



Briefing Session on Business Results  
for Fiscal Year Ended March 31, 2015  
(FY2015)

May 22, 2015



FY2015

# Performance Overview and Outlook

May 22, 2015

# Content

1 FY2015 Performance Overview

2 Change in the Group's Business Environment

3 FY2016 Policy on Group Management



# FY2015 Performance Overview

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# FY2015 Policy on Group Management

## FY2015 Policy on Group Management

- Promote low-cost operations throughout business fields
- Re-establish the business structure and business portfolio
- Step up management for total optimization of the Group's operations
- Promote CSR management

## FY2015 Results

(Millions of yen)

	FY2014 Results	FY2015 Targets	FY2015 Results	vs. FY2014 Results	vs. FY2015 Targets	vs. FY2014 Results	vs. FY2015 Targets
Net Sales	287,109	305,000	298,511	11,401	(6,489)	4.0%	(2.1)%
Operating Income	10,808	8,500	8,406	(2,402)	(94)	(22.2)%	(1.1)%
Ordinary Income	12,248	9,500	9,807	(2,440)	307	(19.9)%	3.2%
Net Income*	7,810	6,300	6,981	(829)	681	(10.6)%	10.8%

\* Net income attributable to the parent company

# Change in the Group's Business Environment

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# Recognition of Operating Environment (1) Japanese economy

## Characteristics of the Japanese economy

- Poor in natural resources
- Technology-oriented
- Decreasing population



## Characteristics of economic environment in the 21st century

- Change (structural)
- Innovation (technological, management)
- Globalization (market)
- Information society (Internet, real time)
- Personalization (diversification of needs)

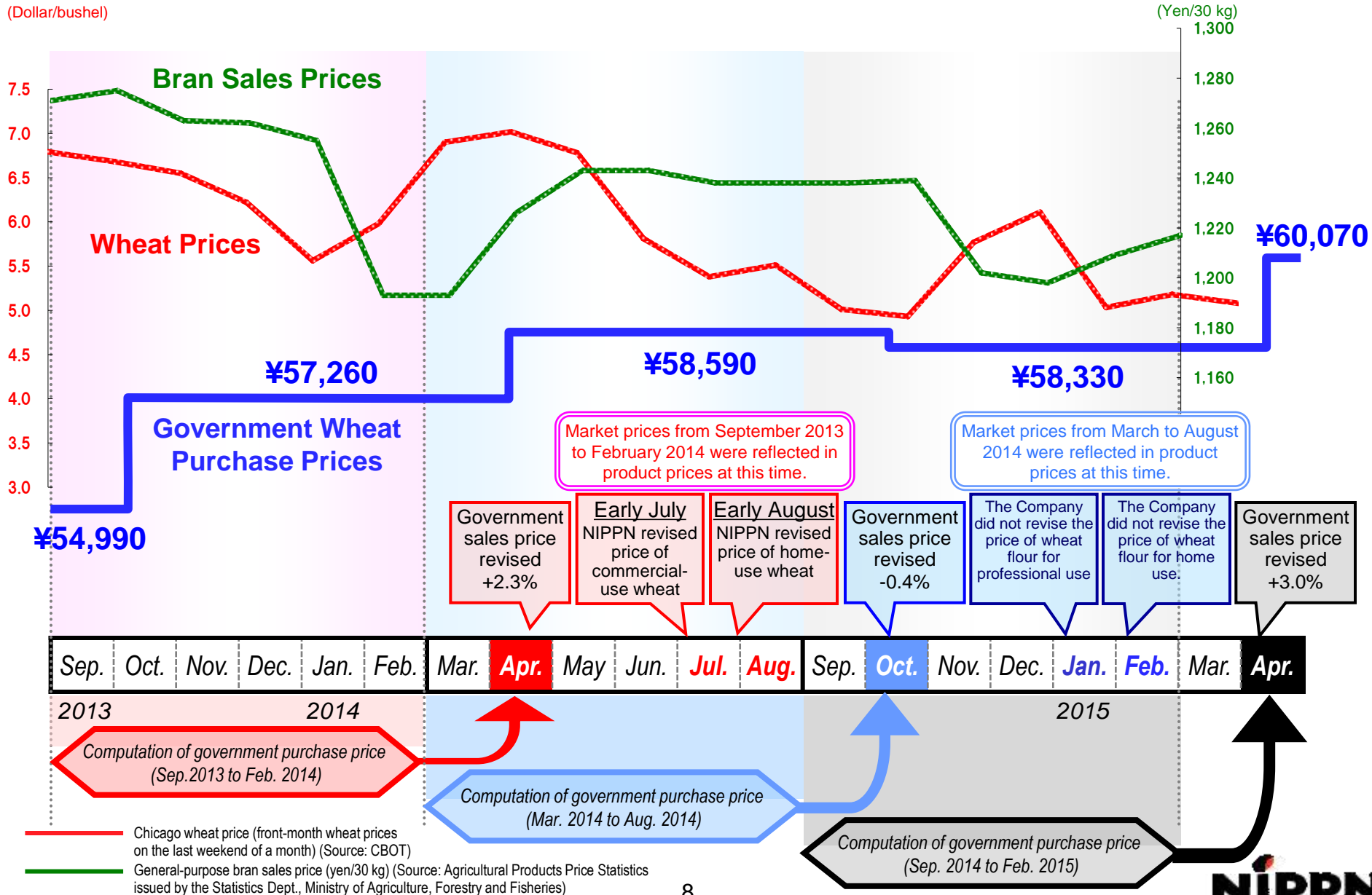


## Dynamic change in the business environment

- Consumption structure      Diversification of customer needs, higher quality and safety requirements, declining total demand, deflation, budget-minded, growth of new markets (healthcare, nursing)
- Economic structure          More M&A/consolidation, wheat system reform, sharp rise in raw material costs, rising prices of daily necessities, shift of the center of gravity of the world economy from developed to emerging-market countries, change in the financing environment, intensifying sales competition, rising labor costs overseas, TPP, JAEPA, tax reform (consumption tax, corporation tax)
- Retail structure                Trend toward mega-retailers and concentration on leading retailers, advent of new retail formats



# Recognition of Operating Environment (2) Change in wheat-related prices



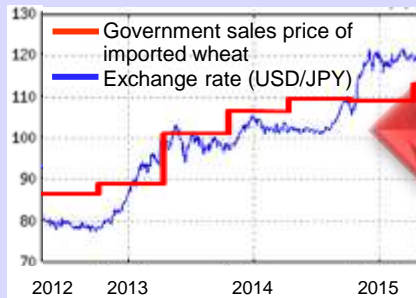


# Recognition of Operating Environment (3) Significant change in the food market

## Change in society

### Increasing costs (inflation)

- Increase in raw materials cost (yen depreciation)
- Increase in labor cost
- Increase in electricity cost, etc.



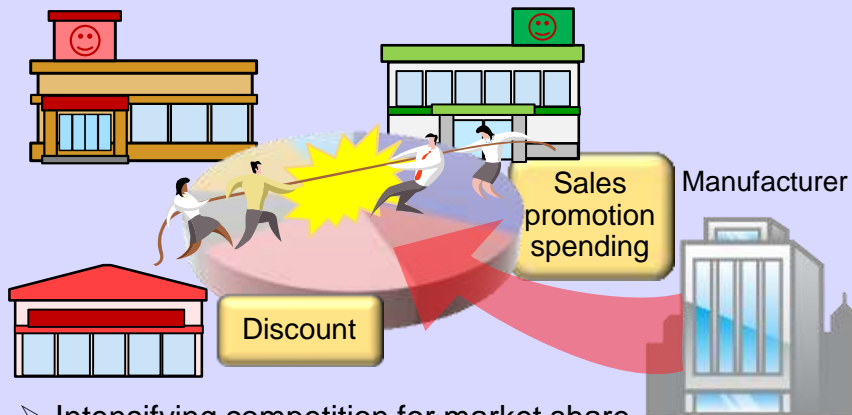
## Change in the food market

- Continuing deflation (preference for low prices)
- Market shrinkage reflecting low birthrate

### Consumer price index



## Change in competition



## Change in consumers

- Aging
- Greater participation of women in society
- Rise in the number of single-person households

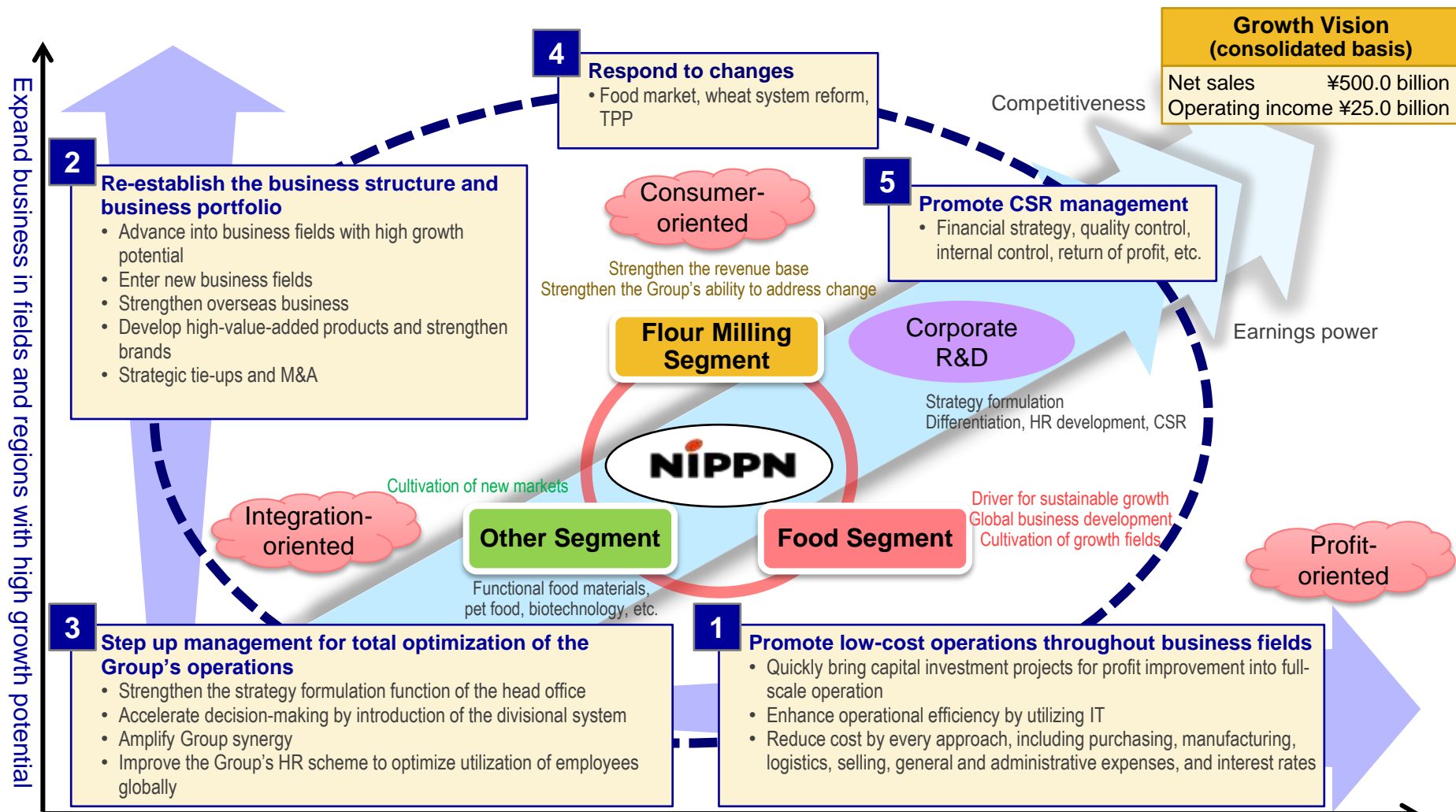


Diversifying needs

# FY2016 Policy on Group Management

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# Issues Concerning Group Management



## Mission Statement of Nippon Flour Mills (NIPPN)

Strive as a corporation, to gain trust from customers and continue to grow in strength. Make an effort on a daily basis to keep every customer satisfied, by offering, in every area of business, competitive products and services of superior quality, thereby contributing to society.

# Change Concerning Wheat System

## Amendment of the rule for sales of imported wheat for flour milling

1. Frequency of price revisions  
3 times a year, in principle. 2 times a year for the time being
2. Greater application of the simultaneous buy and sell tender (SBS) system

General



SBS

## Developments concerning WTO agricultural negotiations, EPA and TPP

TPP

Total of 9,018 items

The focus is on the treatment of 586 items of five key products. (rice, wheat and barley, beef and pork, dairy products and sugar crops)



JAEPA

Rice: Outside the scope  
Wheat for human consumption: To be revised in the future  
Wheat: Wheat for feed: To shift to private trading  
Beef: Gradual tariff reduction  
Sugar: To be revised in the future



## Major change in the flour milling industry



# Growth Strategy Swiftly Responding to Change

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1. Promote low-cost operations

2. Re-establish the business structure and business portfolio

3. Step up management for total optimization of the Group's operations

4. Respond to changes in the food market, the wheat system reform and the TPP

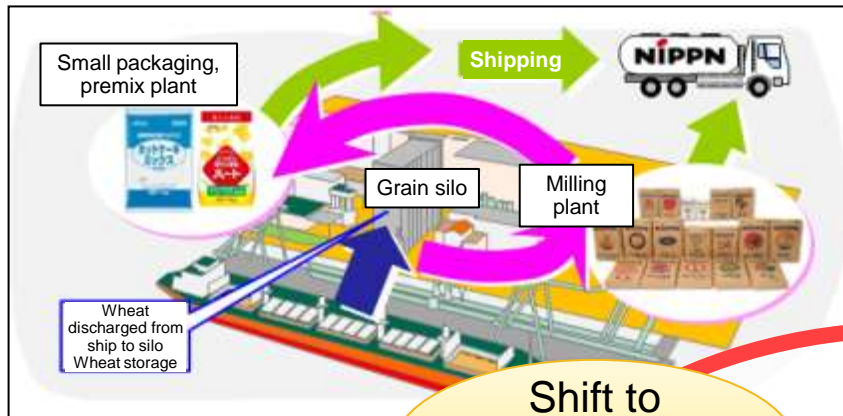
5. Promote CSR management

# Key Points of Structural Reforms

1	Integrate Foods Business Administration Department and Foods Sales Department and establish Foods Business Department
2	Establish Research & Development Department under which Product Development Div. and Business Development Div. are placed. Abolish Development Div. of Foods Sales Department
3	Abolish Deli Foods Business Department, Deli Foods Development Div., and Nakashoku Foods Sales Div.
4	Establish Production & Technology Department that supervises Production & Technology Div., Plant Engineering Div., and Quality Assurance Div.
5	Establish CS Business Department under which CS Business Div., Nakashoku Business Div., and FF Business Office are placed
6	Abolish Marketing Planning Div. and establish Marketing Planning Office within Flour Milling Business Department



# Respond to the Market (1) Initiatives in the flour milling business



Shift to complex plants

Concentration on coastal mill complexes

Cost reduction through capital investment

Construction of new silos

Investment in energy saving

Cost reduction

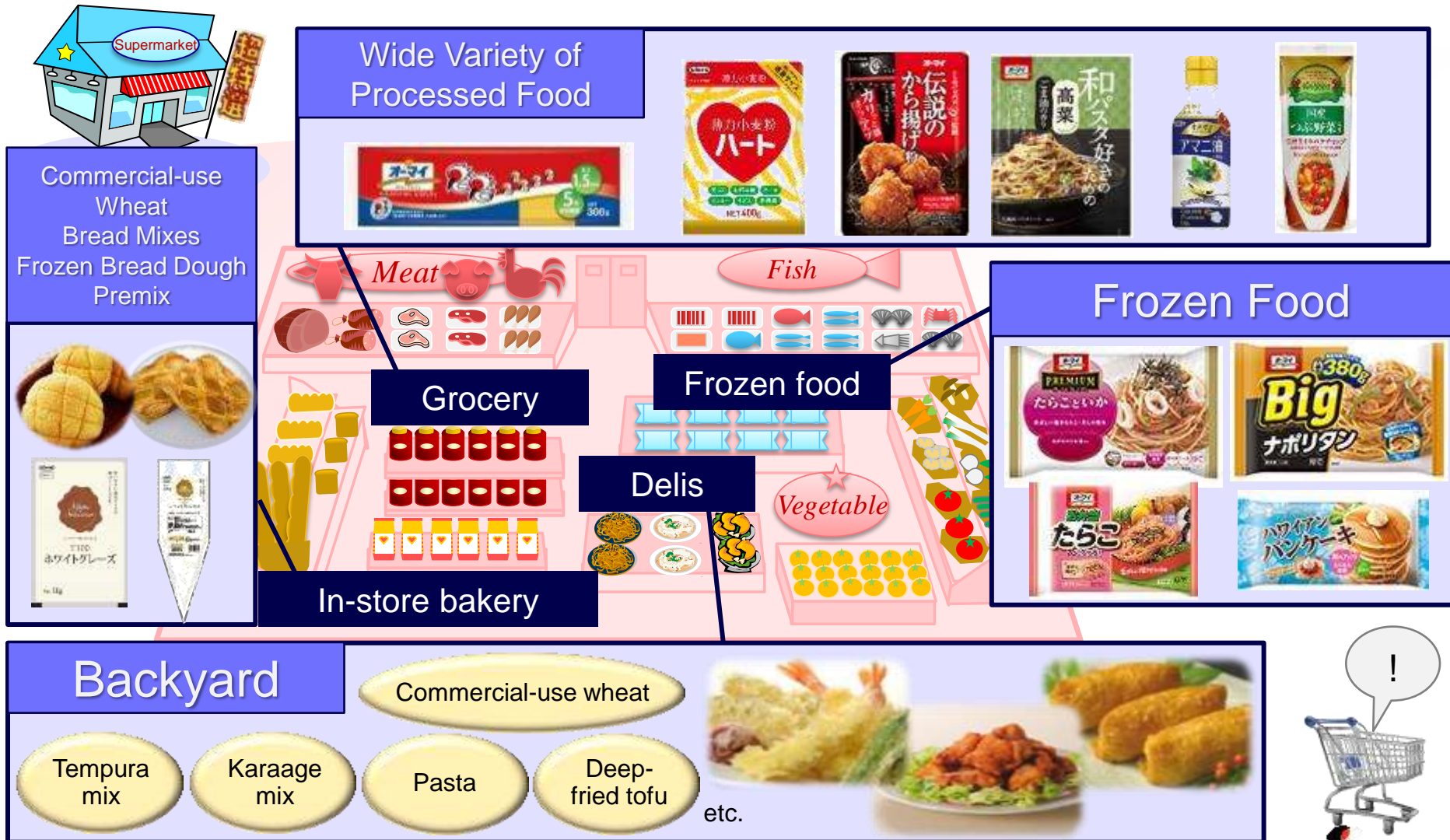
Production efficiency



# Respond to the Market

## (2) Omnidirectional sales & marketing targeting mass merchandisers

- Provide wide-ranging products for a range of store operations to ensure profit





# New Labeling System for Functional Foods

Foods with functional benefits

Possible to claim the functionality of food by filing with submission of scientific evidence based on research papers etc.

Evidence for safety

Production, manufacturing and quality management

Systems for gathering information on health hazards

Evidence for functionality

Notify the claims to the Consumer Affairs Agency

Possible to indicate dietary benefits of food

Application to functional vegetables

What are functional vegetables?

Vegetables with enhanced nutritional value through cultivar improvement

## Carotenoid-rich carrot

The functional carrot Koikurenai was adopted as a 2014 "Innovative Technology Urgent Development Project for Agriculture, Forestry and Fisheries" (Ministry of Agriculture, Forestry and Fisheries)



Koikurenai carrot containing much lycopene

Consortium for joint research established

NK Agri Co., Ltd.

University of Tsukuba

Tokyo University of Agriculture

NIPPN

Scientific evidence

Direction of product development



Beverages

Powdered food

## Tomatoes and kale with high functionality

Development from research into tomatoes suitable for making tomato juice to research into tomatoes with high nutritional value



NIPPN Group



Scientific evidence

# Utilization of Labeling System for Functional Foods

## Application to functional food ingredients



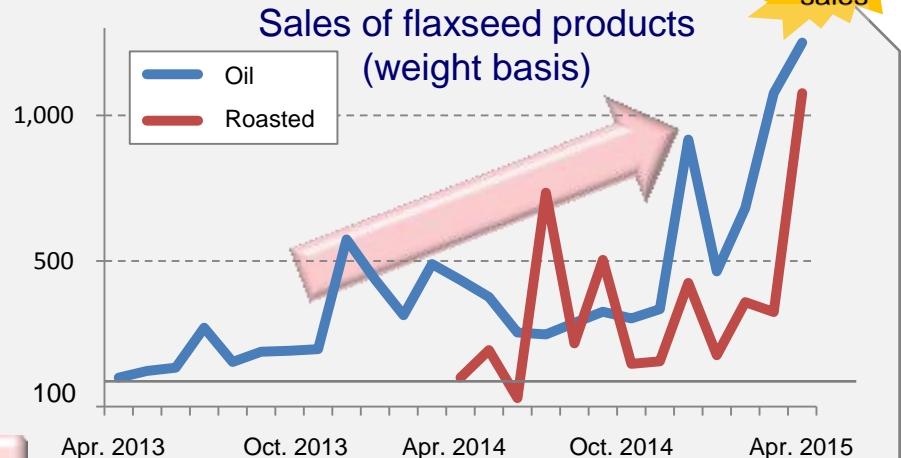
### Flaxseed



- Seeds of flax
- Rich in alpha-linolenate, lignin, and dietary fiber
- Widely used not only as an ingredient but also for processed food



Oil    Dressing    Mayonnaise



Note: The level in April 2013 is set to be 100 for oil and the level in April 2014 is set to be 100 for roasted flaxseed.

Maintain blood cholesterol at an appropriate level

Improve neutral fat level in the blood

### Ceramide



- Extract from rice bran and corn
- Developed the technology for continuous industrial production of high-purity ceramides

Skin moisturizing by ingestion

Easing of atopic dermatitis

### Pomace extract

- Extract from solid remains of grapes etc. after pressing for juice etc.
- Rich in oleanolic acid and polyphenols such as anthocyanin



Inhibit proliferation of streptococcus mutans

### Olive extract

- Condensation of active ingredients extracted from olive fruit



Alleviation of arthrosis

### Linseed lignin

- Active ingredient extracted from linseed



Prevention of metabolic syndrome

# FASMAC Co., Ltd. - Genome technology of the world's highest level

## ISTA\* certified

(\*) International Seed Testing Association

- ISTA certification: This certification attests that a laboratory is capable of issuing certifications for import/export of seed based on ISTA standards.

### Food testing

- Food allergen
- GMO, radioactivity testing, etc.

Start in  
FY2016

### Plant testing

ISTA certified

- Genetically modified seed testing
- Plant pathology, germinating rate
- Purity, soil diagnosis, etc.

To start in FY2018

### Animal testing

- Antibiotics in milk
- Preventive genetic diagnosis of animals etc.

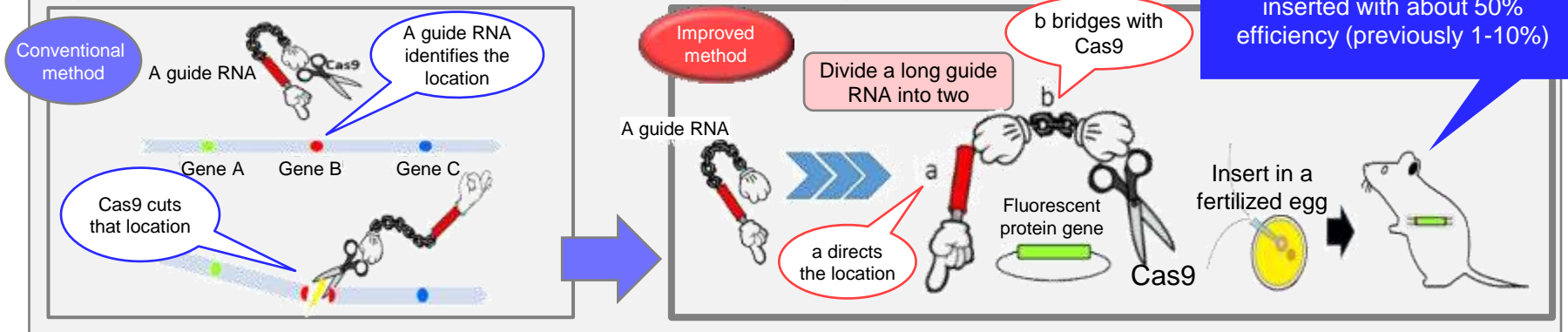
Cultivation of the food testing market and entry to other industries

In red: Development projects

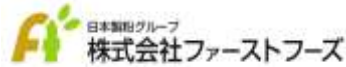
## Joint development of genetic modification technology of the world's highest level

- Joint development of simple and highly efficient genetic modification technology with Tokyo Medical and Dental University, Hiroshima University, and Keio University

[Knock-in mice generation (genetically modified mice)]



# Market Cultivation by Group Companies



## Fast Foods HD Co., Ltd. and three Fast Foods companies

- Buoyant shipping
- Capital investment to increase plant capacity



## Nagano Tomato Co., Ltd.

- Launch of collaborative products (pasta sauce etc.)
- Know-how on R&D of functional vegetables



## OK Food Industry Co., Ltd.

- 40% share of the Japanese market for seasoned deep-dried tofu
- Brisk export of *inariage* deep fried tofu, including halal-certified products
- Acquired FSSC22000 certification (first in the industry)

Participated in the Malaysia International Halal Showcase



## PT. NIPPN FOODS INDONESIA

- Manufacture and sale of premixes
- Sales of products responding to local needs



Mom and pop store in Jakarta



# Overseas Business

## Asia – Thailand and China –

## U.S.

### Tianjin Chuan Shun Foods., Ltd.

- Manufacture and sale of premix products

### Nippon Flour Mills (Shanghai) Co., Ltd.



- Manufacture and sale of premix products
- Acquired FSSC22000 certification

### Pasta Montana, L.L.C.

- Manufacture and sale of pasta
- Export to Japan



Tianjin

Shanghai

Bangkok

Jakarta

### NIPPN (Thailand) Co., Ltd.



- Manufacture and sale of premix products
- Acquired HACCP, HALAL, and other certifications
- Expansion of sales channels in Thailand and adjacent countries

Montana

California

### NIPPN California Inc.

Sales of food and food ingredients in the North American market

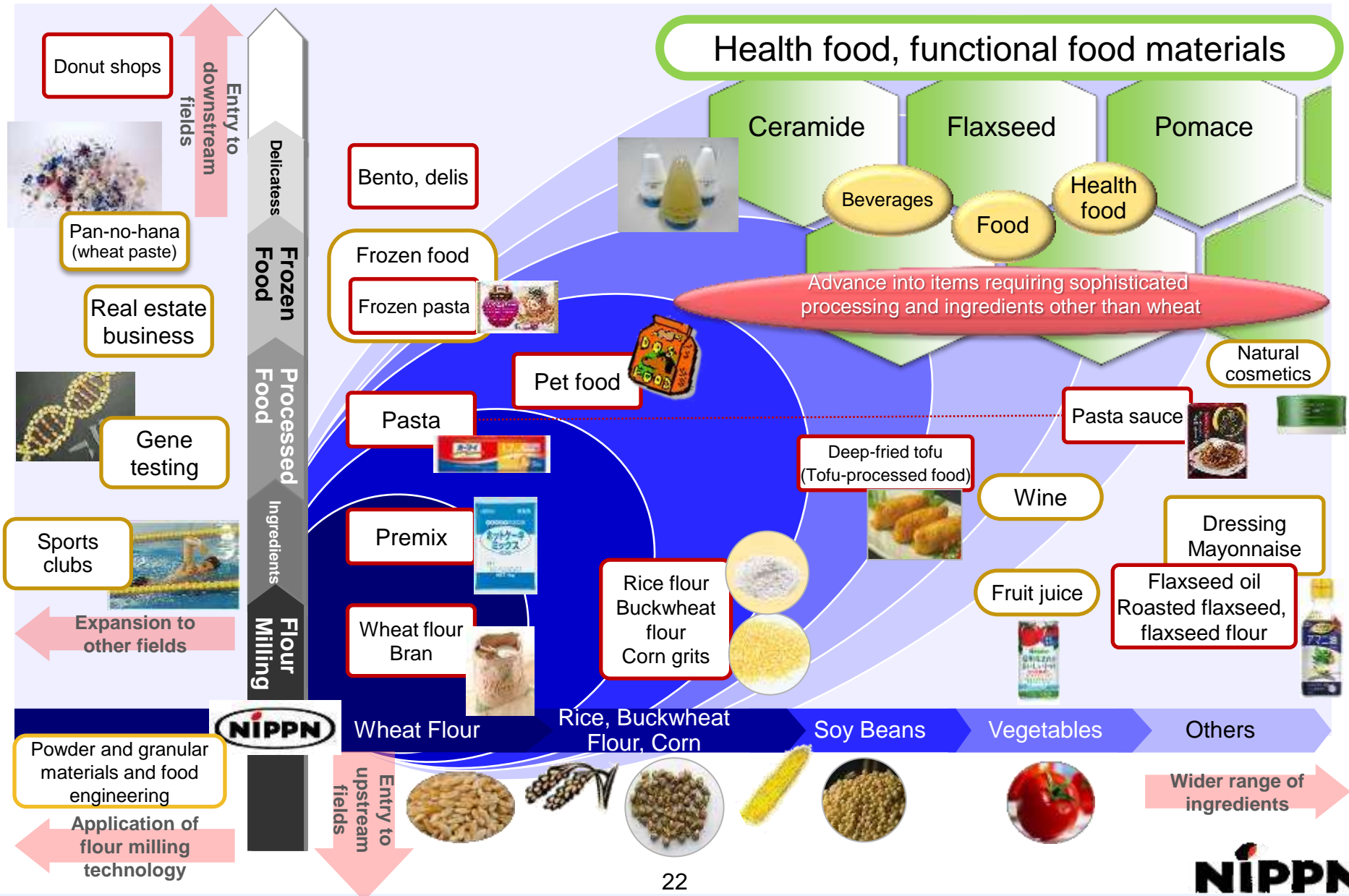
### PT. NIPPN FOODS INDONESIA

- Manufacture and sale of premix products, etc.





# Direction of Diversification



# CSR Activities

## Dietary education



- Established Faculty of Food Education as a joint project with “Tamesue College” of Dai Tamesue, a former professional athlete
- Present special classes at elementary schools to encourage exercise and healthy nutrition
- Received a Screening Committee Encouragement Award at FY2014 Commendation of Enterprises Promoting Hands-on Activities for Young People (Ministry of Education, Culture, Sports, Science and Technology)



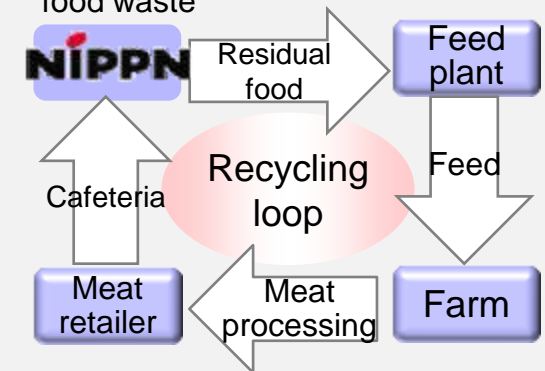
## Support of sports

- Support sports based on the policy of contributing to people’s wellbeing through food
- Distribute pasta to promote carbo-loading for stamina among people participating in sports
- Vigorous support of sporting events throughout Japan



## Environment

- Food recycling loop established and operating for recycling and reuse of food waste



\*Received the Agriculture, Forestry and Fisheries Minister Award in the environmental category of Excellent Food Enterprise Commendation

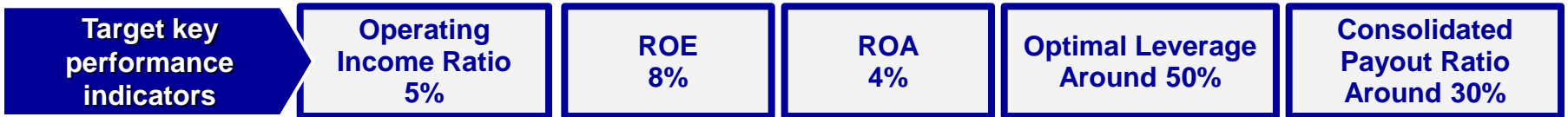
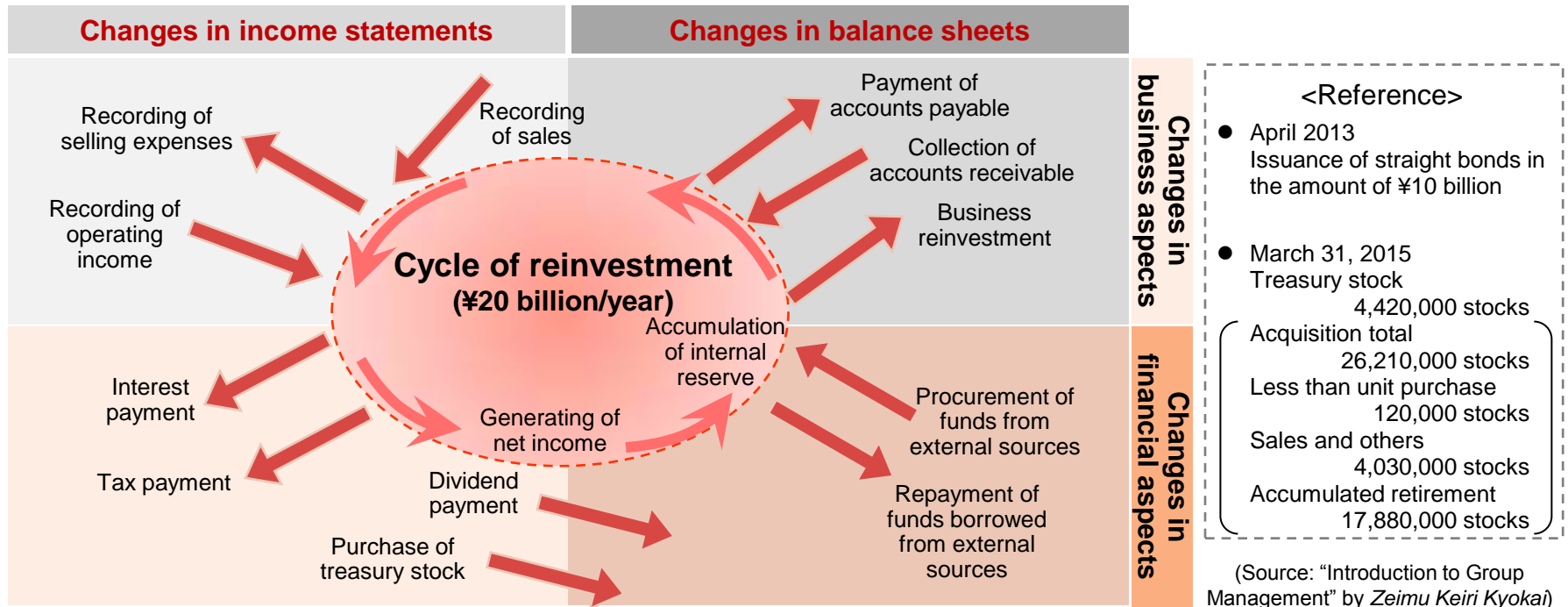
- Use of paper certified by the Programme for the Endorsement of Forest Certification for paper trays for frozen foods



# Steps to Strengthen the Group's Financial Position

## Basic policies

- Optimally allocate stable CF from operations through sustainable growth by strategic investment
- Realize the optimum capital structure by enhancing asset efficiency to maintain/improve the rating
- Establish the financial condition capable of continually returning profit to shareholders (including acquisition of treasury stock)

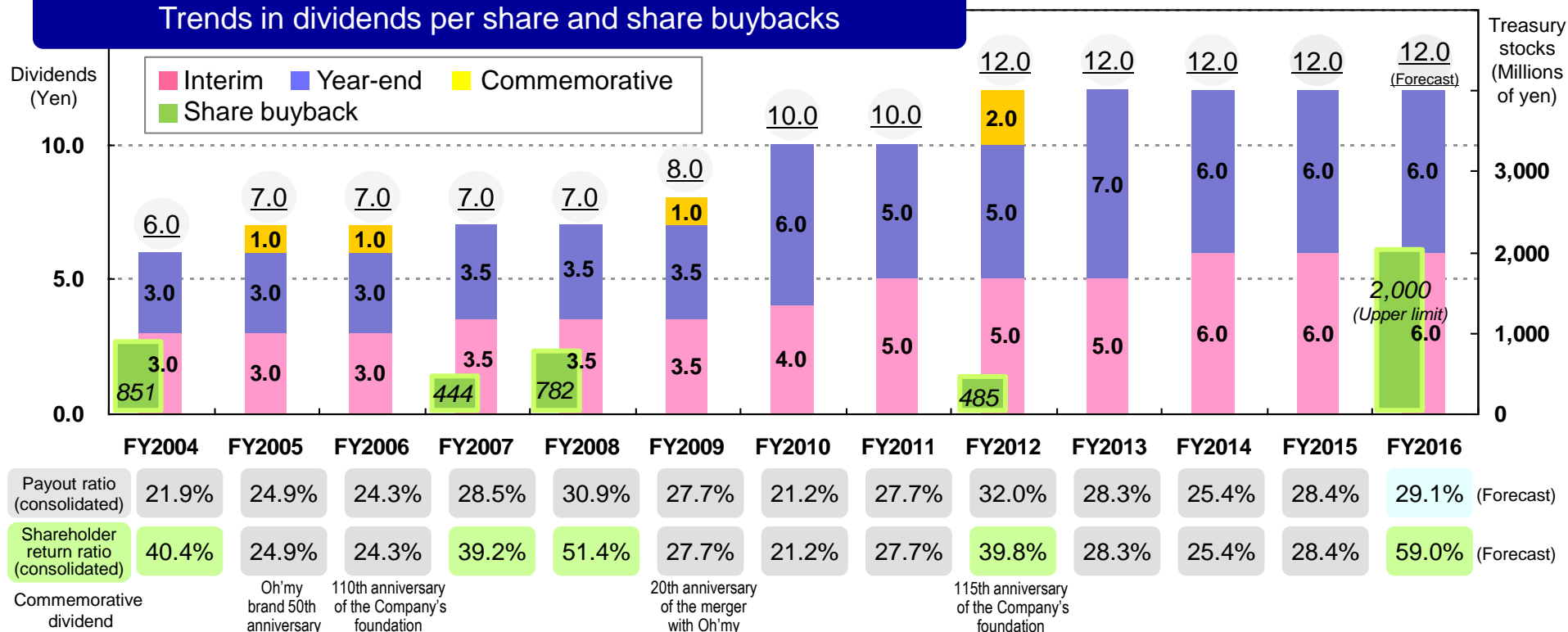




# Returning Profits to Shareholders

- NIPPN maintains a prudent approach toward its internal reserves taking into consideration the need to strengthen its corporate structure, prepare for future business development, and respond to changes in its operating environment.
- Every effort is made to ensure the stable and continuous payment of dividends.
- The payment of dividends is based on a thoroughgoing assessment of NIPPN consolidated performance and financial position.
- (Shareholder benefits) Shareholders holding at least 1,000 shares as of March 31 receive Nippn products worth 3,000 yen.  
Shareholders holding at least 1,000 shares for over 12 months or longer as of September 30 additionally receive Nippn products worth 1,500 yen.

## Trends in dividends per share and share buybacks



	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Payout ratio (consolidated)	21.9%	24.9%	24.3%	28.5%	30.9%	27.7%	21.2%	27.7%	32.0%	28.3%	25.4%	28.4%	29.1%
Shareholder return ratio (consolidated)	40.4%	24.9%	24.3%	39.2%	51.4%	27.7%	21.2%	27.7%	39.8%	28.3%	25.4%	28.4%	59.0%
Commemorative dividend		Oh'my brand 50th anniversary	110th anniversary of the Company's foundation			20th anniversary of the merger with Oh'my			115th anniversary of the Company's foundation				

\*Shareholder return ratio = Dividend payout ratio + Ratio of share buyback (share buyback/net income)

# FY2016 Policy on Group Management

## FY2016 Policy on Group Management - Swift response to change

- Promote low-cost operations throughout business fields
- Re-establish the business structure and business portfolio
- Step up management for total optimization of the Group's operations
- Food market, wheat system, TPP
- Promote CSR management

## Quantitative Targets for FY2016

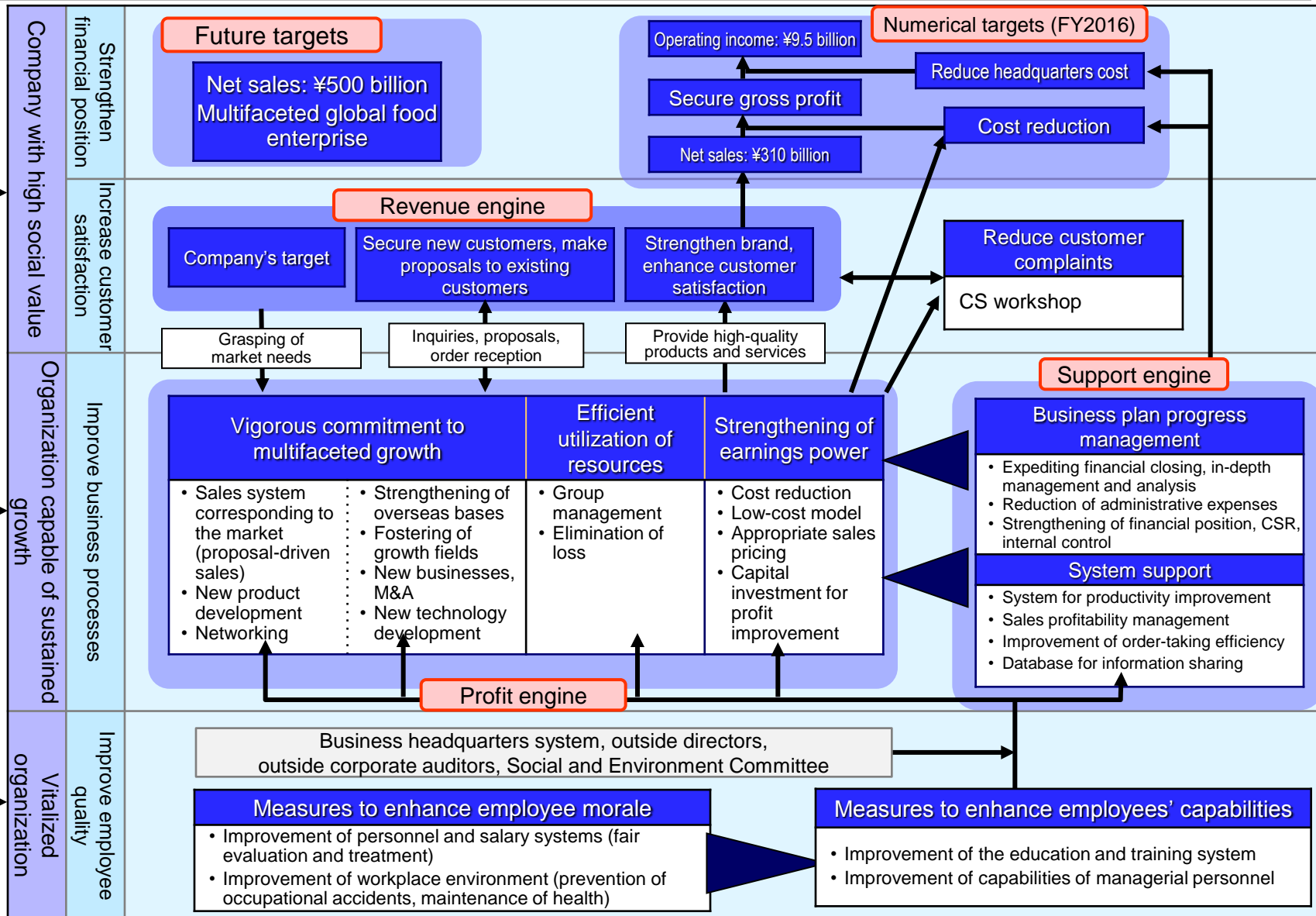
(Millions of yen)

	FY2015	FY2016	Change	Change
Net Sales	298,511	310,000	11,489	3.8%
Operating Income	8,406	9,500	1,094	13.0%
Ordinary Income	9,807	10,500	693	7.1%
Net Income*	6,981	6,700	(281)	(4.0)%

\* Net income attributable to the parent company

# Summary of the Growth Strategy

## OUR POLICY





# Overview of Fiscal Year ended March 31, 2015 (FY2015) Business Results and FY2016 Future Forecasts

May 22, 2015

# Consolidated Statements of Income

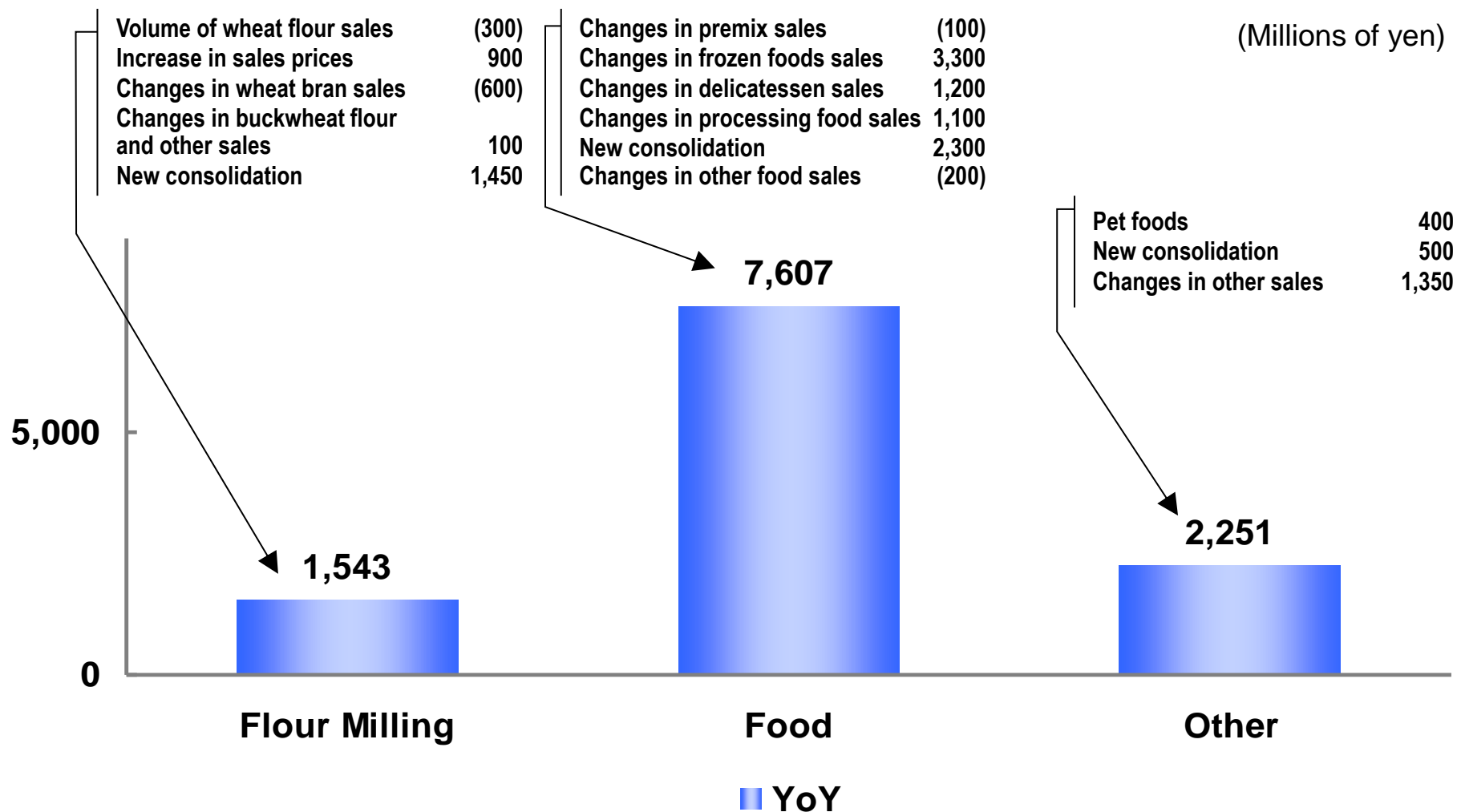
(Millions of yen)

		FY2014		FY2015		YoY	
		(2013.4 ~ 2014.3)	Vs. net sales	(2014.4 ~ 2015.3)	Vs. net sales	Change	Change
Net sales	Flour Milling	<b>100,129</b>	<b>34.9%</b>	<b>101,673</b>	<b>34.1%</b>	<b>1,543</b>	<b>1.5%</b>
	Food	<b>158,974</b>	<b>55.4%</b>	<b>166,581</b>	<b>55.8%</b>	<b>7,607</b>	<b>4.8%</b>
	Other	<b>28,005</b>	<b>9.7%</b>	<b>30,256</b>	<b>10.1%</b>	<b>2,251</b>	<b>8.0%</b>
	Total	<b>287,109</b>	<b>100.0%</b>	<b>298,511</b>	<b>100.0%</b>	<b>11,401</b>	<b>4.0%</b>
Operating income	Flour Milling	<b>4,148</b>	<b>4.1%</b>	<b>2,295</b>	<b>2.3%</b>	<b>(1,852)</b>	<b>(44.7)%</b>
	Food	<b>6,191</b>	<b>3.9%</b>	<b>5,676</b>	<b>3.4%</b>	<b>(515)</b>	<b>(8.3)%</b>
	Other	<b>468</b>	<b>1.7%</b>	<b>434</b>	<b>1.4%</b>	<b>(34)</b>	<b>(7.3)%</b>
	Total	<b>10,808</b>	<b>3.8%</b>	<b>8,406</b>	<b>2.8%</b>	<b>(2,402)</b>	<b>(22.2)%</b>
Ordinary income		<b>12,248</b>	<b>4.3%</b>	<b>9,807</b>	<b>3.3%</b>	<b>(2,440)</b>	<b>(19.9)%</b>
Net income*		<b>7,810</b>	<b>2.7%</b>	<b>6,981</b>	<b>2.3%</b>	<b>(829)</b>	<b>(10.6)%</b>
ROE		<b>6.8%</b>		<b>5.6%</b>		<b>(1.2)p</b>	
EPS		<b>¥47.23</b>		<b>¥42.22</b>		<b>¥(5.01)</b>	

\* Net income attributable to the parent company

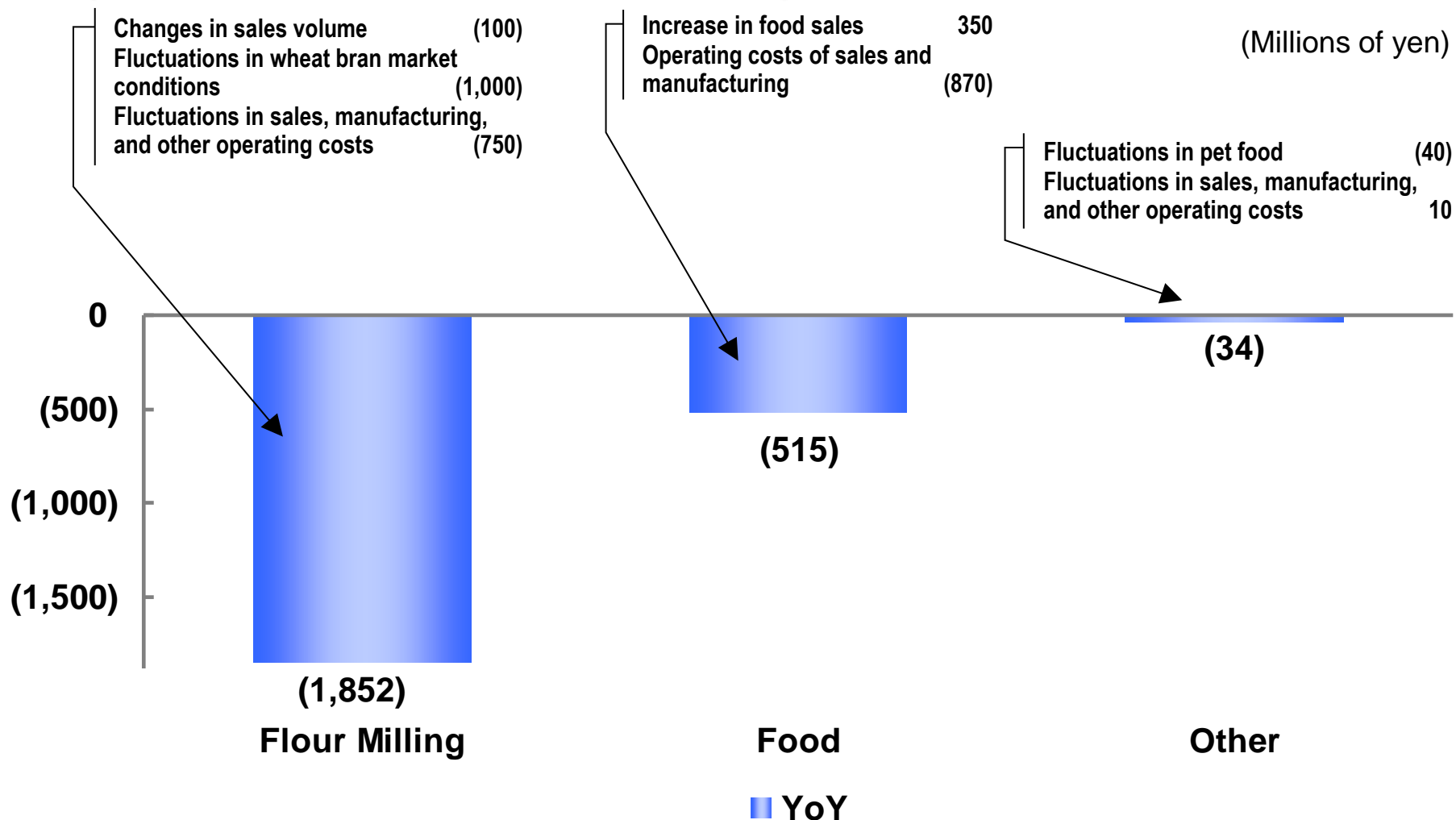
# Analysis of Factors for Changes in Net Sales

## ◆ Factors for changes in net sales (overall increase of ¥11,401 million)



# Analysis of Factors for Changes in Operating Income

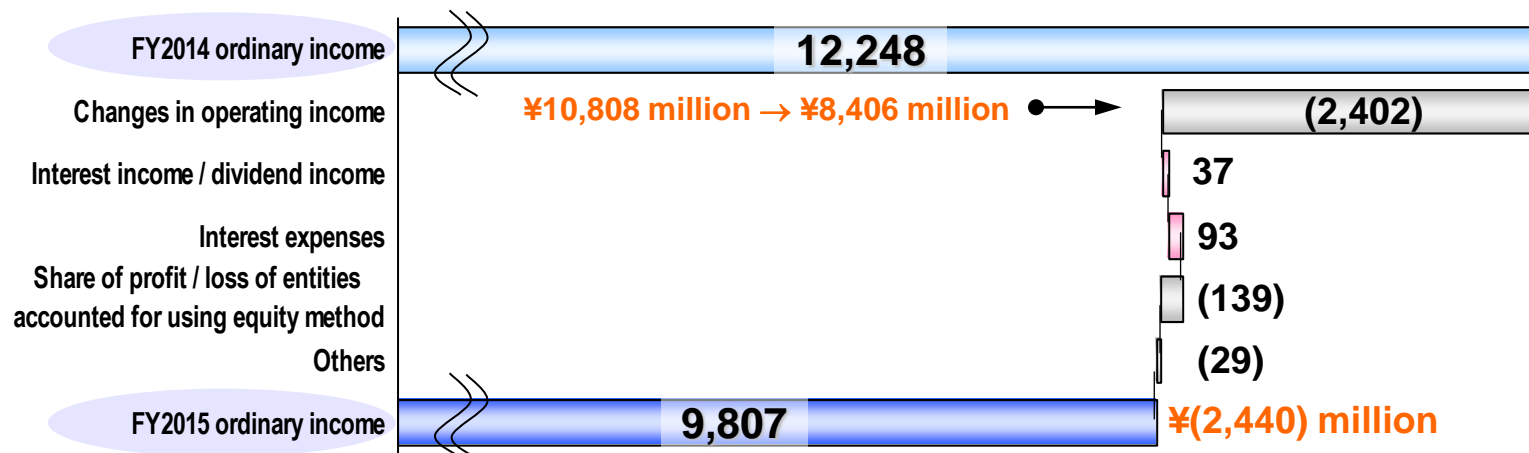
## ◆ Factors for changes in operating income (overall decrease of ¥2,402 million)



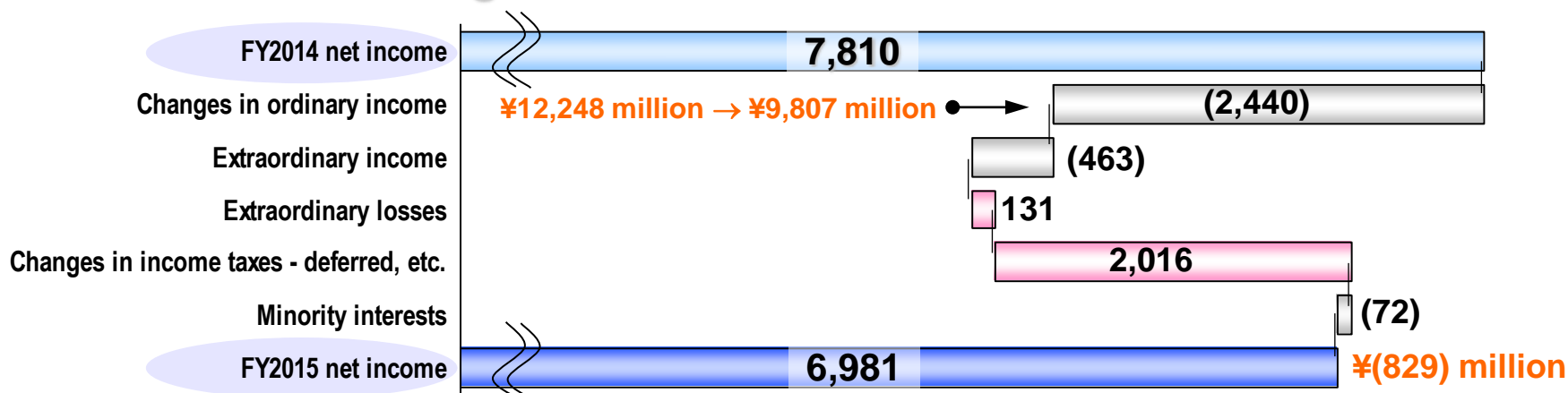
# Analysis of Factors for Changes in Ordinary Income/ Net Income

## ◆ Factors for changes in ordinary income

(Millions of yen)



## ◆ Factors for changes in net income\*



\* Net income attributable to the parent company



# Consolidated Balance Sheets (Assets)

(Millions of yen)

	FY2014		FY2015		Change		Factors for changes
	(As of Mar. 31, 2014)	Component ratio	(As of Mar. 31, 2015)	Component ratio			
Current assets	<b>87,520</b>	<b>38.6%</b>	<b>94,362</b>	<b>37.9%</b>	<b>6,842</b>	<b>(0.7)p</b>	
Tangible assets	<b>85,042</b>	<b>37.5%</b>	<b>86,349</b>	<b>34.7%</b>	<b>1,306</b>	<b>(2.8)p</b>	
Intangible assets	<b>1,543</b>	<b>0.7%</b>	<b>1,131</b>	<b>0.5%</b>	<b>(412)</b>	<b>(0.2)p</b>	
Investments and other assets	<b>52,698</b>	<b>23.2%</b>	<b>67,047</b>	<b>26.9%</b>	<b>14,349</b>	<b>3.7p</b>	Valuation of investment securities
Fixed assets	<b>139,283</b>	<b>61.4%</b>	<b>154,527</b>	<b>62.1%</b>	<b>15,244</b>	<b>0.7p</b>	
Total assets	<b>226,803</b>	<b>100.0%</b>	<b>248,890</b>	<b>100.0%</b>	<b>22,086</b>	<b>-</b>	

# Consolidated Balance Sheets (Liabilities and Net Assets)

(Millions of yen)

	FY2014		FY2015		Change		Factors for changes	
	(As of Mar. 31, 2014)	Component ratio	(As of Mar. 31, 2015)	Component ratio				
Current liabilities	<b>62,370</b>	<b>27.5%</b>	<b>64,616</b>	<b>26.0%</b>	<b>2,246</b>	<b>(1.5)p</b>		
Long-term liabilities	<b>42,796</b>	<b>18.9%</b>	<b>46,738</b>	<b>18.7%</b>	<b>3,941</b>	<b>(0.2)p</b>		
Total liabilities	<b>105,167</b>	<b>46.4%</b>	<b>111,354</b>	<b>44.7%</b>	<b>6,187</b>	<b>(1.7)p</b>		
Shareholders' equity	Common stock	<b>12,240</b>	<b>5.4%</b>	<b>12,240</b>	<b>4.9%</b>	<b>-</b>	<b>(0.5)p</b>	
	Additional capital surplus	<b>10,666</b>	<b>4.7%</b>	<b>10,666</b>	<b>4.3%</b>	<b>0</b>	<b>(0.4)p</b>	
	Retained earnings	<b>83,519</b>	<b>36.8%</b>	<b>88,389</b>	<b>35.5%</b>	<b>4,870</b>	<b>(1.3)p</b>	
	Treasury stock, at cost	<b>(1,607)</b>	<b>(0.7)%</b>	<b>(1,608)</b>	<b>(0.6)%</b>	<b>(0)</b>	<b>0.1p</b>	
Accumulated other comprehensive income	<b>13,539</b>	<b>6.0%</b>	<b>22,945</b>	<b>9.2%</b>	<b>9,405</b>	<b>3.2p</b>		
Subscription rights to shares	<b>-</b>	<b>-</b>	<b>46</b>	<b>0.0%</b>	<b>46</b>	<b>0.0p</b>		
Minority interests	<b>3,278</b>	<b>1.4%</b>	<b>4,854</b>	<b>2.0%</b>	<b>1,576</b>	<b>0.6p</b>		
Total net assets	<b>121,636</b>	<b>53.6%</b>	<b>137,535</b>	<b>55.3%</b>	<b>15,898</b>	<b>1.7p</b>		
Total liabilities and net assets	<b>226,803</b>	<b>100.0%</b>	<b>248,890</b>	<b>100.0%</b>	<b>22,086</b>	<b>-</b>		

# Consolidated Statements of Cash Flows

(Millions of yen)

	FY2014	FY2015	Change
Cash flows from operating activities	<b>15,487</b>	<b>11,803</b>	<b>(3,684)</b>
Cash flows from investing activities	<b>(13,349)</b>	<b>(8,653)</b>	<b>4,695</b>
Cash flows from financing activities	<b>(123)</b>	<b>(2,813)</b>	<b>(2,690)</b>
Effect of exchange rate changes on cash and cash equivalents	<b>248</b>	<b>309</b>	<b>60</b>
Increase (decrease) in cash and cash equivalents	<b>2,263</b>	<b>645</b>	<b>(1,618)</b>
Cash and cash equivalents at beginning of the year	<b>10,000</b>	<b>12,202</b>	<b>2,202</b>
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	<b>(60)</b>	<b>-</b>	<b>60</b>
Cash and cash equivalents at end of the year	<b>12,202</b>	<b>12,847</b>	<b>645</b>

- Major factors contributing to changes in cash flows from operating activities = Increases in inventories, etc.
- Major factors contributing to changes in cash flows from investing activities = Increase of capital investment, etc.
- Major factors contributing to changes in cash flows from financing activities = Increase due to issuance of bonds (FY2014), etc.

# FY2016 Forecasts

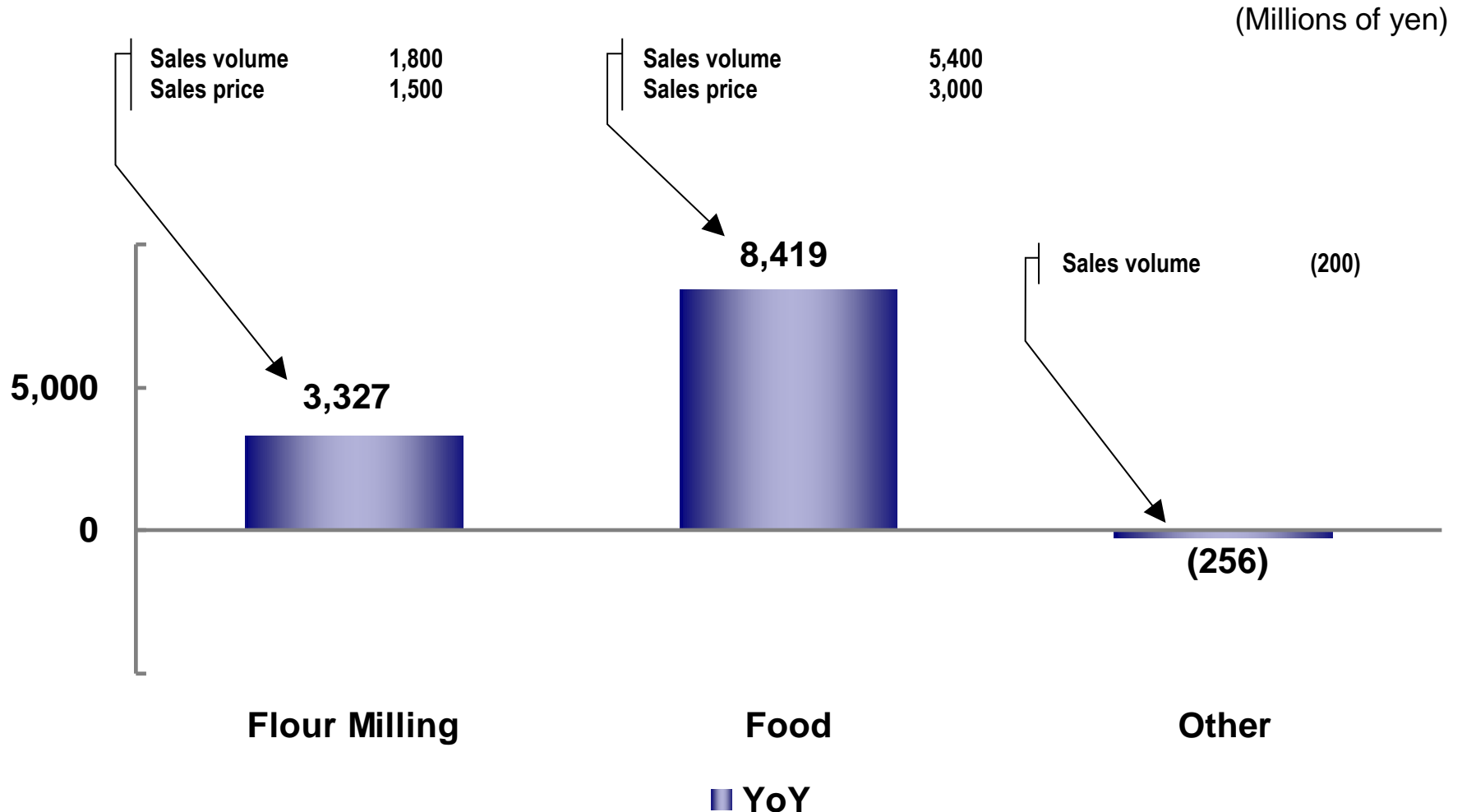
(Millions of yen)

		FY2015		FY2016 (Forecasts)		YoY	
		Result	Vs. net sales	Forecasts	Vs. net sales	Change	Change
Net sales	Flour Milling	<b>101,673</b>	<b>34.1%</b>	<b>105,000</b>	<b>33.9%</b>	<b>3,327</b>	<b>3.3%</b>
	Food	<b>166,581</b>	<b>55.8%</b>	<b>175,000</b>	<b>56.4%</b>	<b>8,419</b>	<b>5.1%</b>
	Other	<b>30,256</b>	<b>10.1%</b>	<b>30,000</b>	<b>9.7%</b>	<b>(256)</b>	<b>(0.8)%</b>
	Total	<b>298,511</b>	<b>100.0%</b>	<b>310,000</b>	<b>100.0%</b>	<b>11,489</b>	<b>3.8%</b>
Operating income	Flour Milling	<b>2,295</b>	<b>2.3%</b>	<b>3,600</b>	<b>3.4%</b>	<b>1,305</b>	<b>56.9%</b>
	Food	<b>5,676</b>	<b>3.4%</b>	<b>5,600</b>	<b>3.2%</b>	<b>(76)</b>	<b>(1.3)%</b>
	Other	<b>434</b>	<b>1.4%</b>	<b>300</b>	<b>1.0%</b>	<b>(134)</b>	<b>(30.9)%</b>
	Total	<b>8,406</b>	<b>2.8%</b>	<b>9,500</b>	<b>3.1%</b>	<b>1,094</b>	<b>13.0%</b>
Ordinary income		<b>9,807</b>	<b>3.3%</b>	<b>10,500</b>	<b>3.4%</b>	<b>693</b>	<b>7.1%</b>
Net income *		<b>6,981</b>	<b>2.3%</b>	<b>6,700</b>	<b>2.2%</b>	<b>(281)</b>	<b>(4.0)%</b>
ROE		<b>5.6%</b>		<b>5.0%</b>		<b>(0.6)p</b>	
EPS		<b>¥42.22</b>		<b>¥40.52</b>		<b>¥(1.70)</b>	

\* Net income attributable to the parent company

# Analysis of Factors for Changes in Net Sales Forecasts

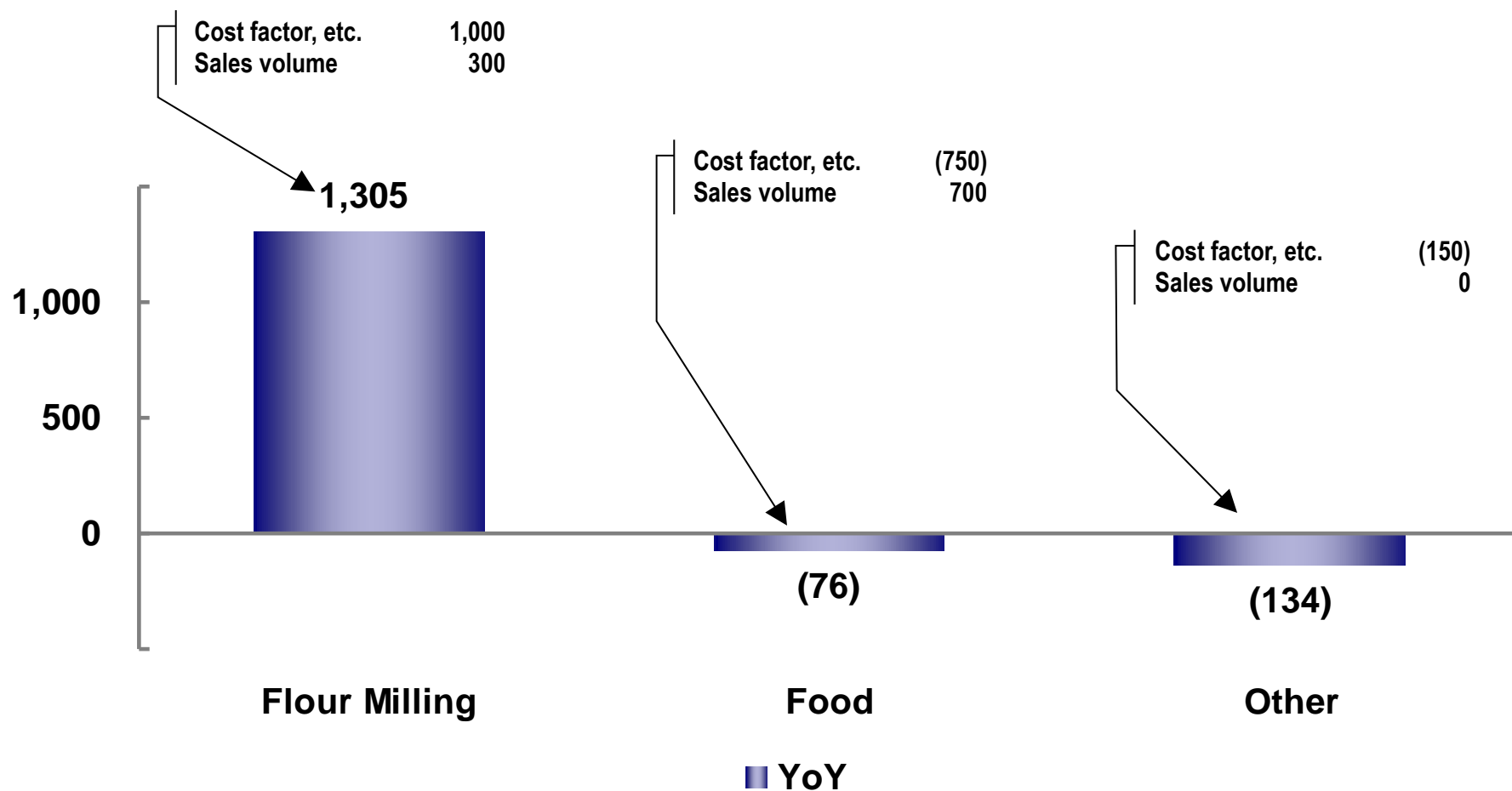
## ◆ Factors for changes in net sales forecasts (overall increase of ¥11,489 million)



# Analysis of Factors for Changes in Operating Income Forecasts

## ◆ Factors for changes in operating income forecasts (overall increase of ¥1,094 million)

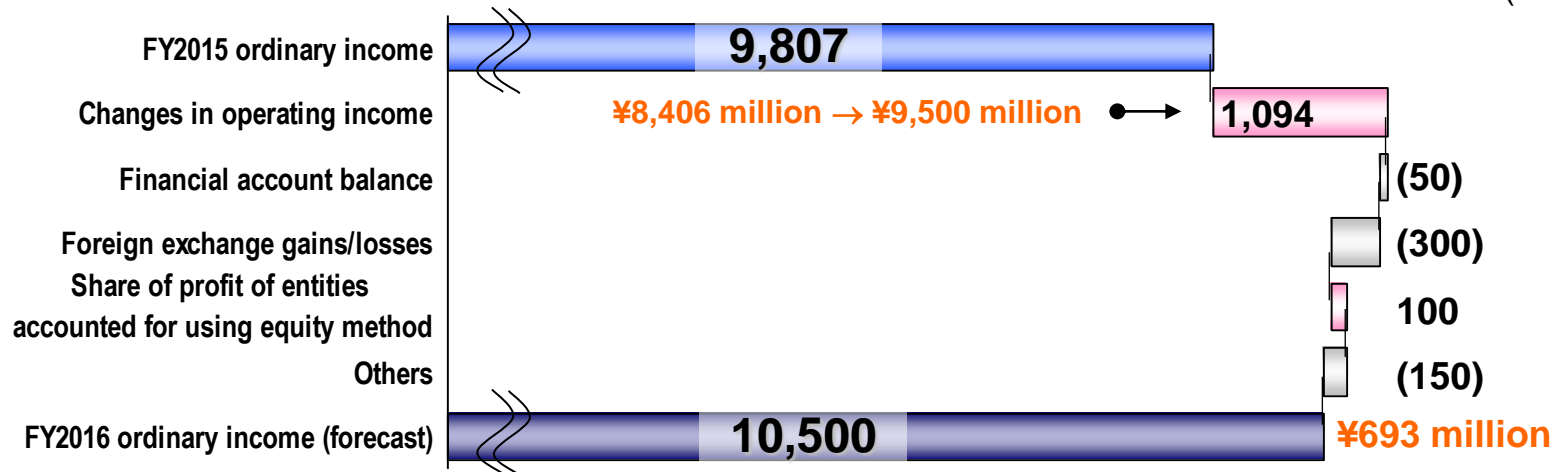
(Millions of yen)



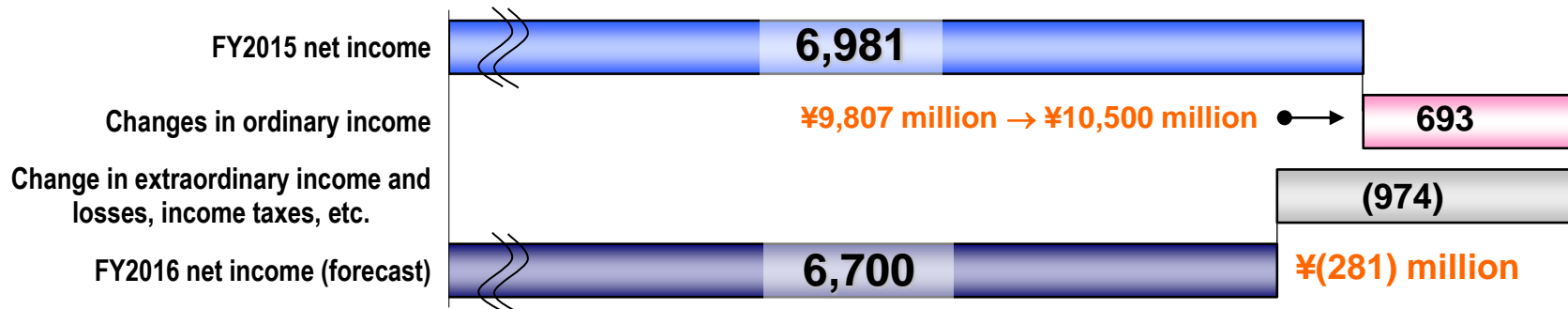
# Analysis of Factors for Changes in Ordinary Income/ Net income Forecasts

## ◆ Factors for changes in ordinary income forecasts

(Millions of yen)



## ◆ Factors for changes in net income\* forecasts



\* Net income attributable to the parent company

# Inquiries

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This document includes details of the Company's current plans and performance forecasts. These future plans and forecast figures are based on information currently available as well as the Company's plans and projections. Actual results and performance may differ materially from these plans and forecast figures due to a variety of conditions and factors. This document does not represent a definitive commitment or guarantee by the Company to achieve stated plans and forecast figures.

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