



Consolidated Financial Results for the First Quarter of FY2022 [J-GAAP]

October 29, 2021

Listed company name: **NIPPON CORPORATION**
 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: November 15, 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 first quarter of FY2022 (From April 1, 2021 to June 30, 2021)

(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 FY2022	77,958	11.4%	2,634	57.6%	3,807	44.9%	2,607	53.1%
1Q of FY2021	69,976	—	1,671	—	2,627	—	1,703	—

(Note) Comprehensive income: 1Q of FY2022: ¥2,050 million (-25.5%)

1Q of FY2021: ¥2,750 million (—)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
1Q of FY2022	34.00	29.66
1Q of FY2021	22.23	19.38

(Note) The figures for 1Q of FY2021 presented are the figures after retrospective application of changes in accounting policies. The rate of change from the same period of the previous year is not presented for 1Q of FY2021 because of the retrospective application.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
1Q of FY2022	305,653	169,727	54.0%
FY2021	307,813	169,063	53.3%

(Reference) Equity capital: 1Q of FY2022: ¥164,953 million

FY2021: ¥164,209 million

(Note) The figures for FY2021 presented are the figures after retrospective application of changes in accounting policies.

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2021	—	17.00	—	19.00	36.00
FY2022	—				
FY2022 (Forecast)		18.00	—	18.00	36.00

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

Breakdown of year-end dividends for FY2021: 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 FY2022 (From April 1, 2021 to March 31, 2022)

(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)
Half year	158,000	12.3%	5,000	19.3%	5,700	10.8%	3,800	7.4%	49.55
Full year	320,000	11.0%	11,100	7.0%	12,700	0.3%	9,000	4.2%	117.35

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

Rates of change from the previous year and from the same period of the previous year are the rates compared with the figures after retrospective application of changes in accounting policies.

* 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: | Yes |
| 2) Changes other than 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Retrospective restatements: | None |

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements (3) Notes on quarterly consolidated financial information (Changes in accounting policies)” on page 10.

(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 FY2022	78,824,009 shares	FY2021	78,824,009 shares
2) Number of treasury shares at the end of each period:	1Q of FY2022	2,087,089 shares	FY2021	2,093,223 shares
3) Average number of shares (quarterly consolidated cumulative period):	1Q of FY2022	76,693,645 shares	1Q of FY2021	76,648,148 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 2021	First three months of Fiscal 2022	Difference	Change
Net sales	69,976	77,958	7,982	111.4%
Operating income	1,671	2,634	963	157.6%
Ordinary income	2,627	3,807	1,180	144.9%
Profit attributable to owners of parent	1,703	2,607	904	153.1%

During the first three months of the fiscal year ending March 31, 2022, amid the ongoing COVID-19 pandemic, the increasing vaccination rate raised hopes that economic activities in Japan would return to normal. However, economic activities declined following the declarations of a state of emergency issued in April through to June this year, and prospects for the Japanese economy have remained uncertain.

The food industry, centering on the restaurant sector, was greatly affected by the government's request for large-scale commercial facilities to suspend operations and for restaurants to suspend operations or reduce opening hours, following the declarations of a state of emergency. Moreover, the spread of COVID-19 brought about significant changes in consumer behavior, such as growth of delivery services and an increase in eating at home, and an increase in demand for products for consumption at home as people refrain from going out. The business environment remains unpredictable.

In these circumstances, while thoroughly implementing measures to prevent the spread of COVID-19 and according the top priority to customers' safety and security and employees' health, the Group is continuing production at all its plants in Japan and abroad, thereby maintaining a business system to fulfill its social responsibility as a food enterprise.

Meanwhile, the Group is pursuing sustainable growth as a multifaceted food enterprise. We are reinforcing the existing business by reducing costs and beefing up sales while, at the same time, vigorously investing in promising fields in an effort to strengthen the business foundation by adopting a flexible approach in an unprecedented business environment.

The Company merged with Tofuku Flour Mills Co., Ltd. on April 1, 2021. As a result, Tofuku Flour Mills became NIPPN's Fukuoka Nanotsu Plant and the Company's flour milling business now has eight plants in Japan. Through greater efficiency of manufacturing and logistics, we intend to further strengthen competitiveness.

Moreover, in response to rapidly expanding demand in the frozen foods market, the Company implemented structural reform of its frozen foods business on April 1, 2021, to strengthen the business. Specifically, production facilities were transferred from NIPPN Frozen Food Co., Ltd. to the Company to enable the Company to directly engage in production and the Company established the Frozen Foods Business Department.

Consolidated net sales for the first three months of fiscal 2022 increased by 11.4% year on year to ¥77,958 million, operating income increased by 57.6% to ¥2,634 million, ordinary income increased by 44.9% to ¥3,807 million, and profit attributable to owners of parent increased by 53.1% to ¥2,607 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First three months of Fiscal 2021	First three months of Fiscal 2022	Difference	Change
Net sales	22,820	22,991	170	100.7%
Operating income	961	1,194	233	124.3%

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. 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.

As a result, whereas sales of wheat flour were lower than the level for the same period of the previous year, sales of wheat bran, a by-product, were higher than the level for the same period of the previous year

In line with the increase of government sales prices (tax inclusive) of imported wheat by 5.5% on average for the five key products in April 2021, we revised the prices of wheat flour products for professional use for shipments on and after June 19, 2021.

As a result, net sales for the Flour Milling segment increased by 0.7% year on year to ¥22,991 million, and operating income increased by 24.3% to ¥1,194 million.

2) Food

(Millions of yen)

	First three months of Fiscal 2021	First three months of Fiscal 2022	Difference	Change
Net sales	39,104	45,777	6,673	117.1%
Operating income	842	1,254	412	148.9%

In the professional-use category, demand showed a tendency to recover compared with the same period of the previous year and sales of products in this category were higher than the level for the same period of the previous year, despite a significant impact mainly on the restaurant sector of the government's request for large-scale commercial facilities to suspend operations and for restaurants to suspend operations or reduce opening hours, following the declarations of a state of emergency.

In the home-use product category, although demand for products for consumption at home remained high because people refrained from going out, sales of products in this category were lower than the level for the same period of the previous year, reflecting stabilization of demand compared with the same period of the previous year.

In the frozen foods category, reflecting continued high demand for products for consumption at home and partly because the COVID-19 pandemic prompted more consumers to use frozen foods, sales of products in this category were higher than the level for the same period of the previous year. In addition to solid demand for frozen pasta, demand for the One Plate Meal series of complete meals consisting of a main dish and staples and demand for the Imadoki Gohan series of rice dishes, which allow consumers to have trendy rice dishes easily at home, were brisk.

In the ready-made meals business, despite an adverse impact on demand due to an increase in working from home and because people refrained from going out, demand showed a tendency to recover compared with the same period of the previous year and sales were higher than the level for the previous year.

As a result, net sales of the Food segment increased by 17.1% year on year to ¥45,777 million, and operating income increased by 48.9% to ¥1,254 million.

3) Other

(Millions of yen)

	First three months of Fiscal 2021	First three months of Fiscal 2022	Difference	Change
Net sales	8,050	9,189	1,138	114.1%
Operating income (loss)	(95)	174	270	—

In the healthcare business, despite an adverse impact on demand due to temporary closure and shorter opening hours of various businesses, demand showed a tendency to recover compared with the same period of the previous year and sales were higher than the level for the same period of the previous year.

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 increased by 14.1% year on year to ¥9,189 million, and operating income was ¥174 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021	Difference
Current assets	117,693	115,431	(2,262)
Non-current assets	190,069	190,174	104
Deferred assets	49	46	(3)
Total assets	307,813	305,653	(2,160)
Current liabilities	69,544	66,521	(3,023)
Non-current liabilities	69,205	69,404	199
Total liabilities	138,749	135,925	(2,824)
Total net assets	169,063	169,727	664
Total liabilities and net assets	307,813	305,653	(2,160)

Total assets at the end of the first three months of fiscal 2022 decreased by ¥2,160 million from the previous fiscal year end (March 31, 2021) to ¥305,653 million. This was mainly because cash and deposits and investment securities decreased by ¥2,658 million and ¥1,249 million, respectively, and property, plant and equipment increased by ¥1,330 million.

Total liabilities decreased by ¥2,824 million from the previous fiscal year end to ¥135,925 million. This was mainly because income taxes payable and loans payable decreased by ¥1,949 million and ¥719 million, respectively.

Net assets increased by ¥664 million from the previous fiscal year end to ¥169,727 million. This was mainly attributable to an increase of ¥1,277 million in retained earnings and a decrease of ¥949 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 consolidated business results for the first three months of the fiscal year ending March 31, 2022, were virtually in line with the forecast. In the second quarter, brisk demand for frozen foods is continuing and demand for products in the professional-use category and ready-made meals is recovering more than expected from the sluggishness in the previous year. Therefore, the forecasts of consolidated business results for the first six months and the full year of fiscal 2022 announced on May 14, 2021, are unchanged.

Owing to a system failure caused by a cyber attack on July 7, 2021, the Company postponed announcement of consolidated financial results for the first quarter of the fiscal year ending March 31, 2022, and gained approval for extension of the deadline for submission of the quarterly report. We are investigating the impact of this issue on results for the second quarter onward. Currently, we expect there will be no need to revise the forecasts of business results. However, if any matters arise that should be made public, such as significant differences from the forecasts, we will promptly make an announcement.

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

(Millions of yen)

	FY2021 (As of March 31, 2021)	First quarter of FY2022 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	37,486	34,827
Notes and accounts receivable – trade and contract assets	41,848	41,778
Merchandise and finished goods	16,662	17,026
Work in process	219	228
Raw materials and supplies	17,394	17,162
Other current assets	4,143	4,462
Allowance for doubtful accounts	(59)	(53)
Total current assets	117,693	115,431
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,932	45,761
Machinery, equipment and vehicles, net	21,692	21,818
Land	40,269	41,637
Construction in progress	3,814	3,792
Other, net	2,531	2,561
Total property, plant and equipment	114,240	115,571
Intangible assets		
Goodwill	1,644	1,584
Other	1,213	1,187
Total intangible assets	2,858	2,772
Investments and other assets		
Investment securities	65,809	64,560
Other assets	7,625	7,720
Allowance for doubtful accounts	(464)	(450)
Total investments and other assets	72,970	71,831
Total non-current assets	190,069	190,174
Deferred assets	49	46
Total assets	307,813	305,653

(Millions of yen)

	FY2021 (As of March 31, 2021)	First quarter of FY2022 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,931	26,960
Short-term loans payable	22,388	21,515
Current portion of bonds	–	96
Income taxes payable	2,371	421
Provision for bonuses	690	589
Other current liabilities	18,162	16,937
Total current liabilities	69,544	66,521
Non-current liabilities		
Bonds payable	536	440
Convertible bond-type bonds with subscription rights to shares	25,074	25,069
Long-term loans payable	22,181	22,335
Retirement benefit liability	3,747	3,644
Accrued retirement benefits for directors	809	731
Other non-current liabilities	16,856	17,183
Total non-current liabilities	69,205	69,404
Total liabilities	138,749	135,925
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	11,308	11,304
Retained earnings	115,366	116,644
Treasury shares	(3,317)	(3,307)
Total shareholders' equity	135,598	136,882
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	27,770	26,820
Deferred gain (loss) on hedges	37	9
Foreign currency translation adjustment	493	930
Retirement benefit liability adjustments	308	311
Total accumulated other comprehensive income	28,610	28,071
Subscription rights to shares	234	243
Non-controlling interests	4,620	4,530
Total net assets	169,063	169,727
Total liabilities and net assets	307,813	305,653

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

(Millions of yen)

	First quarter of FY2021 (From April 1, 2020 to June 30, 2020)	First quarter of FY2022 (From April 1, 2021 to June 30, 2021)
Net sales	69,976	77,958
Cost of sales	53,908	59,658
Gross profit	16,067	18,299
Selling, general and administrative expenses	14,396	15,665
Operating income	1,671	2,634
Non-operating income		
Interest income	15	14
Dividend income	762	776
Other	295	538
Total non-operating income	1,073	1,329
Non-operating expenses		
Interest expenses	40	48
Other	76	107
Total non-operating expenses	117	156
Ordinary income	2,627	3,807
Extraordinary income		
Gain on sales of fixed assets	1	57
Total extraordinary income	1	57
Extraordinary expenses		
Loss on sales and disposal of fixed assets	12	22
Loss on sale of shares of subsidiaries and associates	–	24
Loss related to COVID-19	121	–
Other	–	12
Total extraordinary expenses	133	59
Profit before income taxes	2,494	3,804
Income taxes - current	263	553
Income taxes - deferred	609	648
Total income taxes	873	1,202
Profit	1,621	2,602
Loss attributable to non-controlling interests	(81)	(5)
Profit attributable to owners of parent	1,703	2,607

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First quarter of FY2021 (From April 1, 2020 to June 30, 2020)	First quarter of FY2022 (From April 1, 2021 to June 30, 2021)
Profit	1,621	2,602
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	1,675	(965)
Deferred gain (loss) on hedges	1	(28)
Foreign currency translation adjustment	(586)	431
Retirement benefit liability adjustments	49	3
Share of other comprehensive income of entities accounted for using equity method	(10)	6
Total other comprehensive income (loss)	1,129	(552)
Comprehensive income	2,750	2,050
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,815	2,068
Comprehensive income attributable to non-controlling interests	(64)	(18)

(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.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. and recognizes the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to a customer. Major changes due to the application of the Accounting Standard for Revenue Recognition, etc. are described below.

(1) Transactions as an agent

Regarding transactions in which the Group acts as an agent in providing merchandise or finished goods to a customer, previously the gross amount of consideration received from the customer had been recognized as revenue. However, the method has been changed and the net amount of consideration received from the customer from which the amount payable to a supplier of the merchandise or finished goods is deducted is recognized as revenue.

(2) Sales incentives

Whereas previously certain sales incentives and other fees paid to customers had been recorded as selling, general and administrative expenses, the method has been changed and they are deducted from net sales.

(3) Change in the basis for revenue recognition

Regarding certain transactions of the Group, whereas previously revenue had been recognized at the time of shipping of merchandise or finished goods, the method has been changed and revenue is recognized at the time of completion of the handover.

The said changes in the accounting policies shall be retrospectively applied, in principle, and the quarterly consolidated financial statements for the first quarter of fiscal year ended March 31, 2021, and consolidated financial statements for the fiscal year ended March 31, 2021, after retrospective application are presented.

As a result, compared with the figures before retrospective application, net sales, cost of sales, and selling, general and administrative expenses for the first three months of the previous year decreased by ¥10,709 million, ¥3,891 million, and ¥6,843 million, respectively, and operating income, ordinary income, and profit before income taxes each increased by ¥25 million. Moreover, the beginning balance of retained earnings for the previous year decreased by ¥84 million because the cumulative effect of the retrospective application was reflected in the beginning balance of net assets for the previous year.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade," which was presented under "Current assets" in the consolidated balance sheet for the previous year, is included in "Notes and accounts receivable - trade and contract assets" from the first quarter of fiscal 2022. In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the composition of revenue from contracts with customers for the first three months of the previous year is not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company applies the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. and will apply the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. from now on in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. 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	22,820	39,104	61,925	8,050	69,976	—	69,976
Internal sales or transfers between segments	434	126	560	1,365	1,926	(1,926)	—
Total	23,255	39,230	62,486	9,416	71,902	(1,926)	69,976
Segment income (loss)	961	842	1,803	(95)	1,708	(37)	1,671

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.

II. First Quarter of FY2022 (From April 1, 2021 to June 30, 2021)

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

(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							
Revenue from contracts with customers	22,991	45,766	68,757	8,950	77,708	—	77,708
Other revenue	—	11	11	238	250	—	250
Net sales to external customers	22,991	45,777	68,769	9,189	77,958	—	77,958
Internal sales or transfers between segments	484	137	622	589	1,212	(1,212)	—
Total	23,476	45,915	69,391	9,779	79,170	(1,212)	77,958
Segment income	1,194	1,254	2,449	174	2,624	9	2,634

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 ¥9 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.

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

The method of measurement of segment income (loss) has been changed in accordance with the change in the method of accounting treatment for revenue recognition as a result of application of the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of fiscal 2022, as described in the “(Changes in accounting policies)” above.

Segment information for the first three months of fiscal 2021 presented was prepared using the segment income (loss) measurement method after the change.