

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

February 6, 2017

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 Listing: The 1st section of Tokyo Stock Exchange
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 Filing date of quarterly financial report: February 13, 2017
 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 FY2017 (From April 1, 2016 to December 31, 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	
3Q of FY2017	237,491	0.5%	9,045	3.1%	10,434	1.7%	7,150	0.7%
3Q of FY2016	236,414	5.0%	8,777	41.0%	10,265	39.3%	7,101	33.7%

(Note) Comprehensive income: 3Q of FY2017: ¥11,665 million (59.0%)
 3Q of FY2016: ¥7,337 million (-25.9%)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
3Q of FY2017	89.17	89.03
3Q of FY2016	86.85	86.75

* The Company conducted a 1-for-2 share consolidation on October 1, 2016. Amounts of profit per share and fully diluted profit per share presented above were calculated assuming that the share consolidation was conducted at the beginning of the previous fiscal year (FY2016).

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
3Q of FY2017	250,145	144,121	56.0%
FY2016	247,919	135,743	52.7%

(Reference) Equity capital: 3Q of FY2017: ¥140,052 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	—	7.00	—		
FY2017 (Forecast)			—	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 conducted a 1-for-2 share consolidation on October 1, 2016. Amounts of dividends per share for FY2016 and the amount of interim dividend for FY2017 presented above are the amounts before the share consolidation, the forecast amount of year-end dividend per share for FY2017 presented is the amount after the share consolidation, and the amount of total dividends per share for the full year for FY2017 is not presented (indicated by “—”). When converted to reflect the share consolidation, the amount of interim dividend per share for FY2017 is ¥14.00 and the amount of total dividends per share for the full year of FY2017 is ¥28.00.

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)
Full year	320,000	2.7%	11,500	3.7%	13,000	2.6%	8,500	3.4%	105.99

(Note) Adjustment for the most recent forecast of the consolidated financial results in the current term: Yes

* The Company conducted a 1-for-2 share consolidation on October 1, 2016. The forecast amount of profit per share for the full year of FY2017 presented above is the amount after the share consolidation. The amount of profit per share, converted to the amount before the share consolidation, is ¥50.41.

* 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 statements: None

(3) Changes in accounting policies, accounting estimates and restatement 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):	3Q of FY2017	82,524,009 shares	FY2016	82,524,009 shares
2) Number of treasury shares at the end of each period:	3Q of FY2017	2,252,310 shares	FY2016	2,145,070 shares
3) Average number of shares (quarterly consolidated cumulative period):	3Q of FY2017	80,192,553 shares	3Q of FY2016	81,772,924 shares

* The Company conducted a 1-for-2 share consolidation on October 1, 2016. The number of shares issued and outstanding (common stock) was calculated assuming that the share consolidation was conducted at the beginning of the previous fiscal year (FY2016).

* **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 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) Qualitative information on consolidated business results

During the first nine months of the fiscal year ending March 31, 2017, the Japanese economy remained on a moderate recovery track, supported by the robust labor market. However, a full-blown recovery of the Japanese economy has yet to materialize because of persisting uncertainties in the world owing to the Brexit issue and the result of the U.S. presidential election, in addition to the slowing of the Chinese economy and other emerging economies in Asia.

In the food industry, and particularly in the restaurant and delicatessen market, consumers are becoming more frugal in view of the trend of the Japanese economy, while food safety is attracting greater attention.

In this business environment, in order to respond flexibly and swiftly to diverse change, the Group is strengthening the business foundation throughout the Group based on the fundamental measures implemented so far that are focused on cost reduction and sales expansion.

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. On November 1, 2016, Tofuku Flour Mills Co., Ltd., previously a consolidated subsidiary, became a wholly owned subsidiary of the Company through a share exchange. These moves will enable the optimum allocation of resources through integrated Group management. At the same time, we seek to achieve further synergy through enhanced collaboration and greater operational efficiency.

In R&D, the Group is nurturing buds for forward-looking R&D, including joint research on reducing hardening of bread by alteration of wheat starch, joint development of SETODURE, Japan's first durum wheat, in collaboration with the National Agriculture and Food Research Organization (NARO), and development of premium pasta REGALO produced in Japan.

In September 2016, the Company acquired 1,223,000 shares of its own stock for ¥922 million. On October 1, 2016, the Company conducted a 1-for-2 share consolidation and changed the number of shares constituting one tradable unit from 1,000 shares to 100 shares.

As a result, consolidated net sales for the first nine months under review increased by 0.5% year on year to ¥237,491 million, operating income increased by 3.1% year on year to ¥9,045 million, ordinary income increased by 1.7% year on year to ¥10,434 million, and profit attributable to owners of parent increased by 0.7% to ¥7,150 million.

The performance of individual business segments was as follows.

1) Flour Milling

In line with the decrease of government sales prices of imported wheat by 7.1% on average for the five key products in April 2016, we revised the prices of wheat flour products.

As well as strengthening quality control, the Group is working to strengthen partnerships with customers through proposal-driven sales by precisely identifying market needs with a view to offering products that deliver substantial value to customers and providing useful information. Moreover, we conducted sales & marketing initiatives, including participation in various trade shows and holding of workshops and seminars around Japan, some of which were for management. Although these initiatives resulted in higher sales volumes of wheat flour compared with the same period of the previous year, sales revenue decreased compared with the same period of the previous year owing to the price revision.

Sales of wheat bran, a byproduct, were lower than the same period of the previous year, affected by the market condition.

In line with the decrease of government sales prices of imported wheat by 7.9% on average for the five key products in October 2016, we revised the prices of wheat flour products for professional use in January this year.

As a result, net sales for the Flour Milling segment decreased by 5.2% year on year to ¥74,488 million, and operating income decreased by 4.4% to ¥3,109 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing, including participation in various exhibitions and the holding of Italian cookery workshops, and strove to strengthen development and technological capabilities to address changing needs. 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 by offering in-store merchandising proposals, for example. We promoted easy-to-prepare, high-value-added products. These included the Traditional Hotel's Secret Recipe series of one-person-portion retort pasta sauces, a new brand supervised by Hotel New Grand. In addition, we released the HOME DELI series, a new brand of seasoning mixes. Regarding linseed-related products, in December 2016 we introduced Flaxseed Oil, which is certified as a food with functional claim, containing omega-3 fatty acids (alpha-Linolenic acid) as a functional substance. This new product comes in easy-to-use small-quantity individual packaging. However, sales of products in the home-use product category decreased compared with the same period of the previous year, because of weaker sales volumes.

In the home-use frozen food category, as well as conducting campaigns including the Premium Allowance Campaign, we enriched lineups of the Oh' my Premium series of one-person-portion frozen pasta dishes, the Imadoki Gohan series of rice dishes in trays, and the Yokubari Plate series of one-plate dishes consisting of a main dish and staples. Moreover, sales of the Oh' my Big series of large-portion dishes were brisk following a complete redesign. As a result, sales of frozen foods for home use exceeded the level for the same period of 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 2.6% year on year to ¥137,588 million, and operating income increased by 2.1% to ¥5,300 million.

3) Other

Sales of the engineering business were lower than for the same period of the previous year, but sales of the pet care business were higher because of an increase in sales volumes.

As a result, net sales for the Other segment increased by 7.3% year on year to ¥25,413 million, and operating income increased by 104.9% to ¥635 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first nine months under review increased by ¥2,225 million from the previous fiscal year end (March 31, 2016) to ¥250,145 million. This was mainly because notes and accounts receivable - trade and investment securities increased by ¥4,709 million and ¥6,220 million, respectively, and cash and deposits decreased by ¥7,147 million.

Total liabilities decreased by ¥6,152 million from the previous fiscal year end to ¥106,023 million. This was mainly because notes and accounts payable - trade and short-term loans payable decreased by ¥5,109 million and ¥6,388 million, respectively, and other current liabilities increased by ¥5,780 million.

Net assets increased by ¥8,378 million from the previous fiscal year end to ¥144,121 million. This was mainly attributable to the increases in retained earnings and valuation difference on available-for-sale securities by ¥4,743 million and ¥4,381 million, respectively.

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

In view of the consolidated financial results for the third quarter of the fiscal year ending March 31, 2017, the forecast of the consolidated financial results for the full year announced on May 13, 2016 has been revised as follows.

Revision of forecast of the consolidated financial results for FY2017 (From April 1, 2016 to March 31, 2017)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Net Income per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	320,000	11,100	12,500	8,100	100.82
Revised forecast (B)	320,000	11,500	13,000	8,500	105.99
Change (B-A)	–	400	500	400	–
Rate of change (%)	–	3.6	4.0	4.9	–
(Ref.) Results for FY2016 (fiscal year ended March 31, 2016)	311,628	11,093	12,666	8,222	100.99

2. Information about the Summary of Business Results (Notes)**(1) Significant changes in subsidiaries during the current quarter**

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 nine months 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)	Third quarter of FY2017 (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	22,432	15,285
Notes and accounts receivable - trade	41,775	46,484
Merchandise and finished goods	14,955	13,549
Work in process	42	219
Raw materials and supplies	18,029	13,887
Other	4,003	3,645
Allowance for doubtful accounts	(221)	(166)
Total current assets	101,017	92,906
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,907	32,595
Machinery, equipment and vehicles, net	17,319	16,941
Land	34,239	36,301
Construction in progress	3,035	498
Other, net	1,739	1,858
Total property, plant and equipment	85,242	88,195
Intangible assets		
Goodwill	181	697
Other	651	634
Total intangible assets	833	1,332
Investments and other assets		
Investment securities	55,370	61,591
Other	5,768	6,443
Allowance for doubtful accounts	(313)	(323)
Total investments and other assets	60,826	67,711
Total non-current assets	146,902	157,239
Total assets	247,919	250,145

(Millions of yen)

	FY2016 (As of March 31, 2016)	Third quarter of FY2017 (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,976	22,867
Short-term loans payable	24,685	18,296
Income taxes payable	2,770	838
Provision for bonuses	528	316
Other	15,680	21,460
Total current liabilities	71,641	63,779
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	11,387	11,282
Provision for retirement benefits	5,972	5,715
Provision for directors' retirement benefits	930	884
Other	12,243	14,361
Total non-current liabilities	40,534	42,243
Total liabilities	112,176	106,023
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,669	11,453
Retained earnings	91,834	96,578
Treasury shares	(2,354)	(2,668)
Total shareholders' equity	112,389	117,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,915	24,297
Deferred gain or loss on hedges	(38)	69
Foreign currency translation adjustment	608	(168)
Remeasurements of defined benefit plans	(2,293)	(1,748)
Total accumulated other comprehensive income	18,192	22,448
Subscription rights to shares	117	149
Non-controlling interests	5,043	3,919
Total net assets	135,743	144,121
Total liabilities and net assets	247,919	250,145

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

(Millions of yen)

	Third quarter of FY2016 (From April 1, 2015 to December 31, 2015)	Third quarter of FY2017 (From April 1, 2016 to December 31, 2016)
Net sales	236,414	237,491
Cost of sales	174,892	172,258
Gross profit	61,521	65,233
Selling, general and administrative expenses	52,744	56,187
Operating income	8,777	9,045
Non-operating income		
Interest income	55	60
Dividend income	1,233	1,160
Share of profit of entities accounted for using equity method	150	279
Other	472	488
Total non-operating income	1,912	1,988
Non-operating expenses		
Interest expenses	284	223
Foreign exchange losses	–	166
Other	139	209
Total non-operating expenses	423	599
Ordinary income	10,265	10,434
Extraordinary income		
Gain on sales of non-current assets	28	0
Gain on sales of investment securities	329	383
Total extraordinary income	358	384
Extraordinary losses		
Loss on sales and retirement of non-current assets	135	119
Business structure improvement expenses	309	–
Building demolition expenses	–	74
Expenses related to relocation of the head office	–	285
Other	12	38
Total extraordinary losses	457	517
Income before income taxes	10,166	10,301
Income taxes - current	2,798	2,568
Income taxes - deferred	131	334
Total income taxes	2,929	2,902
Profit	7,237	7,398
Profit attributable to non-controlling interests	135	248
Profit attributable to owners of parent	7,101	7,150

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third quarter of FY2016 (From April 1, 2015 to December 31, 2015)	Third quarter of FY2017 (From April 1, 2016 to December 31, 2016)
Profit	7,237	7,398
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	243	4,393
Deferred gains or losses on hedges	(1)	107
Foreign currency translation adjustment	(392)	(763)
Remeasurements of defined benefit plans, net of tax	218	544
Share of other comprehensive income of entities accounted for using equity method	31	(16)
Total other comprehensive income (loss)	99	4,266
Comprehensive income	7,337	11,665
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	7,187	11,387
Comprehensive income attributable to non-controlling interests	149	277

(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. Third quarter of FY2016 (From April 1, 2015 to December 31, 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	78,608	134,124	212,733	23,680	236,414	—	236,414
Internal sales or transfers between segments	1,665	403	2,068	1,196	3,264	(3,264)	—
Total	80,274	134,528	214,802	24,877	239,679	(3,264)	236,414
Segment income	3,251	5,192	8,443	310	8,753	23	8,777

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

2. The ¥23 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.

II. Third quarter of FY2017 (From April 1, 2016 to December 31, 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	74,488	137,588	212,077	25,413	237,491	—	237,491
Internal sales or transfers between segments	1,619	484	2,104	1,687	3,791	(3,791)	—
Total	76,108	138,073	214,182	27,101	241,283	(3,791)	237,491
Segment income	3,109	5,300	8,409	635	9,045	0	9,045

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.