

# Consolidated Financial Results for the First Quarter of FY2017 [J-GAAP]

August 4, 2016

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: August 10, 2016  
 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 FY2017 (From April 1, 2016 to June 30, 2016)

### (1) Consolidated operating results (cumulative)

(Millions of yen, percentage figures show the rate of change from the same period in 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 FY2017	78,459	3.1%	2,818	33.3%	3,535	19.9%	2,708	27.7%
1Q of FY2016	76,118	3.0%	2,113	(3.7)%	2,948	(10.4)%	2,120	18.4%

(Note) Comprehensive income: 1Q of FY2017: ¥1,308 million (-64.9 %) 1Q of FY2016: ¥3,723 million (47.7 %)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
1Q of FY2017	16.86	16.83
1Q of FY2016	12.86	12.85

### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
1Q of FY2017	242,239	135,770	53.9%
FY2016	247,919	135,743	52.7%

(Reference) Equity capital: 1Q of FY2017: ¥130,557 million FY2016: ¥130,582 million

## 2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2016	—	6.00	—	8.00	14.00
FY2017	—				
FY2017 (Forecast)		7.00	—	14.00	—

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

\* Breakdown of the amount of year-end dividends for FY2016: Common dividend of ¥6.00 per share and commemorative dividend of ¥2.00 per share

\* The Company intends to conduct 1-for-2 share consolidation whose effective date will be October 1, 2016. Therefore, the forecast amount of year-end dividends per share for FY2017 presented above reflects the impact of the share consolidation and the amount of dividends for the full year is not presented (indicated by “—”). The forecast amount of year-end dividends per share for FY2017 without reflecting the impact of the share consolidation is ¥7.00 and the amount of dividends per share for the full year of FY2017 is ¥14.00. For details, please refer to “Explanation regarding the appropriate use of projected financial results and other special instructions.”

## 3. Forecast of the consolidated financial results for FY2017 (From April 1, 2016 to March 31, 2017)

(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	160,000	3.1%	5,000	(0.7)%	6,000	0.7%	3,800	(5.4)%	23.65
Full year	320,000	2.7%	11,100	0.1%	12,500	(1.3)%	8,100	(1.5)%	100.82

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

\* The forecast amount of profit per share for the full year of FY2017 reflects the impact of share consolidation. For details, please refer to “Explanation regarding the appropriate use of projected financial results and other special instructions.”

\* Notes

(1) Significant changes in subsidiaries during the term (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 statements: None

(3) Changes in accounting policies, accounting estimates and restatements of revisions

- |  |      |
|--|------|
| 1) Changes due to revisions of accounting standards: | Yes  |
| 2) Changes other than 1):                            | None |
| 3) Change in accounting estimate:                    | None |
| 4) Retrospective restatement:                        | None |

(4) Number of shares issued and outstanding (common stock)

1) Number of shares outstanding at the end of each period (including treasury shares):	1Q of FY2017	165,048,018 shares	FY2016	165,048,018 shares
2) Number of treasury shares at the end of each period:	1Q of FY2017	4,291,887 shares	FY2016	4,290,141 shares
3) Average number of shares (quarterly consolidated cumulative period):	1Q of FY2017	160,686,556 shares	1Q of FY2016	164,918,394 shares

\* **Presentation of implementation status for quarterly review procedures**

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to the Quarterly Consolidated Financial Results and the procedure based on this Act was not complete as of the release of the Quarterly Consolidated Financial Results.

\* **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) Qualitative information on forecast of the consolidated financial results" on page 3 for information on preconditions underlying the above outlook and other related information.

(Forecasts of dividends and financial results after share consolidation)

At the 192nd Ordinary General Meeting of Shareholders held on June 29, 2016, proposals for 1-for-2 share consolidation whose effective date is October 1, 2016, and partial amendment to the Articles of Incorporation concerning the change of the number of shares constituting one tradable unit (change from 1,000 shares to 100 shares) were approved. Forecasts of dividends and financial results for FY2017 computed before considering share consolidation are stated below.

1. Forecast of dividends for FY2017

Dividends per share	2Q-end	7.00 yen (Note 1)
	Year-end	7.00 yen (Note 2)

2. Forecast of financial results for the full year of FY2017

Profit per share	Full year	50.41 yen
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Notes:

- Dividends to be paid at the end of the second quarter will be paid corresponding to the number of shares before the share consolidation.
- The amount of dividends computed before reflecting share consolidation.
- The forecast amount of dividends per share for the full year of FY2017 (before reflecting the impact of the share consolidation) is ¥14.00.

## Contents

1. Qualitative Information on Quarterly Consolidated Financial Results .....	2
(1) Qualitative information on consolidated business results .....	2
(2) Qualitative information on consolidated financial position.....	3
(3) Qualitative information on forecast of the consolidated financial results .....	3
2. Information about the Summary of Business Results (Notes).....	3
(1) Significant changes in subsidiaries during the term .....	3
(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements .....	3
(3) Changes in accounting policies, accounting estimates and restatements of revisions.....	3
(4) Additional information .....	3
3. Quarterly Consolidated Financial Statements .....	4
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	6
(Quarterly consolidated statements of income) .....	6
(Quarterly consolidated statements of comprehensive income) .....	7
(3) Notes on quarterly consolidated financial statements .....	8
(Notes on going concern assumption) .....	8
(Notes to significant changes in the amount of shareholders' equity) .....	8
(Segment information, etc.).....	8

## 1. Qualitative Information on Quarterly Consolidated Financial Results

### (1) Qualitative information on consolidated business results

During the first three months of the fiscal year ending March 31, 2017, the Japanese economy continued to lack vigor in personal consumption because of little growth of disposable incomes despite some improvement in the labor market. Reflecting the slowing economic growth of emerging-market countries and concerns about the impact of Brexit, the outlook of the Japanese economy remains unclear.

In these circumstances, the Group worked to respond flexibly and swiftly to diversifying customer needs. In the current fiscal year, the Group has again adopted a single-year policy based on the fundamental measures implemented so far. In accordance with this policy, we are strengthening the business foundation of the entire Group while striving to reduce costs and expand sales. In April 2016, NIPPON Donuts Holdings Co., Ltd., a subsidiary of the Company, acquired all the shares in Yamato Foods Co., Ltd., which operates donut shops. As a result, Yamato Foods Co., Ltd. has become a consolidated subsidiary of the Company.

As part of the Sendagaya 5-chome North District Type 1 Urban Redevelopment Project, the Company, jointly with Mitsubishi Estate Co., Ltd., will build an office complex (16 floors above ground and 2 underground, total floor area of approximately 43,600 square meters) on the site of the existing head office building. The Company will also build a new head office building in Kojimachi, Chiyoda-ku, and relocate its head office there in August 2016. The Company will use the relocation to the new head office building as an opportunity to address management issues with a view to achieving another round of growth.

Consolidated net sales for the first three months under review increased by 3.1% year on year to ¥78,459 million, operating income increased by 33.3% year on year to ¥2,818 million, ordinary income increased by 19.9% year on year to ¥3,535 million, and profit attributable to owners of parent increased by 27.7% to ¥2,708 million.

Results of each business segment are as follows.

#### 1) Flour Milling

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 developed new products, promoted proposal-driven sales, and held cookery workshops. By vigorously conducting these sales & marketing initiatives, we sought to expand sales. Despite a challenging sales environment, sales of wheat flour increased compared with the same period of the previous year.

The sales of wheat bran, a by-product, were lower than the figures for the same period of the previous year.

In line with the decrease of government sales prices (tax inclusive) of imported wheat by 7.1% on average for the five key products in April 2016, we revised the prices of wheat flour products for professional use from July.

As a result, net sales for the Flour Milling segment increased by 0.3% year on year to ¥25,479 million, and operating income increased by 56.0% to ¥1,114 million.

#### 2) Food

In the professional-use category, the Group engaged in meticulous marketing, including participation in various exhibitions and the holding of Italian cookery workshops. As a result, sales of products in the professional-use category increased compared with the same period of the previous year.

In the home-use product category, we vigorously promoted proposal-driven sales, for example by offering in-store merchandising proposals, in order to promote sales of our core products. Sales of products in this category, however, decreased compared with the same period of the previous year, reflecting a challenging business environment.

In frozen foods, following the complete redesign of the Oh' my Premium series of high-grade pasta dishes for home use, sales of these mainstay products were brisk. We have broadened the range of the Oh' my PLUS series of health-conscious tasty products to include frozen foods for home use and introduced frozen pasta dishes with low carbohydrate and fiber-rich frozen pancakes to cultivate new demand. Sales of rice dishes in trays and the Oh' my Yokubari Plate series of frozen one-plate dishes consisting of a main dish and staples were also buoyant. As a result, sales of frozen foods for home use exceeded the level for the previous year.

Sales of deli-products increased compared with the same period of the previous year.

As a result, net sales of the Food segment increased by 4.2% year on year to ¥44,792 million, and operating income increased by 21.8% to ¥1,598 million.

### 3) Other

Sales of the healthcare business were lower than for the same period of the previous year because demand for flaxseed-related products became subdued. Sales of the pet care business were higher than for the same period of the previous year, but sales of the engineering business were below the level of the same period of the previous year.

As a result, net sales for the Other segment increased by 5.7% year on year to ¥8,186 million, and operating income decreased by 11.8% to ¥105 million.

## (2) Qualitative information on consolidated financial position

Total assets at the end of the first three months under review decreased by ¥5,680 million from the previous fiscal year end (March 31, 2016) to ¥242,239 million. The main factors were a decrease of notes and accounts receivable - trade by ¥2,510 million, a decrease of raw materials and supplies by ¥2,416 million, and a decrease of investment securities by ¥1,854 million.

Total liabilities decreased by ¥5,706 million from the previous fiscal year end to ¥106,469 million. This was mainly because notes and accounts payable - trade and income taxes payable decreased by ¥2,764 million and ¥2,073 million, respectively.

Net assets increased by ¥26 million from the previous fiscal year end to ¥135,770 million. The main factors were an increase of retained earnings by ¥1,420 million and a decrease of valuation difference on available-for-sale securities by ¥1,296 million.

## (3) Qualitative information on forecast of the consolidated financial results

The forecast of the financial results for the fiscal year ending March 31, 2017 is unchanged from the forecasts announced on May 13, 2016.

## 2. Information about the Summary of Business Results (Notes)

### (1) Significant changes in subsidiaries during the term

There is no related information.

### (2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements

There is no related information.

### (3) Changes in accounting policies, accounting estimates and restatements of revisions

Changes in accounting policies

(Adoption of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Effective from the first quarter of the fiscal year ending March 31, 2017, the Company has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ PITF No. 32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Act of Japan. Accordingly, the Company has changed the depreciation method applied to facilities attached to buildings and structures purchased on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on financial statements for the first quarter of the fiscal year ending March 31, 2017 is immaterial.

### (4) Additional information

(Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter of the fiscal year ending March 31, 2017, the Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Implementation Guidance No. 26 issued on March 28, 2016).

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

(Millions of yen)

	FY2016 (As of March 31, 2016)	First quarter of FY2017 (As of June 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	22,432	22,248
Notes and accounts receivable - trade	41,775	39,264
Merchandise and finished goods	14,955	14,647
Work in process	42	38
Raw materials and supplies	18,029	15,613
Other	4,003	3,798
Allowance for doubtful accounts	(221)	(157)
Total current assets	101,017	95,452
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,907	29,241
Machinery, equipment and vehicles, net	17,319	17,199
Land	34,239	34,352
Construction in progress	3,035	3,251
Other, net	1,739	1,787
Total property, plant and equipment	85,242	85,833
Intangible assets		
Goodwill	181	763
Other	651	645
Total intangible assets	833	1,409
Investments and other assets		
Investment securities	55,370	53,516
Other	5,768	6,344
Allowance for doubtful accounts	(313)	(316)
Total investments and other assets	60,826	59,543
Total non-current assets	146,902	146,786
Total assets	247,919	242,239

(Millions of yen)

	FY2016 (As of March 31, 2016)	First quarter of FY2017 (As of June 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	27,976	25,211
Short-term loans payable	24,685	25,688
Income taxes payable	2,770	696
Provision for bonuses	528	504
Other	15,680	14,811
Total current liabilities	71,641	66,914
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	11,387	11,119
Provision for retirement benefits	5,972	5,823
Provision for directors' retirement benefits	930	857
Other	12,243	11,755
Total non-current liabilities	40,534	39,555
Total liabilities	112,176	106,469
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,669	10,669
Retained earnings	91,834	93,254
Treasury shares	(2,354)	(2,356)
Total shareholders' equity	112,389	113,808
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,915	18,619
Deferred gain or loss on hedges	(38)	(75)
Foreign currency translation adjustment	608	323
Remeasurements of defined benefit plans	(2,293)	(2,118)
Total accumulated other comprehensive income	18,192	16,749
Subscription rights to shares	117	137
Non-controlling interests	5,043	5,074
Total net assets	135,743	135,770
Total liabilities and net assets	247,919	242,239

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

(Millions of yen)

	First quarter of FY2016 (From April 1, 2015 to June 30, 2015)	First quarter of FY2017 (From April 1, 2016 to June 30, 2016)
Net sales	76,118	78,459
Cost of sales	56,630	57,285
Gross profit	19,488	21,173
Selling, general and administrative expenses	17,374	18,355
Operating income	2,113	2,818
Non-operating income		
Interest income	17	20
Dividend income	753	656
Other	224	297
Total non-operating income	995	974
Non-operating expenses		
Interest expenses	98	81
Foreign exchange losses	–	138
Other	62	37
Total non-operating expenses	160	256
Ordinary income	2,948	3,535
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	111	383
Total extraordinary income	111	384
Extraordinary losses		
Loss on sales and retirement of non-current assets	75	65
Building demolition expenses	–	70
Other	3	44
Total extraordinary losses	79	180
Income before income taxes	2,980	3,740
Income taxes - current	470	659
Income taxes - deferred	389	328
Total income taxes	860	988
Profit	2,119	2,751
Profit (loss) attributable to non-controlling interests	(1)	43
Profit attributable to owners of parent	2,120	2,708



**(Quarterly consolidated statements of comprehensive income)**

(Millions of yen)

	First quarter of FY2016 (From April 1, 2015 to June 30, 2015)	First quarter of FY2017 (From April 1, 2016 to June 30, 2016)
Profit	2,119	2,751
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	1,474	(1,295)
Deferred gains or losses on hedges	14	(36)
Foreign currency translation adjustment	23	(280)
Remeasurements of defined benefit plans, net of tax	75	175
Share of other comprehensive income of entities accounted for using equity method	15	(6)
Total other comprehensive income (loss)	1,603	(1,443)
Comprehensive income	3,723	1,308
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,701	1,265
Comprehensive income attributable to non-controlling interests	21	42

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

There is no related information.

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

There is no related information.

**(Segment information, etc.)**

[Segment information]

## I. First Quarter of FY2016 (From April 1, 2015 to June 30, 2015)

## 1. Information of sales and income (loss) by reporting segment

(Millions of yen)

	Reporting segments			Other (Note) 1	Total	Adjustments (Note) 2	Amounts recorded on quarterly consolidated statements of income (Note) 3
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	25,394	42,976	68,370	7,747	76,118	—	76,118
Internal sales or transfers between segments	540	134	675	558	1,233	(1,233)	—
Total	25,934	43,111	69,045	8,306	77,352	(1,233)	76,118
Segment income	714	1,312	2,026	94	2,121	(7)	2,113

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

2. The ¥ (7) million segment income adjustment is an elimination of inter-segment transactions.

3. Segment income is reconciled to operating income in the quarterly consolidated statements of income.

## 2. Information about impairment loss on noncurrent assets and about goodwill etc. by reportable segment

There is no related information.

## II. First Quarter of FY2017 (From April 1, 2016 to June 30, 2016)

## 1. Information of sales and income (loss) by reporting segment

(Millions of yen)

	Reporting segments			Other (Note) 1	Total	Adjustments (Note) 2	Amounts recorded on quarterly consolidated statements of income (Note) 3
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	25,479	44,792	70,272	8,186	78,459	—	78,459
Internal sales or transfers between segments	567	199	766	483	1,250	(1,250)	—
Total	26,047	44,991	71,038	8,670	79,709	(1,250)	78,459
Segment income	1,114	1,598	2,712	105	2,818	(0)	2,818

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

2. The ¥ (0) million segment income adjustment is an elimination of inter-segment transactions.

3. Segment income is reconciled to operating income in the quarterly consolidated statements of income.

## 2. Information about impairment loss on noncurrent assets and about goodwill etc. by reportable segment

There is no related information.