safety.

Meanwhile, 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. For example, construction of a new premix plant at the Fukuoka Mill was completed in October 2020 and the second frozen food plant at the Isesaki Plant of NIPPON Frozen Food Co., Ltd. and a frozen dough plant of NIPPON (Thailand) Co., Ltd. are scheduled for completion in November.

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 in a fresh round of development 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 d

Greatly affected by the COVID-19 pandemic, consolidated net sales for the first half of fiscal 2021 decreased by 6.2% year on year to ¥161,520 million, operating income decreased by 21.2% to ¥4,182 million, ordinary income decreased by 15.2% to ¥5,136 million, and profit attributable to owners of parent decreased by 12.8% to ¥3,532 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	51,566	48,499	(3,066)	94.1%
Operating income	2,609	2,196	(413)	84.2%

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 and enhance sales capabilities and brand power, and promoted sales activities. However, sales of wheat flour were lower than the level for the same period of the previous year, affected by sluggish demand mainly in the restaurant sector and 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 our products in June 2020.

As a result, net sales for the Flour Milling segment decreased by 5.9% year on year to ¥48,499 million, and operating income decreased by 15.8% to ¥2,196 million.

2) Food

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	102,683	96,584	(6,098)	94.1%
Operating income	2,535	2,036	(498)	80.3%

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. Moreover, changes in consumer behavior have persisted even after the lifting of the declaration of the state of emergency, and 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. 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 sluggish demand reflecting an increase in teleworking and in people staying at home.

As a result, net sales of the Food segment decreased by 5.9% year on year to ¥96,584 million, and operating income decreased by 19.7% to ¥2,036 million.

3) Other

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	18,004	16,437	(1,567)	91.3%
Operating income (loss)	147	(26)	(174)	—

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.

On the other hand, sales of the pet food business were higher than the level for the same period of the previous year because shipped volume grew.

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 8.7% year on year to ¥16,437 million, and operating loss was ¥26 million.

(2) Overview of financial position

1) Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020	Difference
Current assets	114,534	108,300	(6,233)
Non-current assets	175,832	182,427	6,594
Deferred assets	61	55	(6)
Total assets	290,428	290,783	354
Current liabilities	74,078	69,227	(4,850)
Non-current liabilities	57,768	58,522	753
Total liabilities	131,847	127,749	(4,097)
Total net assets	158,581	163,033	4,452
Total liabilities and net assets	290,428	290,783	354

Total assets at the end of the first half of fiscal 2021 increased by ¥354 million from the previous fiscal year end (March 31, 2020) to ¥290,783 million. This was mainly because raw materials and supplies, investment securities, property, plant and equipment and merchandise and finished goods increased by ¥3,543 million, ¥3,478 million, ¥3,294 million, and ¥1,135 million, respectively, and cash and deposits and notes and accounts receivable - trade decreased by ¥6,532 million and ¥4,246 million, respectively.

Total liabilities decreased by ¥4,097 million from the previous fiscal year end to ¥127,749 million. This was mainly because notes and accounts payable - trade increased by ¥2,047 million, and bonds payable and income taxes payable decreased by ¥5,000 million and ¥893 million, respectively.

Net assets increased by ¥4,452 million from the previous fiscal year end to ¥163,033 million. This was mainly attributable to increases of ¥2,535 million in unrealized holding gain (loss) on securities and ¥2,147 million in retained earnings.

2) Cash flows

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference
Net cash provided by (used in) operating activities	4,656	6,473	1,817
Net cash provided by (used in) investing activities	(4,684)	(7,264)	(2,580)
Net cash provided by (used in) financing activities	(533)	(5,773)	(5,239)
Effect of exchange rate changes on cash and cash equivalents	20	(124)	(144)
Net increase (decrease) in cash and cash equivalents	(541)	(6,688)	(6,146)
Increase in cash and cash equivalents from newly consolidated subsidiary	171	–	(171)
Cash and cash equivalents at end of period	29,715	24,324	(5,391)

The balance of cash and cash equivalents at the end of the first half of fiscal 2021 stood at ¥24,324 million, a decrease of ¥6,688 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 ¥6,473 million compared with ¥4,656 million for the same period of the previous year. This mainly reflected ¥5,317 million for profit before income taxes, ¥4,204 million for depreciation, ¥2,294 million for income taxes paid, ¥4,188 million for decrease in notes and accounts receivable - trade and ¥4,613 million for increase in inventories.

(Investing activities)

Net cash used in investing activities amounted to ¥7,264 million compared with ¥4,684 million for the same period of the previous year. This mainly reflected ¥7,746 million for purchase of fixed assets.

(Financing activities)

Net cash used in financing activities amounted to ¥5,773 million compared with ¥533 million for the same period of the previous year. The main factors were proceeds from loans payable amounting to ¥742 million, redemption of bonds amounting to ¥5,000 million and cash dividends paid amounting to ¥1,382 million.

(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.

Although the Company's financial results for the first half of the fiscal year ending March 31, 2021 exceeded the initial forecasts, the Company has left the forecasts of consolidated business results for the full year of fiscal 2021 announced on May 14, 2020 unchanged because the impact of the COVID-19 pandemic is lasting longer than expected and the prospects of the food market and consumer behavior are likely to remain uncertain until at least the end of the current fiscal year.

Regarding the impact of the COVID-19 pandemic on the Company's financial results, if the situation changes significantly and the forecasts require revision, 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 half of FY2021 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	33,829	27,296
Notes and accounts receivable - trade	44,928	40,682
Merchandise and finished goods	14,977	16,113
Work in process	301	215
Raw materials and supplies	16,717	20,261
Other current assets	3,916	3,789
Allowance for doubtful accounts	(136)	(58)
Total current assets	114,534	108,300
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,084	42,208
Machinery, equipment and vehicles, net	20,146	19,616
Land	40,605	40,592
Construction in progress	2,199	5,779
Other, net	1,922	2,054
Total property, plant and equipment	106,957	110,251
Intangible assets		
Goodwill	514	457
Other	1,110	1,190
Total intangible assets	1,624	1,647
Investments and other assets		
Investment securities	61,525	65,003
Other assets	6,355	6,132
Allowance for doubtful accounts	(631)	(608)
Total investments and other assets	67,249	70,527
Total non-current assets	175,832	182,427
Deferred assets	61	55
Total assets	290,428	290,783

(Millions of yen)

	FY2020 (As of March 31, 2020)	First half of FY2021 (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,115	29,162
Short-term loans payable	20,824	21,859
Current portion of bonds	5,000	-
Income taxes payable	2,473	1,579
Provision for bonuses	710	692
Other current liabilities	17,954	15,933
Total current liabilities	74,078	69,227
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	25,092	25,083
Long-term loans payable	12,418	12,126
Net defined benefit liability	5,212	4,816
Accrued retirement benefits for directors	873	769
Other non-current liabilities	14,172	15,726
Total non-current liabilities	57,768	58,522
Total liabilities	131,847	127,749
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Capital surplus	11,262	11,273
Retained earnings	109,507	111,654
Treasury shares	(3,422)	(3,316)
Total shareholders' equity	129,587	131,851
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	24,444	26,979
Deferred gain (loss) on hedges	0	(2)
Foreign currency translation adjustment	961	644
Retirement benefits liability adjustments	(1,267)	(1,169)
Total accumulated other comprehensive income	24,139	26,452
Subscription rights to shares	260	195
Non-controlling interests	4,593	4,534
Total net assets	158,581	163,033
Total liabilities and net assets	290,428	290,783

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

(Millions of yen)

	First half of FY2020 (From April 1, 2019 to September 30, 2019)	First half of FY2021 (From April 1, 2020 to September 30, 2020)
Net sales	172,253	161,520
Cost of sales	124,717	115,577
Gross profit	47,535	45,943
Selling, general and administrative expenses	42,227	41,761
Operating income	5,308	4,182
Non-operating income		
Interest income	33	43
Dividend income	708	790
Other	392	451
Total non-operating income	1,133	1,285
Non-operating expenses		
Interest expenses	108	85
Other	275	245
Total non-operating expenses	384	331
Ordinary income	6,057	5,136
Extraordinary income		
Gain on sales of fixed assets	146	1
Gain on sales of investment securities	504	355
Total extraordinary income	651	356
Extraordinary expenses		
Loss on sales and disposal of fixed assets	60	37
Loss on valuation of investment securities	206	–
Demolition expenses	45	–
Expenses for change of the corporate brand logo and related items	397	–
Loss related to COVID-19	–	121
Other	10	17
Total extraordinary expenses	720	176
Profit before income taxes	5,988	5,317
Income taxes - current	1,703	1,480
Income taxes - deferred	184	322
Total income taxes	1,888	1,803
Profit	4,100	3,513
Profit (loss) attributable to non-controlling interests	50	(19)
Profit attributable to owners of parent	4,049	3,532

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First half of FY2020 (From April 1, 2019 to September 30, 2019)	First half of FY2021 (From April 1, 2020 to September 30, 2020)
Profit	4,100	3,513
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	(831)	2,581
Deferred gain (loss) on hedges	2	(3)
Foreign currency translation adjustment	23	(315)
Retirement benefits liability adjustments	26	98
Share of other comprehensive income of entities accounted for using equity method	(70)	(23)
Total other comprehensive income (loss)	(849)	2,337
Comprehensive income	3,250	5,851
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,205	5,844
Comprehensive income attributable to non-controlling interests	44	6

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First half of FY2020 (From April 1, 2019 to September 30, 2019)	First half of FY2021 (From April 1, 2020 to September 30, 2020)
Operating activities		
Profit before income taxes	5,988	5,317
Depreciation	4,051	4,204
Loss related to COVID-19	–	121
Increase (decrease) in allowance for doubtful accounts	(29)	(100)
Demolition expenses	45	–
Interest and dividend income	(741)	(834)
Interest expenses	108	85
Loss (gain) on sales of investment securities	(476)	(355)
Loss (gain) on valuation of investment securities	206	–
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(113)	(99)
Foreign exchange losses (gains)	55	37
Loss (gain) on sales of fixed assets	(146)	(1)
Loss on disposal of fixed assets	66	54
Decrease (increase) in notes and accounts receivable - trade	4,269	4,188
Decrease (increase) in inventories	1,189	(4,613)
Increase (decrease) in notes and accounts payable - trade	(8,250)	1,997
Other, net	(175)	(1,980)
Subtotal	6,049	8,024
Interest and dividend income received	763	841
Interest expenses paid	(123)	(97)
Income taxes paid	(2,032)	(2,294)
Net cash provided by (used in) operating activities	4,656	6,473
Investing activities		
Decrease (increase) in time deposits	(29)	(233)
Purchase of investment securities	(338)	(84)
Proceeds from sales of investment securities	916	735
Purchase of fixed assets	(5,526)	(7,746)
Proceeds from sales of fixed assets	236	(1)
Payments of loans receivable	(2)	(2)
Collection of loans receivable	6	7
Decrease (increase) in other investments	53	61
Net cash provided by (used in) investing activities	(4,684)	(7,264)

(Millions of yen)

	First half of FY2020 (From April 1, 2019 to September 30, 2019)	First half of FY2021 (From April 1, 2020 to September 30, 2020)
Financing activities		
Net increase (decrease) in short-term loans payable	1,194	1,393
Proceeds from long-term loans payable	700	765
Repayments of long-term loans payable	(992)	(1,416)
Redemption of bonds	–	(5,000)
Purchase of treasury shares	(0)	(0)
Repayments of finance lease obligations	(112)	(77)
Cash dividends paid	(1,304)	(1,382)
Dividends paid to non-controlling interests	(18)	(22)
Other, net	0	(32)
Net cash provided by (used in) financing activities	(533)	(5,773)
Effect of exchange rate changes on cash and cash equivalents	20	(124)
Net increase (decrease) in cash and cash equivalents	(541)	(6,688)
Cash and cash equivalents at beginning of period	30,085	31,012
Increase in cash and cash equivalents from newly consolidated subsidiary	171	–
Cash and cash equivalents at end of period	29,715	24,324

(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 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	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, engineering and real estate leasing.

2. Segment income adjustment of ¥15 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 Half of FY2021 (From April 1, 2020 to September 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	48,499	96,584	145,083	16,437	161,520	—	161,520
Internal sales or transfers between segments	934	249	1,183	4,446	5,630	(5,630)	—
Total	49,433	96,833	146,267	20,884	167,151	(5,630)	161,520
Segment income (loss)	2,196	2,036	4,233	(26)	4,207	(24)	4,182

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 ¥(24) 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.