



Briefing Session on Business Results
for the First Half of Fiscal Year
Ending March 31, 2017 (FY2017)

November 17, 2016



First Half of FY2017
Performance Overview and Outlook

November 17, 2016

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1 First Half of FY2017 Performance Overview

2 Change in Business Environment

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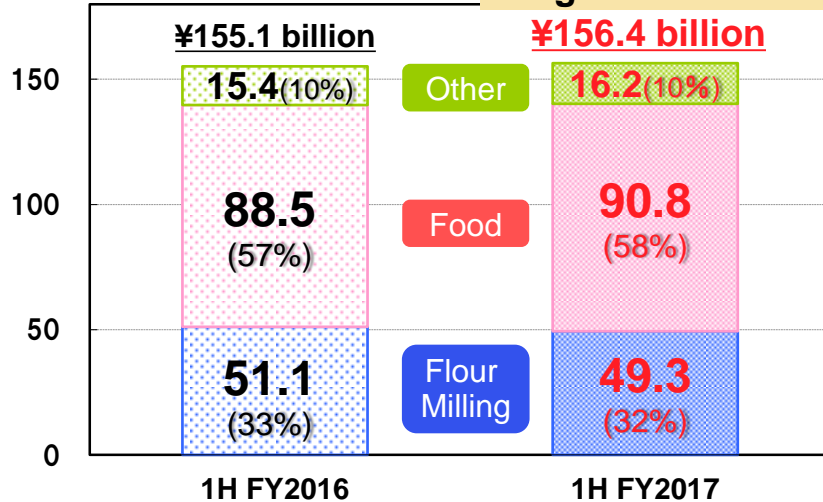
First Half of FY2017 Performance Overview

Consolidated Business Results for 1H FY2017

Net Sales

(Billions of yen)

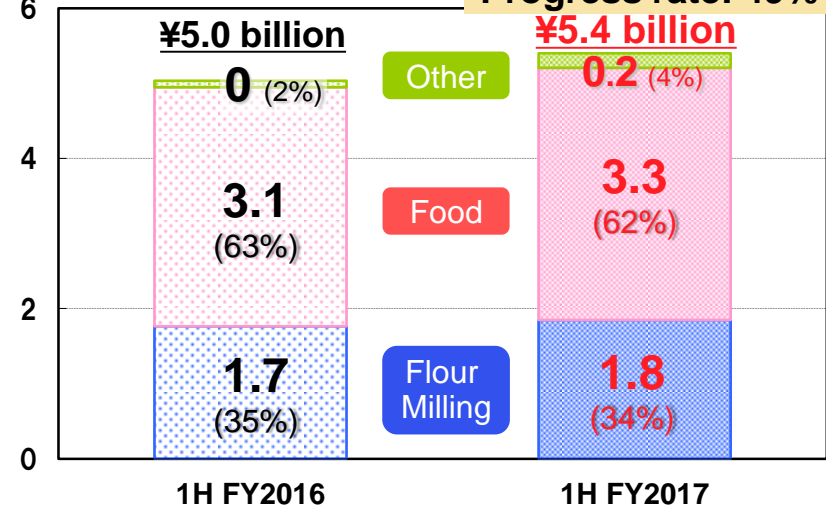
Progress rate: 49%



Operating Income

(Billions of yen)

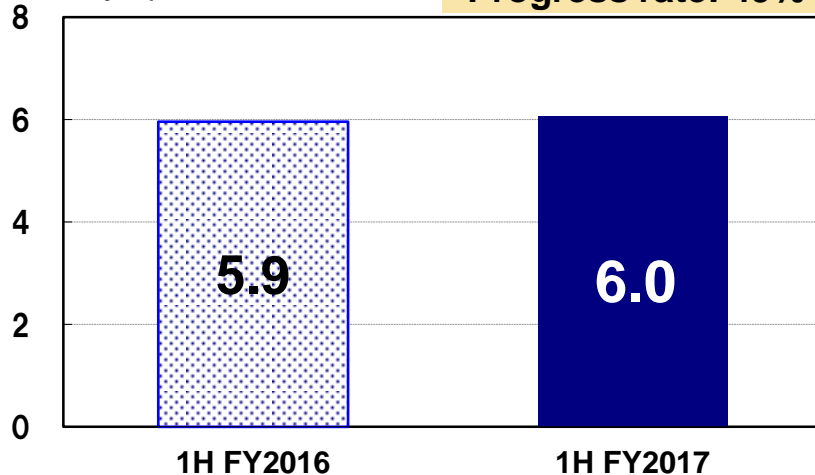
Progress rate: 49%



Ordinary Income

(Billions of yen)

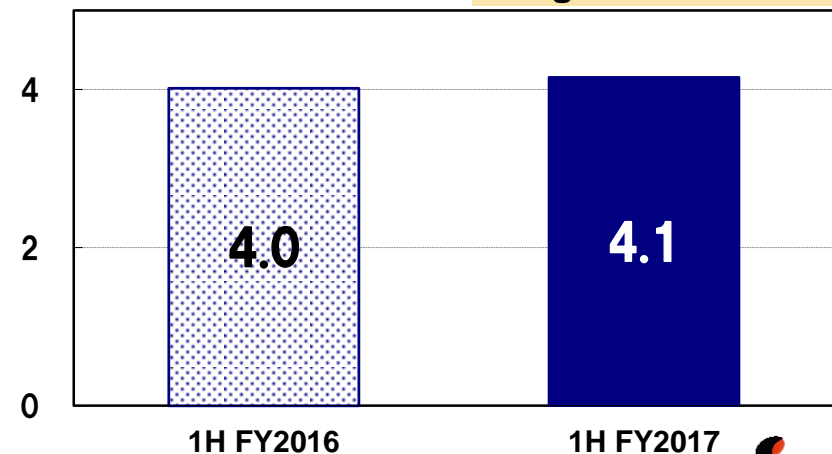
Progress rate: 49%



Profit Attributable to Owners of Parent

(Billions of yen)

Progress rate: 51%



(Amounts less than 100 million yen rounded off)

Forecast for FY2017 Consolidated Performance

Key points

- Net sales increased as a result of increased sales of the Food segment and the Other segment despite lower sales of the Flour Milling segment mainly due to price revision
- Profit virtually unchanged from the previous year because the strengthened business foundation and sales expansion absorbed the impacts of the deteriorated bran market and increases in various costs
- Interim dividend of 7 yen and year-end dividend of 14 yen. Commemorative dividend of 2 yen included in ordinary dividends

(1-for-2 share consolidation on October 1, 2016)

Quantitative Targets for FY2017

(Millions of yen)

	FY2016	FY2017	Change	Change (%)
Net Sales	311,628	320,000	8,372	2.7%
Operating Income	11,093	11,100	7	0.1%
Ordinary Income	12,666	12,500	(166)	(1.3)%
Profit Attributable to Owners of Parent	8,222	8,100	(122)	(1.5)%

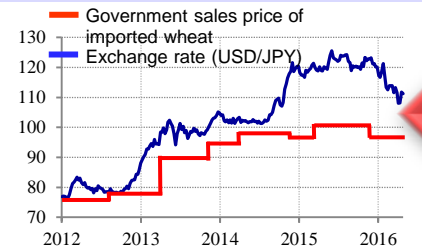
Change in Business Environment

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

Change in society

Cost fluctuations

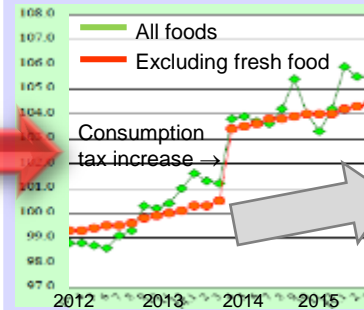
- Fluctuation of raw materials costs (foreign currency exchange)
- Labor shortage
- Increase in labor cost etc.



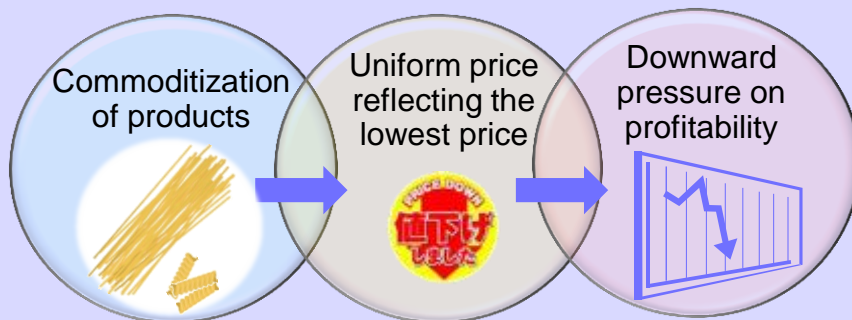
Change in the food market

Consumer price index

- Bipolarization of prices
- Reflecting low birthrate



Change in products



- Intensifying competition for market share

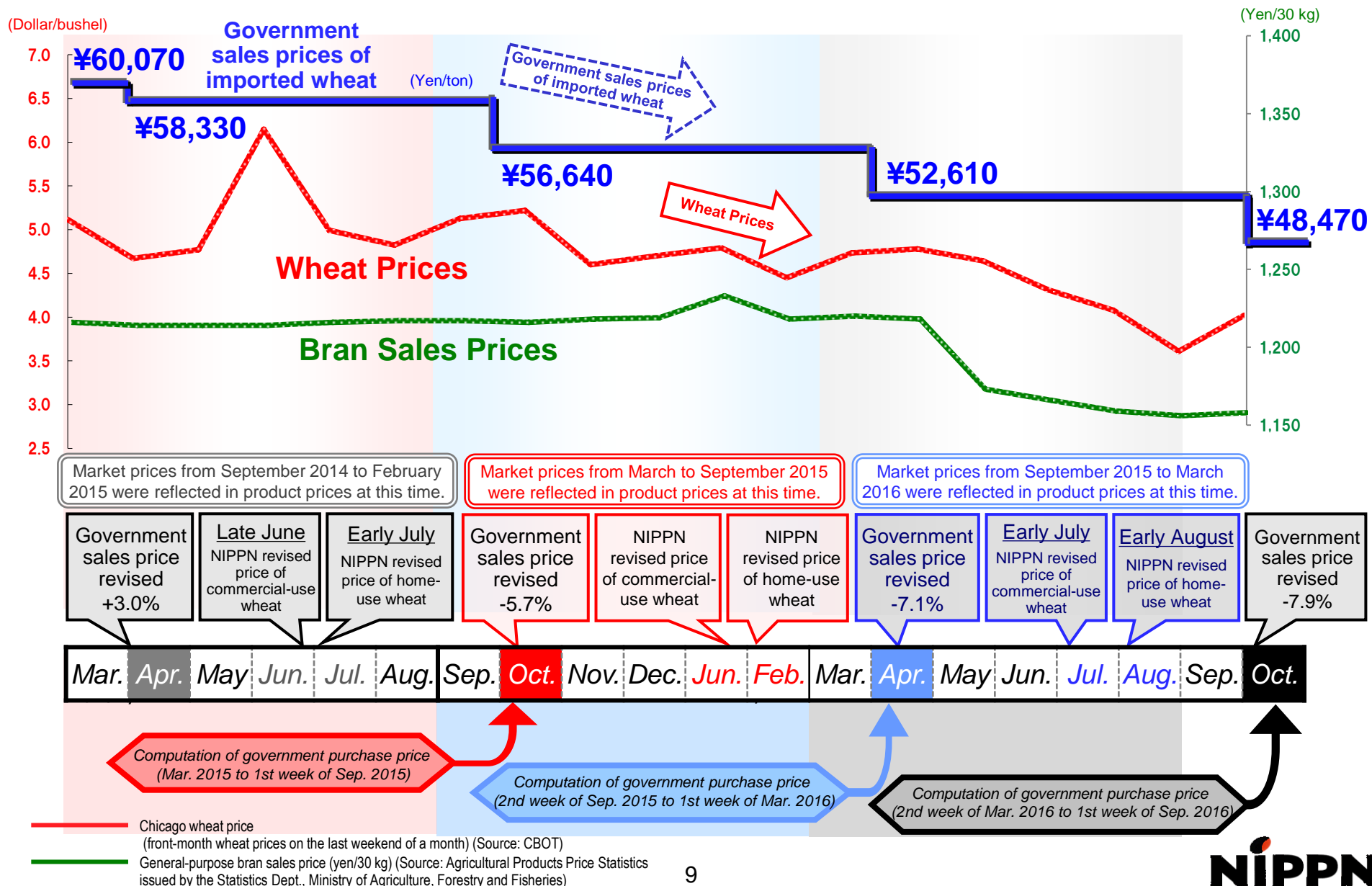
Change in consumers

- Increase in population of senior citizens
- Greater participation of women in society
- More double-income households
- Rise in the number of single-person households



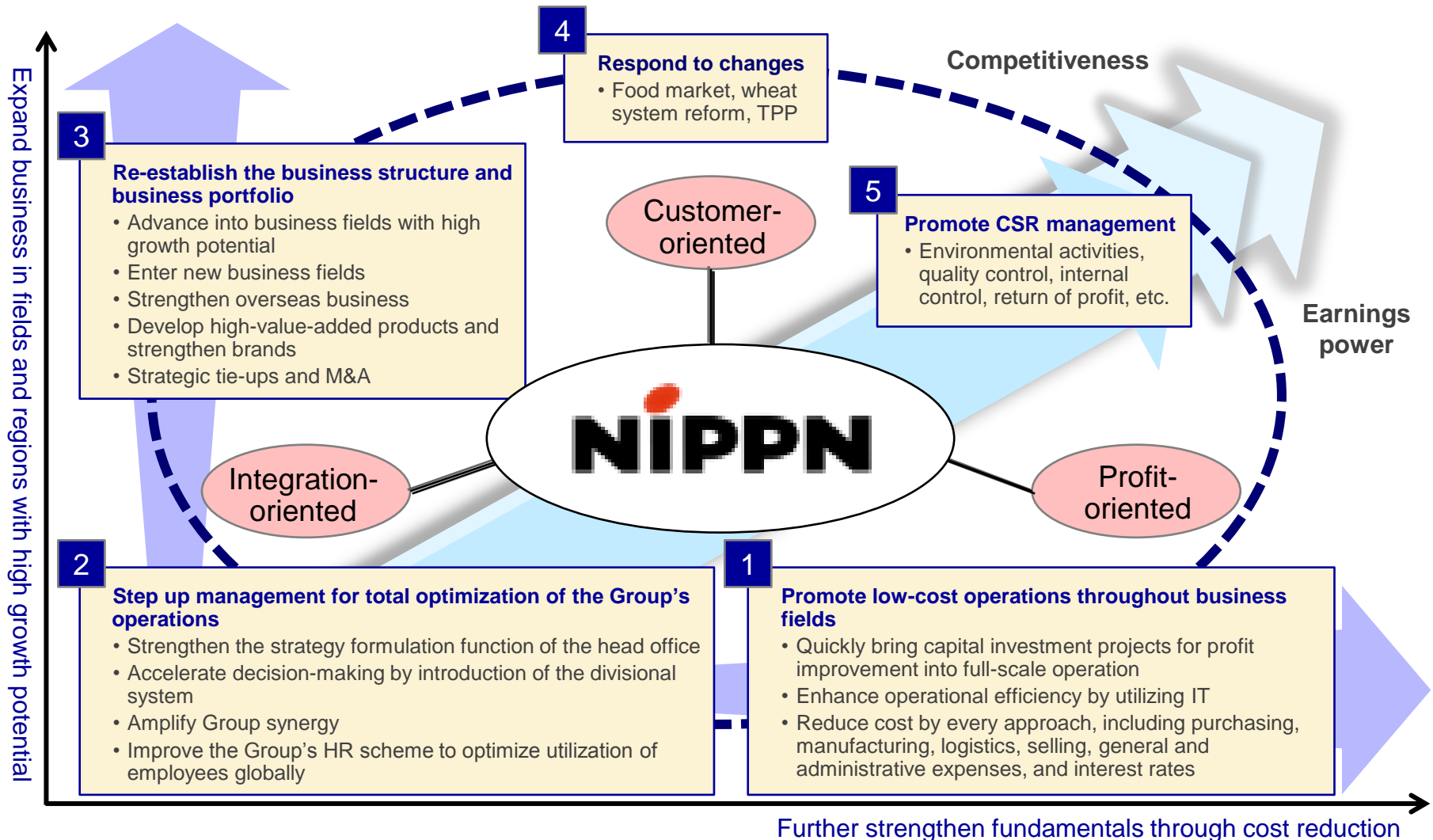
Diversifying needs

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



Strategy for Sustainable Growth

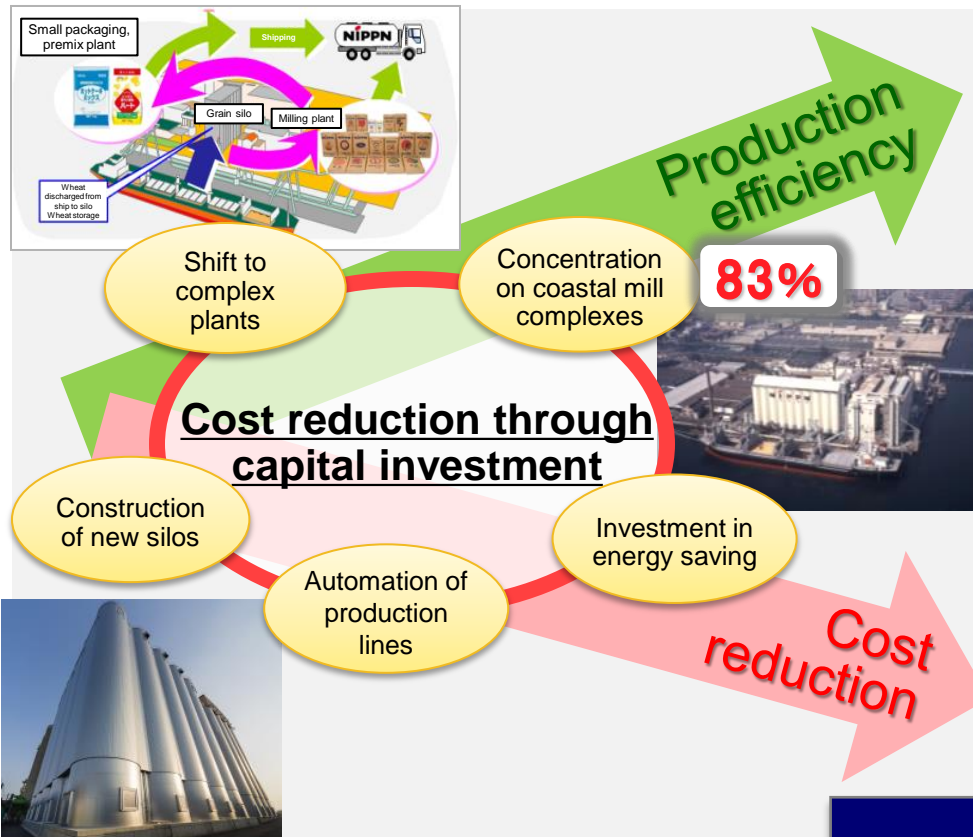
Growth Strategy Swiftly Responding to Change



Response to Change in the Business Environment (1)

Initiatives to strengthen the business foundation

Low-cost operations strategy



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

■ Tofuku Flour Mills Co., Ltd. became a wholly owned subsidiary of the Company

- Integration of management resources
- Enhanced collaboration
- Strengthened business in Kyushu
- ⇒ Further Group synergy



Head Office Plant,
Tofuku Flour Mills Co., Ltd.
(Chuo-ku, Fukuoka-shi)

Strengthen the existing business

■ NIPPN Donuts Holdings Co., Ltd. acquired all the shares of Yamato Foods Co., Ltd. (Date of share transfer: April 28, 2016)

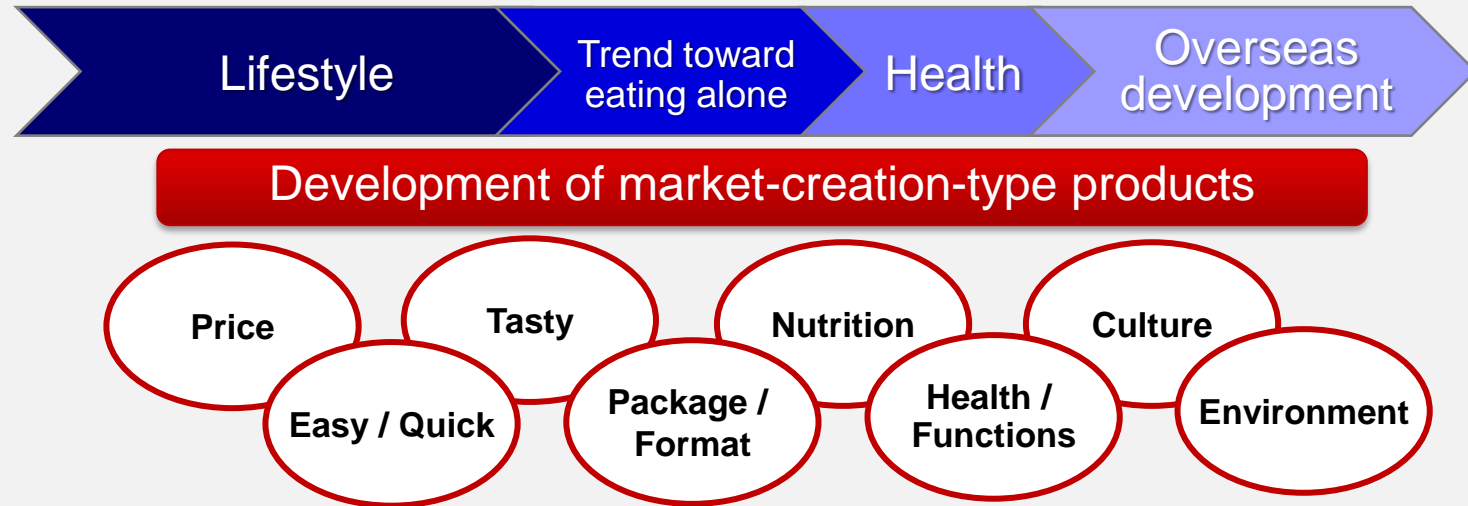
- Strengthened franchisees
- Expansion of the food service business
107 Mister Donut stores,
13 Mos Burger stores



**Strengthen competitiveness,
enhance earnings power**

Response to Change in the Business Environment (2) Business expansion in growth fields

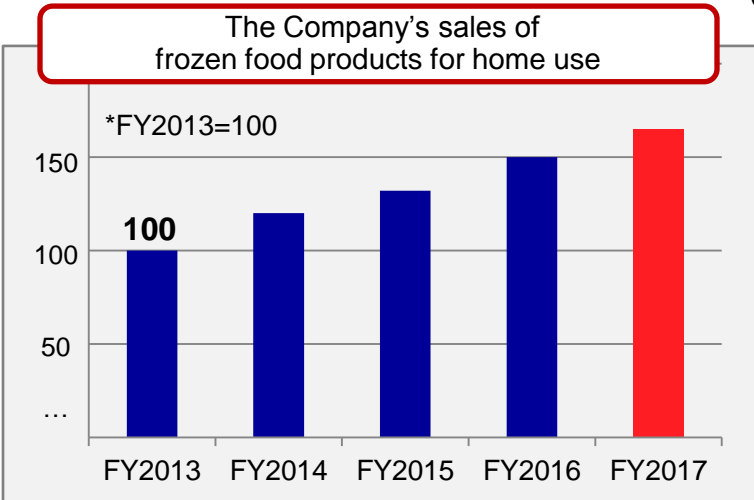
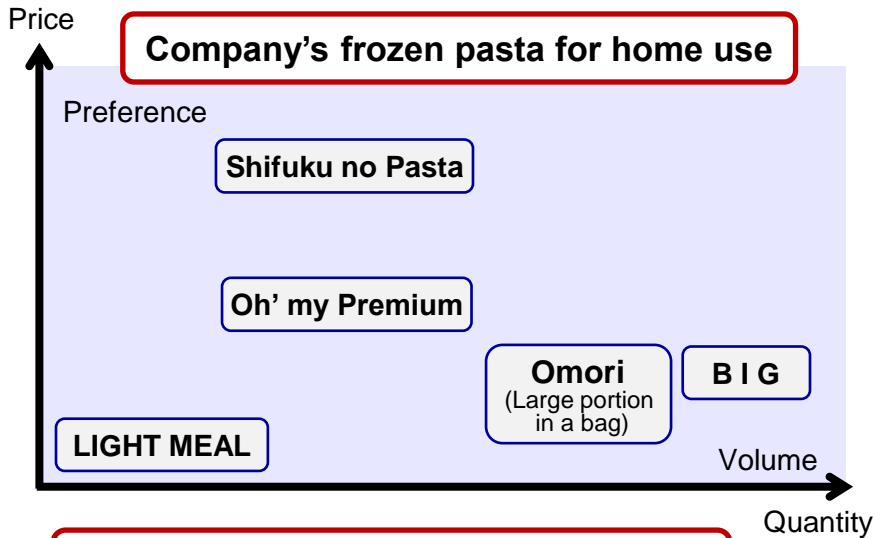
In view of the change in dining and consumption



- Frozen Food Strengthen the lineup of all-in-one meals
- Delicatessen Strengthen collaboration with convenience stores
- Healthcare 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

Frozen Food

- Introduction of all-in-one meals responding to various needs
- Food on a tray (FSC-certified paper trays) without the need of a plate



Enriched lineup attuned to diverse needs

◆ Oh' my Premium



◆ Yokubari Plate series of frozen one-plate dishes



◆ Rice dishes in trays



◆ Health-conscious tasty products オマイ PLUS



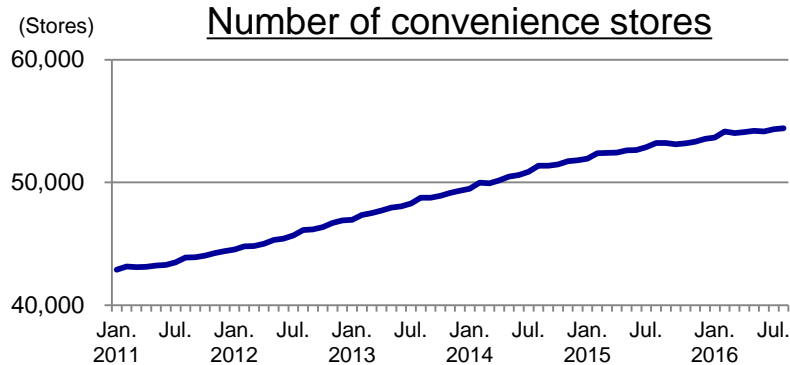
30% carbohydrate reduction

Containing linseed oil

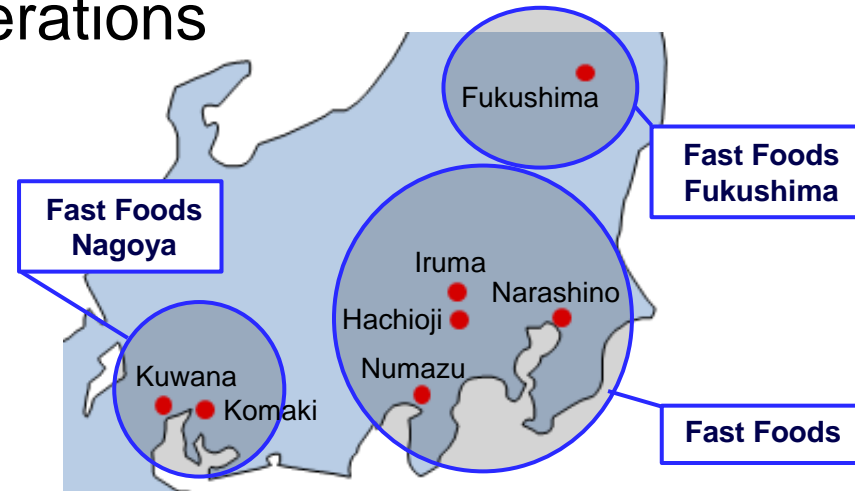
Fiber equivalent to 1/3 recommended daily intake

Delicatessen

Booming CVSs and backyard operations



Source: Japan Franchise Association



Strengthen broadly based initiatives with convenience stores to expand sales in growth markets

➤ Three Fast food companies

Capital investment to respond to demand increase and to strengthen business

Sell the Group's diverse ingredients (products) in the deli market

➤ Feedback of market needs and strengthening of menu proposals



Wheat flour



Pasta



Buckwheat flour



Premix



Deep-fried tofu

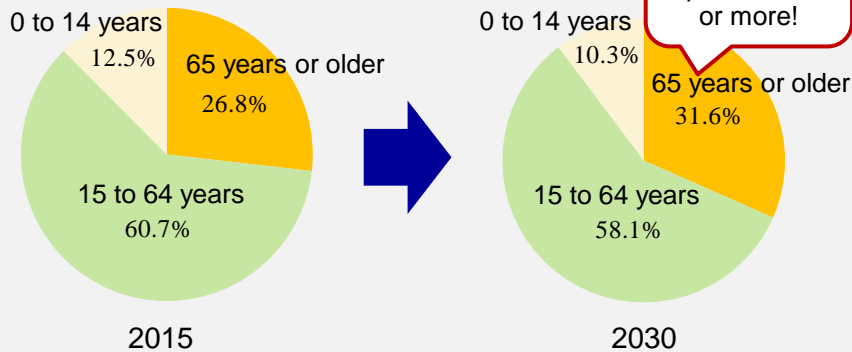


Processed tomato products

Entry to the Functional Food Market (1)

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

● Increasingly important senior market

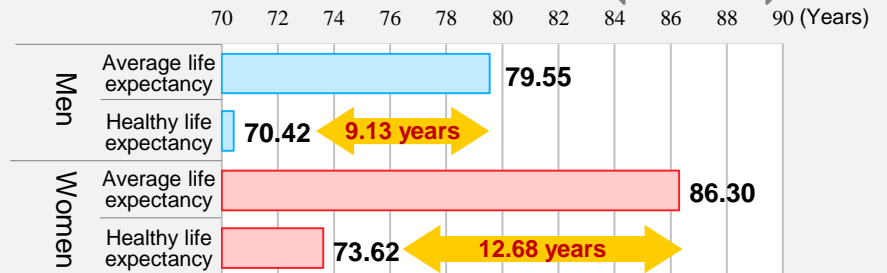


Source: Population Statistics (2013), National Institute of Population and Social Security Research

65 years or older will represent 30% or more!

- 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

Flaxseed (seeds of flax)

Omega-3
(Alpha-linolenate)

Essential fatty acid

Part of it changes into EPA or DHA in the body

Dietary fiber

Advantages of water-soluble and insoluble fibers

Linseed lignin

A type of plant polyphenol

Food with functional claim [Flaxseed Oil]

“For people with high cholesterol”

- Functional substance
Omega-3 (Alpha-linolenate)
- 1 Recommended daily intake (2 packs (11 g)) contains 5.5 g of alpha-linolenate.
- Alpha-linolenate reduces total cholesterol level and bad cholesterol level (low-density lipoprotein cholesterol (LDL)).



NIPPON

Entry to the Functional Food Market (2)

Utilization of functional foods (2) To extend healthy life expectancy

Flaxseed



New linseed oil product released

Premium Rich

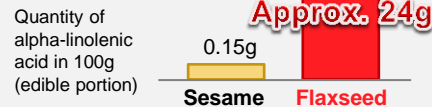
30% higher omega-3 (alpha-linolenate) content
Compared with the Company's previous product

Rich line-up

Nutritional value of flaxseed is a focus of attention.

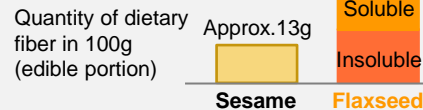
Omega-3 (Alpha-linolenate)

At least 150 times more alpha-linolenic acid than sesame



Dietary fiber

Roughly double the dietary fiber of sesame **Approx. 24g**



Lignin

One of the highest lignin contents among edible plants

Lignin content of flaxseed is 0.77%, which is higher than that of sesame and one of the highest among edible plants.



Ranging from oil and roasted flaxseed to processed foods and supplements

オ-マイ PLUS Series



Oil



Dressing



Mayonnaise



Pasta sauce



Frozen pasta



Roasted flaxseed (Powdered)

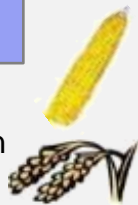


Supplements

Use in beverages, cosmetics, food, and health foods

* Figures in the charts are provided by Flaxseed Association of Japan.

Ceramide



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

Olive extract



- Condensation of active ingredients extracted from olives
- Maslin Jelly containing maslinic acid

Pomace extract



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

Flaxseed lignin



- A type of plant polyphenol extracted from flaxseed
- Function similar to soy isoflavones

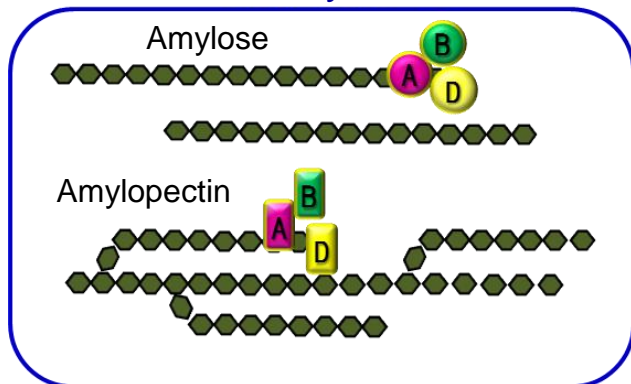
Softness of Bread Lasts Longer: Improvement of wheat starch

Joint research with Tohoku Agricultural Research Center,
National Agriculture and Food Research Organization (NARO)

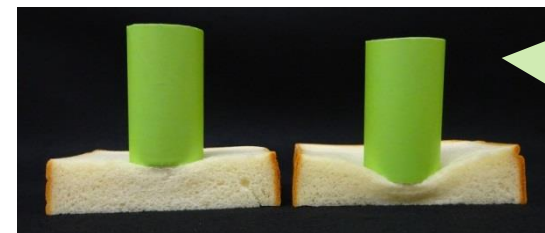
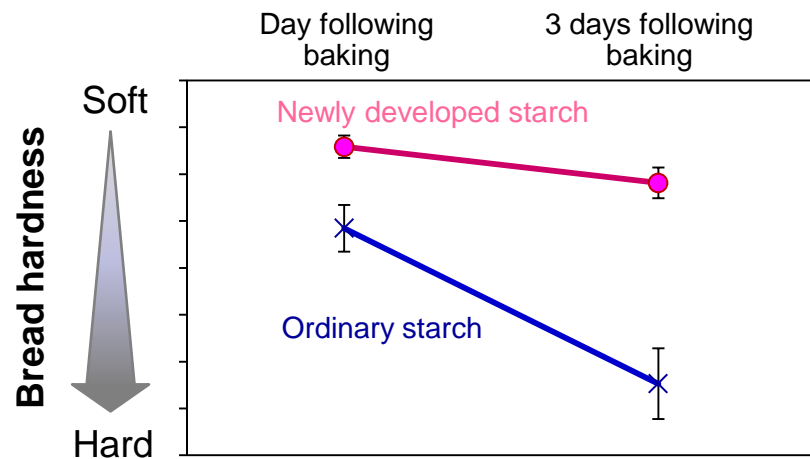
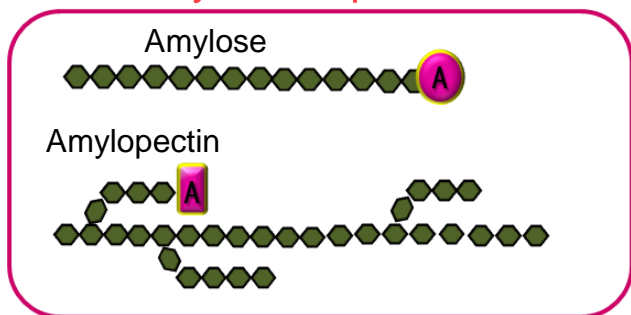
■ Developed improved wheat that contains starch that takes longer to age

■ Bread made of wheat containing this starch remains soft for three days following baking

Ordinary starch



Newly developed starch



A weight with the same mass was placed on a slice of bread on the third day. Bread made of the new type of wheat is softer.

Commenced cultivation of new wheat for bread making

* Part of this research was conducted as a project consigned by the Ministry of Agriculture, Forestry, and Fisheries "Development of cultivars suitable for large-area, large-scale production and processing" (2014-2015).

Development of SETODURE, Japan's First Durum Wheat

Joint research with Western Region Agricultural Research Center, NARO

- The first successful development of durum wheat in Japan



Setodure

Minaminokaori

- Compared with conventional Japanese strong wheat

- Larger grains and high semolina yield
- More yellowish
- Harder, more elastic, and resilient



Setodure



Minaminokaori

- Designated as a brand variety of the growing district in Hyogo Prefecture

- Commercial cultivation in the region near Kakogawa River

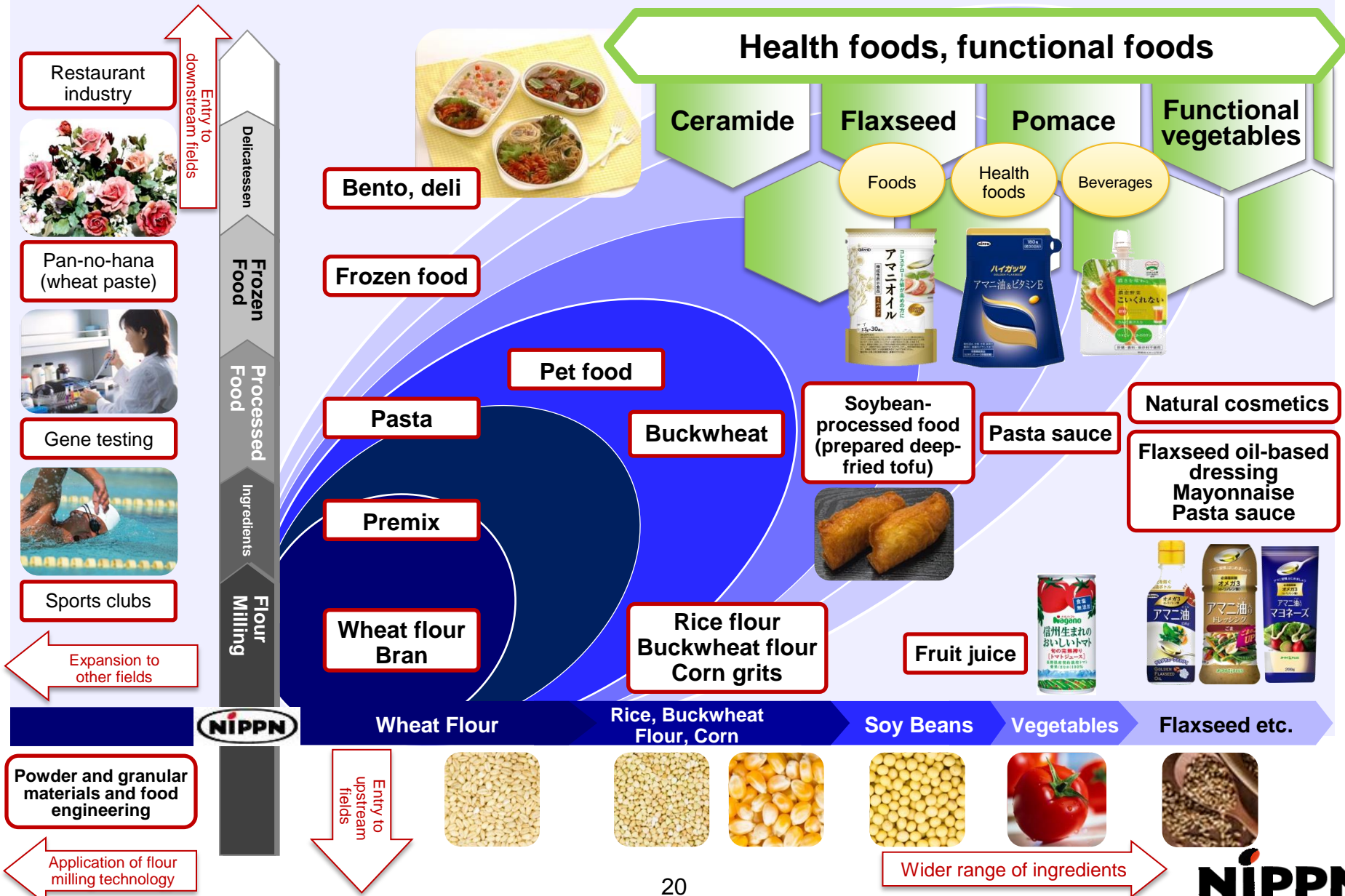


- Utilization as a new ingredient made in Japan

Semolina (wheat), fresh pasta, dry pasta, cooked food, etc.

☆ Expansion of a range of foods made in Japan

Direction of Diversification



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



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



Nippon Flour Mills(Thailand) Ltd.

PT. NIPPN FOODS INDONESIA

- Manufacture and sale of premix products etc.

Focus on cultivation of Asian market

U.S.

Pasta Montana, L.L.C.

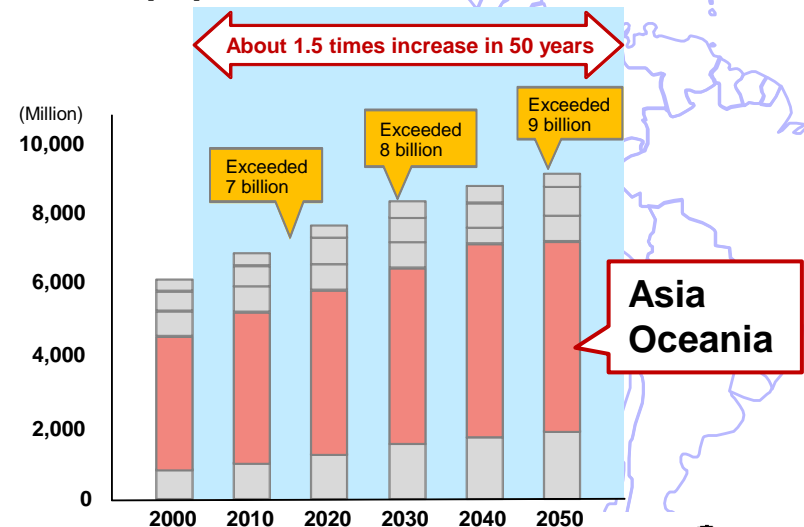
- Manufacture and sale of pasta
- Export to Japan



- Sales of food and food ingredients in the North American market

NIPPN California Inc.

<World population>



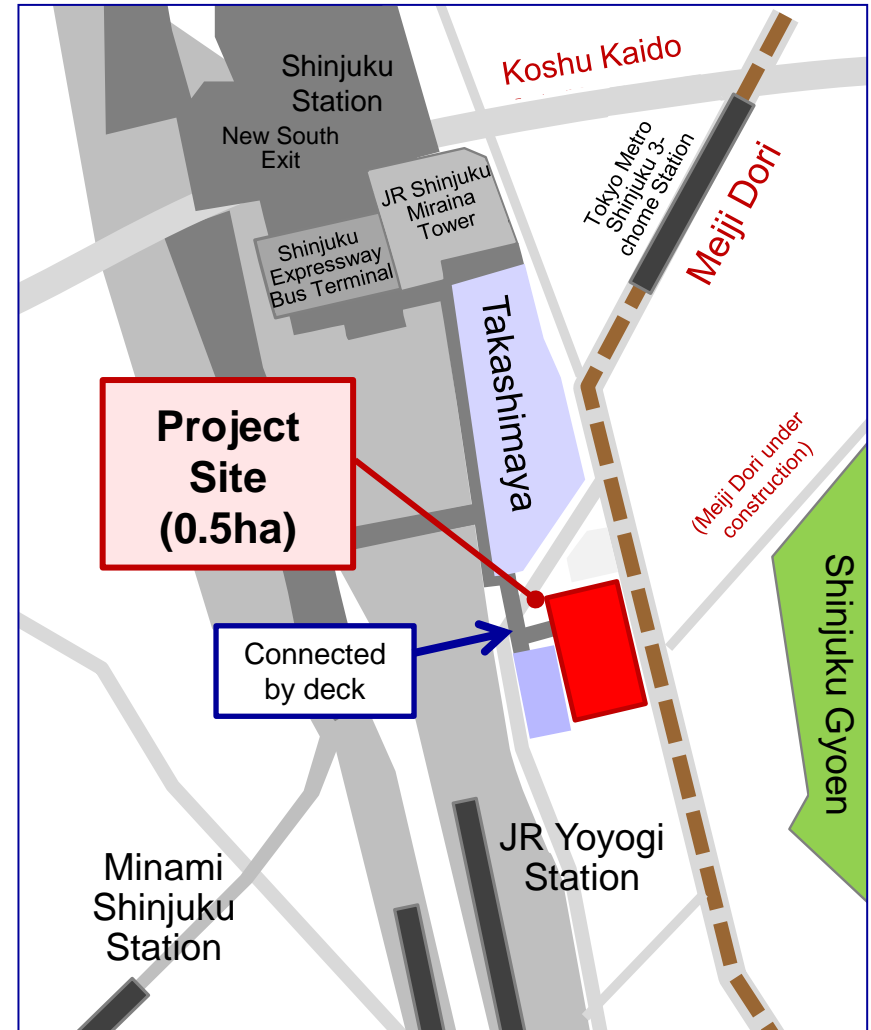
Construction of a Building Jointly with Mitsubishi Estate

Sendagaya 5-chome North District Urban Redevelopment

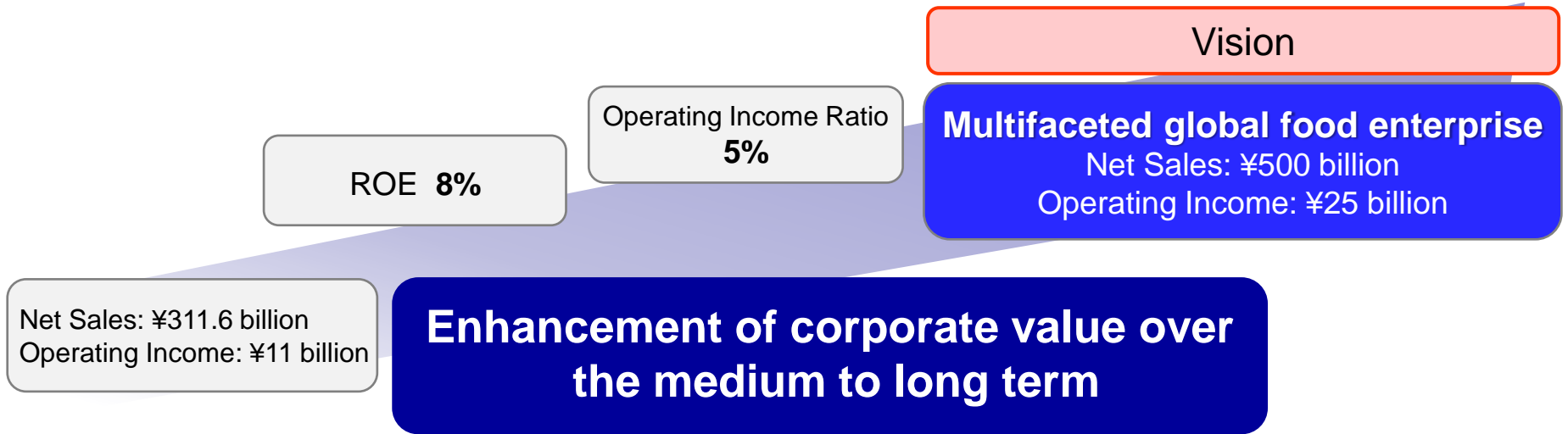
[Overview of the redevelopment project]

Application for construction permit	
Project area	Within Sendagaya 5-chome, Shibuya-ku, Tokyo
Joint developers	Nippon Flour Mills, Mitsubishi Estate
Building outline	16 floors above ground and 2 underground, total floor area of approximately 43,600m ²
Usage	Office, shops, community facilities, parking lot, etc.
Construction start	April 2017
Building completion	August 2019

Once the building is completed, the Company plans to conduct real estate leasing business.



Summary of the Growth Strategy



Greater future cash flow

Commitment to multifaceted growth		Efficient utilization of resources	Strengthening of earnings power	
<ul style="list-style-type: none"> Strengthening of overseas bases M&A 	<ul style="list-style-type: none"> Fostering of growth fields Develop market-creation-type products 	<ul style="list-style-type: none"> Strengthen Group management Expansion of synergy 	<ul style="list-style-type: none"> Enhance customer satisfaction Sales of added-value products 	<ul style="list-style-type: none"> Pursue cost reduction Improve profitability and make capital investment

Promotion of CSR Management

CSR Activities

Dietary education

Support sound development of children

◈ 爲末大学 食育学部

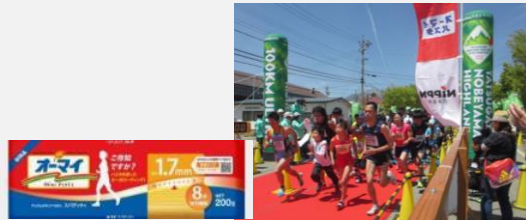
- Established Faculty of Food Education as a joint project with “Tamesue College” of Dai Tamesue, a former professional athlete
- Present special classes at elementary schools to encourage exercise and healthy nutrition



Support of sports

Contribute to people’s wellbeing through food

- Distribute pasta to promote carbohydrate loading for stamina among people participating in sports



- Official sponsor of athletes representing Japan in swimming, synchronized swimming, and water polo



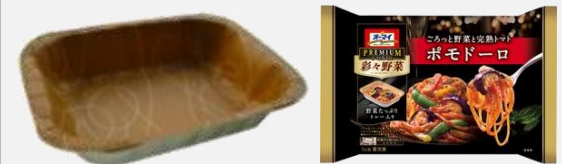
Environment

Environmental consideration expressed through products

- Support protection of crested ibis by means of Oh’ my spaghetti with crested ibis logo



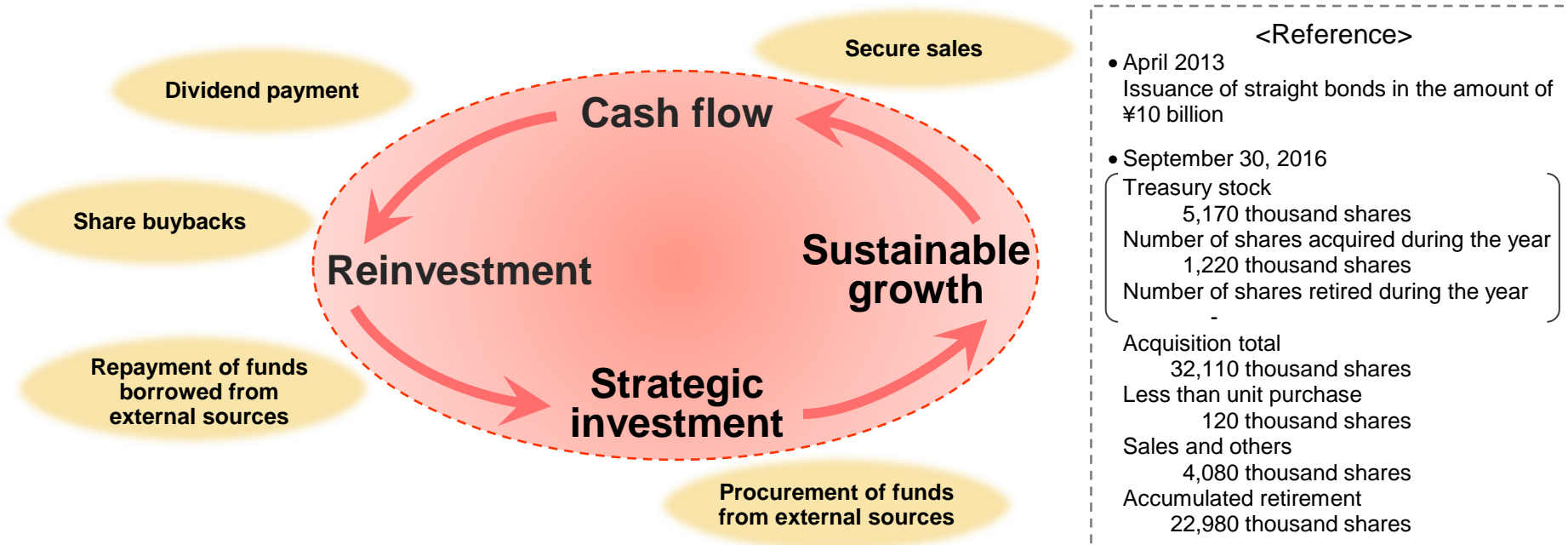
- Use of paper certified by the Program for the Endorsement of Forest Certification for paper trays for frozen foods



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 ratings
- Establish the financial condition enabling continually returning profit to shareholders (including share buybacks)

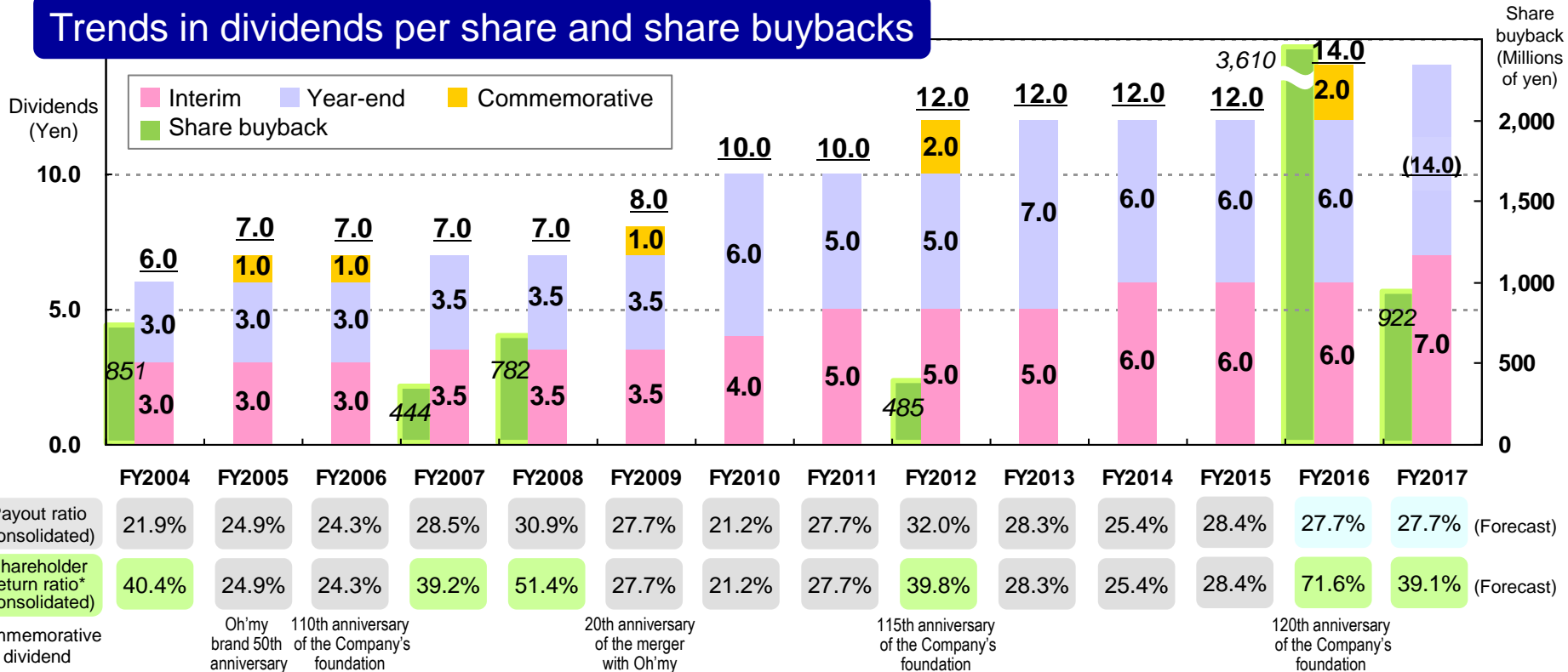


Target key performance indicators	Operating Income Ratio	ROE	ROA	Optimal Capital Structure	Consolidated Payout Ratio
	5%	8%	4%	50%	30%

Returning Profits to Shareholders

- NIPPN maintains a prudent approach toward its internal reserves taking into consideration the need to strengthen the corporate structure, prepare for future business development, and respond to changes in the 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.
- 1-for-2 share consolidation and change of the number of shares constituting one tradable unit from 1,000 shares to 100 shares on October 1, 2016

Trends in dividends per share and share buybacks



	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
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%	27.7%	27.7% (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%	71.6%	39.1% (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				120th 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, 2017 (FY2017) Business Results and FY2017 Future Forecasts

November 17, 2016

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

Consolidated Statements of Income

(Millions of yen)

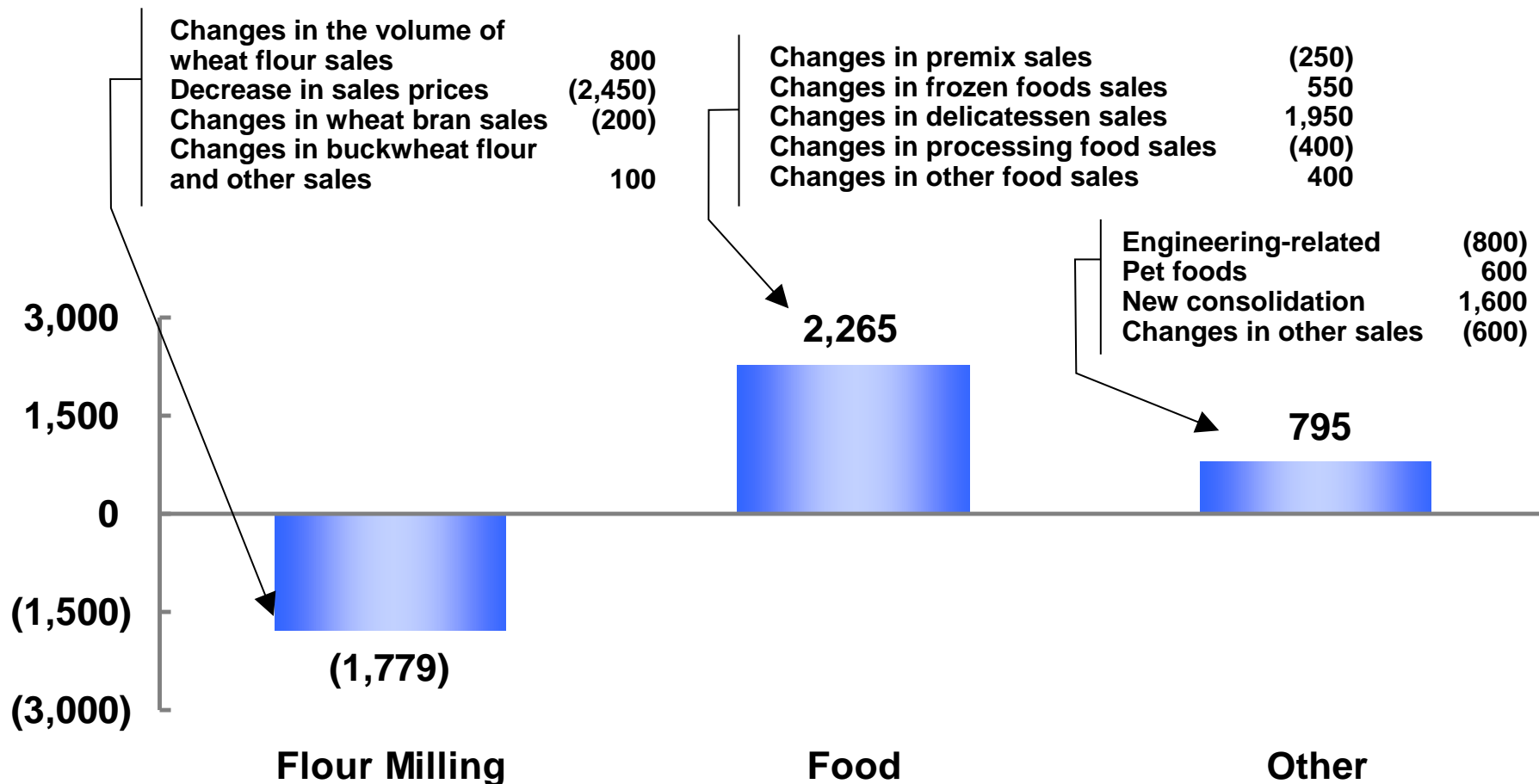
		1H FY2016		1H FY2017		YoY	
		(2015.4 ~ 9)	Vs. net sales	(2016.4 ~ 9)	Vs. net sales	Change	Change
Net sales	Flour Milling	51,118	33.0%	49,339	31.5%	(1,779)	(3.5)%
	Food	88,575	57.1%	90,840	58.1%	2,265	2.6%
	Other	15,428	9.9%	16,224	10.4%	795	5.2%
	Total	155,122	100.0%	156,404	100.0%	1,281	0.8%
Operating income	Flour Milling	1,764	3.5%	1,848	3.7%	83	4.7%
	Food	3,185	3.6%	3,359	3.7%	173	5.4%
	Other	86	0.6%	194	1.2%	108	125.6%
	Total	5,036	3.2%	5,401	3.5%	365	7.2%
Ordinary income		5,957	3.8%	6,069	3.9%	112	1.9%
Profit attributable to owners of parent		4,015	2.6%	4,151	2.7%	136	3.4%
ROE		3.0%		3.2%		0.2p	
EPS		¥48.97		¥51.73		¥2.76	

● Retrospective restatement of figures for the previous year due to share consolidation

Analysis of Factors for Changes in Net Sales

◆ Factors for changes in net sales (overall increase of ¥1,281 million)

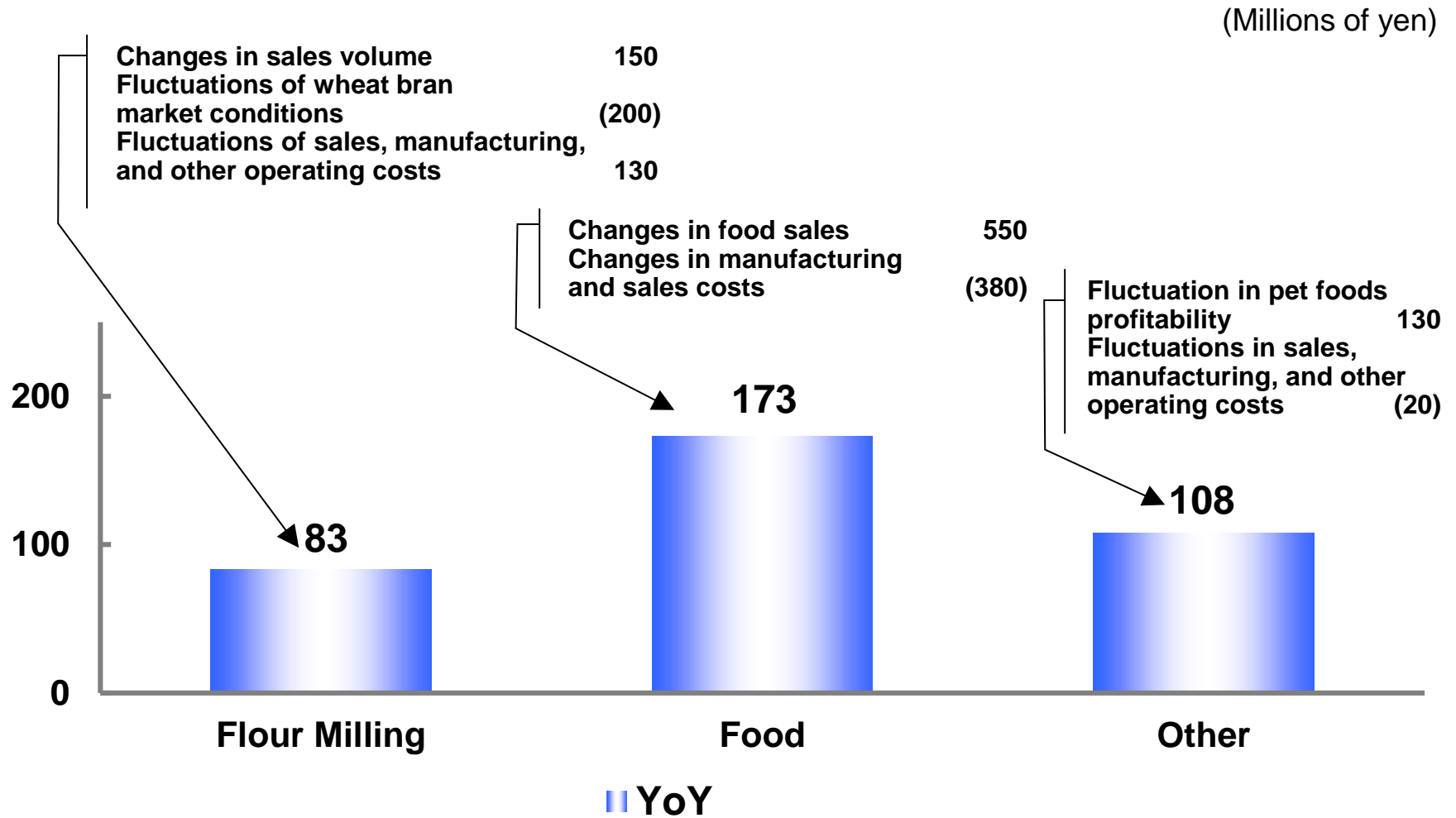
(Millions of yen)



■ YoY

Analysis of Factors for Changes in Operating Income

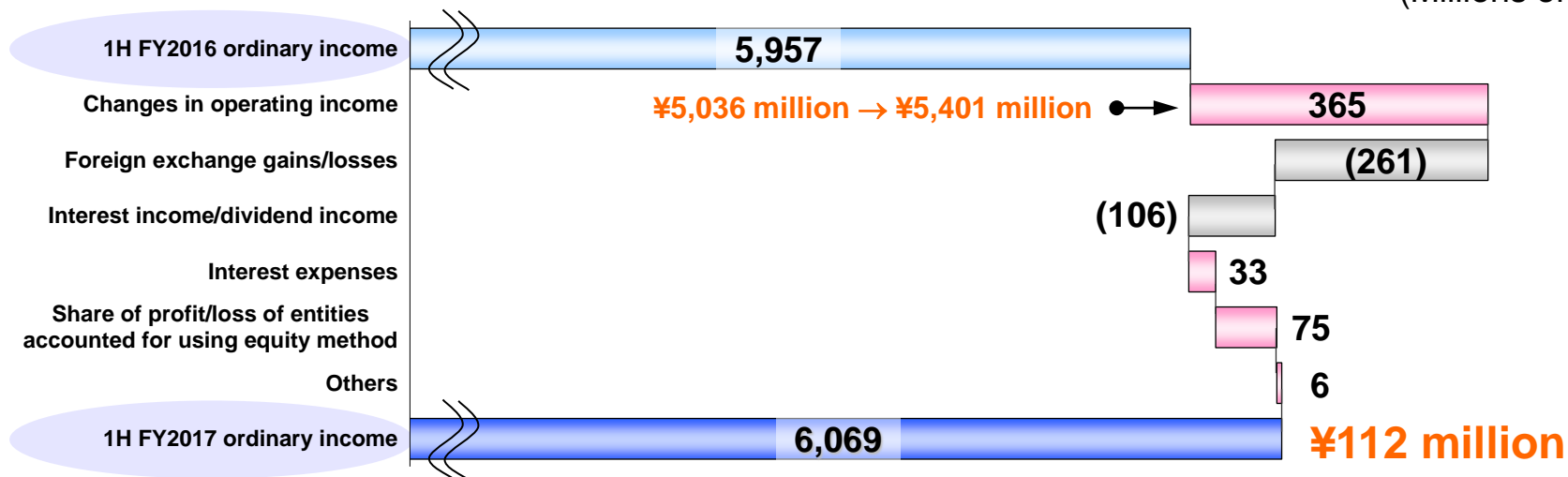
◆ Factors for changes in operating income (overall increase of ¥365 million)



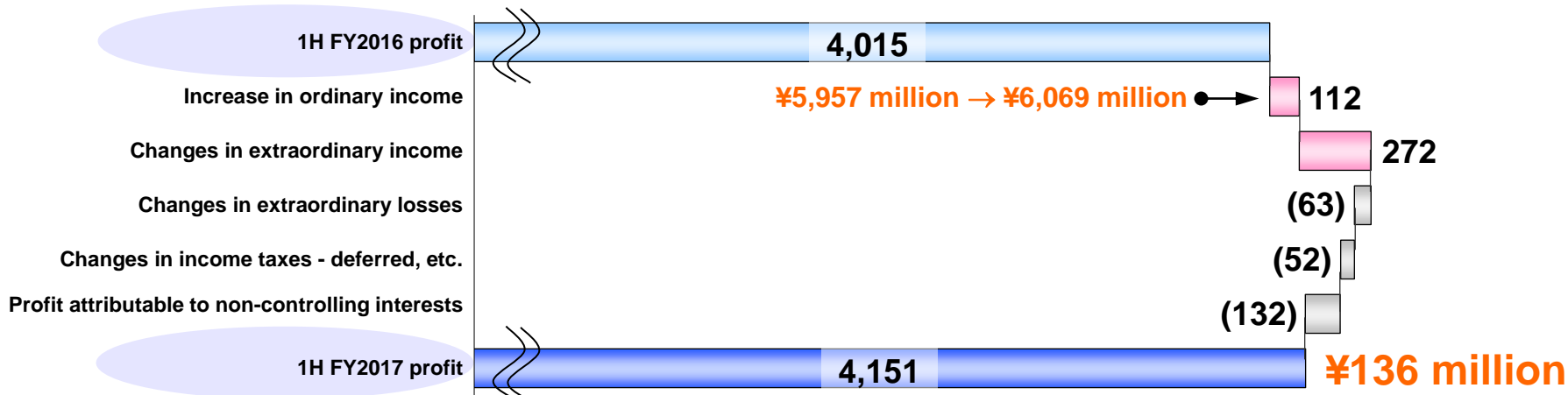
Analysis of Factors for Changes in Ordinary Income/Profit

◆ Factors for changes in ordinary income

(Millions of yen)



◆ Factors for changes in profit*



* Profit attributable to owners of parent

Consolidated Balance Sheets (Assets)

(Millions of yen)

	FY2016		1H FY2017		Change		Major factors for changes
	(As of Mar. 31, 2016)	Component ratio	(As of Sep. 30, 2016)	Component ratio			
Current assets	101,017	40.7%	91,107	37.8%	(9,909)	(2.9)p	
Property, plant and equipment	85,242	34.4%	86,650	36.0%	1,407	1.6p	
Intangible assets	833	0.3%	1,377	0.6%	544	0.3p	
Investments and other assets	60,826	24.5%	61,685	25.6%	859	1.1p	Valuation difference on investment securities
Fixed assets	146,902	59.3%	149,713	62.2%	2,811	2.9p	
Total assets	247,919	100.0%	240,821	100.0%	(7,098)	-	

Consolidated Balance Sheets (Liabilities and Net Assets)

(Millions of yen)

		FY2016		1H FY2017		Change		Major factors for changes
		(As of Mar. 31, 2016)	Component ratio	(As of Sep. 30, 2016)	Component ratio			
Current liabilities		71,641	28.9%	61,169	25.4%	(10,471)	(3.5)p	
Non-current liabilities		40,534	16.3%	42,037	17.5%	1,502	1.2p	
Total liabilities		112,176	45.2%	103,206	42.9%	(8,969)	(2.3)p	
Shareholders' equity	Capital stock	12,240	4.9%	12,240	5.1%	-	0.2p	
	Capital surplus	10,669	4.3%	10,672	4.4%	2	0.1p	
	Retained earnings	91,834	37.0%	94,697	39.3%	2,862	2.3p	
	Treasury shares	(2,354)	(0.9)%	(3,255)	(1.4)%	(901)	(0.5)p	
Accumulated other comprehensive income		18,192	7.3%	17,955	7.5%	(236)	0.2p	
Subscription rights to shares		117	0.0%	130	0.1%	12	0.0p	
Non-controlling interests		5,043	2.0%	5,174	2.1%	131	0.1p	
Total net assets		135,743	54.8%	137,614	57.1%	1,871	2.3p	
Total liabilities and net assets		247,919	100.0%	240,821	100.0%	(7,098)	-	

Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2016	1H FY2017	Change
Cash flows from operating activities	7,255	8,582	1,327
Cash flows from investing activities	(2,635)	(6,505)	(3,869)
Cash flows from financing activities	(2,638)	(6,795)	(4,156)
Effect of exchange rate change on cash and cash equivalents	(9)	(322)	(313)
Net increase (decrease) in cash and cash equivalents	1,972	(5,040)	(7,013)
Cash and cash equivalents at beginning of period	12,847	20,776	7,928
Cash and cash equivalents at end of period	14,820	15,735	915

- 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 = Increase in purchase of fixed assets etc.
- Major factors contributing to changes in cash flows from financing activities = Repayment of debt etc.

FY2017 Forecasts

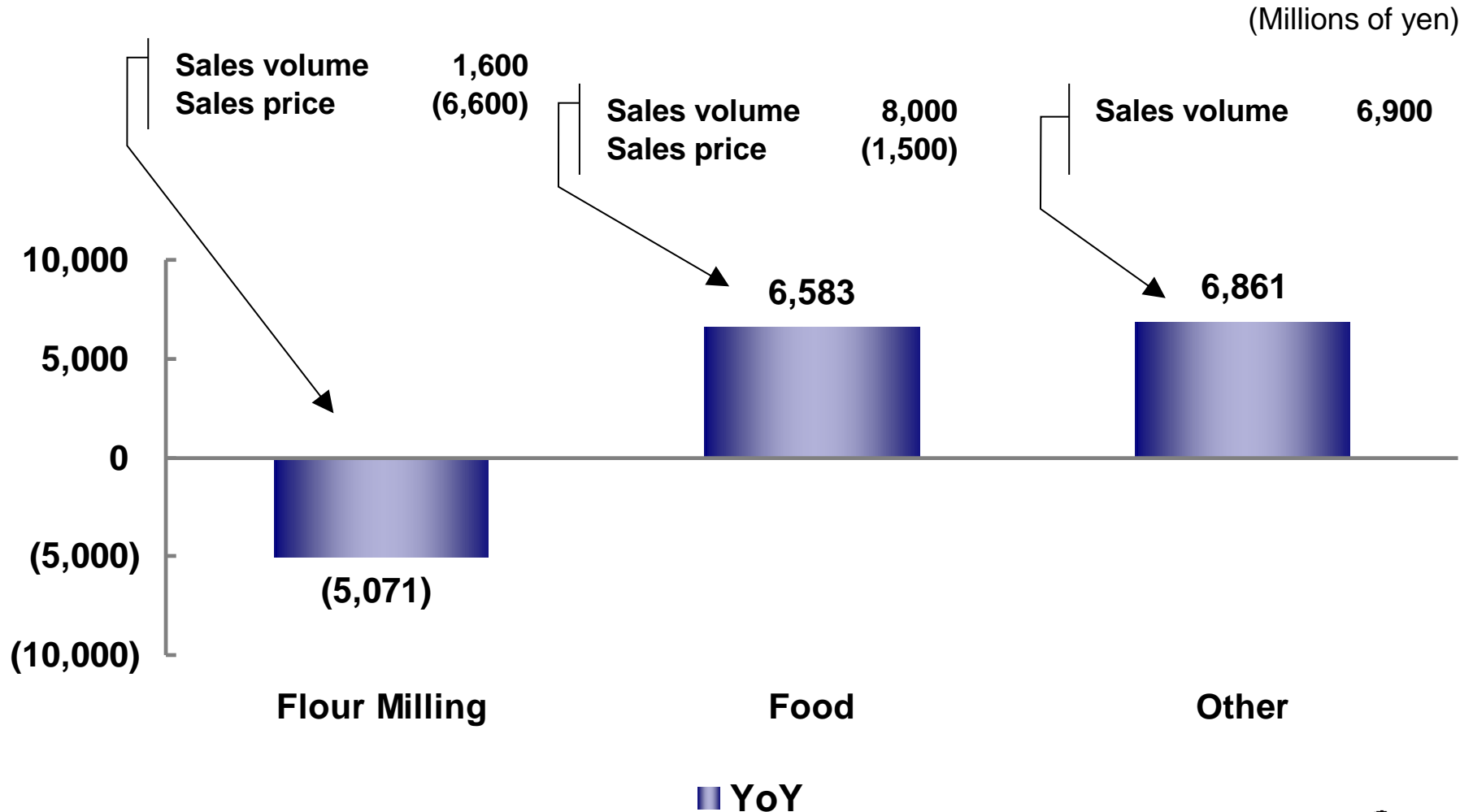
(Millions of yen)

		FY2016		FY2017 (Forecasts)		YoY	
		Result	Vs. net sales	Forecasts	Vs. net sales	Change	Change
Net sales	Flour Milling	103,071	33.1%	98,000	30.6%	(5,071)	(4.9)%
	Food	177,417	56.9%	184,000	57.5%	6,583	3.7%
	Other	31,139	10.0%	38,000	11.9%	6,861	22.0%
	Total	311,628	100.0%	320,000	100.0%	8,372	2.7%
Operating income	Flour Milling	3,918	3.8%	4,000	4.1%	82	2.1%
	Food	6,781	3.8%	6,700	3.6%	(81)	(1.2)%
	Other	393	1.3%	400	1.1%	7	1.8%
	Total	11,093	3.6%	11,100	3.5%	7	0.1%
Ordinary income		12,666	4.1%	12,500	3.9%	(166)	(1.3)%
Profit attributable to owners of parent		8,222	2.6%	8,100	2.5%	(122)	(1.5)%
ROE		6.2%		6.1%		(0.1)p	
EPS		¥100.99		¥100.93		¥(0.06)	

● Retrospective restatement of figures for the previous year due to share consolidation

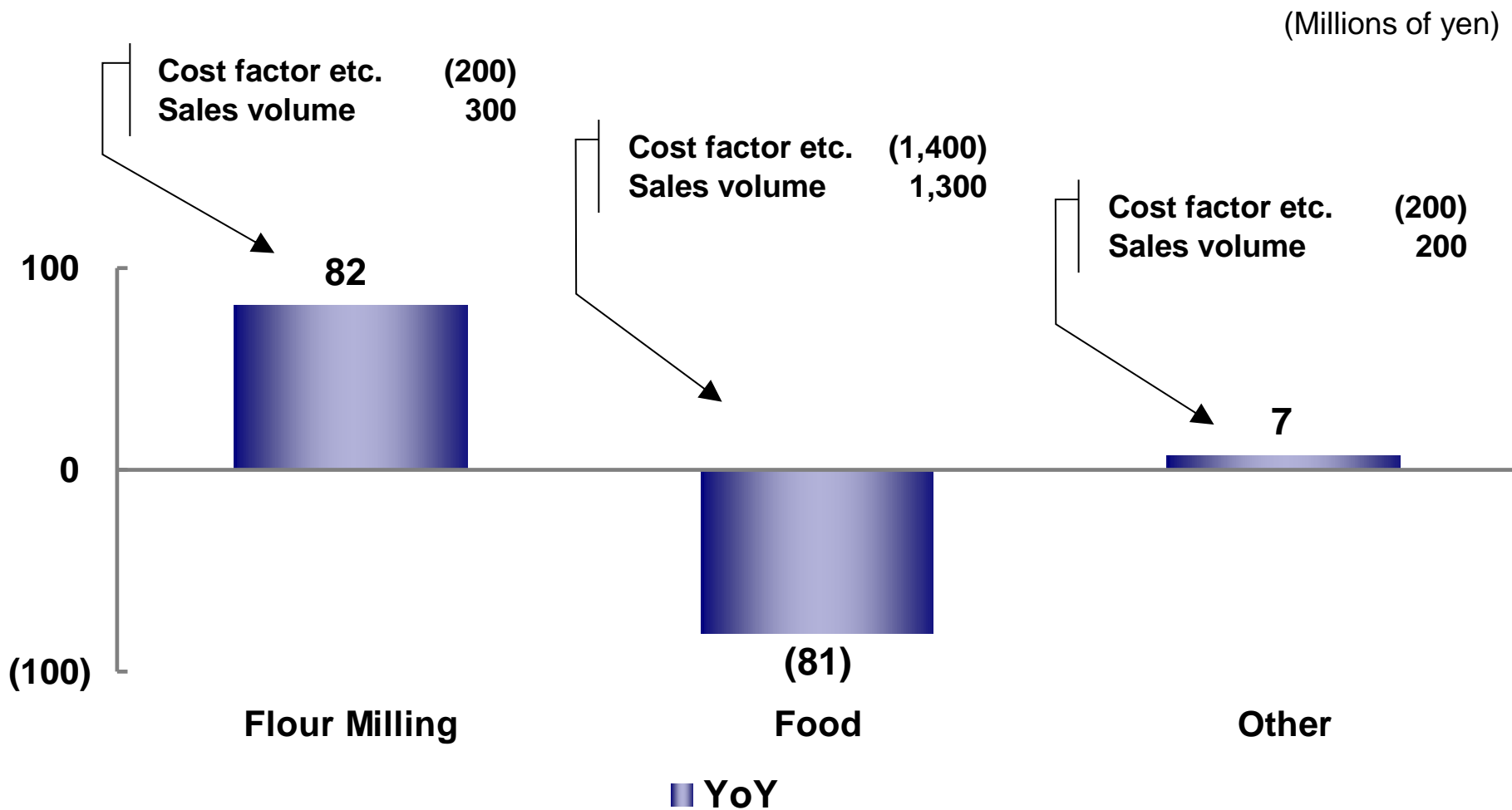
Analysis of Factors for Changes in Net Sales Forecasts

◆ Factors for changes in net sales forecasts (overall increase of ¥8,372 million)



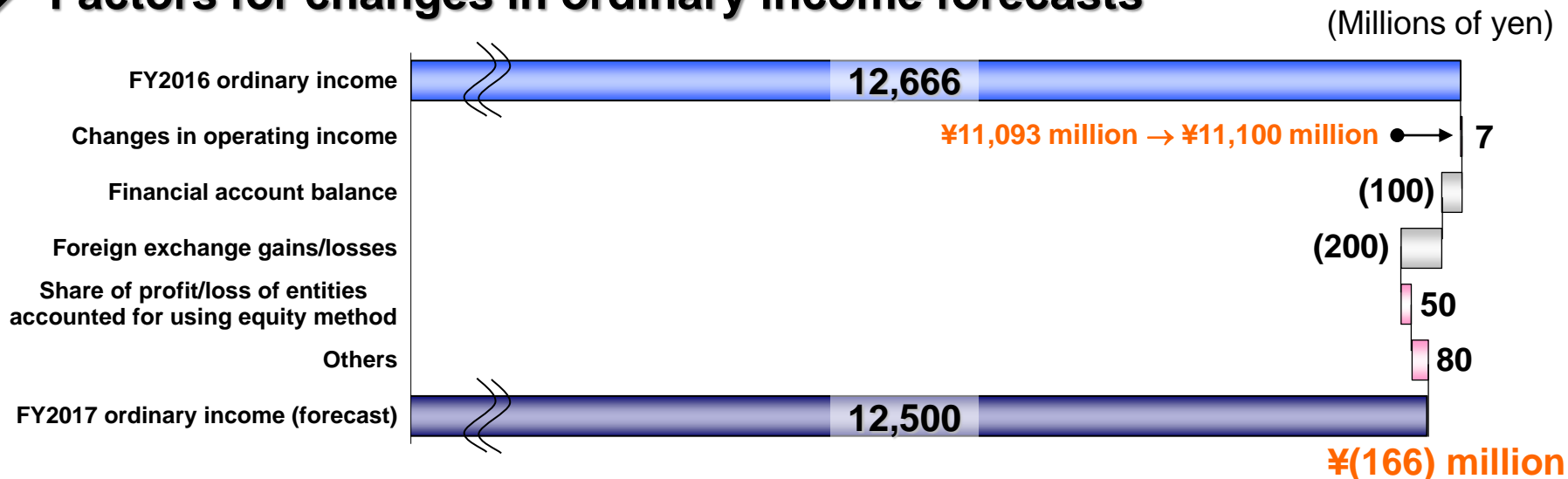
Analysis of Factors for Changes in Operating Income Forecasts

◆ Factors for changes in operating income forecasts (overall increase of ¥7 million)

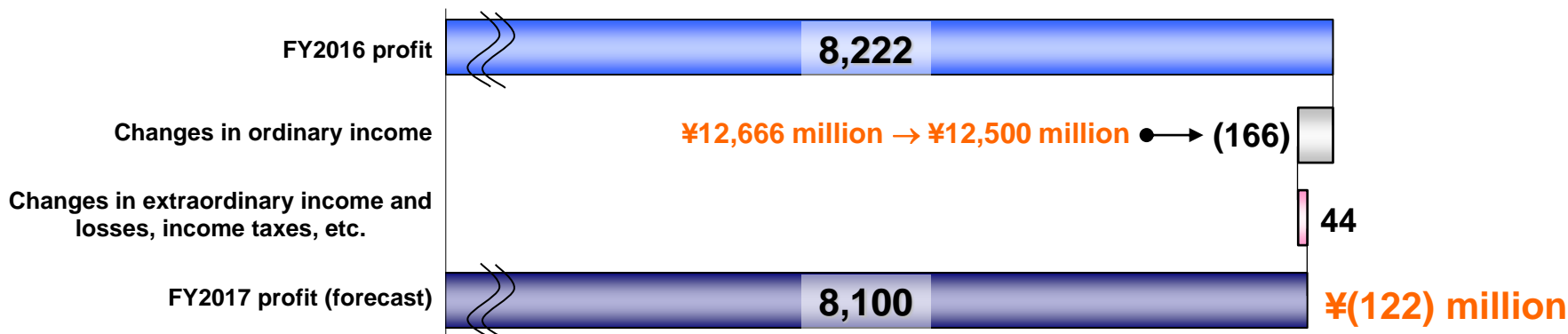


Analysis of Factors for Changes in Ordinary Income/Profit Forecasts

◆ Factors for changes in ordinary income forecasts



◆ 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.