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Consolidated Financial Results for the First Quarter of Fiscal 2024 [Japanese GAAP]

July 27, 2023

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange
Code: 2002
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Date to submit the Quarterly Securities Report: August 7, 2023
Date to start distributing dividends: —
Supplementary materials for these consolidated financial results: 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 2024 (April 1, 2023 to June 30, 2023)

(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 2024	208,191	10.0	11,860	33.9	13,099	32.1	8,742	38.6
First three months of Fiscal 2023	189,296	18.9	8,859	20.8	9,919	12.3	6,306	13.9

(Note) Comprehensive income: First three months of Fiscal 2024: ¥31,434 million (up 73.7%)
First three months of Fiscal 2023: ¥18,096 million (up 723.6%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First three months of Fiscal 2024	29.40	—
First three months of Fiscal 2023	21.21	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2023	742,126	463,525	60.4
March 31, 2023	713,874	438,499	59.4

(Reference) Equity capital: June 30, 2023: ¥448,465 million March 31, 2023: ¥423,833 million

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2023	—	19.00	—	21.00	40.00
Fiscal 2024	—				
Fiscal 2024 (forecast)		20.00	—	21.00	41.00

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

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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	410,000	5.5	19,000	19.3	19,200	11.5	12,500	—	42.03
Full year	820,000	2.7	39,000	18.8	39,500	19.5	26,000	—	87.43

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

* Notes

(1) Changes in important subsidiaries during the first three months of the fiscal year ending March 31, 2024 (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, 2023	304,357,891	As of March 31, 2023	304,357,891
2) Number of treasury shares	As of June 30, 2023	6,970,626	As of March 31, 2023	6,979,939
3) Average number of shares outstanding	First three months of Fiscal 2024	297,379,840	First three months of Fiscal 2023	297,396,837

* 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 Financial 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, 2024, the Japanese economy continued to mount a gradual recovery, lifted by an increase in foot traffic accompanying the elimination of pandemic-imposed behavioral restrictions and a rebound in inbound travel to Japan, among other factors. The future, however, remained shrouded in uncertainty for the Group's operating environment, mainly as a result of price volatility in raw materials and energy due primarily to the situation in Ukraine.

Under these conditions, the Group strives to fulfill its corporate mission of ensuring a stable supply of foods involving wheat flour and the delivery of safe and reliable products in each business area. At the same time, in a push to achieve goals set out in "The Nisshin Seifun Group Medium-Term Management Plan 2026" formulated last year, the Group is giving highest priority this term to efforts to stimulate its ability to grow by restructuring the business portfolio, respond to food inflation, mount a recovery in the Australia flour milling business, pursue environmental policies and enact its digital strategy.

As part of efforts to stimulate the Group's ability to grow by restructuring the business portfolio, in May 2023, we began construction at flour milling subsidiary Nisshin Flour Milling Inc. of the Mizushima Plant, designed to develop a low-cost production framework that can counter international competition. Adopting cutting-edge automation and digital technologies, this facility, which plans call for establishing as an eco-friendly smart plant, is set to begin operating sometime in May 2025. This move is accompanied by the scheduled closure of the subsidiary's Okayama and Sakaide plants.

With respect to performance, consolidated net sales for the first three months of the fiscal year ending March 31, 2024, increased 10.0% year on year to ¥208,191 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, along with the consolidation of Kumamoto Flour Milling Co., Ltd. and the enactment of product price revisions in the processed food business and other Processed Food Segment areas. Operating profit increased 33.9% year on year to ¥11,860 million, ordinary profit rose 32.1% to ¥13,099 million and profit attributable to owners of parent increased 38.6% to ¥8,742 million. In addition to lower shipments of raw materials for pharmaceuticals in the Processed Food Segment, performance was impacted by expenses for the launch of a yeast business in India. These effects were countered, however, by firm sales prices for bran in the flour milling business in Japan, a decrease in the amortization of goodwill accompanying an impairment loss reported in the previous year for the Australia flour milling business, and robust performance from the prepared dishes and other prepared foods business.

(Year-on-year Comparison)

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	189,296	208,191	18,895	10.0%
Operating profit	8,859	11,860	3,000	33.9%
Ordinary profit	9,919	13,099	3,179	32.1%
Profit attributable to owners of parent	6,306	8,742	2,435	38.6%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	96,949	111,672	14,723	15.2%
Operating profit	3,727	6,870	3,143	84.3%

In the flour milling business in Japan, shipments were lower year on year due mainly to effects from a fallback in demand due to product price revisions. This outcome came despite progress on initiatives to expand sales amid an ongoing recovery in restaurant dining demand due largely to increased foot traffic following the elimination of pandemic-related behavior restrictions and a recovery in inbound travel to Japan. In June 2023, we implemented price revisions for commercial wheat flour in response to revised government prices for five classes of imported wheat enacted in April 2023, as well as in response to higher energy and distribution costs. On average, the government's price for imported wheat rose 5.8%.

In the overseas flour milling business, sales were higher year on year mainly due to product price revisions in Australia and foreign currency translation effects from a U.S.-based subsidiary.

As a result, net sales of the Flour Milling Segment increased 15.2% year on year to ¥111,672 million, reflecting price revisions for commercial wheat flour enacted in Japan in June of last year, coupled with benefits from the new consolidation of Kumamoto Flour Milling Co., Ltd. in January 2023. Operating profit climbed 84.3% to ¥6,870 million, lifted mainly by firm sales prices for bran, a byproduct from the flour milling business in Japan, beneficial effects from the new consolidation of Kumamoto Flour Milling Co., Ltd., and a decrease in amortization of goodwill accompanying an impairment loss reported for the Australia flour milling business in the previous year. Growth came despite a decline in shipments in the flour milling business in Japan.

2) Processed Food Segment

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	46,736	49,756	3,020	6.5%
Operating profit	2,896	2,281	(614)	(21.2)%

In the processed food business, sales were higher year on year despite lower shipments in Japan and overseas, as we continued the enactment of product price revisions launched last year in response to higher costs for raw materials in Japan.

In the yeast and biotechnology business, sales were up year on year, reflecting price revisions for yeast enacted in July and November 2022, and again in April of this year, in Japan, in response to soaring raw material prices and energy costs, coupled with the start of operations at the yeast business in India in August 2022 overseas.

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 6.5% year on year to ¥49,756 million. Operating profit, however, declined 21.2% to ¥2,281 million, attributable mainly to lower shipments of raw materials for pharmaceuticals and expenses for the launch of a yeast business in India.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	35,414	37,370	1,956	5.5%
Operating profit	652	1,438	785	120.4%

In the Prepared Dishes and Other Prepared Foods Segment, net sales increased 5.5% year on year to ¥37,370 million, mainly reflecting product price revisions and a recovery in demand from an increase in foot traffic accompanying the elimination of pandemic-imposed behavioral restrictions and a rebound in inbound travel to Japan. Operating profit increased 120.4% to ¥1,438 million, largely atop product price revisions and improved productivity.

4) Others Segment

(Millions of yen)

	First three months of Fiscal 2023	First three months of Fiscal 2024	Difference	Change
Net sales	10,195	9,391	(804)	(7.9)%
Operating profit	1,609	1,154	(455)	(28.3)%

In the engineering business, sales were lower year on year, reflecting a decline in 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 decreased 7.9% year on year to ¥9,391 million, with operating profit down 28.3% to ¥1,154 million. The decline in profit came mainly from a decrease in large-scale projects in the engineering business.

(2) Financial Position

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023	Difference
Current assets	330,069	333,178	3,109
Non-current assets	383,805	408,947	25,142
Total assets	713,874	742,126	28,251
Current liabilities	150,262	146,788	(3,474)
Non-current liabilities	125,112	131,812	6,699
Total liabilities	275,375	278,600	3,225
Total net assets	438,499	463,525	25,025
Total liabilities and net assets	713,874	742,126	28,251

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, 2024 was as follows.

Current assets increased ¥3,109 million from the previous fiscal year-end to ¥333,178 million, tracking growth in inventories mainly due to rising prices for raw materials. Non-current assets increased ¥25,142 million to ¥408,947 million, primarily accompanying an increase in the market valuation of investment securities held. As a result, total assets rose ¥28,251 million from the previous fiscal year-end to ¥742,126 million.

Meanwhile, current liabilities decreased ¥3,474 million to ¥146,788 million, mainly from a decrease in income taxes payable. Non-current liabilities increased ¥6,699 million to ¥131,812 million, primarily due to an increase in deferred tax liabilities. As a result, total liabilities increased ¥3,225 million from the previous fiscal year-end to ¥278,600 million. Net assets increased ¥25,025 million to ¥463,525 million, mainly reflecting an increase in retained earnings 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 Financial Results and Other Forward-looking Information

In addition to striving to fulfill its corporate mission of ensuring a stable supply of foods involving wheat flour, the Group is working together to give highest priority this term to efforts to stimulate its ability to grow by restructuring the business portfolio, respond to food inflation, mount a recovery in the Australia flour milling business, pursue environmental policies and enact its digital strategy. In this way, the Group is moving to achieve goals set out in “The Nisshin Seifun Group Medium-Term Management Plan 2026” in a bid to promote its sustained growth as a food-centered enterprise.

At this time, there are no changes to forecasts for the first six months or the full fiscal year ending March 31, 2024, first announced on May 10, 2023.

With respect to dividends, as initially projected, the Company plans to pay a full-year dividend of ¥41 per share, up ¥1 from 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 2023 (As of March 31, 2023)	Fiscal 2024 First Quarter (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	82,971	75,666
Notes and accounts receivable – trade, and contract assets	107,887	107,156
Securities	–	406
Inventories	128,786	134,268
Other	11,065	16,363
Allowance for doubtful accounts	(641)	(683)
Total current assets	330,069	333,178
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	71,134	73,111
Machinery, equipment and vehicles, net	60,212	62,895
Land	52,618	53,040
Right-of-use assets	17,060	17,930
Other, net	16,468	17,732
Total property, plant and equipment	217,494	224,710
Intangible assets		
Goodwill	7,496	7,173
Other	16,180	16,338
Total intangible assets	23,677	23,512
Investments and other assets		
Investment securities	124,653	142,389
Other	18,180	18,537
Allowance for doubtful accounts	(200)	(202)
Total investments and other assets	142,633	160,724
Total non-current assets	383,805	408,947
Total assets	713,874	742,126

(Millions of yen)

	Fiscal 2023 (As of March 31, 2023)	Fiscal 2024 First Quarter (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	74,565	73,678
Short-term loans payable	14,356	14,808
Income taxes payable	8,941	2,978
Accrued expenses	23,247	20,333
Other	29,150	34,988
Total current liabilities	150,262	146,788
Non-current liabilities		
Bonds	20,000	20,000
Long-term loans payable	13,378	13,161
Lease obligations	37,311	39,247
Deferred tax liabilities	22,097	27,220
Provision for repairs	1,562	1,572
Net defined benefit liability	23,422	23,351
Other	7,341	7,257
Total non-current liabilities	125,112	131,812
Total liabilities	275,375	278,600
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,728	12,731
Retained earnings	325,181	327,606
Treasury shares	(10,989)	(10,973)
Total shareholders' equity	344,037	346,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,044	64,088
Deferred gains or losses on hedges	(13)	523
Foreign currency translation adjustment	28,352	37,926
Remeasurements of defined benefit plans	(588)	(555)
Total accumulated other comprehensive income	79,795	101,983
Subscription rights to shares	44	40
Non-controlling interests	14,621	15,019
Total net assets	438,499	463,525
Total liabilities and net assets	713,874	742,126

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First three months of Fiscal 2023 (April 1, 2022 to June 30, 2022)	First three months of Fiscal 2024 (April 1, 2023 to June 30, 2023)
Net sales	189,296	208,191
Cost of sales	148,676	164,437
Gross profit	40,619	43,753
Selling, general and administrative expenses	31,759	31,892
Operating profit	8,859	11,860
Non-operating income		
Interest income	44	83
Dividend income	1,380	1,069
Share of profit of entities accounted for using equity method	112	376
Other	443	763
Total non-operating income	1,981	2,293
Non-operating expenses		
Interest expenses	807	906
Other	114	148
Total non-operating expenses	921	1,054
Ordinary profit	9,919	13,099
Extraordinary income		
Gain on sale of investment securities	–	72
Total extraordinary income	–	72
Extraordinary losses		
Loss on retirement of non-current assets	54	80
Expenses related to change of the company name	72	–
Total extraordinary losses	126	80
Profit before income taxes	9,793	13,091
Total income taxes	3,137	3,999
Profit	6,655	9,091
Profit attributable to non-controlling interests	349	348
Profit attributable to owners of parent	6,306	8,742

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First three months of Fiscal 2023 (April 1, 2022 to June 30, 2022)	First three months of Fiscal 2024 (April 1, 2023 to June 30, 2023)
Profit	6,655	9,091
Other comprehensive income		
Valuation difference on available-for-sale securities	(61)	11,957
Deferred gains or losses on hedges	159	447
Foreign currency translation adjustment	10,901	9,682
Remeasurements of defined benefit plans	59	42
Share of other comprehensive income of entities accounted for using equity method	380	212
Total other comprehensive income	11,440	22,343
Comprehensive income	18,096	31,434
(Breakdown)		
Comprehensive income attributable to owners of parent	16,880	30,930
Comprehensive income attributable to non-controlling interests	1,215	504

(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 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.

II. First three months of Fiscal 2024 (April 1, 2023 to June 30, 2023)

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	111,672	49,756	37,370	198,799	9,391	208,191	–	208,191
Intersegment sales and transfers	4,898	489	1,166	6,554	551	7,106	(7,106)	–
Total	116,570	50,246	38,537	205,354	9,942	215,297	(7,106)	208,191
Segment profit	6,870	2,281	1,438	10,590	1,154	11,744	115	11,860

- 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.