



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

February 4, 2021

Listed company name: **NIPPON CORPORATION**
 Listing: The 1st section of Tokyo Stock Exchange
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 Filing date of quarterly financial report: February 5, 2021
 Start of cash dividend payments: —
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

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

1. Consolidated financial results for the third quarter of FY2021 (From April 1, 2020 to December 31, 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
3Q of FY2021	247,462	(6.0)%	7,688	(10.5)%	9,591	(4.5)%	6,201	(9.4)%
3Q of FY2020	263,141	3.2%	8,593	(1.6)%	10,042	(4.4)%	6,844	0.1%

(Note) Comprehensive income: 3Q of FY2021: ¥7,762 million (-6.0%)
 3Q of FY2020: ¥8,261 million (67.9%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
3Q of FY2021	80.88	70.55
3Q of FY2020	89.34	77.94

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
3Q of FY2021	302,025	163,656	52.6%
FY2020	290,428	158,581	52.9%

(Reference) Equity capital: 3Q of FY2021: ¥158,782 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)				19.00	36.00

(Note) Adjustment for the most recent forecast of the dividends in the current term: Yes

Breakdown of year-end dividends for FY2021 (forecast): Ordinary dividend of ¥17.00 and commemorative dividend of ¥2.00 (commemorating change of the company name)

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	
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):	3Q of FY2021	78,824,009 shares	FY2020	78,824,009 shares
2) Number of treasury shares at the end of each period:	3Q of FY2021	2,093,159 shares	FY2020	2,157,266 shares
3) Average number of shares (quarterly consolidated cumulative period):	3Q of FY2021	76,677,010 shares	3Q of FY2020	76,613,587 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 4 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 nine months of Fiscal 2020	First nine months of Fiscal 2021	Difference	Change
Net sales	263,141	247,462	(15,679)	94.0%
Operating income	8,593	7,688	(904)	89.5%
Ordinary income	10,042	9,591	(451)	95.5%
Profit attributable to owners of parent	6,844	6,201	(643)	90.6%

During the first nine months 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 issued in spring 2020. However, amid a resurgence of COVID-19 cases, prospects for the Japanese economy have remained uncertain.

While the COVID-19 pandemic is having a great impact on the food industry, centering on the restaurant sector, a slight recovery occurred in fall 2020. However, owing to the recent resurgence of COVID-19 cases, concerns about the impact intensified once more, as evidenced by shorter opening hours of restaurants, consumers staying home, etc. Thus, the business environment has remained harsh.

In these circumstances, according the top priority to customers' safety and security and employees' health, the Group continues the thorough implementation of measures to prevent the spread of infection based on the guidelines of national and local government. At the same time, as part of efforts to fulfill its social responsibility for ensuring a stable supply of food, the Group has maintained a business system that allows continuation of production activities at all its plants in Japan and abroad while adopting new workstyles, such as promotion of working from home.

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. To this end, we are reducing costs and beefing up sales to reinforce the existing business while, at the same time, making vigorous investment in promising fields. 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 NIPPN Frozen Food Co., Ltd. and a frozen dough plant of NIPPN (Thailand) Co., Ltd. were completed in November. The Company's vigorous capital investment in Japan and abroad is designed to expand the supply capacity and thus our ability to offer a wide range of products, including new products that are to be introduced.

Furthermore, the Company changed its company name to NIPPN CORPORATION on January 1, 2021. We have been promoting business diversification, from the flour milling business, into food, ready-made meals, and healthcare, including the Group companies. In recent years, reflecting changes in the environment affecting the food business, the Food segment and other operations have come to represent a growing share of the Group's sales. Therefore, the company name referring to one specific business, flour milling, no longer fully expressed the current configuration of the Company and the Group. Aiming to grow as a multifaceted food enterprise both in name and reality in a fresh round of development, the Company changed its company name that had been used since the Company's foundation. Using "NIPPN," which has been used as the Company's pet name, as the new company name, we will more aggressively endeavor to further expand and develop our business as an enterprise with which customers will experience an ever-closer relationship.

Greatly affected by the COVID-19 pandemic, consolidated net sales for the first nine months of fiscal 2021 decreased by 6.0% year on year to ¥247,462 million, operating income decreased by 10.5% to ¥7,688 million, ordinary income decreased by 4.5% to ¥9,591 million, and profit attributable to owners of parent decreased by 9.4% to ¥6,201 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First nine months of Fiscal 2020	First nine months of Fiscal 2021	Difference	Change
Net sales	78,832	74,345	(4,487)	94.3%
Operating income	4,506	3,923	(583)	87.1%

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 and the decrease by 4.3% in October 2020, we revised the prices of our products in June 2020 and January 2021, respectively.

As a result, net sales for the Flour Milling segment decreased by 5.7% year on year to ¥74,345 million, and operating income decreased by 12.9% to ¥3,923 million.

2) Food

(Millions of yen)

	First nine months of Fiscal 2020	First nine months of Fiscal 2021	Difference	Change
Net sales	155,497	147,192	(8,305)	94.7%
Operating income	3,633	3,307	(325)	91.0%

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 declaration of a state of emergency issued in spring 2020 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. Also, the Company conducted vigorous sales promotion activities, including execution of TV commercials. 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 One Plate Meal 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 5.3% year on year to ¥147,192 million, and operating income decreased by 9.0% to ¥3,307 million.

3) Other

(Millions of yen)

	First nine months of Fiscal 2020	First nine months of Fiscal 2021	Difference	Change
Net sales	28,810	25,924	(2,886)	90.0%
Operating income	413	519	105	125.6%

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 pet food business were higher than the level for the same period of the previous year because shipped volume grew briskly.

As a result, net sales for the Other segment decreased by 10.0% year on year to ¥25,924 million, while operating income increased by 25.6% to ¥519 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020	Difference
Current assets	114,534	118,594	4,059
Non-current assets	175,832	183,378	7,545
Deferred assets	61	52	(9)
Total assets	290,428	302,025	11,596
Current liabilities	74,078	69,450	(4,628)
Non-current liabilities	57,768	68,917	11,148
Total liabilities	131,847	138,368	6,520
Total net assets	158,581	163,656	5,075
Total liabilities and net assets	290,428	302,025	11,596

Total assets at the end of the first nine months of fiscal 2021 increased by ¥11,596 million from the previous fiscal year end (March 31, 2020) to ¥302,025 million. This was mainly because property, plant and equipment, notes and accounts receivable - trade and investment securities increased by ¥5,391 million, ¥3,800 million, and ¥2,499 million, respectively.

Total liabilities increased by ¥6,520 million from the previous fiscal year end to ¥138,368 million. This was mainly because loans payable increased by ¥11,286 million and bonds payable decreased by ¥5,000 million.

Net assets increased by ¥5,075 million from the previous fiscal year end to ¥163,656 million. This was mainly attributable to increases of ¥3,509 million in retained earnings and ¥1,878 million in unrealized holding gain 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 financial results for the first nine months of the fiscal year ending March 31, 2021 were virtually as forecast. The forecast of the consolidated financial results for the full year of fiscal 2021 is

unchanged from the forecast announced on May 14, 2020: net sales of ¥345.0 billion, operating income of ¥9.0 billion, ordinary income of ¥10.5 billion, and profit attributable to owners of parent of ¥7.0 billion.

We plan to pay a year-end dividend of ¥19 per share, by adding a commemorative dividend of ¥2 to commemorate the change of the company name. As a result, full-year dividends will amount to ¥36 per share.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY2020 (As of March 31, 2020)	Third Quarter of FY2021 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	33,829	32,457
Notes and accounts receivable - trade	44,928	48,729
Merchandise and finished goods	14,977	16,024
Work in process	301	147
Raw materials and supplies	16,717	17,282
Other current assets	3,916	4,016
Allowance for doubtful accounts	(136)	(63)
Total current assets	114,534	118,594
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,084	45,345
Machinery, equipment and vehicles, net	20,146	20,792
Land	40,605	40,396
Construction in progress	2,199	3,463
Other, net	1,922	2,352
Total property, plant and equipment	106,957	112,349
Intangible assets		
Goodwill	514	429
Other	1,110	1,182
Total intangible assets	1,624	1,611
Investments and other assets		
Investment securities	61,525	64,024
Other assets	6,355	5,994
Allowance for doubtful accounts	(631)	(602)
Total investments and other assets	67,249	69,416
Total non-current assets	175,832	183,378
Deferred assets		
	61	52
Total assets	290,428	302,025

(Millions of yen)

	FY2020 (As of March 31, 2020)	Third Quarter of FY2021 (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,115	27,447
Short-term loans payable	20,824	21,878
Current portion of bonds	5,000	—
Income taxes payable	2,473	772
Provision for bonuses	710	250
Other current liabilities	17,954	19,102
Total current liabilities	74,078	69,450
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	25,092	25,078
Long-term loans payable	12,418	22,651
Net defined benefit liability	5,212	4,717
Accrued retirement benefits for directors	873	794
Other non-current liabilities	14,172	15,675
Total non-current liabilities	57,768	68,917
Total liabilities	131,847	138,368
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Capital surplus	11,262	11,273
Retained earnings	109,507	113,017
Treasury shares	(3,422)	(3,317)
Total shareholders' equity	129,587	133,213
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	24,444	26,323
Deferred gain (loss) on hedges	0	(5)
Foreign currency translation adjustment	961	371
Retirement benefits liability adjustments	(1,267)	(1,120)
Total accumulated other comprehensive income	24,139	25,568
Subscription rights to shares	260	214
Non-controlling interests	4,593	4,659
Total net assets	158,581	163,656
Total liabilities and net assets	290,428	302,025

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

(Millions of yen)

	Third quarter of FY2020 (From April 1, 2019 to December 31, 2019)	Third quarter of FY2021 (From April 1, 2020 to December 31, 2020)
Net sales	263,141	247,462
Cost of sales	189,736	176,058
Gross profit	73,405	71,403
Selling, general and administrative expenses	64,811	63,714
Operating income	8,593	7,688
Non-operating income		
Interest income	46	67
Dividend income	1,375	1,468
Share of profit of entities accounted for using equity method	207	184
Other	394	631
Total non-operating income	2,024	2,351
Non-operating expenses		
Interest expenses	157	128
Other	417	319
Total non-operating expenses	575	448
Ordinary income	10,042	9,591
Extraordinary income		
Gain on sales of fixed assets	173	363
Gain on sales of investment securities	504	355
Total extraordinary income	677	718
Extraordinary expenses		
Loss on sales and disposal of fixed assets	95	84
Impairment loss	—	233
Loss on valuation of investment securities	33	—
Demolition expenses	71	—
Expenses for change of the corporate brand logo and related items	397	—
Company name change cost	—	297
Other	32	256
Total extraordinary expenses	630	872
Profit before income taxes	10,090	9,437
Income taxes - current	2,604	2,521
Income taxes - deferred	546	601
Total income taxes	3,150	3,123
Profit	6,939	6,314
Profit attributable to non-controlling interests	94	112
Profit attributable to owners of parent	6,844	6,201

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third quarter of FY2020 (From April 1, 2019 to December 31, 2019)	Third quarter of FY2021 (From April 1, 2020 to December 31, 2020)
Profit	6,939	6,314
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	1,319	1,915
Deferred gain (loss) on hedges	3	(6)
Foreign currency translation adjustment	28	(590)
Retirement benefits liability adjustments	39	147
Share of other comprehensive income of entities accounted for using equity method	(69)	(17)
Total other comprehensive income (loss)	1,322	1,447
Comprehensive income	8,261	7,762
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	8,163	7,630
Comprehensive income attributable to non-controlling interests	98	131

(3) Notes on quarterly consolidated financial information**(Notes on going concern assumption)**

Not applicable.

(Notes to significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information, etc.)

[Segment information]

I. Third quarter of FY2020 (From April 1, 2019 to December 31, 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	78,832	155,497	234,330	28,810	263,141	—	263,141
Internal sales or transfers between segments	1,661	487	2,149	1,306	3,455	(3,455)	—
Total	80,494	155,985	236,480	30,117	266,597	(3,455)	263,141
Segment income	4,506	3,633	8,139	413	8,553	40	8,593

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 ¥40 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. Third quarter of FY2021 (From April 1, 2020 to December 31, 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	74,345	147,192	221,537	25,924	247,462	—	247,462
Internal sales or transfers between segments	1,471	386	1,858	5,763	7,621	(7,621)	—
Total	75,816	147,578	223,395	31,688	255,083	(7,621)	247,462
Segment income	3,923	3,307	7,230	519	7,749	(61)	7,688

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 ¥(61) 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

(Material impairment loss pertaining to fixed assets)

The Food segment and other operations recorded an impairment loss on fixed assets amounting to ¥136 million and ¥96 million, respectively. The amount of the impairment loss on fixed assets of other operations relates to the restaurant business etc.