



Briefing Session on Business Results
for the First Half of Fiscal Year
Ending March 31, 2016 (FY2016)

November 18, 2015

Nippon Flour Mills Co., Ltd.
<http://www.nippon.co.jp>



First Half of FY2016
Performance Overview and Outlook

November 18, 2015

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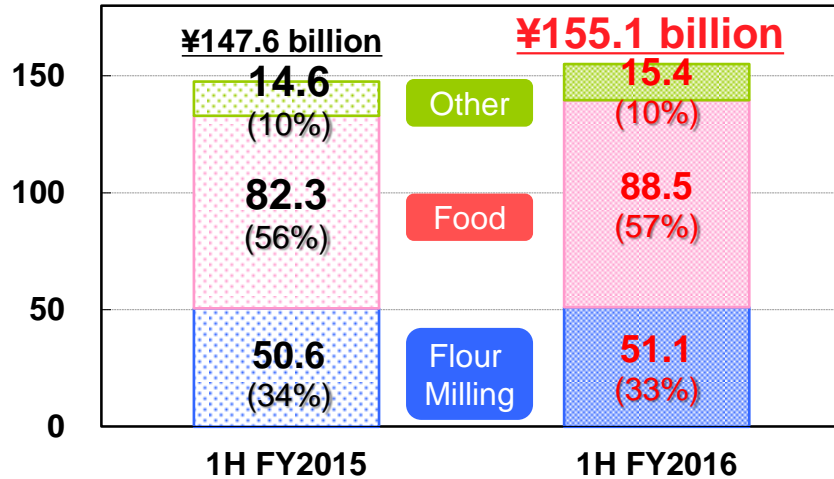
4 Promotion of CSR Management

First Half of FY2016 Performance Overview

Consolidated Business Results for 1H FY2016

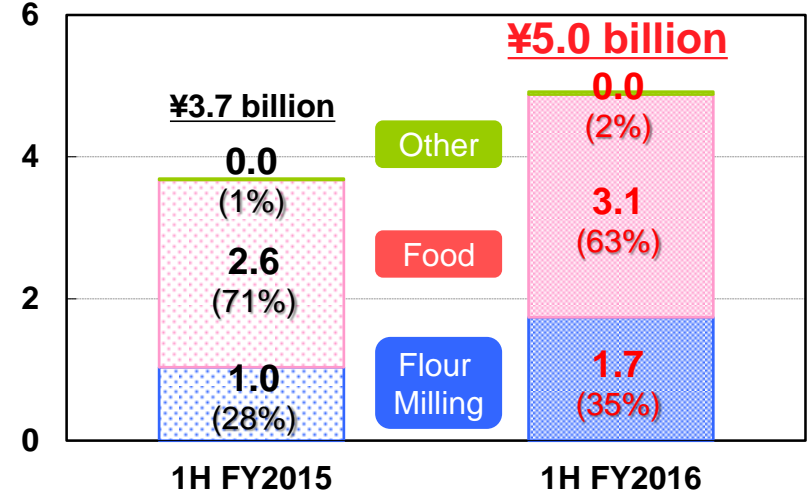
Net Sales

(Billions of yen)



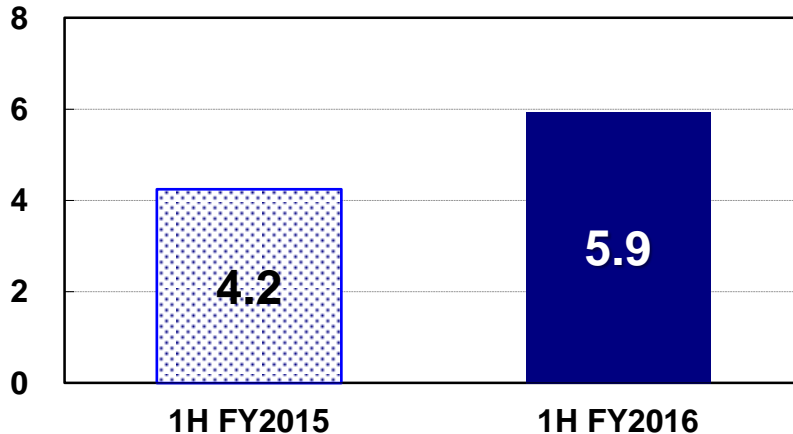
Operating Income

(Billions of yen)



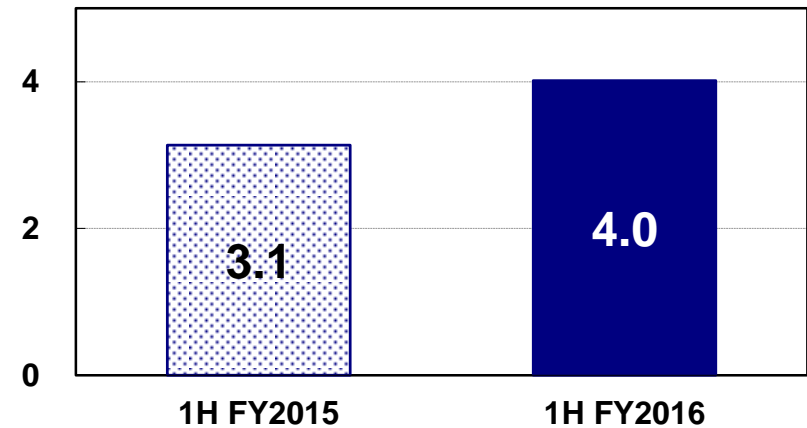
Ordinary Income

(Billions of yen)



Profit Attributable to Owners of Parent

(Billions of yen)



(Less than hundred million Japanese yen cutting off)

FY2016 Policy on Group Management

FY2016 Policy on Group Management ~Swift Response to Change in the Business Environment~

- 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
- Respond to changes (Food market, wheat system, TPP)
- Promote CSR management

Quantitative Targets for FY2016

Numbers in parentheses indicate revised amounts.
(Millions of yen)

	FY2015	FY2016	Change	Change (%)
Net Sales	298,511	310,000	11,489	3.8%
Operating Income	8,406	(+1,000) 10,500	2,094	24.9%
Ordinary Income	9,807	(+1,500) 12,000	2,193	22.4%
Profit*	6,981	(+ 900) 7,600	619	8.9%

* Profit attributable to owners of parent

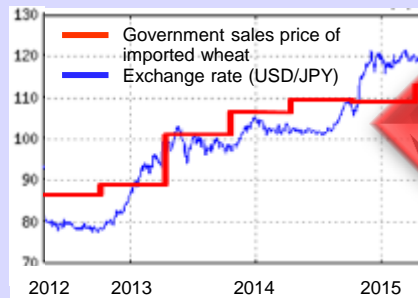
Change in Group's Business Environment

Recognition of Operating Environment (1) Significant change in the food market

Change in society

Increasing costs (inflation)

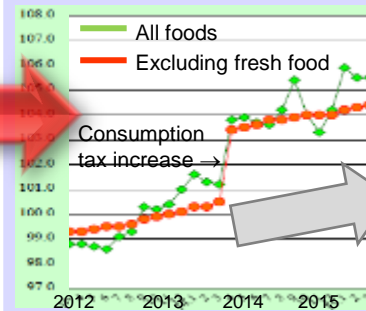
- Increase in raw materials cost (yen depreciation)
- Increase in labor cost



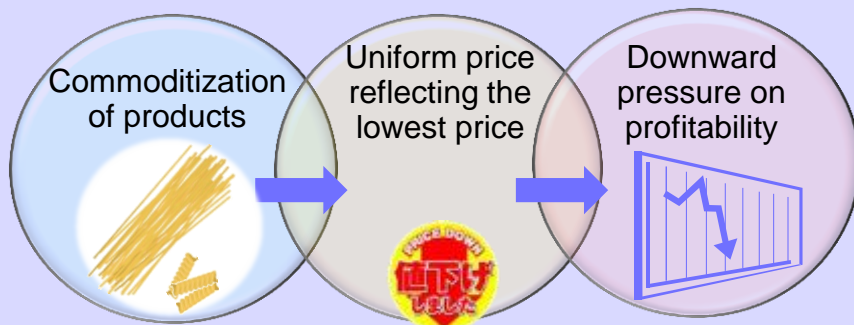
Change in the food market

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

Consumer price index



Change in products



- Intensifying competition for market share

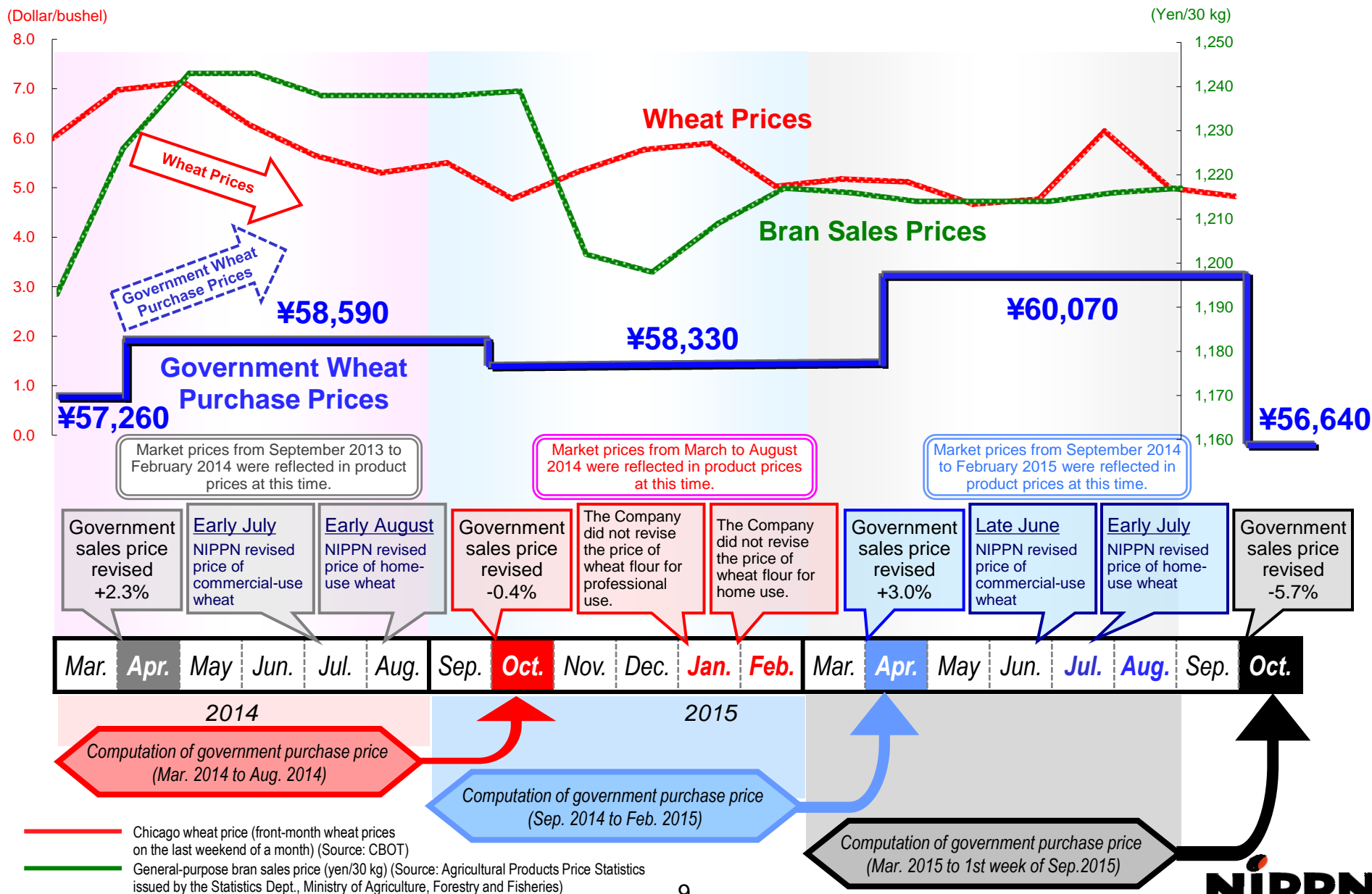
Change in consumers

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



Diversifying needs

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



Recognition of Operating Environment (3) TPP

TPP overview and status

- Regarding TPP negotiations, trade ministers reached an agreement in Atlanta, the US, on the morning of October 5 (night of October 5, Japan Standard Time).
- The text of the agreement is currently being drafted. After the 12 participating countries sign the agreement, deliberations will be in accordance with the procedures of each of the countries concerned.
- In the event that two years elapse from the signing and all the signatories still have not ratified the agreement, if six or more signatories representing 85% or more of the total GDP of the 12 original signatories ratify the agreement, the agreement will take effect 60 days after ratification by the 6th signatory. Ratification by the US (representing about 60% of TPP GDP) and by Japan (representing about 20% of TPP GDP) will be indispensable for the TPP agreement to take effect.

[Overview of TPP negotiations]

- Tariff elimination: 95.1% of all items, 81.0% of agricultural, forestry, and fishery products
- Immediate elimination of tariffs on 51.3% of agricultural products
- Number of items for which tariffs will be eliminated

	Total number of items	Number of items for which tariffs will be eliminated	Number of items remaining subject to tariffs
All items	9,018	8,575 (95.1%)	443 (4.9%)
Agricultural, forestry, and fishery products	2,328	1,885 (81.0%)	443 (19.0%)
Items without tariff elimination	834	395 (47.4%)	439 (52.6%)
5 key items	586	174 (29.7%)	412 (70.3%)
Rice	58	15 (25.9%)	43 (74.1%)
Wheat and barley	109	26 (23.9%)	83 (76.1%)
Beef and pork	100	70 (70.0%)	30 (30.0%)
Dairy products	188	31 (16.5%)	157 (83.5%)
Sweetening resource crops	131	32 (24.4%)	99 (75.6%)
Other than 5 key items	248	221 (89.1%)	27 (10.9%)

- Period until elimination of tariffs on agricultural, forestry, and fishery products

Immediate elimination	Elimination in the 2nd to the 11th year	Elimination in the 12th year or later	No elimination
51.3%	27.5%	2.2%	19.0%

Recognition of Operating Environment (4) TPP

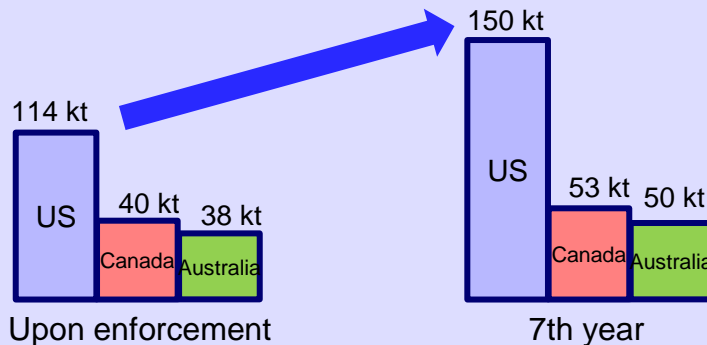
Overview of wheat and wheat products

Wheat

- ◆ In addition to the existing WTO quotas, country-specific quotas to be established (SBS method)

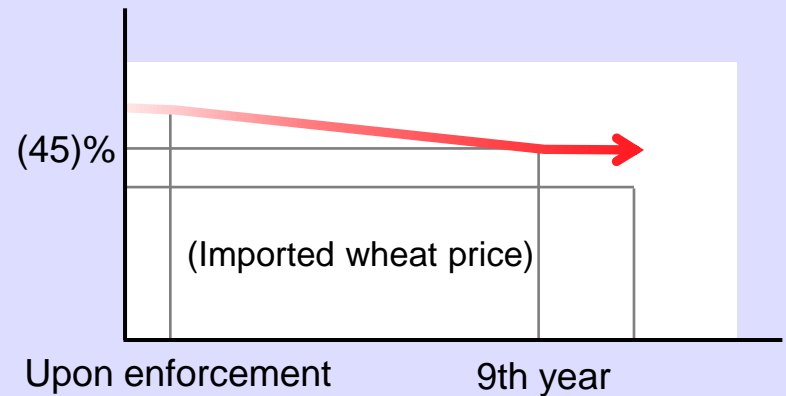
⇒ Increase until the 7th year

Existing WTO quota: 5,740 kt



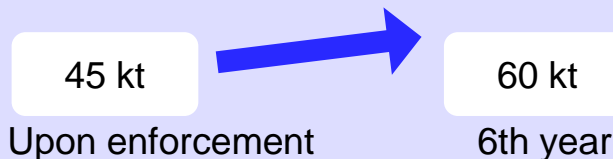
- ◆ Mark-up

⇒ Reduce 45% by the 9th year



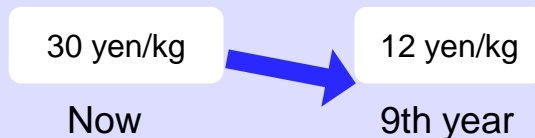
Wheat products

- ◆ Wheat products: TPP quotas and country-specific quotas
- Increase until the 6th year



- ◆ Macaroni and spaghetti

→ Reduce tariff by 60% by the 9th year



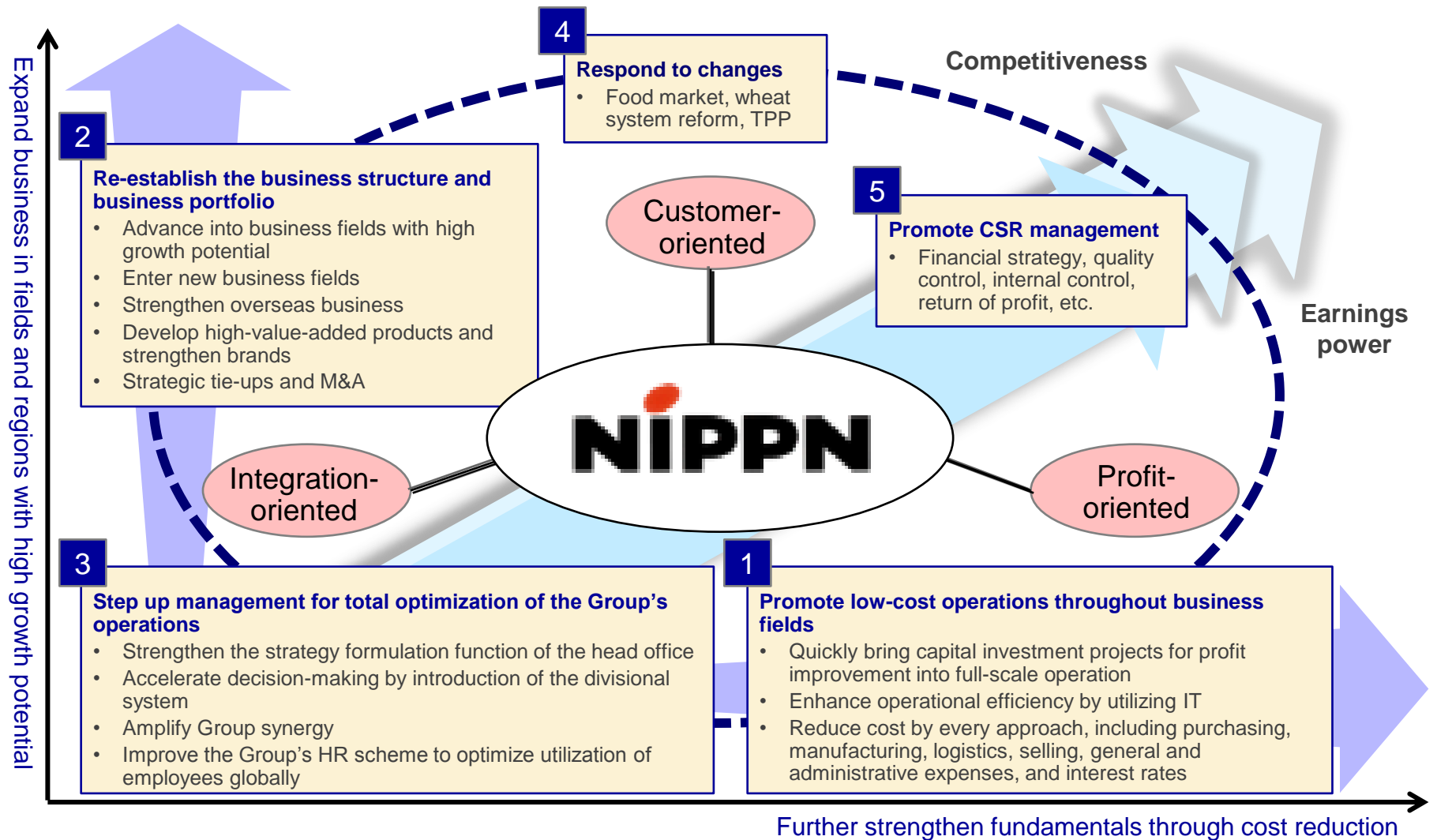
- ◆ Biscuit

→ Elimination of tariff in the 6th year



Strategy for Sustainable Growth

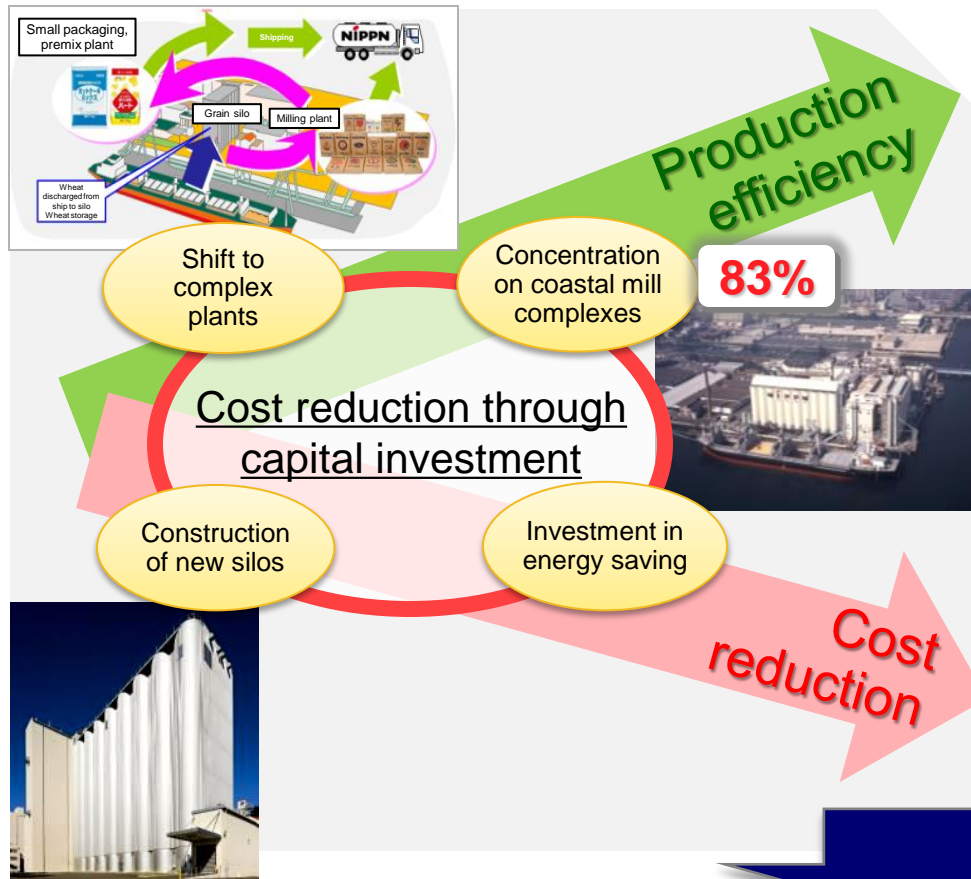
Growth Strategy Swiftly Responding to Change



Response to Change in the Business Environment (1)

Initiatives to strengthen the business foundation

Low-cost operations strategy



Achieve customer satisfaction by proposal-driven sales

Customers operating nationwide

Regional customers

New customers

Grasping of market needs

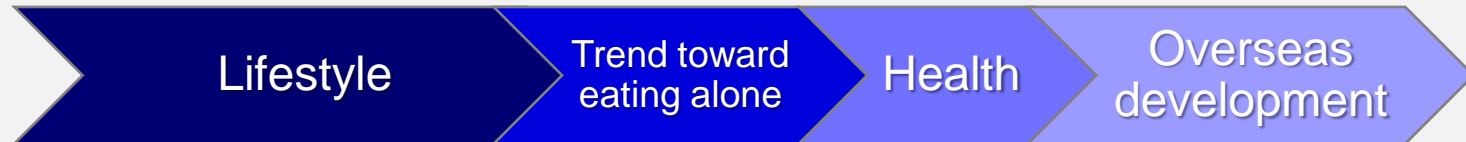
- Proposal of products offering value
 - Proposals for price and quality improvement
 - Provision of various types of information
- ⇒ Appropriate sales prices

Strengthen competitiveness,
enhance earnings power

Response to Change in the Business Environment (2)

Business expansion in growth fields

In view of the change in dining and consumption



- Market creation-type product development

Frozen food

Strengthen the lineup of all-in-one meals



Sea Urchin Cream Pasta



Hamburger and Spaghetti with tomato sauce



Milanese Doria



Hamburger and Soy-sauce-flavored Spaghetti

- Delicatessen

Strengthen collaboration with CVSs

- New business

Commitment to businesses that extend healthy life expectancy

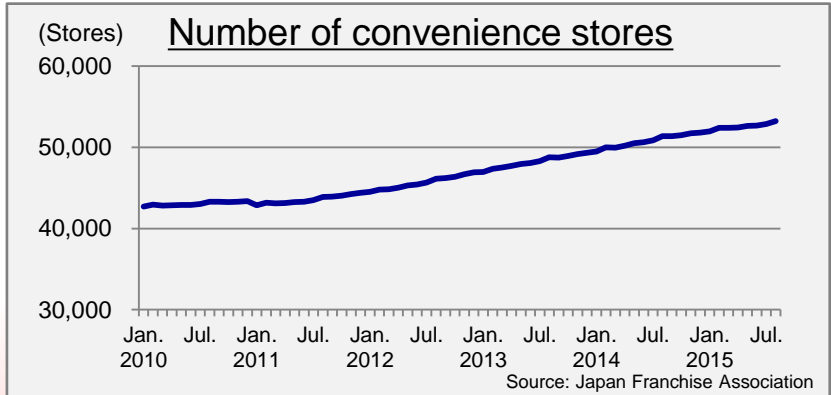
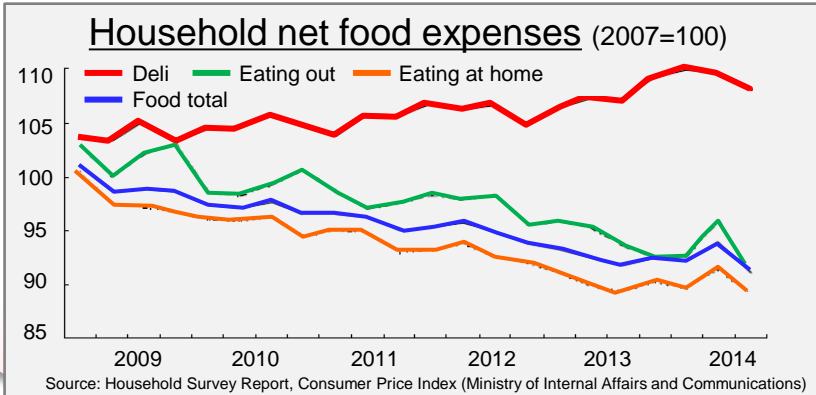
Strengthen development of new materials

- Overseas business

PT. NIPPN FOODS INDONESIA <Utilize halal certification>
Expand sales in Asia where growth is rapid

Delicatessen

Business environment of the deli market: Booming CVSs and backyard operations



Nippon Flour Mills established CS Business Department

Strengthen broad-based collaboration with CVSs

Expand sales in the growing deli market

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

Capital investment to respond to demand increase and to strengthen business



Sell all foods (products) available from the Group to the deli market



Wheat flour



Pasta



Premix



Deep-fried tofu



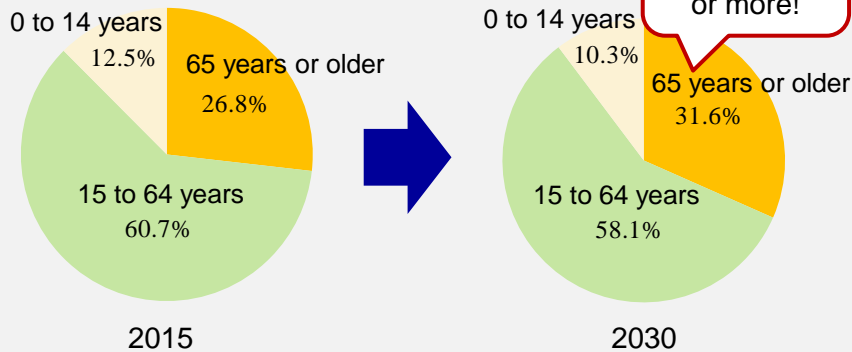
Tomato sauce

Corn
Buckwheat
flour
Rice flour
etc.

Functional foods (1)

Utilization of functional foods (1) To extend healthy life expectancy

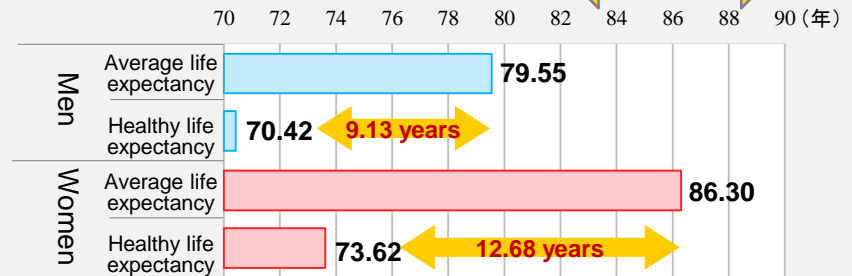
● Increasingly important senior market



Source: Population Statistics (2013), National Institute of Population and Social Security Research

- Prevention of lifestyle-related diseases
- Prevention of locomotive syndrome
- Prevention of periodontal diseases and loss of teeth

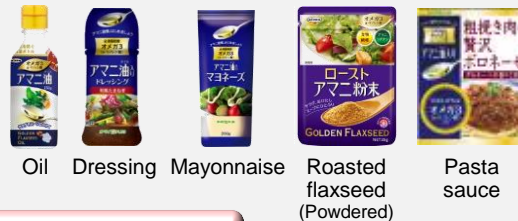
Difference between healthy life expectancy and average life expectancy



Source: Health, Labour and Welfare White Paper (2014)

Flaxseed

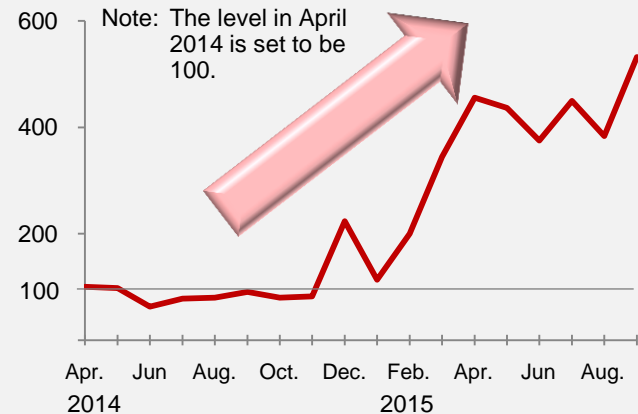
- Seeds of flax
- Rich in alpha-linolenate, lignin, and dietary fiber
- Widely used not only as an ingredient but also for processed food



Improve neutral fat level in the blood

Maintain blood cholesterol at an appropriate level

Sales of flaxseed products



Functional foods (2)

Utilization of functional foods (1) To extend healthy life expectancy

From amelioration of lifestyle-related diseases to cosmetics and prevention of dental diseases

Linseed lignin

- Active ingredient extracted from linseed
- ◇ Key to preventing lifestyle-related diseases

Antioxidation, improvement of lipid metabolism



Ceramide

- Extract from rice bran and corn
- Developed the technology for continuous industrial production of high-purity ceramides
- ◇ Helping realize beautiful, healthy skin



Skin moisturizing by ingestion

Olive extract

- Condensation of active ingredients extracted from olive fruit
- ◇ Helping realize smooth body movement

Alleviation of arthrosis



Pomace extract

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



Inhibit proliferation of streptococcus mutans

Functional Vegetables

Application of 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

Direction of product development



Beverages, pastes, etc.

Powdered food, etc.

Tomatoes and kale with high functionality

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



▲ Koiaona, a kale with increased nutritional value

NIPPN Group



▲ Manaka, an original brand tomato

Food products focusing on useful components in vegetables

Koikurenai Paste

made from Koikurenai carrot that contains lycopene



Lycopene

Koiaona Powder

made from Koiaona kale with increased nutritional value



Lutein

Glucoraphanin

Beta-carotene

Overseas Business

Asia – Thailand, China and Indonesia –

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

NIPPN California Inc.

Sales of food and food ingredients in the North American market



PT. NIPPN FOODS INDONESIA

Nippon Flour Mills (Thailand) Ltd.

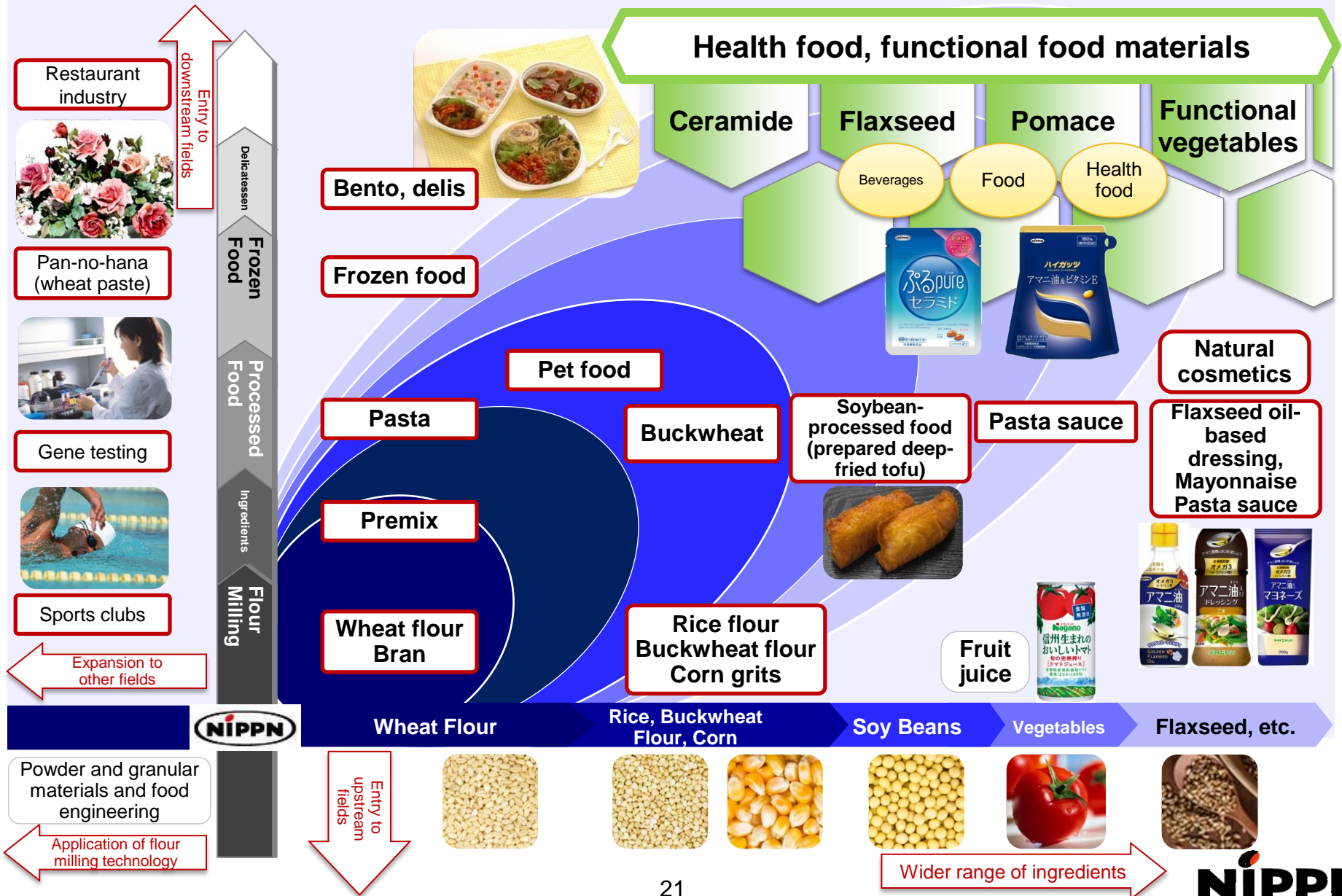
- Manufacture and sale of premix products, etc.

U.S.

Montana

California

Direction of Diversification



Summary of the Growth Strategy

Future targets

Net sales: ¥500 billion
Multifaceted global food enterprise

Enhancement of corporate value over
the medium to long term

Greater future cash flow

Fostering of new businesses and overseas businesses

Commitment to multifaceted growth

- Strengthening of overseas bases
- M&A
- Fostering of growth fields
- Develop market-creation-type products

Management for total optimization

Efficient utilization of resources

- Strengthen Group management
- Expansion of synergy

Low cost

Strengthening of earnings power

- Enhance customer satisfaction
- Appropriate sales pricing
- Pursue cost reduction
- Improve profitability and make capital investment

FY2016

Achieve the business plan without fail

Net sales: ¥310 billion

Operating income: ¥10.5 billion

Promotion of CSR Management

CSR Activities

Dietary education

◈ 爲末大学 食育学部

- 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)



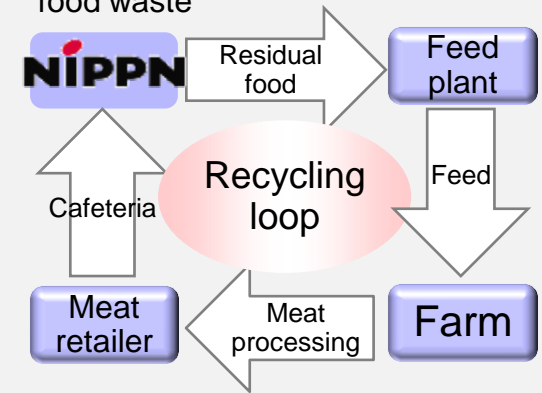
Support of sports

- 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



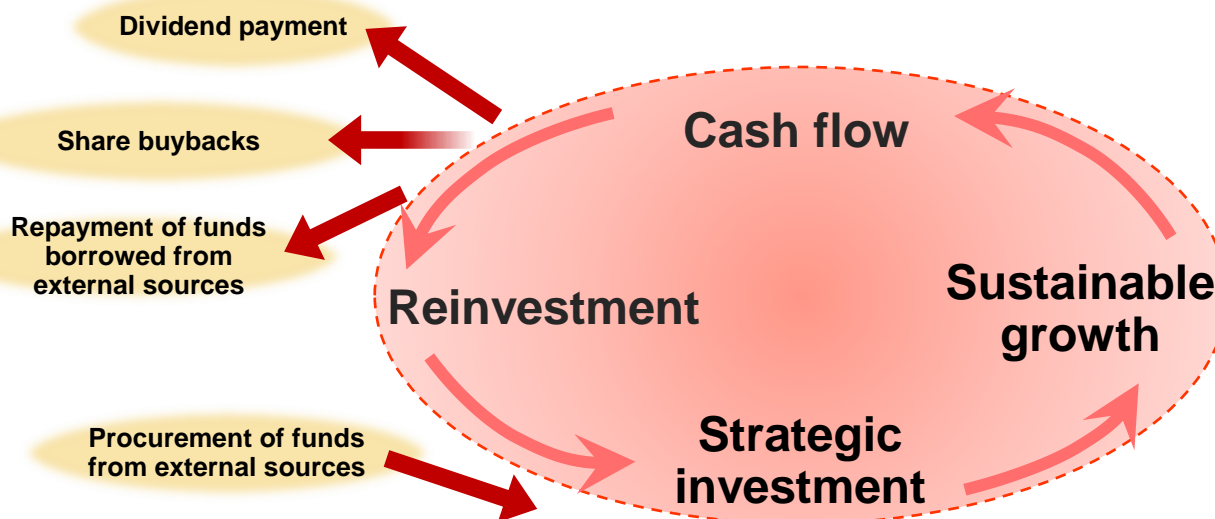
- * Received the Agriculture, Forestry and Fisheries Minister Award in the environmental category of Excellent Food Enterprise Commendation
- Use of paper certified by the Programme for the Endorsement of Forest Certification for paper trays for frozen foods



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 share buybacks)



<Reference>

- April 2013
Issuance of straight bonds in the amount of ¥10 billion
- September 30, 2015
Treasury stock
7,090,000 stocks
Acquisition total
28,890,000 stocks
Less than unit purchase
120,000 stocks
Sales and others
4,040,000 stocks
Accumulated retirement
17,880,000 stocks

Target key performance indicators

Operating Income Ratio
5%

ROE
8%

ROA
4%

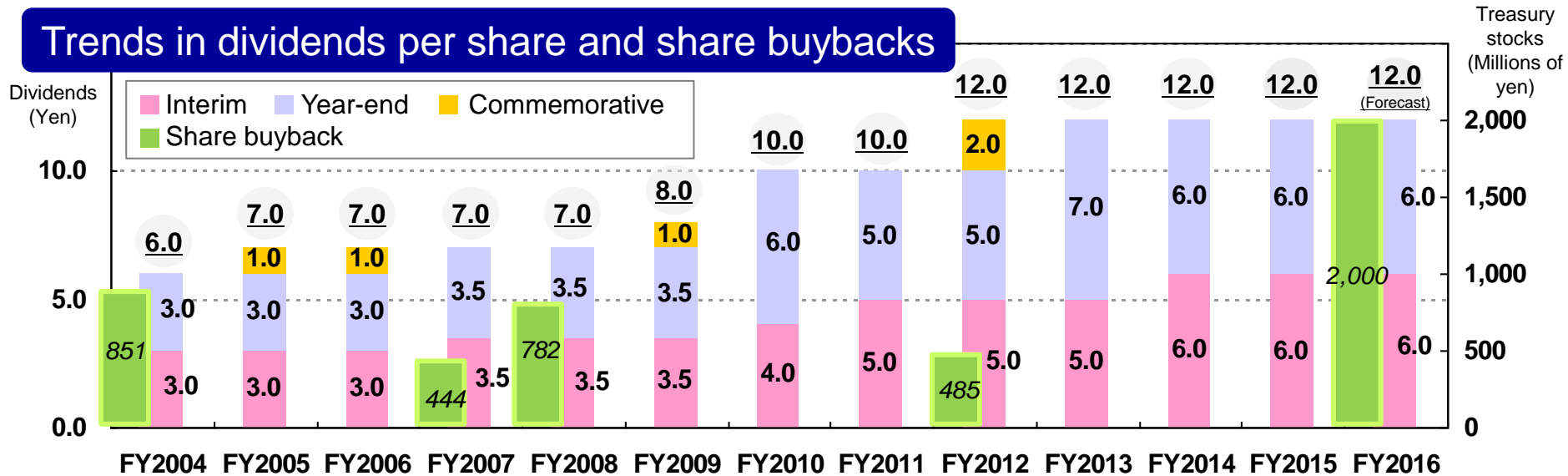
Optimal Capital Structure
Around 50%

Consolidated Payout Ratio
Around 30%

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
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%	25.9% (Forecast)
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%	52.2% (Forecast)
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/profit)



Overview of First Half of Fiscal Year Ending March 31, 2016 (FY2016) Business Results and FY2016 Future Forecasts

November 18, 2015

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<http://www.nippon.co.jp>

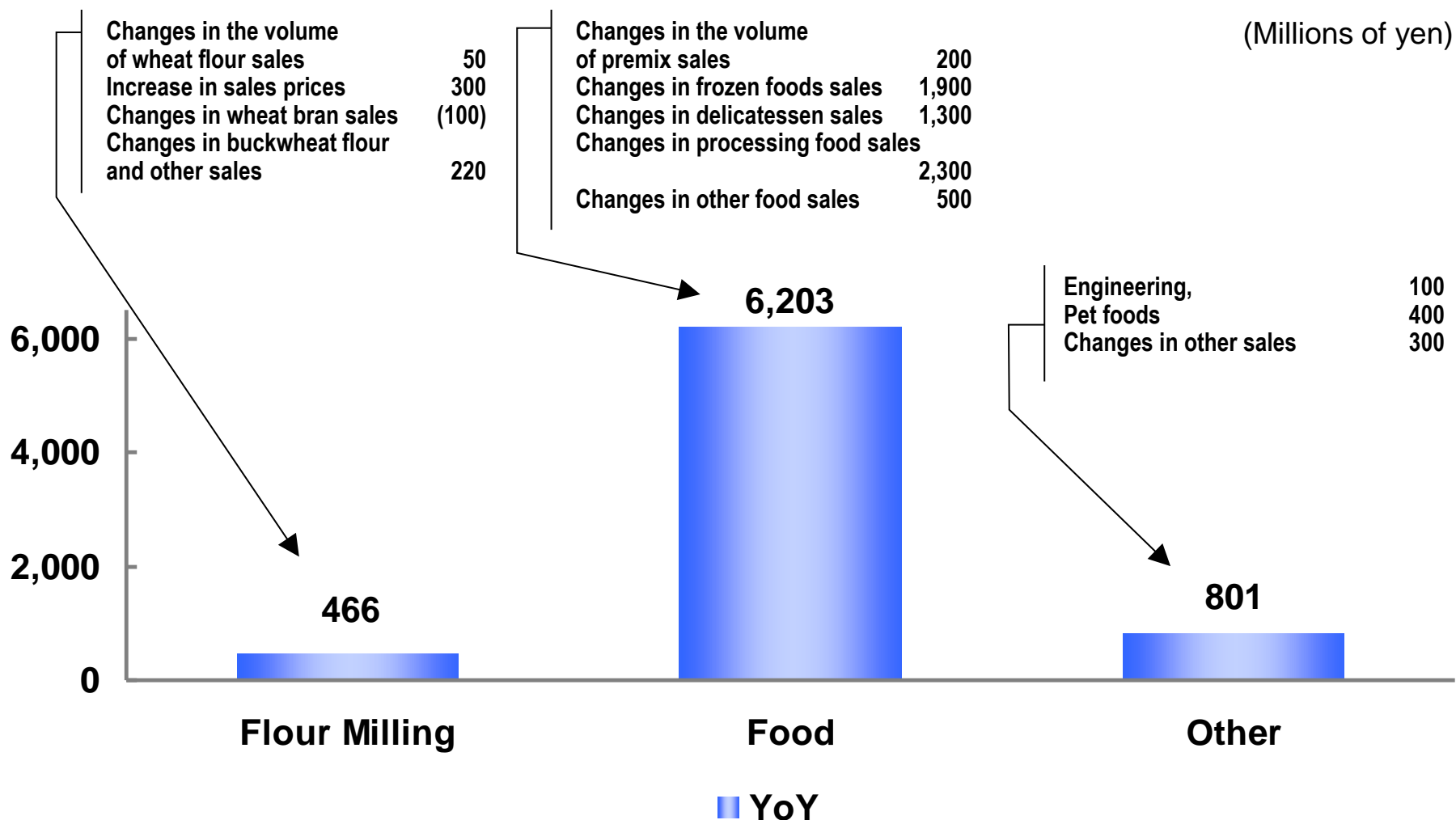
Consolidated Statements of Income

(Millions of yen)

		1H FY2015		1H FY2016		YoY	
		(2014.4 ~ 9)	Vs. net sales	(2015.4 ~ 9)	Vs. net sales	Change	Change
Net sales	Flour Milling	50,652	34.3%	51,118	33.0%	466	0.9%
	Food	82,371	55.8%	88,575	57.1%	6,203	7.5%
	Other	14,627	9.9%	15,428	9.9%	801	5.5%
	Total	147,650	100.0%	155,122	100.0%	7,471	5.1%
Operating income	Flour Milling	1,036	2.0%	1,764	3.5%	727	70.2%
	Food	2,665	3.2%	3,185	3.6%	520	19.5%
	Other	50	0.3%	86	0.6%	36	74.0%
	Total	3,752	2.5%	5,036	3.2%	1,284	34.2%
Ordinary income		4,247	2.9%	5,957	3.8%	1,709	40.3%
Profit attributable to owners of parent		3,135	2.1%	4,015	2.6%	879	28.0%
ROE		2.6%		3.0%		0.4p	
EPS		¥18.97		¥24.48		¥5.51	

Analysis of Factors for Changes in Net Sales

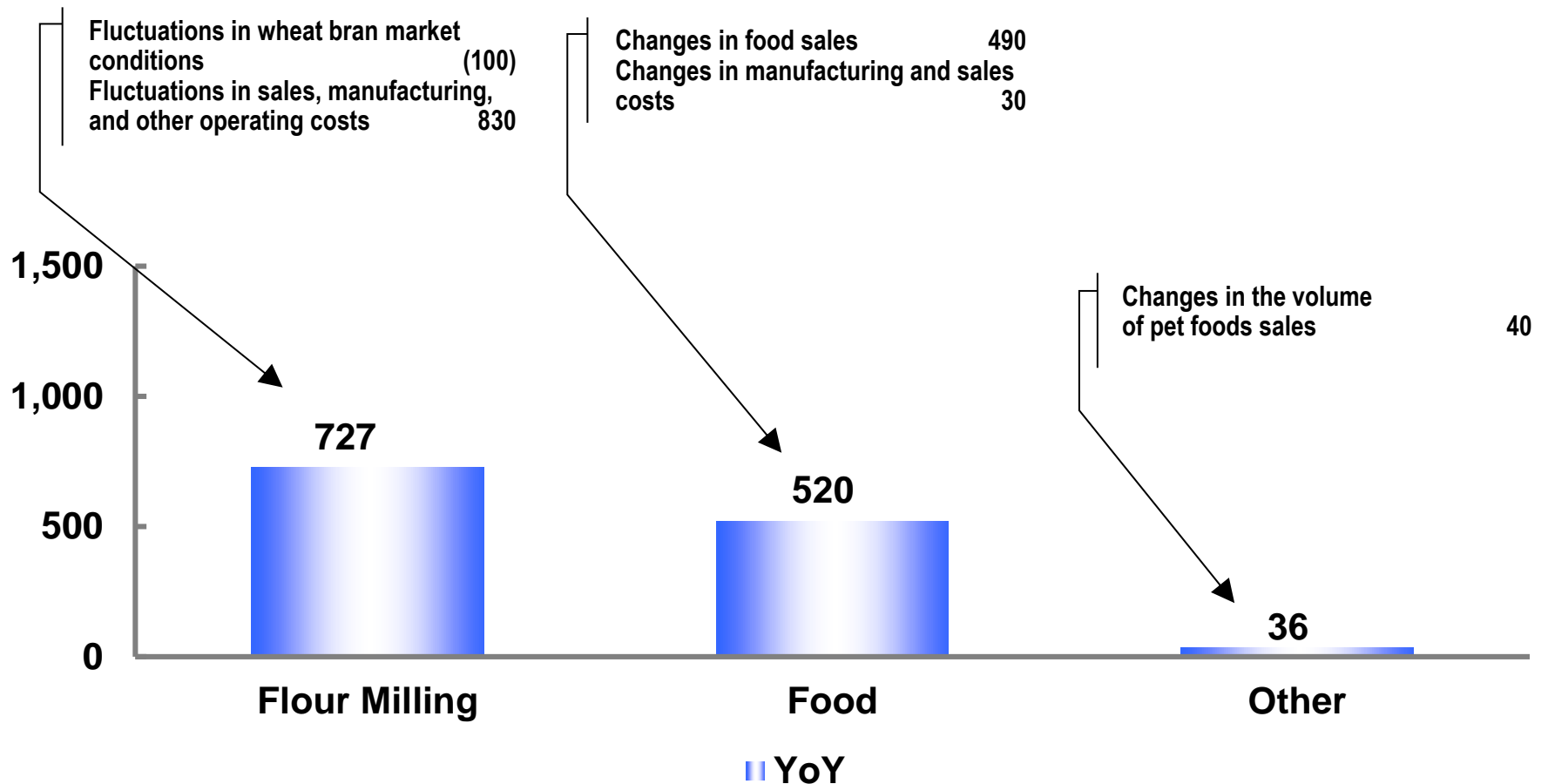
◆ **Factors for changes in net sales**
(overall increase of ¥7,471 million)



Analysis of Factors for Changes in Operating Income

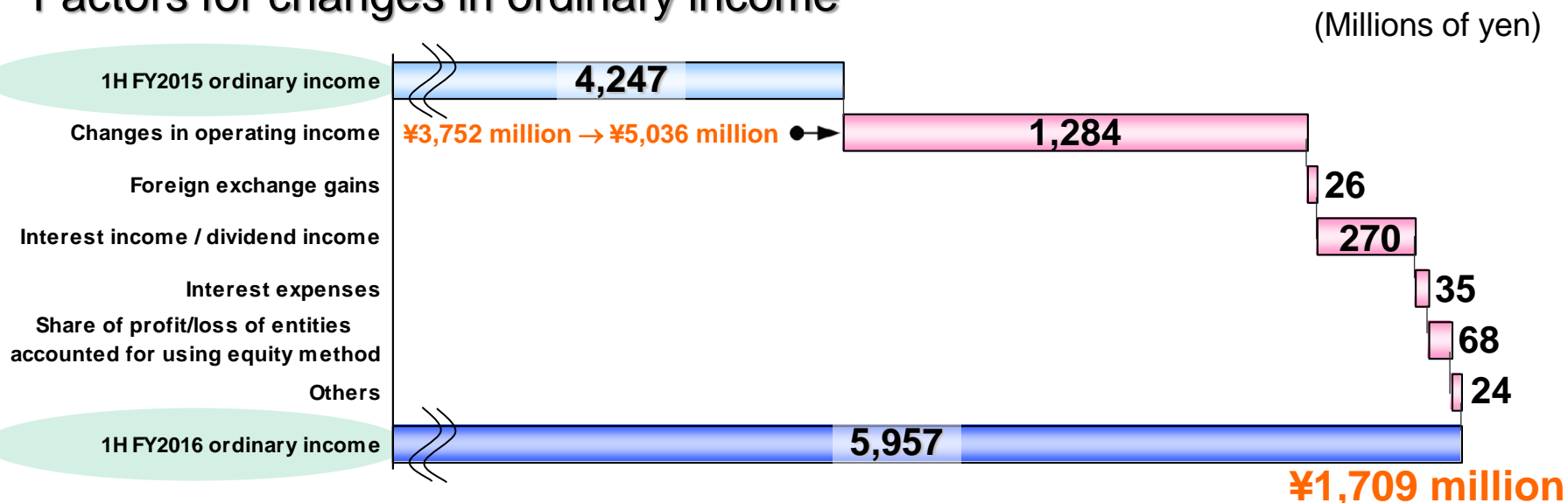
◆ Factors for changes in operating income (overall increase of ¥1,284 million)

(Millions of yen)

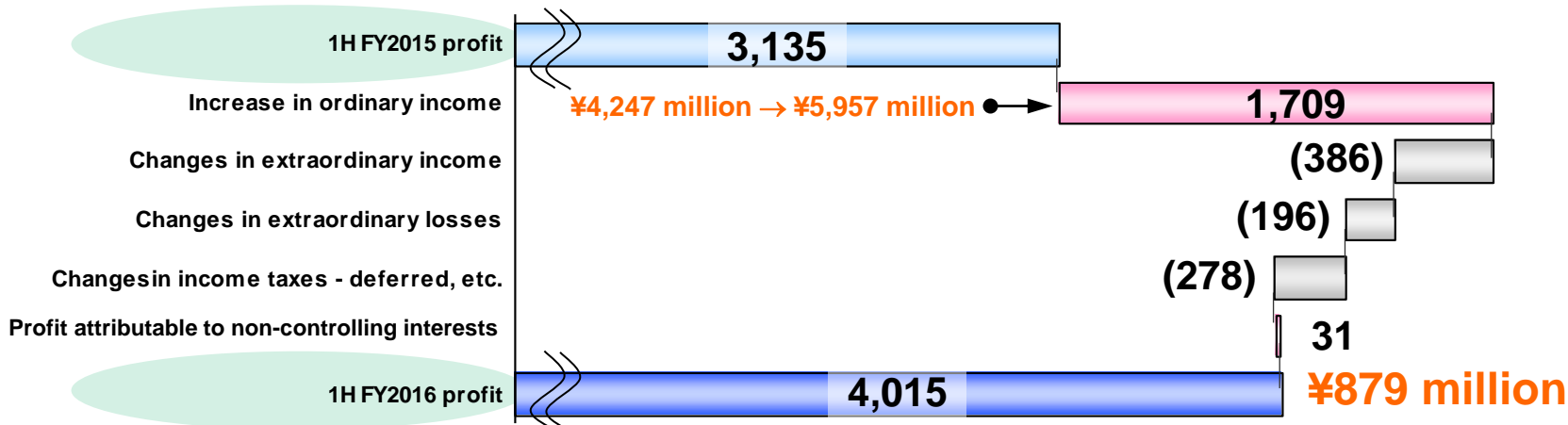


Analysis of Factors for Changes in Ordinary Income / Profit

◆ Factors for changes in ordinary income



◆ Factors for changes in profit*



* Profit attributable to owners of parent

Consolidated Balance Sheets (Assets)

(Millions of yen)

	FY2015		1H FY2016		Change		Major factors for changes
	(As of Mar. 31, 2015)	Component ratio	(As of Sep. 30, 2015)	Component ratio			
Current assets	94,362	37.9%	93,588	38.4%	(773)	0.5p	Raw materials and supplies
Property, plant and equipment	86,349	34.7%	84,965	34.9%	(1,384)	0.2p	
Intangible assets	1,131	0.5%	917	0.4%	(213)	(0.1)p	
Investments and other assets	67,047	26.9%	64,063	26.3%	(2,984)	(0.6)p	Valuation difference on investment securities
Fixed assets	154,527	62.1%	149,945	61.6%	(4,581)	(0.5)p	
Total assets	248,890	100.0%	243,534	100.0%	(5,355)	-	

Consolidated Balance Sheets (Liabilities and Net Assets)

(Millions of yen)

		FY2015		1H FY2016		Change		Major factors for changes
		(As of Mar. 31, 2015)	Component ratio	(As of Sep. 30, 2015)	Component ratio			
Current liabilities		64,616	26.0%	66,356	27.2%	1,739	1.2p	
Non-current liabilities		46,738	18.8%	40,247	16.5%	(6,490)	(2.3)p	
Total liabilities		111,354	44.7%	106,604	43.8%	(4,750)	(0.9)p	
Shareholders' equity	Capital stock	12,240	4.9%	12,240	5.0%	-	0.1p	
	Capital surplus	10,666	4.3%	10,668	4.4%	1	0.1p	
	Retained earnings	88,389	35.5%	91,438	37.5%	3,048	2.0p	
	Treasury shares	(1,608)	(0.6)%	(3,606)	(1.5)%	(1,997)	(0.9)p	
Accumulated other comprehensive income		22,945	9.2%	21,263	8.7%	(1,681)	(0.5)p	Valuation difference on available-for-sale securities
Subscription rights to shares		46	0.0%	77	0.0%	30	0.0p	
Non-controlling interests		4,854	2.0%	4,848	2.0%	(6)	0.0p	
Total net assets		137,535	55.3%	136,930	56.2%	(605)	0.9p	
Total liabilities and net assets		248,890	100.0%	243,534	100.0%	(5,355)	-	

Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2015	1H FY2016	Change
Cash flows from operating activities	3,390	7,255	3,865
Cash flows from investing activities	(3,487)	(2,635)	851
Cash flows from financing activities	2,929	(2,638)	(5,567)
Effect of exchange rate change on cash and cash equivalents	(68)	(9)	59
Net increase (decrease) in cash and cash equivalents	2,763	1,972	(790)
Cash and cash equivalents at beginning of period	12,202	12,847	645
Cash and cash equivalents at end of period	14,966	14,820	(145)

- Major factors contributing to changes in cash flows from operating activities = Increase in income, decrease in inventories, etc.
- Major factors contributing to changes in cash flows from investing activities = Decrease of loans receivable, etc.
- Major factors contributing to changes in cash flows from financing activities = Share buybacks, Increase due to issuance of CP (FY2015)

FY2016 Forecasts

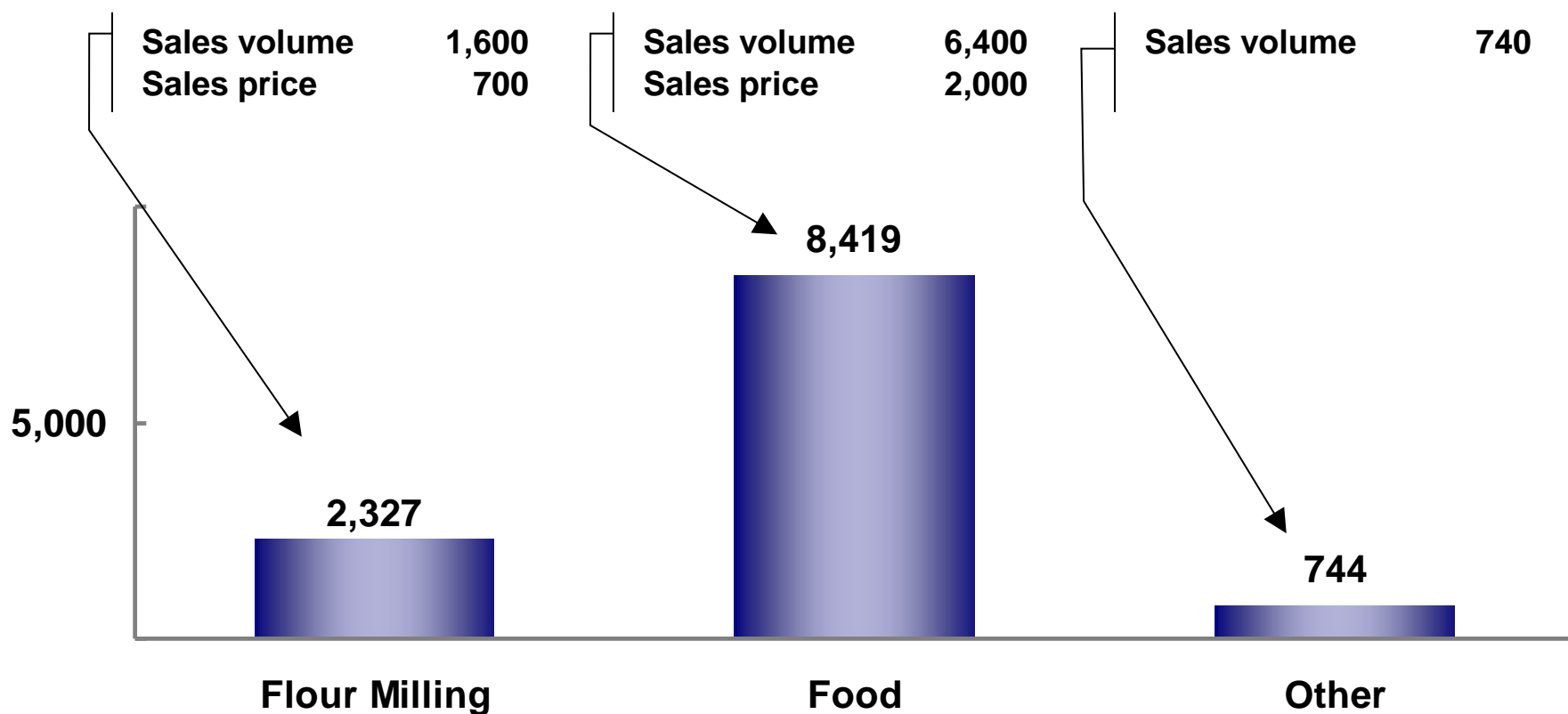
(Millions of yen)

		FY2015		FY2016 (Forecasts)		YoY	
		Result	Vs. net sales	Forecasts	Vs. net sales	Change	Change
Net sales	Flour Milling	101,673	34.1%	104,000	33.5%	2,327	2.3%
	Food	166,581	55.8%	175,000	56.5%	8,419	5.1%
	Other	30,256	10.1%	31,000	10.0%	744	2.5%
	Total	298,511	100.0%	310,000	100.0%	11,489	3.8%
Operating income	Flour Milling	2,295	2.3%	3,600	3.4%	1,305	56.9%
	Food	5,676	3.4%	6,600	3.8%	924	16.3%
	Other	434	1.4%	300	1.0%	(134)	(30.9)%
	Total	8,406	2.8%	10,500	3.4%	2,094	24.9%
Ordinary income		9,807	3.3%	12,000	3.9%	2,193	22.4%
Profit attributable to owners of parent		6,981	2.3%	7,600	2.5%	619	8.9%
ROE		5.6%		5.7%		0.1p	
EPS		¥42.22		¥46.35		¥4.13	

Analysis of Factors for Changes in Net Sales Forecasts

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

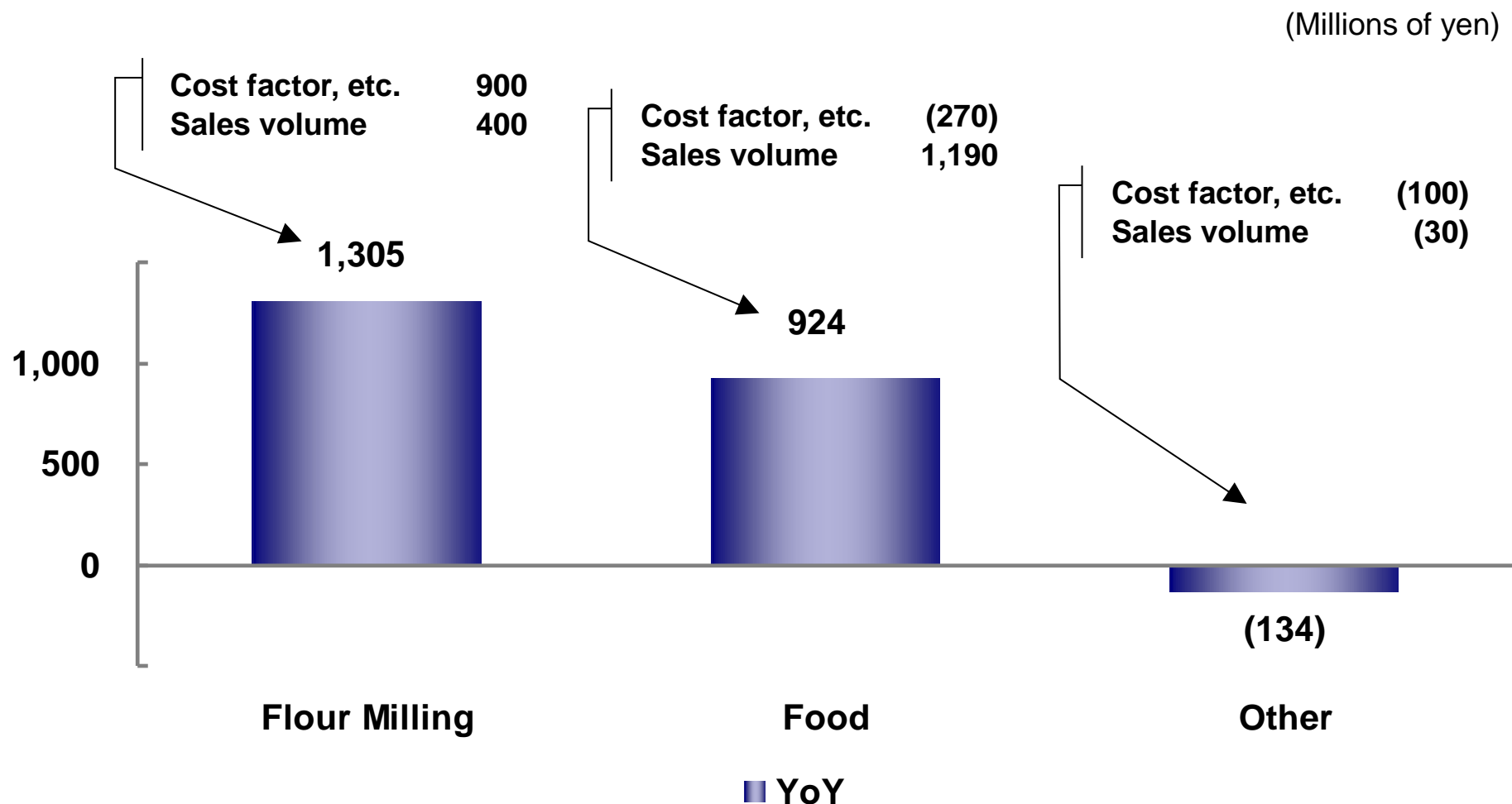
(Millions of yen)



■ YoY

Analysis of Factors for Changes in Operating Income Forecasts

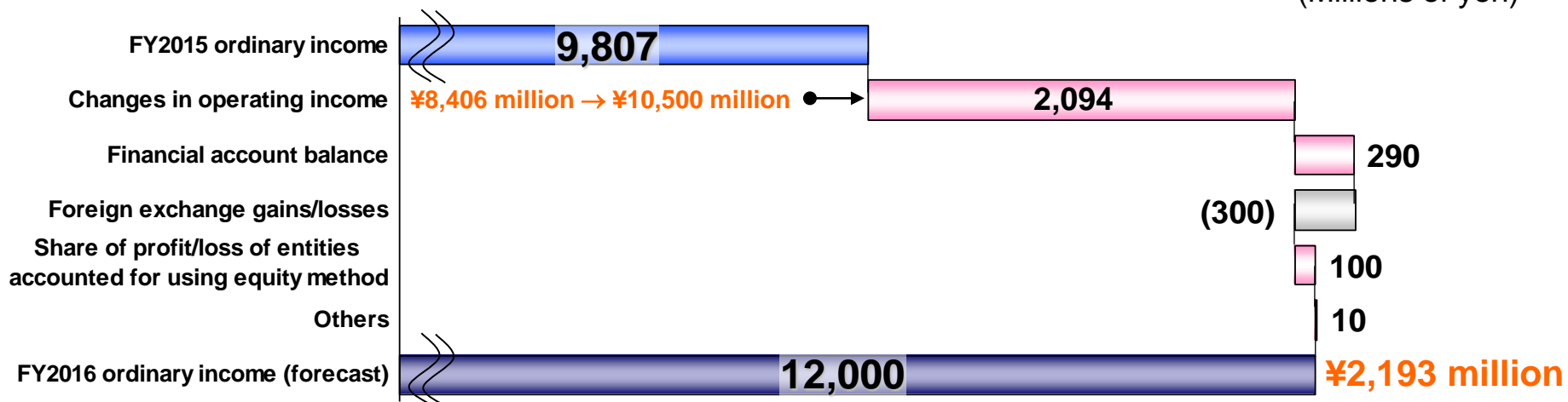
◆ Factors for changes in operating income forecasts (overall increase of ¥2,094 million)



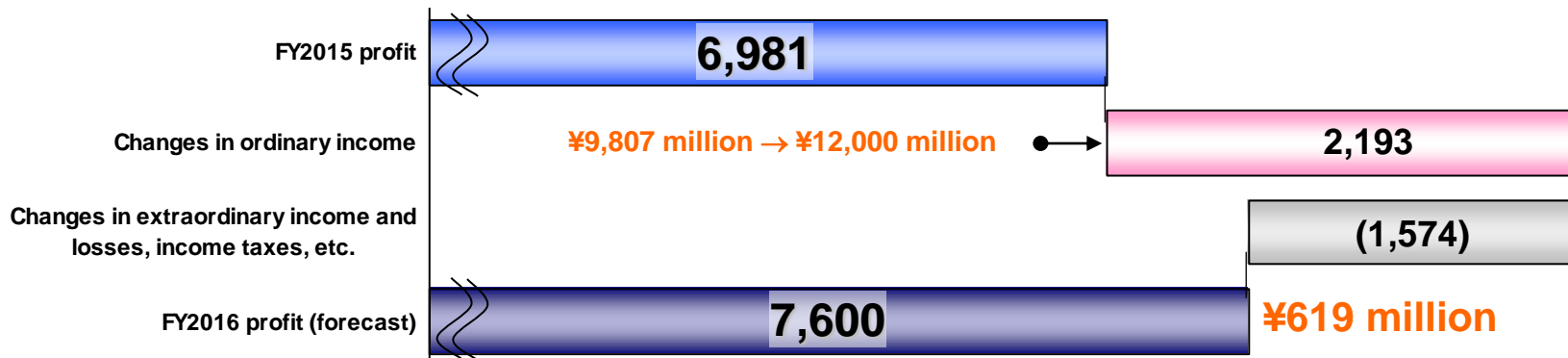
Analysis of Factors for Changes in Ordinary Income / Profit Forecasts

◆ Factors for changes in ordinary income forecasts

(Millions of yen)



◆ Factors for changes in profit* forecasts



* Profit attributable to owners of parent

Inquiries

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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Accounting and Finance Div.
Nippon Flour Mills Co., Ltd.