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Summary of Financial Statements for the First Quarter of Fiscal 2021 [Japanese Standards]

July 28, 2020

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 Date to submit the Quarterly Securities Report: August 28, 2020
 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 2021 (April 1, 2020 to June 30, 2020)

(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 2021	165,685	5.0	5,186	(16.7)	6,463	(11.6)	4,333	(2.2)
First three months of Fiscal 2020	157,819	11.7	6,223	(14.3)	7,314	(19.2)	4,429	(27.2)

(Note) Comprehensive income: First three months of Fiscal 2021: ¥17,818 million (–%)
 First three months of Fiscal 2020: ¥(5,763) million (–%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First three months of Fiscal 2021	14.58	14.58
First three months of Fiscal 2020	14.91	14.89

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2020	678,004	421,604	60.1
March 31, 2020	666,215	409,042	59.3

(Reference) Equity capital: June 30, 2020: ¥407,218 million March 31, 2020: ¥394,995 million

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	17.00	—	17.00	34.00
Fiscal 2021	—	—	—	—	—
Fiscal 2021 (forecast)	—	17.00	—	18.00	35.00

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

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	345,000	(0.4)	11,500	(18.6)	12,000	(20.6)	7,000	(48.2)	23.55
Full year	700,000	(1.7)	26,000	(9.9)	27,000	(14.1)	17,000	(24.1)	57.19

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

* Notes

(1) Changes in important subsidiaries during the period under review (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, 2020	304,357,891	As of March 31, 2020	304,357,891
2) Number of treasury shares	As of June 30, 2020	7,066,276	As of March 31, 2020	7,079,592
3) Average number of shares outstanding	First three months of Fiscal 2021	297,284,366	First three months of Fiscal 2020	297,134,567

* This Summary of Financial Statements is 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, 2021, the Japanese economy continued to face extremely challenging conditions from the spread of a global pandemic triggered by a novel coronavirus. These conditions included massive restrictions on economic activity both in Japan and internationally, leading to stagnation in consumption and production activities, as well as a worsening employment picture.

Under these conditions, the Group placed highest priority on its corporate mission of ensuring the stable supply of foods involving wheat flour, as well as the safety of the employees who support this mission. In each business, the Group took decisive steps for building the foundation for further growth through initiatives to realize its long-term vision called “NNI ‘Compass for the Future’.”

With respect to performance, consolidated net sales for the first three months of the fiscal year ending March 31, 2021, increased 5.0% year on year to ¥165,685 million. This result primarily reflected effects from the new consolidation of Tokatsu Foods Co., Ltd. in July 2019, which offset wheat flour price revisions enacted in January 2020 in the flour milling business in Japan, a decrease in facility construction and other declines in sales. In terms of profits, operating profit decreased 16.7% year on year to ¥5,186 million, ordinary profit was down 11.6% to ¥6,463 million, and profit attributable to owners of parent declined 2.2% to ¥4,333 million. While demand for household-use products rose dramatically, reflecting a shift in food demand toward at-home dining triggered by the spread of the novel coronavirus pandemic, earnings deteriorated overall primarily due to worsening sales revenue in the flour milling business in Japan and lackluster sales performance in the overseas flour milling business, among other factors.

(Year-on-year Comparison)

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	157,819	165,685	7,866	5.0%
Operating profit	6,223	5,186	(1,036)	(16.7)%
Ordinary profit	7,314	6,463	(851)	(11.6)%
Profit attributable to owners of parent	4,429	4,333	(95)	(2.2)%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	77,255	68,838	(8,416)	(10.9)%
Operating profit	2,074	605	(1,468)	(70.8)%

In the flour milling business in Japan, official requests to restrict outings due to the spread of the novel coronavirus pandemic led to a shift in favor of at-home dining, which spurred growth in demand for pasta and instant noodles. However, the decline in demand for bread, sweets and other products for specialty stores, coupled with weak restaurant demand due to limited hours of operation and other issues, resulted in lower shipments of commercial wheat flour year on year. Additionally, in June 2020, we implemented price revisions for commercial wheat flour

in response to revised government prices for five classes of imported wheat enacted in April 2020. On average, the government's price for imported wheat rose 3.1%.

The price of bran, a byproduct of the milling process, remained largely unchanged year on year.

In the overseas flour milling business, sales were lower year on year due to various factors, including weaker performance for sales of prepared mix and bakery-related ingredients at Australia-based Allied Pinnacle Pty Ltd., and sales of commercial wheat flour in Thailand and New Zealand due to the spread of the novel coronavirus pandemic. Sales were also negatively impacted by foreign currency translation for overseas businesses due to a strong yen.

As a result, net sales of the Flour Milling Segment decreased 10.9% year on year to ¥68,838 million. Operating profit fell 70.8% to ¥605 million, as sales revenue deteriorated in Japan due to effects with respect to sales composition stemming mainly from official requests to restrict outings due to the spread of the novel coronavirus pandemic, along with deteriorated earnings in Australia due to weak sales of value-added products and worsening productivity. These factors outweighed earnings growth from improved sales revenue and productivity in the United States.

2) Processed Food Segment

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	54,043	54,760	717	1.3%
Operating profit	2,920	4,038	1,117	38.3%

In the processed food business, amid steep year-on-year declines in demand for commercial-use products, in household-use products, we focused on the production of mainstay products to meet dramatic growth in demand. We also put a structure for the stable supply of these products in place, which included shifting some production lines for commercial-use products over to household-use products. As a result, sales in the processed food business increased year on year.

In the yeast and biotechnology business, sales were lower year on year, mainly reflecting a decline in shipments of bread making ingredients. Furthermore, construction of a yeast plant in India being developed by overseas subsidiary Oriental Yeast India Pvt. Ltd. has been suspended due to the impact of the novel coronavirus pandemic. A date for the resumption of construction work on this plant has not been set at this time.

In the healthcare foods business, sales were higher year on year, reflecting growth in shipments of raw materials for pharmaceuticals and consumer products.

As a result, net sales of the Processed Food Segment increased 1.3% year on year to ¥54,760 million. Operating profit rose 38.3% to ¥4,038 million, reflecting growth in shipments of household-use products and raw materials for pharmaceuticals, as well as a decline in advertising and promotion expenses and other selling, general and administrative expenses.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	11,494	32,911	21,416	186.3%
Operating profit	147	(356)	(504)	–

In the prepared dishes and other prepared foods business, while sales were lower most notably in urban areas and tourist sites due to an increase in working from home and official requests to restrict outings in response to the spread of the novel coronavirus pandemic, effects from the new consolidation in July 2019 of Tokatsu Foods Co., Ltd. lifted sales higher year on year.

As a result, net sales of the Prepared Dishes and Other Prepared Foods Segment increased 186.3% year on year to ¥32,911 million, together with an operating loss of ¥356 million.

4) Others Segment

(Millions of yen)

	First three months of Fiscal 2020	First three months of Fiscal 2021	Difference	Change
Net sales	15,025	9,174	(5,850)	(38.9)%
Operating profit	1,015	866	(148)	(14.6)%

In the engineering business, sales were lower year on year due to a decline in facility construction.

In the mesh cloths business, sales were down from a year earlier, reflecting lower shipments of chemical products mainly for automotive components, amid a global downturn in automobile production volume due to the spread of the novel coronavirus pandemic.

In the pet food business, we continue involvement in the outsourced production of pet food following transfer of the sales business at the end of March 2020. Accordingly, sales were lower year on year.

As a result, net sales of the Others Segment decreased 38.9% year on year to ¥9,174 million, while operating profit decreased 14.6% to ¥866 million.

(2) Financial Position

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020	Difference
Current assets	238,980	237,874	(1,106)
Non-current assets	427,234	440,130	12,896
Total assets	666,215	678,004	11,789
Current liabilities	131,058	125,269	(5,789)
Non-current liabilities	126,114	131,131	5,017
Total liabilities	257,172	256,400	(771)
Total net assets	409,042	421,604	12,561
Total liabilities and net assets	666,215	678,004	11,789

The status of assets, liabilities and net assets on a consolidated basis at the end of the period under review was as follows.

Current assets decreased ¥1,106 million from the previous fiscal year-end to ¥237,874 million, due largely to decreases in notes and accounts receivable – trade. Non-current assets increased

¥12,896 million to ¥440,130 million, primarily due to an increase in the valuation difference on investment securities. As a result, total assets increased ¥11,789 million from the previous fiscal year-end to ¥678,004 million.

Meanwhile, current liabilities decreased ¥5,789 million to ¥125,269 million, mainly reflecting a decrease in notes and accounts payable – trade. Non-current liabilities increased ¥5,017 million to ¥131,131 million, primarily due to an increase in lease obligations. As a result, total liabilities decreased ¥771 million from the previous fiscal year-end to ¥256,400 million. Net assets increased ¥12,561 million to ¥421,604 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 pandemic spread of the novel coronavirus has shrouded social and economic conditions, both domestically and globally, in extreme uncertainty. Under these circumstances, the entire Group is working together to continue adapting to this changing business environment and to achieving the objectives outlined in the Group's long-term vision, "NNI 'Compass for the Future'," in a staunch commitment to its social mission of ensuring the stable supply of food staples and maintaining the source of its corporate value.

With respect to the outlook for the fiscal year ending March 31, 2021, given that performance for the first three months of the year was largely in line with estimates, we are projecting consolidated net sales to decline 1.7% to ¥700,000 million, operating profit to decline 9.9% to ¥26,000 million, and ordinary profit to decrease 14.1% to ¥27,000 million, while profit attributable to owners of parent is expected to decline 24.1% to ¥17,000 million. These projections are unchanged from initial forecasts.

In terms of assumptions regarding this outlook, a key assumption is that a repeated pattern of temporary growth and retreat in novel coronavirus cases will recur throughout the year before gradually giving way to recovery. Similarly, amid a cycle of halt and restart of economic activity, demand for the Company's products will likely be impacted most notably by declining consumption in both prepared dishes and food for restaurant dining, as well as temporary disruption in facility construction. We will continue to closely and carefully examine the impact on Group operations, and will move quickly to disclose any required revisions as necessary.

With respect to dividends, one of our basic policies is to aim for a payout ratio of 40% or more on a consolidated basis and seek to continuously increase the amount of dividends. Consequently, in line with initial projections, the Company plans to pay a full-year dividend of ¥35 per share, up ¥1 from the previous fiscal year.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of March 31, 2020)	Fiscal 2021 First Quarter (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	49,710	58,041
Notes and accounts receivable – trade	92,236	82,345
Securities	7,523	3,864
Inventories	79,854	81,658
Other	10,180	12,441
Allowance for doubtful accounts	(524)	(478)
Total current assets	238,980	237,874
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	69,597	69,134
Machinery, equipment and vehicles, net	48,769	49,956
Land	45,791	45,820
Right-of-use assets	23,285	25,688
Other, net	21,043	20,678
Total property, plant and equipment	208,487	211,278
Intangible assets		
Goodwill	42,743	45,221
Other	25,972	27,219
Total intangible assets	68,716	72,441
Investments and other assets		
Investment securities	135,739	142,057
Other	14,416	14,481
Allowance for doubtful accounts	(126)	(127)
Total investments and other assets	150,030	156,410
Total non-current assets	427,234	440,130
Total assets	666,215	678,004

(Millions of yen)

	Fiscal 2020 (As of March 31, 2020)	Fiscal 2021 First Quarter (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	53,730	49,591
Short-term loans payable	18,078	21,612
Income taxes payable	5,829	2,177
Accrued expenses	21,814	17,676
Other	31,605	34,211
Total current liabilities	131,058	125,269
Non-current liabilities		
Bonds	20,000	20,000
Long-term loans payable	15,226	15,434
Lease obligations	30,989	33,645
Deferred tax liabilities	29,055	31,432
Provision for repairs	1,335	1,193
Net defined benefit liability	22,443	22,363
Other	7,062	7,061
Total non-current liabilities	126,114	131,131
Total liabilities	257,172	256,400
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,638	12,637
Retained earnings	332,342	331,619
Treasury shares	(11,172)	(11,150)
Total shareholders' equity	350,926	350,224
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56,970	61,782
Deferred gains or losses on hedges	(53)	80
Foreign currency translation adjustment	(11,689)	(3,692)
Remeasurements of defined benefit plans	(1,158)	(1,175)
Total accumulated other comprehensive income	44,069	56,994
Subscription rights to shares	137	132
Non-controlling interests	13,908	14,253
Total net assets	409,042	421,604
Total liabilities and net assets	666,215	678,004

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First three months of Fiscal 2020 (April 1, 2019 to June 30, 2019)	First three months of Fiscal 2021 (April 1, 2020 to June 30, 2020)
Net sales	157,819	165,685
Cost of sales	112,954	120,368
Gross profit	44,864	45,316
Selling, general and administrative expenses	38,641	40,130
Operating profit	6,223	5,186
Non-operating income		
Interest income	144	53
Dividend income	1,210	1,287
Share of profit of entities accounted for using equity method	488	456
Other	181	218
Total non-operating income	2,025	2,015
Non-operating expenses		
Interest expenses	885	665
Other	48	73
Total non-operating expenses	933	738
Ordinary profit	7,314	6,463
Extraordinary income		
Gain on sales of non-current assets	24	305
Total extraordinary income	24	305
Extraordinary losses		
Loss on retirement of non-current assets	83	158
Business restructuring expenses	–	113
Total extraordinary losses	83	271
Profit before income taxes	7,255	6,497
Total income taxes	2,512	1,964
Profit	4,743	4,533
Profit attributable to non-controlling interests	314	199
Profit attributable to owners of parent	4,429	4,333

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First three months of Fiscal 2020 (April 1, 2019 to June 30, 2019)	First three months of Fiscal 2021 (April 1, 2020 to June 30, 2020)
Profit	4,743	4,533
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,584)	4,791
Deferred gains or losses on hedges	364	140
Foreign currency translation adjustment	(4,315)	8,455
Remeasurements of defined benefit plans	48	18
Share of other comprehensive income of entities accounted for by the equity method	(19)	(120)
Total other comprehensive income (loss)	(10,507)	13,285
Comprehensive income (loss)	(5,763)	17,818
(Breakdown)		
Comprehensive income (loss) attributable to owners of parent	(6,030)	17,258
Comprehensive income attributable to non-controlling interests	266	559

(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 2020 (April 1, 2019 to June 30, 2019)

1. 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	77,255	54,043	11,494	142,793	15,025	157,819	–	157,819
Intersegment sales and transfers	4,216	107	929	5,253	434	5,687	(5,687)	–
Total	81,471	54,151	12,424	148,046	15,459	163,506	(5,687)	157,819
Segment profit	2,074	2,920	147	5,143	1,015	6,158	64	6,223

Notes: 1. Business segment of "Others" is excluded from reportable segment, which includes pet food, 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.

2. Information about assets for each reportable segment

(Notable increase in assets due to subsidiary acquisition)

Due to the acquisition of PFG Topco1 Pty Ltd. during the first quarter of the fiscal year ended March 31, 2020, both PFG Topco1 Pty Ltd. and its subsidiaries (Allied Pinnacle Pty Ltd. and 19 other companies) were newly included within the scope of consolidation. Compared to the non-inclusion of these companies within the scope of consolidation, assets in the Flour Milling Segment increased by ¥116,815 million.

3. Information about non-current asset impairment and goodwill for each reportable segment
(Important changes in goodwill)

Goodwill accrued in the Flour Milling Segment due to the acquisition of PFG Topco1 Pty Ltd. during the first quarter of the fiscal year ended March 31, 2020. Following the application of provisional accounting measures, ¥41,101 million in goodwill was posted in the second quarter of the fiscal year ended March 31, 2020.

II. First three months of Fiscal 2021 (April 1, 2020 to June 30, 2020)

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	68,838	54,760	32,911	156,510	9,174	165,685	–	165,685
Intersegment sales and transfers	4,077	376	1,392	5,846	679	6,525	(6,525)	–
Total	72,916	55,137	34,303	162,357	9,853	172,210	(6,525)	165,685
Segment profit (loss)	605	4,038	(356)	4,287	866	5,154	31	5,186

Notes: 1. Business segment of “Others” is excluded from reportable segment, which includes pet food, engineering, mesh cloths, handling and storage businesses.

2. Segment profit (loss) adjustment refers to intersegment transaction eliminations and other.

3. Segment profit (loss) has been adjusted for the operating profit appearing in the quarterly consolidated statements of income.