



Consolidated Financial Results for the First Quarter of FY2023 [J-GAAP]

August 4, 2022

Listed company name: **NIPPON CORPORATION**
 Listing: The Prime Market of Tokyo Stock Exchange
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 Filing date of quarterly financial report: August 5, 2022
 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 FY2023 (From April 1, 2022 to June 30, 2022)

(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 FY2023	86,205	10.6%	2,500	(5.1)%	3,828	0.6%	2,726	4.6%
1Q of FY2022	77,958	11.4%	2,634	57.6%	3,807	44.9%	2,607	53.1%

(Note) Comprehensive income: 1Q of FY2023: ¥4,399 million (114.6%)

1Q of FY2022: ¥2,050 million (-25.5%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
1Q of FY2023	35.52	30.98
1Q of FY2022	34.00	29.66

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
1Q of FY2023	327,734	181,043	54.0%
FY2022	325,869	178,697	53.4%

(Reference) Equity capital: 1Q of FY2023: ¥176,858 million

FY2022: ¥174,120 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2022	—	18.00	—	20.00	38.00
FY2023	—				
FY2023 (Forecast)		19.00	—	19.00	38.00

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

3. Forecast of the consolidated financial results for FY2023 (From April 1, 2022 to March 31, 2023)

(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	173,000	9.8%	4,600	(21.6)%	5,700	(22.6)%	3,900	(25.5)%	50.81
Full year	355,000	10.5%	10,100	(10.5)%	12,200	(14.5)%	8,300	(11.0)%	108.13

(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: | 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 and Principal Notes (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 FY2023	78,824,009 shares	FY2022	78,824,009 shares
2) Number of treasury shares at the end of each period:	1Q of FY2023	2,021,431 shares	FY2022	2,021,404 shares
3) Average number of shares (quarterly consolidated cumulative period):	1Q of FY2023	76,762,585 shares	1Q of FY2022	76,693,645 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 2022	First three months of Fiscal 2023	Difference	Change
Net sales	77,958	86,205	8,246	110.6%
Operating income	2,634	2,500	(133)	94.9%
Ordinary income	3,807	3,828	21	100.6%
Profit attributable to owners of parent	2,607	2,726	118	104.6%

During the first three months of the fiscal year ending March 31, 2023, the business environment remained challenging owing to the sharp depreciation of the yen in addition to the soaring prices of grains and resources caused by the Russo-Ukraine situation and other factors. With regard to the impact of COVID-19, the emergence of new mutant strains followed by containment has been repeated, and the outlook remains difficult to predict.

In the food industry, changes in personal consumption influenced by the spread of COVID-19 are continuing, but demand is beginning to recover, centering on the restaurant sector, as crowds are returning to tourist destinations and downtown areas. On the other hand, manufacturing and transportation costs are rising due to soaring raw materials prices and energy costs, and the impact on the business environment is unpredictable.

In these circumstances, in May 2022, the Group formulated its new management philosophy and management policy together with a long-term vision for the future. In order to secure our position as a comprehensive food company of high repute, we are working with our customers, employees, shareholders, society, and other stakeholders to create future-focused value with the goal of realizing our management philosophy of “contributing to the realization of a sustainable society by pursuing the well-being (happiness, health, and smiles) of people.”

In this context, the Group is promoting R&D of sustainability-conscious products, such as plant-based foods. For example, Soypro is a soy-based material for which tofu processing technology is applied. We are also undertaking R&D in new fields, such as the use of Soypro in existing home-use foods and frozen foods. In addition to these initiatives, we are reinforcing the existing business by reducing costs and beefing up sales and are vigorously investing in promising fields in an effort to strengthen the business foundation even in a business environment where the outlook remains uncertain.

Consolidated net sales for the first three months of fiscal 2023 increased by 10.6% year on year to ¥86,205 million, reflecting a recovery in demand following the relaxation of restrictions on activities and the implementation of sales price revisions in response to rising wheat market prices and raw materials prices. In terms of profit, despite an increase in shipments due to a recovery in demand, raw materials prices and energy costs rose more than expected, and strategic costs for sales expansion increased. As a result, operating income decreased by 5.1% to ¥2,500 million, ordinary income increased by 0.6% to ¥3,828 million, and profit attributable to owners of parent increased by 4.6% to ¥2,726 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	22,991	28,003	5,012	121.8%
Operating income	1,194	1,512	317	126.6%

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 is difficult to predict, we strove to strengthen initiatives in partnership with customers, and enhance sales capabilities and brand power, and promoted sales activities, while flexibly responding to changing demand.

As a result, in the Flour Milling business, sales of wheat flour and sales of wheat bran, a by-product, were higher than the levels for the same period of the previous year, mainly because of the revision of wheat flour sales prices and the recovery in demand following the relaxation of the restrictions on activities.

In line with the increase of government sales prices (tax inclusive) of imported wheat by 17.3% on average for the five key products in April 2022, we revised the prices of wheat flour products for professional use for shipments on and after June 20, 2022.

As a result, net sales of the Flour Milling segment increased by 21.8% year on year to ¥28,003 million, and operating income increased by 26.6% to ¥1,512 million.

2) Food

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	45,777	48,346	2,568	105.6%
Operating income	1,254	858	(395)	68.5%

In the professional-use category, demand showed a tendency to recover owing to the relaxation of the restrictions on activities and in reaction to the fact that the government requested large commercial facilities, restaurants, etc. to shorten opening hours in the previous year, and as a result, sales of products in this category were higher than the level for the same period of the previous year.

In the home-use product category, although demand for products for consumption at home associated with people refraining from going out ran its course, sales of products in this category were higher than the level for the same period of the previous year, owing to price revisions in January and February 2022 in line with cost increases, such as for raw materials.

In the frozen foods category, demand for home-use frozen foods, such as the One Plate Meal series of complete meals consisting of a main dish and staples and the Imadoki Gohan series of rice dishes, was brisk. In addition, the price revision in February 2022 also contributed to higher sales. As a result, sales of products in this category were higher than the level for the same period of the previous year.

In the ready-made meals business, sales were higher than the level for the same period of the previous year because demand is recovering in line with the relaxation of the restrictions on activities.

As a result, net sales of the Food segment increased by 5.6% year on year to ¥48,346 million, while operating income decreased by 31.5% to ¥858 million.

3) Other

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	9,189	9,854	665	107.2%
Operating income	174	117	(57)	67.3%

Sales of the pet food business were higher than the level for the same period of the previous year because of price revision and an increase in shipped volume of products whose unit prices are high.

Sales of the engineering business were lower than the level for the same period of the previous year, owing to a dip following the increase in inquiries for large projects in the previous year.

As a result, net sales for the Other segment increased by 7.2% year on year to ¥9,854 million, while operating income decreased by 32.7% to ¥117 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022	Difference
Current assets	130,768	132,410	1,641
Non-current assets	195,063	195,290	226
Deferred assets	37	34	(3)
Total assets	325,869	327,734	1,865
Current liabilities	74,842	73,782	(1,060)
Non-current liabilities	72,328	72,909	580
Total liabilities	147,171	146,691	(479)
Total net assets	178,697	181,043	2,345
Total liabilities and net assets	325,869	327,734	1,865

Total assets at the end of the first three months of fiscal 2023 increased by ¥1,865 million from the previous fiscal year end (March 31, 2022) to ¥327,734 million. This was mainly because raw materials and supplies increased by ¥4,163 million, and notes and accounts receivable - trade and contract assets decreased by ¥2,612 million.

Total liabilities decreased by ¥479 million from the previous fiscal year end to ¥146,691 million. This was mainly because notes and accounts payable - trade increased by ¥1,779 million, and income taxes payable and loans payable decreased by ¥1,538 million and ¥495 million, respectively.

Net assets increased by ¥2,345 million from the previous fiscal year end to ¥181,043 million. This was mainly because retained earnings and unrealized holding gain (loss) on securities increased by ¥1,187 million and ¥903 million, respectively.

(3) Information on forecast of the consolidated financial results

The outlook for the Japanese economy is expected to remain extremely challenging as a resurgence of COVID-19 cases and containment have been repeated, in addition to soaring prices of grains and resources attributable to the Russo-Ukraine situation.

In these circumstances, under the management philosophy of “contributing to the realization of a sustainable society by pursuing the well-being (happiness, health, and smiles) of people,” the Group aims to achieve ¥400 billion in net sales and ¥15 billion in operating income by fiscal 2027 by strengthening the revenue base while building up sales through organic growth, as well as enhancing inorganic growth. To attain this goal, we will expand our global business and create new businesses for further growth by strengthening the foundation of existing businesses, increasing production capacity, and responding to diverse lifestyles, leveraging the Group’s strengths while continuing to invest management resources aggressively in growth areas.

The consolidated business results for the first three months of the fiscal year ending March 31, 2023, were virtually in line with the forecast, despite the challenging business environment amid mounting concerns about the impact of soaring prices of grains and resources. Therefore, the forecasts of consolidated business results for the first six months and the full year of fiscal 2023 announced on May 13, 2022, are unchanged.

With regard to dividends, our target payout ratio is 30% or more and the Company plans to pay total cash dividends of ¥38 per share for the full year ending March 31, 2023, unchanged from the forecast.

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

(Millions of yen)

	FY2022 (As of March 31, 2022)	First quarter of FY2023 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	34,063	33,395
Notes and accounts receivable – trade and contract assets	50,466	47,853
Merchandise and finished goods	18,484	20,236
Work in process	57	118
Raw materials and supplies	21,348	25,511
Other current assets	6,407	5,354
Allowance for doubtful accounts	(59)	(60)
Total current assets	130,768	132,410
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,582	48,084
Machinery, equipment and vehicles, net	22,492	21,969
Land	41,453	41,357
Construction in progress	471	609
Other, net	2,611	2,653
Total property, plant and equipment	115,611	114,674
Intangible assets		
Goodwill	1,404	1,344
Other	1,124	1,097
Total intangible assets	2,529	2,441
Investments and other assets		
Investment securities	69,001	70,280
Other assets	8,307	8,270
Allowance for doubtful accounts	(385)	(376)
Total investments and other assets	76,922	78,174
Total non-current assets	195,063	195,290
Deferred assets	37	34
Total assets	325,869	327,734

(Millions of yen)

	FY2022 (As of March 31, 2022)	First quarter of FY2023 (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,910	35,690
Short-term loans payable	19,530	19,438
Current portion of bonds	91	91
Income taxes payable	1,926	387
Provision for bonuses	705	575
Other current liabilities	18,678	17,599
Total current liabilities	74,842	73,782
Non-current liabilities		
Bonds payable	349	349
Convertible bond-type bonds with subscription rights to shares	25,056	25,051
Long-term loans payable	23,684	23,280
Retirement benefit liability	3,810	3,777
Accrued retirement benefits for directors	462	383
Other non-current liabilities	18,966	20,067
Total non-current liabilities	72,328	72,909
Total liabilities	147,171	146,691
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	11,307	11,144
Retained earnings	121,817	123,004
Treasury shares	(3,198)	(3,198)
Total shareholders' equity	142,166	143,191
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	30,409	31,313
Deferred gain (loss) on hedges	88	177
Foreign currency translation adjustment	981	1,725
Retirement benefit liability adjustments	475	450
Total accumulated other comprehensive income	31,954	33,667
Subscription rights to shares	195	210
Non-controlling interests	4,381	3,973
Total net assets	178,697	181,043
Total liabilities and net assets	325,869	327,734

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

(Millions of yen)

	First quarter of FY2022 (From April 1, 2021 to June 30, 2021)	First quarter of FY2023 (From April 1, 2022 to June 30, 2022)
Net sales	77,958	86,205
Cost of sales	59,658	66,937
Gross profit	18,299	19,267
Selling, general and administrative expenses	15,665	16,766
Operating income	2,634	2,500
Non-operating income		
Interest income	14	15
Dividend income	776	1,019
Other	538	449
Total non-operating income	1,329	1,484
Non-operating expenses		
Interest expenses	48	49
Other	107	107
Total non-operating expenses	156	156
Ordinary income	3,807	3,828
Extraordinary income		
Gain on sales of fixed assets	57	9
Gain on sales of investment securities	–	18
Total extraordinary income	57	28
Extraordinary expenses		
Loss on sales and disposal of fixed assets	22	16
Loss on sale of shares of subsidiaries and associates	24	–
Other	12	1
Total extraordinary expenses	59	17
Profit before income taxes	3,804	3,839
Income taxes - current	553	463
Income taxes - deferred	648	694
Total income taxes	1,202	1,157
Profit	2,602	2,681
Loss attributable to non-controlling interests	(5)	(45)
Profit attributable to owners of parent	2,607	2,726

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First quarter of FY2022 (From April 1, 2021 to June 30, 2021)	First quarter of FY2023 (From April 1, 2022 to June 30, 2022)
Profit	2,602	2,681
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	(965)	905
Deferred gain (loss) on hedges	(28)	88
Foreign currency translation adjustment	431	738
Retirement benefit liability adjustments	3	(23)
Share of other comprehensive income of entities accounted for using equity method	6	8
Total other comprehensive income (loss)	(552)	1,718
Comprehensive income	2,050	4,399
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,068	4,439
Comprehensive income attributable to non-controlling interests	(18)	(39)

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2023, the Company applies the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Implementation Guidance No. 31, June 17, 2021) and will apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement from now on in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. 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.

II. First Quarter of FY2023 (From April 1, 2022 to June 30, 2022)

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	28,003	48,335	76,338	9,615	85,954	—	85,954
Other revenue	—	11	11	239	251	—	251
Net sales to external customers	28,003	48,346	76,350	9,854	86,205	—	86,205
Internal sales or transfers between segments	550	166	716	401	1,118	(1,118)	—
Total	28,553	48,513	77,067	10,256	87,323	(1,118)	86,205
Segment income	1,512	858	2,371	117	2,489	11	2,500

- 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 ¥11 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.