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Summary of Financial Statements for the First Quarter of Fiscal 2023 [Japanese Standards]

July 26, 2022

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 Date to submit the Quarterly Securities Report: August 8, 2022
 Date to start distributing dividends: —
 Supplementary materials for this summary of financial statements: Yes
 Results briefing for financial results: None

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Quarter of Fiscal 2023 (April 1, 2022 to June 30, 2022)

(1) Consolidated Business Results

(The percentages indicate the rates of increase or decrease compared with the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three months of Fiscal 2023	189,296	18.9	8,859	20.8	9,919	12.3	6,306	13.9
First three months of Fiscal 2022	159,220	(3.9)	7,334	41.4	8,831	36.6	5,535	27.7

(Note) Comprehensive income: First three months of Fiscal 2023: ¥18,096 million (up 723.6%)
 First three months of Fiscal 2022: ¥2,197 million (down 87.7%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First three months of Fiscal 2023	21.21	—
First three months of Fiscal 2022	18.62	18.61

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2022	737,306	472,537	62.4
March 31, 2022	723,073	460,643	62.1

(Reference) Equity capital: June 30, 2022: ¥460,191 million March 31, 2022: ¥449,174 million

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
Fiscal 2022	Yen —	Yen 19.00	Yen —	Yen 20.00	Yen 39.00
Fiscal 2023	—	—	—	—	—
Fiscal 2023 (forecast)	—	19.00	—	20.00	39.00

(Note) Revision to the latest forecast of dividends: None

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(The full-year percentages indicate the rates of increase or decrease compared with the previous fiscal year, the percentages for the first half are comparisons with the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	370,000	13.6	15,000	(3.7)	15,500	(11.0)	9,000	(9.6)	30.26
Full year	760,000	11.8	30,000	1.9	31,000	(5.0)	18,500	5.7	62.21

(Note) Revision to the latest forecast of business results: None

* Notes

(1) Changes in important subsidiaries during the first three months of the fiscal year ending March 31, 2023(changes in specified subsidiaries involving a change in the scope of consolidation): None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Related Notes (3) Notes on Quarterly Consolidated Financial Statements [Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]” on page 10 of the Attachment.

(3) Changes in accounting policies, changes in accounting estimates and revisions restated

1) Changes in accounting policies associated with the revisions of accounting standards, etc.: None

2) Changes in accounting policies other than the above: None

3) Changes in accounting estimates: None

4) Revisions restated: None

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

1) Number of shares issued and outstanding (including treasury shares)	As of June 30, 2022	304,357,891	As of March 31, 2022	304,357,891
2) Number of treasury shares	As of June 30, 2022	6,961,054	As of March 31, 2022	6,960,907
3) Average number of shares outstanding	First three months of Fiscal 2023	297,396,837	First three months of Fiscal 2022	297,382,954

* Quarterly earnings reports are not subject to quarterly review by certified public accountants or independent account auditors.

* Statement regarding the proper use of financial forecasts and other special remarks

(1) The statements contained in this document are based on various assumptions and do not constitute any guarantee or definite promise that projections of future performance or related business policies will actually be realized. For details of assumptions for financial forecasts and other related matters, please refer to “1. Qualitative Information for the Period under Review (3) Forecast of Consolidated Business Results and Other Forward-looking Information” on page 5 of the Attachment.

(2) Supplementary materials for this report can be found on the Company’s website.

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1. Qualitative Information for the Period under Review

(1) Business Performance

[Overview of the Period under Review]

During the first three months of the fiscal year ending March 31, 2023, the Japanese economy continued to show signs of returning to normal, as seen in a gradual loosening of restrictions on economic activity and a turnaround in consumer spending, trends that came despite lingering impacts from the COVID-19 pandemic. The future, however, remained shrouded in uncertainty, as growing inflation with respect to food staples greatly impacted the business environment. Spurring inflation was soaring prices for grain and natural resources caused by the situation in Ukraine, along with faster devaluation of the yen in currency markets, among other factors.

Under these conditions, the Group strives to fulfill its corporate mission of ensuring the stable supply of foods involving wheat flour and the delivery of safe and reliable products in each business area. Along with placing the highest priority on responding to significantly increased costs for raw materials, the Group made progress in taking decisive steps for building the foundation for further growth in order to realize its long-term vision called “NNI ‘Compass for the Future’—Toward a New Stage—Maximizing Group-wide Capabilities and Effecting Business Model Change.”

With respect to performance, consolidated net sales for the first three months of the fiscal year ending March 31, 2023, increased 18.9% year on year to ¥189,296 million. Factors driving growth included enactment of price revisions for wheat flour in the flour milling business in Japan in step with wheat price revisions, coupled with growth in wheat market prices and foreign currency translation effects in the overseas flour milling business. In terms of profits, operating profit increased 20.8% year on year to ¥8,859 million, while ordinary profit was up 12.3% to ¥9,919 million. Profit attributable to owners of parent for the quarter, meanwhile, rose 13.9% to ¥6,306 million. These results were largely reflective of higher shipments in the flour milling business in Japan, thanks to demand in advance of price revisions for wheat flour, as well as robust performance in the overseas flour milling business. Profitability improved despite unexpectedly dramatic increase in the cost of raw materials, which came amid lower shipments and the decision to enact product price revisions after July 2022 in the processed food business.

(Year-on-year Comparison)

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	159,220	189,296	30,075	18.9%
Operating profit	7,334	8,859	1,525	20.8%
Ordinary profit	8,831	9,919	1,088	12.3%
Profit attributable to owners of parent	5,535	6,306	771	13.9%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	71,977	96,949	24,971	34.7%
Operating profit	1,685	3,727	2,041	121.2%

In the flour milling business in Japan, shipments were higher year on year, lifted mainly by a recovery in restaurant demand in step with the elimination of restrictions on consumer behavior, along with demand in advance of wheat flour price revisions. Additionally, in June 2022, we implemented price revisions for commercial wheat flour in response to revised government prices for five classes of imported wheat enacted in April 2022. On average, the government's price for imported wheat rose 17.3%.

In the overseas flour milling business, sales were higher year on year mainly due to strong shipment performance, as well as the effects of rising wheat market prices, coupled with foreign currency translation effects.

As a result, net sales of the Flour Milling Segment increased 34.7% year on year to ¥96,949 million. Operating profit climbed 121.2% to ¥3,727 million, benefiting mainly from firm business performance in the overseas flour milling business, shipment growth in the flour milling business in Japan, and higher sales prices for bran, a byproduct from the flour milling business in Japan.

2) Processed Food Segment

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	46,143	46,736	592	1.3%
Operating profit	4,094	2,896	(1,198)	(29.3)%

In the processed food business, shipments of household-use products fell short of growth stimulated in the prior year by product price revisions enacted in line with rising costs for raw materials in the fourth quarter of previous year, coupled with the impact last year of pandemic-related behavior restrictions. Nevertheless, sales in the processed food business were higher year on year, lifted by recovery trends in demand for commercial-use products and firm shipments of prepared mix overseas, among other factors.

In the yeast and biotechnology business, sales were lower year on year, mainly reflecting lower shipments of both yeast and other bread making ingredients and culture media. Meanwhile, the new yeast plant under construction at India-based subsidiary Oriental Yeast India Pvt. Ltd. has entered the final stage of adjustments ahead of the start of full-scale operations.

In the healthcare foods business, sales were lower year on year due to lower shipments of raw materials for pharmaceuticals.

As a result, net sales of the Processed Food Segment increased 1.3% year on year to ¥46,736 million. Operating profit, however, declined 29.3% to ¥2,896 million, attributable mainly to unexpectedly dramatic increase in the cost of raw materials, which came amid lower shipments and the decision to enact product price revisions after July 2022.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	33,106	35,414	2,308	7.0%
Operating profit	616	652	36	6.0%

In the prepared dishes and other prepared foods business, demand held firm particularly in urban areas and tourist resorts in step with the elimination of pandemic-related behavior restrictions.

As a result, net sales of the Prepared Dishes and Other Prepared Foods Segment increased 7.0% year on year to ¥35,414 million. Operating profit, meanwhile, was ¥652 million, up 6.0% from the previous year, as sales growth offset the effects of soaring prices for raw materials and rising energy costs.

In addition, Nisshin Seifun Delica Frontier Inc. was established as an intermediate holding company responsible for the Prepared Dishes and Other Prepared Foods Segment in July 2022.

4) Others Segment

(Millions of yen)

	First three months of Fiscal 2022	First three months of Fiscal 2023	Difference	Change
Net sales	7,992	10,195	2,202	27.6%
Operating profit	875	1,609	733	83.8%

In the engineering business, sales were higher year on year, reflecting progress on large-scale projects in mainstay plant engineering operations.

In the mesh cloths business, sales rose year on year atop increased shipments of screen printing materials for solar panels.

As a result, net sales of the Others Segment increased 27.6% year on year to ¥10,195 million, and operating profit increased 83.8% to ¥1,609 million.

(2) Financial Position

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022	Difference
Current assets	280,527	290,239	9,712
Non-current assets	442,546	447,067	4,520
Total assets	723,073	737,306	14,233
Current liabilities	129,158	129,870	711
Non-current liabilities	133,272	134,899	1,627
Total liabilities	262,430	264,769	2,339
Total net assets	460,643	472,537	11,893
Total liabilities and net assets	723,073	737,306	14,233

The status of assets, liabilities and net assets on a consolidated basis at the end of the first three months of the fiscal year ending March 31, 2023 was as follows.

Current assets increased ¥9,712 million from the previous fiscal year-end to ¥290,239 million, tracking growth in inventories mainly due to rising prices for raw materials. Non-current assets increased ¥4,520 million to ¥447,067 million, primarily due to increases in plant, property and equipment linked to currency exchange volatility. As a result, total assets increased ¥14,233 million from the previous fiscal year-end to ¥737,306 million.

Meanwhile, current liabilities increased ¥711 million to ¥129,870 million, mainly reflecting an increase in short-term loans payable. Non-current liabilities increased ¥1,627 million to ¥134,899 million, primarily due to currency exchange volatility. As a result, total liabilities increased ¥2,339 million from the previous fiscal year-end to ¥264,769 million. Net assets increased ¥11,893 million to ¥472,537 million, including an increase due to profit attributable to owners of parent for the period, a decrease due to the payment of dividends, and an increase in accumulated other comprehensive income.

(3) Forecast of Consolidated Business Results and Other Forward-looking Information

The COVID-19 pandemic and the situation unfolding in Ukraine have shrouded social and economic conditions, both domestically and globally, in extreme uncertainty. Under these circumstances, the entire Group remains committed to working together to fulfill its social mission of ensuring the stable supply of food staples and achieve the objectives outlined in the Group's long-term vision, "NNI 'Compass for the Future'."

Additionally, the Group has set responding to significant growth in costs for raw materials and others as its highest priority, with all businesses taking decisive action in this regard. Furthermore, in light of the impairment loss recognized in the New Zealand flour milling business in the March 2022 term, the Group will revisit its business plans for the Australia flour milling business, based on close examination of market changes in the Oceania region.

With respect to the outlook for the fiscal year ending March 31, 2023, given the expected persistence of business environment uncertainty driven by cost inflation, as originally announced, we are projecting consolidated net sales to rise 11.8% to ¥760,000 million, operating profit to increase 1.9% to ¥30,000 million, ordinary profit to decline 5.0% year on year to ¥31,000 million, and profit attributable to owners of parent to increase 5.7% to ¥18,500 million.

The Group is set to announce a new medium-term management plan sometime in late October 2022, drafted in accordance with the Group's response to cost inflation and with conditions in the Australia flour milling business in mind.

With respect to dividends, as initially projected, the Company plans to pay a full-year dividend of ¥39 per share, the same as in the previous fiscal year, in line with its basic policy of maintaining a payout ratio of at least 40% on a consolidated basis.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 First Quarter (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	69,607	59,113
Notes and accounts receivable – trade, and contract assets	100,594	99,570
Securities	1,103	423
Inventories	96,596	114,065
Other	13,167	17,847
Allowance for doubtful accounts	(542)	(780)
Total current assets	280,527	290,239
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,843	70,041
Machinery, equipment and vehicles, net	53,018	55,118
Land	46,334	46,667
Right-of-use assets	29,050	29,709
Other, net	22,131	23,462
Total property, plant and equipment	219,379	224,999
Intangible assets		
Goodwill	42,385	41,493
Other	26,367	26,121
Total intangible assets	68,752	67,614
Investments and other assets		
Investment securities	141,590	141,186
Other	12,948	13,388
Allowance for doubtful accounts	(125)	(122)
Total investments and other assets	154,414	154,452
Total non-current assets	442,546	447,067
Total assets	723,073	737,306

(Millions of yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 First Quarter (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	63,655	64,450
Short-term loans payable	6,789	10,156
Income taxes payable	5,784	3,369
Accrued expenses	24,727	20,231
Other	28,201	31,662
Total current liabilities	129,158	129,870
Non-current liabilities		
Bonds	20,000	20,000
Long-term loans payable	13,785	14,804
Lease obligations	38,939	39,618
Deferred tax liabilities	28,360	28,392
Provision for repairs	1,373	1,393
Net defined benefit liability	22,845	22,817
Other	7,968	7,873
Total non-current liabilities	133,272	134,899
Total liabilities	262,430	264,769
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,622	12,710
Retained earnings	347,165	347,522
Treasury shares	(10,960)	(10,960)
Total shareholders' equity	365,946	366,389
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,585	60,696
Deferred gains or losses on hedges	445	609
Foreign currency translation adjustment	23,059	33,275
Remeasurements of defined benefit plans	(862)	(779)
Total accumulated other comprehensive income	83,227	93,801
Subscription rights to shares	95	85
Non-controlling interests	11,373	12,259
Total net assets	460,643	472,537
Total liabilities and net assets	723,073	737,306

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First three months of Fiscal 2022 (April 1, 2021 to June 30, 2021)	First three months of Fiscal 2023 (April 1, 2022 to June 30, 2022)
Net sales	159,220	189,296
Cost of sales	123,318	148,676
Gross profit	35,902	40,619
Selling, general and administrative expenses	28,567	31,759
Operating profit	7,334	8,859
Non-operating income		
Interest income	30	44
Dividend income	1,346	1,380
Share of profit of entities accounted for using equity method	719	112
Other	242	443
Total non-operating income	2,339	1,981
Non-operating expenses		
Interest expenses	725	807
Other	117	114
Total non-operating expenses	842	921
Ordinary profit	8,831	9,919
Extraordinary income		
Gain on sale of investment securities	16	–
Total extraordinary income	16	–
Extraordinary losses		
Loss on retirement of non-current assets	142	54
Expenses related to change of the company name	–	72
Total extraordinary losses	142	126
Profit before income taxes	8,705	9,793
Total income taxes	2,804	3,137
Profit	5,901	6,655
Profit attributable to non-controlling interests	365	349
Profit attributable to owners of parent	5,535	6,306

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First three months of Fiscal 2022 (April 1, 2021 to June 30, 2021)	First three months of Fiscal 2023 (April 1, 2022 to June 30, 2022)
Profit	5,901	6,655
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,121)	(61)
Deferred gains or losses on hedges	(95)	159
Foreign currency translation adjustment	(1,759)	10,901
Remeasurements of defined benefit plans	59	59
Share of other comprehensive income of entities accounted for using equity method	213	380
Total other comprehensive income (loss)	(3,703)	11,440
Comprehensive income	2,197	18,096
(Breakdown)		
Comprehensive income attributable to owners of parent	2,040	16,880
Comprehensive income attributable to non-controlling interests	156	1,215

(3) Notes on Quarterly Consolidated Financial Statements

[Notes on the Premise of a Going Concern]

There are no applicable matters to be reported.

[Notes on a Significant Change in Shareholders' Equity]

There are no applicable matters to be reported.

[Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]

Tax expenses are calculated in accordance with Paragraph 15, "Method for Using the Statutory Effective Tax Rate," of the Practical Guidelines on Tax-Effect Accounting for Preparation of Interim Financial Statements, pursuant to the provision of Paragraph 19 of the Guidance on the Accounting Standard for Quarterly Financial Reporting.

The amount of tax adjustments is included in "Total income taxes."

[Segment Information, etc.]

[Segment information]

I. First three months of Fiscal 2022 (April 1, 2021 to June 30, 2021)

Information about net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total				
Net sales								
Sales to external customers	71,977	46,143	33,106	151,227	7,992	159,220	–	159,220
Intersegment sales and transfers	3,789	390	1,407	5,587	774	6,361	(6,361)	–
Total	75,767	46,534	34,513	156,815	8,767	165,582	(6,361)	159,220
Segment profit	1,685	4,094	616	6,395	875	7,271	62	7,334

- Notes: 1. Business segment of “Others” is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.
2. Segment profit adjustment refers to intersegment transaction eliminations and other.
3. Segment profit has been adjusted for the operating profit appearing in the quarterly consolidated statements of income.

II. First three months of Fiscal 2023 (April 1, 2022 to June 30, 2022)

Information about net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total				
Net sales								
Sales to external customers	96,949	46,736	35,414	179,100	10,195	189,296	–	189,296
Intersegment sales and transfers	4,933	457	1,254	6,645	731	7,377	(7,377)	–
Total	101,882	47,194	36,669	185,745	10,927	196,673	(7,377)	189,296
Segment profit	3,727	2,896	652	7,276	1,609	8,886	(26)	8,859

- Notes: 1. Business segment of “Others” is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.
2. Segment profit adjustment refers to intersegment transaction eliminations and other.
3. Segment profit has been adjusted for the operating profit appearing in the quarterly consolidated statements of income.