



**Briefing Session on Business Results
for the First Half of Fiscal Year Ending
March 31, 2018 (FY2018)**

November 16, 2017

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



Forecast for FY2018 Performance and Outlook

November 16, 2017

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Content

1 Forecast for FY2018 Performance

2 Change in Business Environment

3 Strategy for Sustainable Growth

4 Promotion of CSR Management

Forecast for FY2018 Performance

Forecast for FY2018 Performance

Key points

- Higher net sales due to growth of the food business
- Higher profit through absorption of increased cost by higher sales of each business
- Full-year dividend of ¥30 to be maintained

Quantitative targets for FY2018

(Millions of yen)

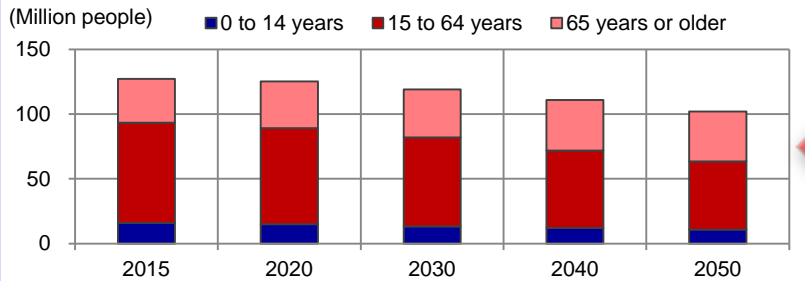
	FY2017	FY2018	Change	Change (%)
Net sales	312,932	335,000	22,068	7.1%
Operating profit	11,574	12,000	426	3.7%
Ordinary profit	13,162	13,500	338	2.6%
Profit attributable to owners of parent	8,934	9,000	66	0.7%

Change in Business Environment

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

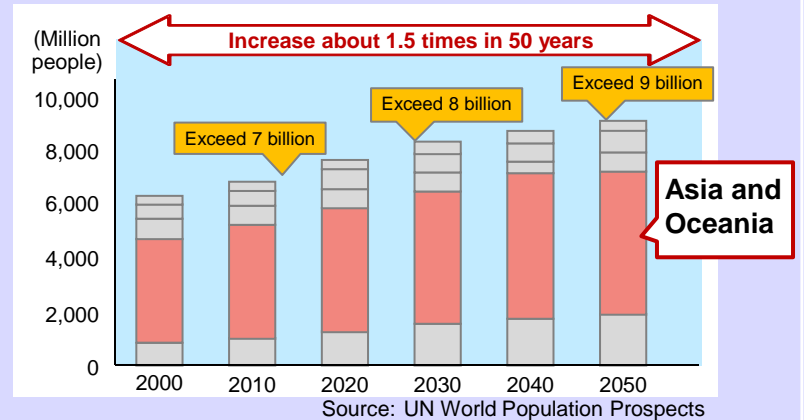
Change of demographic profile Japanese market to shrink

Decrease in working population



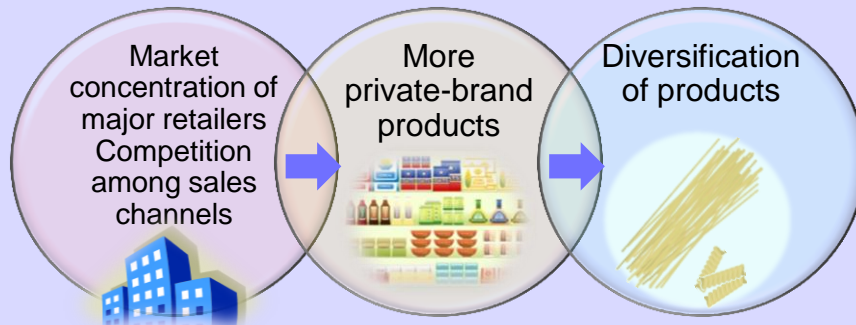
Source: National Institute of Population and Social Security Research
Population Projection for Japan

Overseas markets to expand



Source: UN World Population Prospects

Change in products



Intensified competition

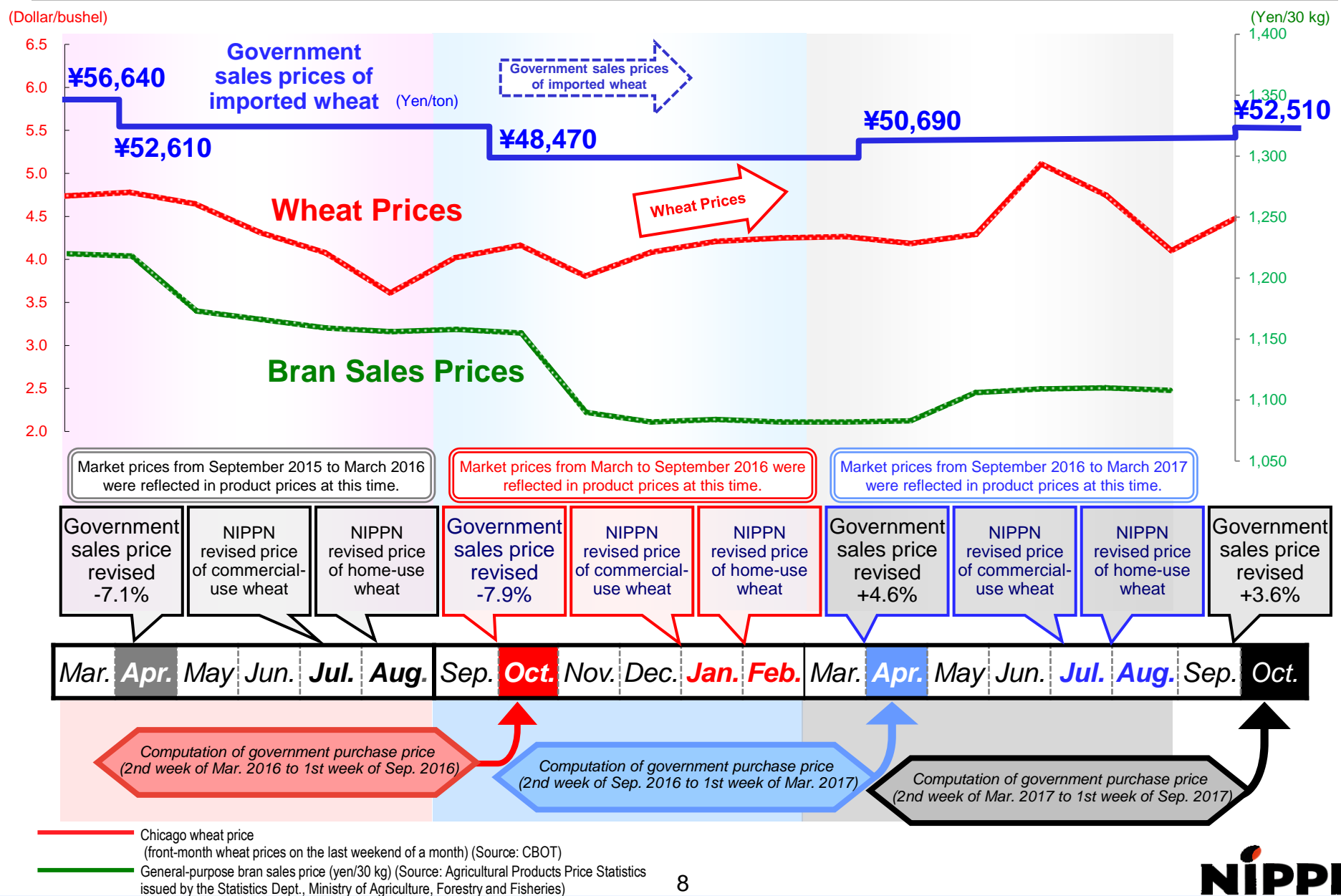
Change in consumers

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



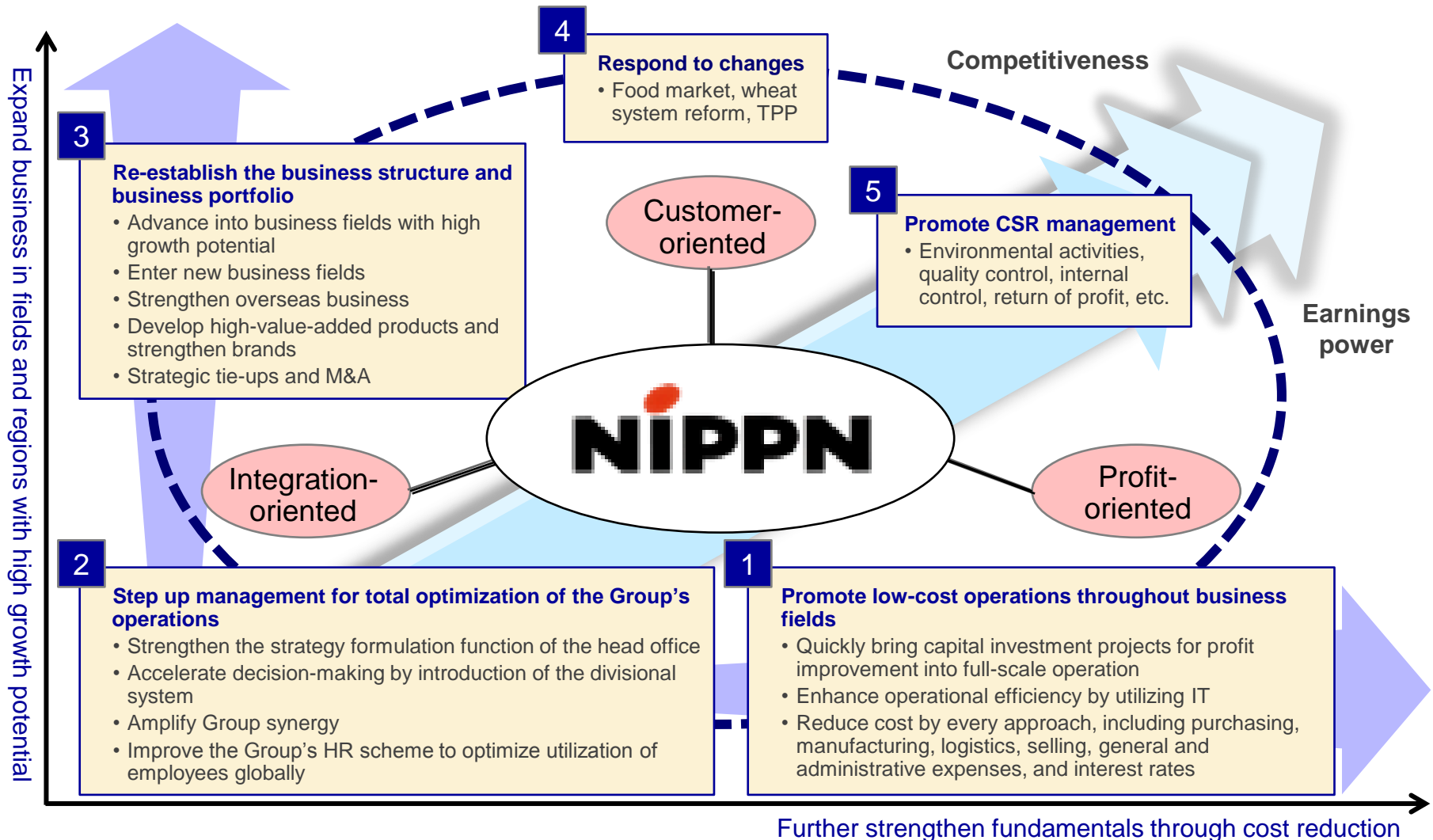
Diversifying needs

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



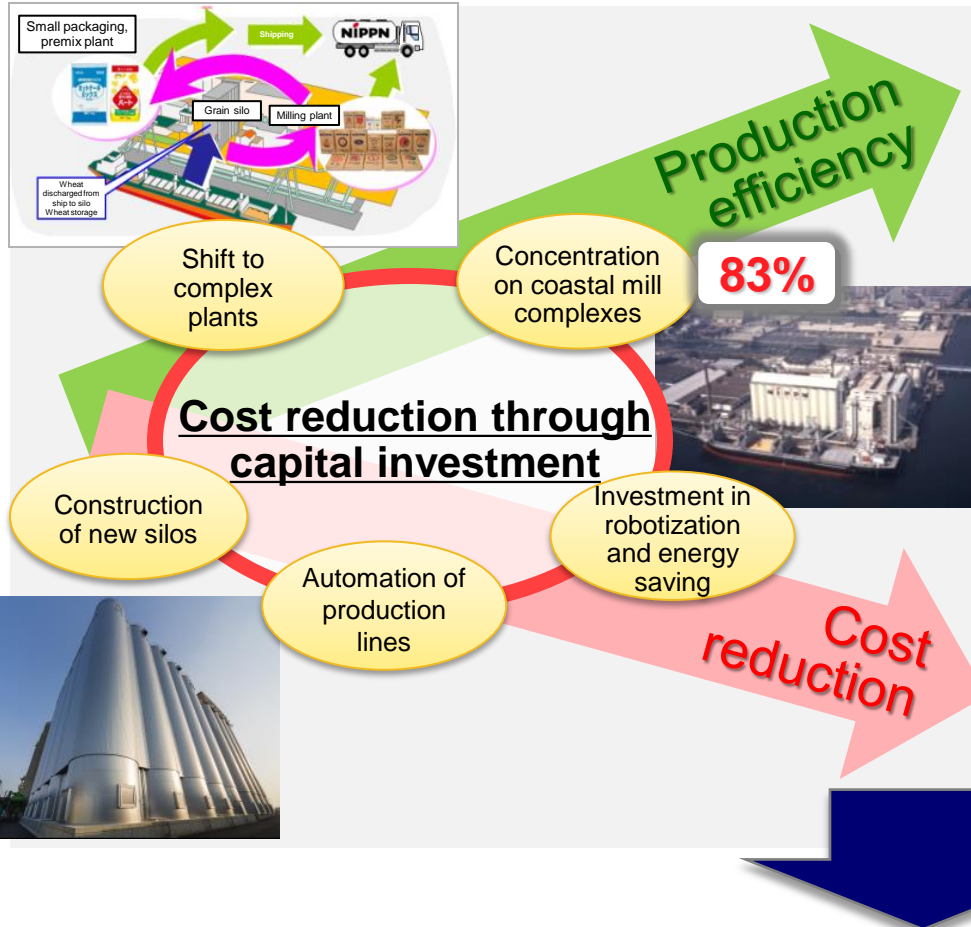
Strategy for Sustainable Growth

Growth Strategy Swiftly Responding to Change



Initiatives to Strengthen the Business Foundation

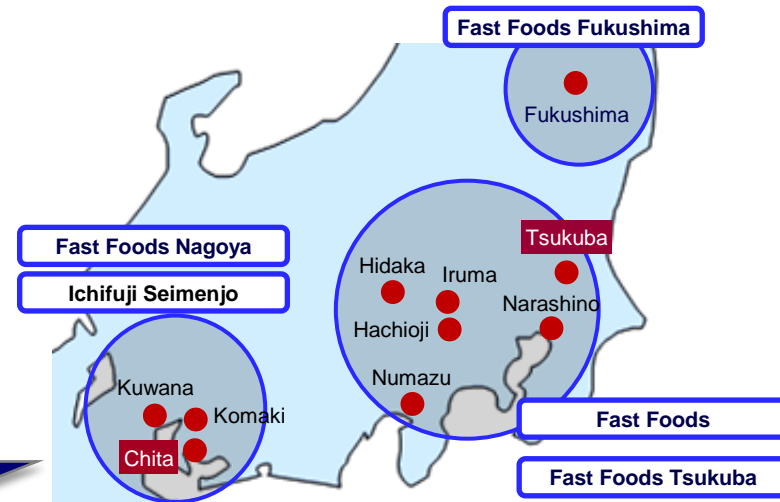
Low-cost operations strategy



Strengthening of delicatessen business

- Fast Foods HD acquired all shares of Ichifuji Seimenjo
- The business was transferred to Fast Foods Tsukuba, a subsidiary of Fast Foods HD

10 factories of 5 delicatessen companies



Development of Pasta Business (1)



— Development of high-value-added products —

“REGALO” means gifts in Italian

Texture that is firm to the bite

Meticulous attention to raw materials

Use of raw materials procured in Montana, one of the largest wheat producers in the U.S. and known for excellent durum wheat



Meticulous attention to the production method

Flavor and firmness intrinsic to wheat realized by high-temperature, slow drying



Meticulous attention to semolina

Use of meticulously selected coarse semolina produced from the central portion of durum wheat endosperm



Strengthen REGALO brand by introducing pasta sauces



Total of 6 pasta sauce products



Total of 3 short pasta products



Total of 4 long pasta products

Development of Pasta Business (2)



...dal 1883

— Full-scale promotion of an Italian pasta brand —

“Ferrara” pasta brand from Naples, Italy

Carefully selected ingredients



Over 130 years of history in Naples, the home of dry pasta

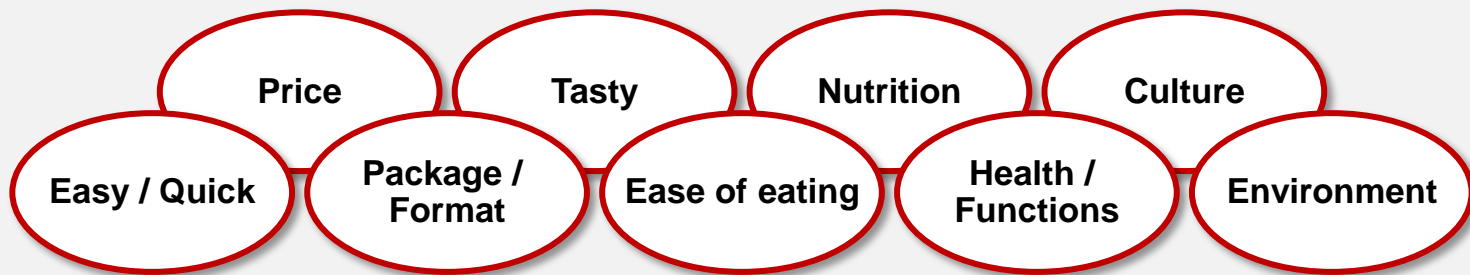
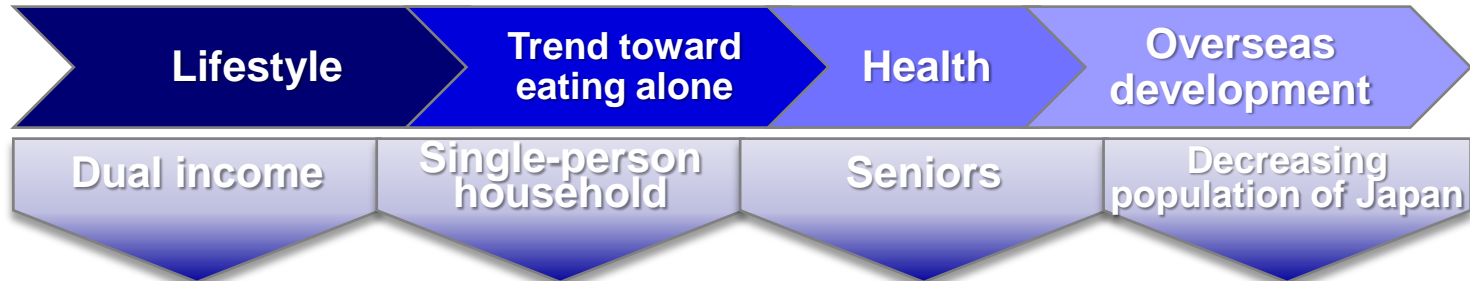
Only ingredients compliant with strict quality standards are used, centering on durum wheat harvested in Apulia, a region celebrated for excellent durum wheat.

Has one of the largest pasta production capacities in Campania, the region where Naples, which traditionally led the development of dry pasta, is located.

~Resilient firmness and long-lasting al dente texture~

Business Expansion in Growth Fields

In view of the change in dining and consumption



Development of market-creation-type products

Frozen Food

Strengthen the lineup of all-in-one meals

Delicatessen

Strengthen collaboration with convenience stores

Healthcare business

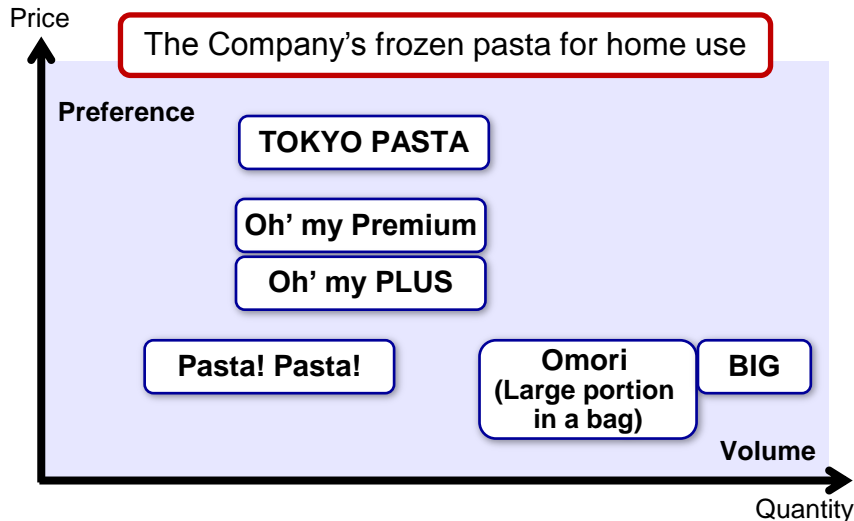
Commitment to businesses that extend healthy life expectancy

Overseas business

Expand sales in Asia

Frozen Food

- Introduction of all-in-one meals responding to various needs
- Packaged in trays for convenience (Paper trays made of FSC-certified paper)



Popular pasta series plus other dishes to meet diverse dining preferences

- ◆ Yokubari Plate series of frozen one-plate dishes



- ◆ Rice dishes in trays



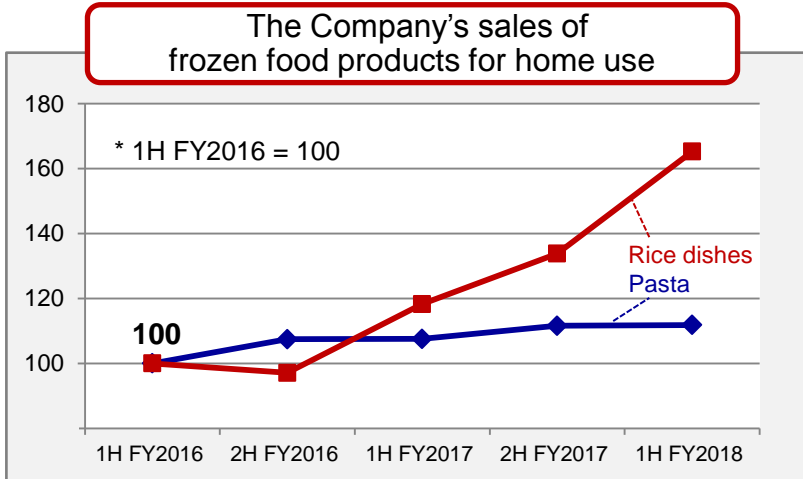
- ◆ Health-conscious tasty products **オマイ PLUS**



Fresh pasta with 30% less carbohydrate

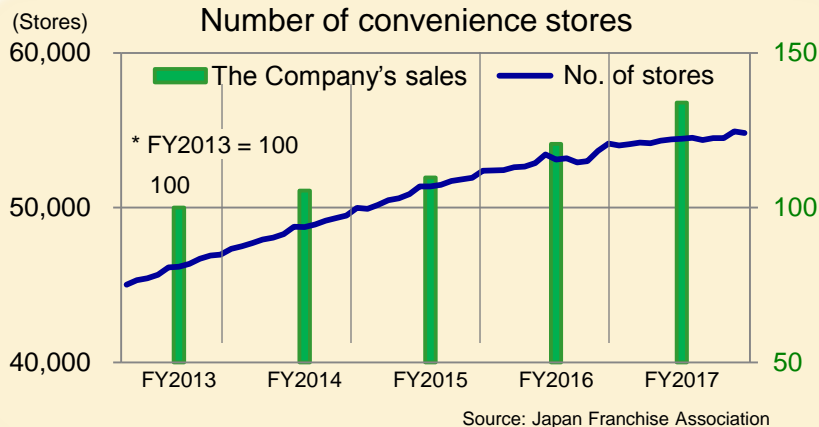
Containing linseed oil

With lactic acid bacteria



Delicatessen

Initiatives with convenience stores



NITORON multifunctional robot

Topping robot: This robot adds food items on top of dishes and can working in collaboration with people on a production line.



- Solving labor shortages
- Cost reduction

NIPPON TOPPING ROBOT
"NITORON"



Patent pending

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

- 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

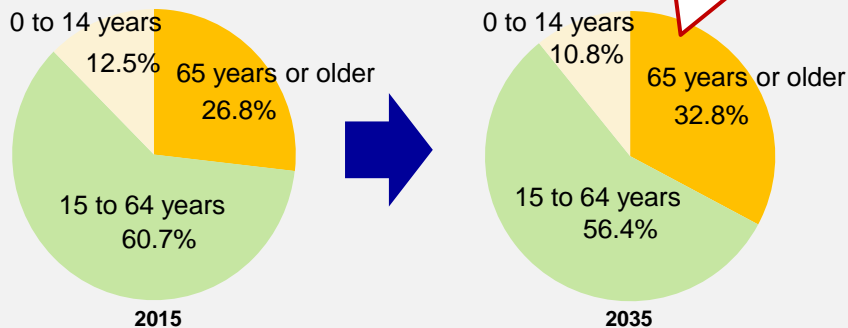


Processed tomato products

Commitment to Businesses Extending Healthy Life Expectancy (1)

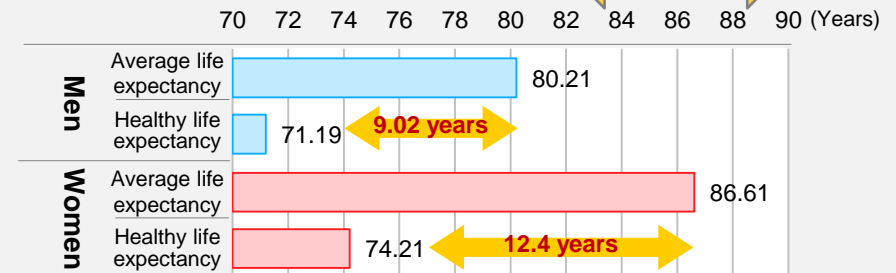
– Use of functional materials –

● Increasingly important senior market



Source: National Institute of Population and Social Security Research
Population Projection for Japan

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



Prepared referring to materials of Health Japan 21 (the second term) Advisory Panel

Food with Functional Claim

[Flaxseed Oil]

“For people with high cholesterol”

- Functional substance **Omega-3 (Alpha-linolenate)**



[Urutsuya Ceramide]

“For people anxious about dry skin”

- Functional substance **Glucosylceramide derived from rice**



[Maslin Jelly]

Development and commercialization of olive drupe extract

Featured in Nature, March 30
-Improvement in physical function-

Extraction of **maslinic acid**, an active ingredient, from olives



Use of the Company's unique ingredient Olive drupe extract
(International patent pending)



[CerainStm]

- Cosmetics containing 4 types of ceramide



Released in October 2017

Commitment to Businesses Extending Healthy Life Expectancy (2)

— Utilization of vegetables with added value —

Application of active ingredients of vegetables to diverse foods

Use of “Koikurenai carrot” containing lycopene



Koikurenai paste



▲ “Koikurenai carrot” with high lycopene content

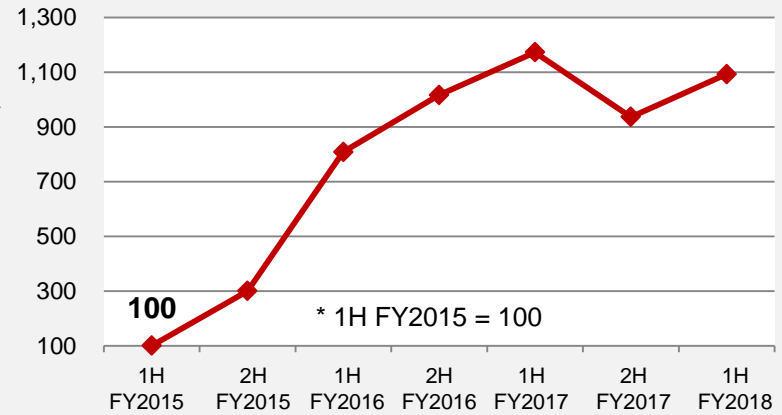


Carrot juice



Flaxseed oil-based dressing

Trend of sales of salad dressing containing linseed oil



Use of “Koiaona kale” with enhanced nutritional value



Koiaona powder



▲ “Koiaona kale” with enhanced nutritional value



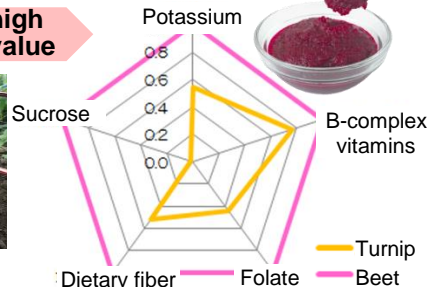
Flaxseed oil-based dressing

“Koiakane red beet” with high nutritional value

Beet with high nutritional value



▲ “Koiakane”, an original brand beet



Source: Standard Tables of Food Composition in Japan -2015- (Seventh Revised Edition)

Use of “Manaka”, an original brand tomato



Nippon Flour Mills Group



Application pending for food with functional claim

Development of New Wheat Varieties

Joint development with National Agriculture and Food Research Organization (NARO)

(1) Development of SETODURE, Japan's first durum wheat



Hachiman Yakujin Pasta
released in a limited region



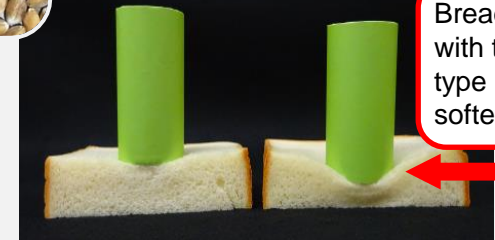
- Joint development with NARO. Cultivation consigned to a farming corporation in Hyogo Prefecture
- Spaghetti composed 100% of this variety
- Yellowish spaghetti with firm texture
- Test marketing by the farming corporation in 2016 under the brand "Hachiman Yakujin Pasta"
- Product milled and processed by Nippon Flour Mills scheduled for release in a limited region in 2017

(2) Development of wheat with starch degradation resistance



Patented wheat

Comparison by placing identical weights on slices of bread on the third day

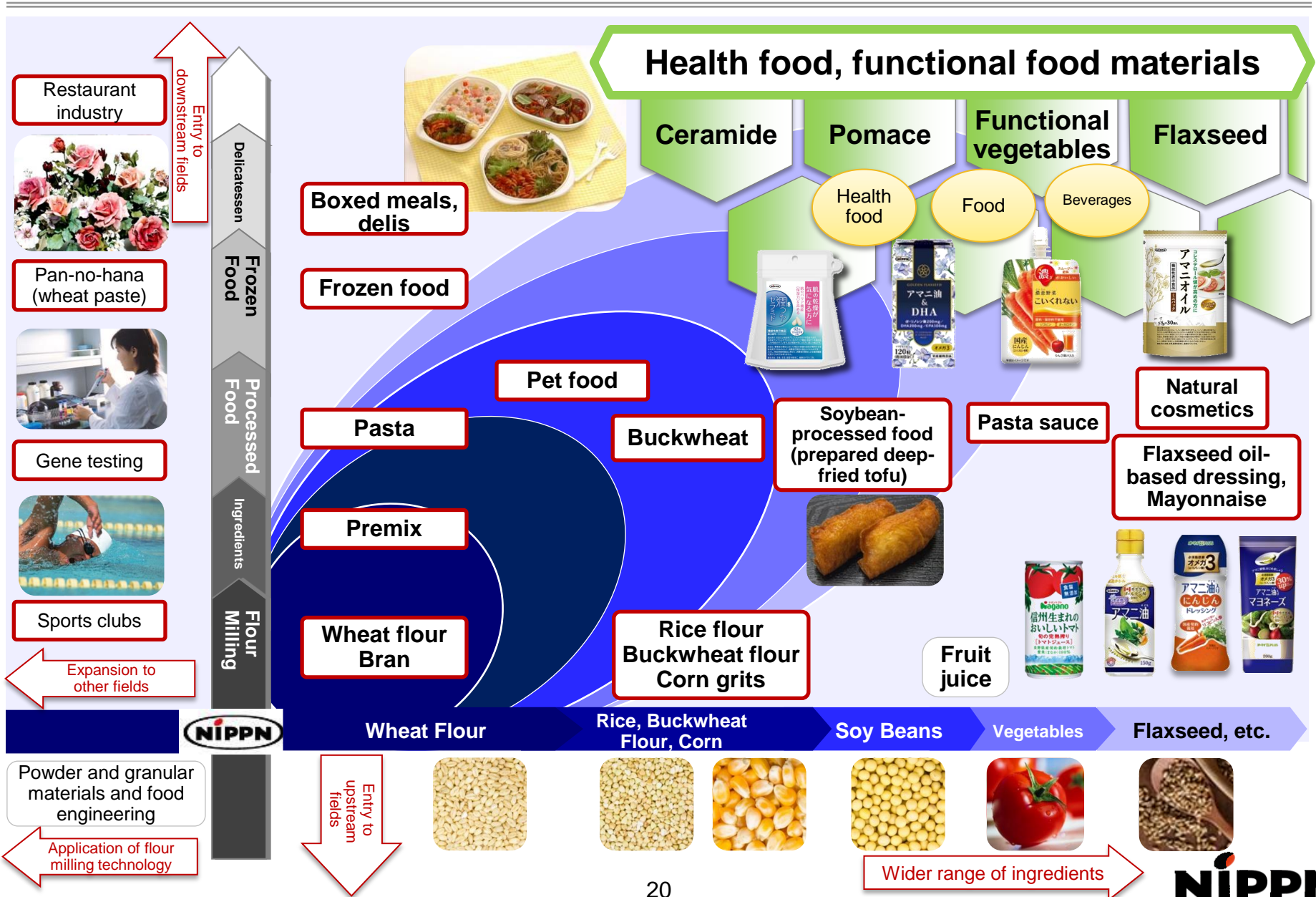


Bread made with the new type of wheat is softer.

<Regular type> <New type>

- Joint research with NARO Tohoku Agricultural Research Center
- Developed a wheat variety for bread that degrades more slowly
- Leading to development of bread that retains its softness
- In the process of registering the variety. Trail cultivation and processing tests underway.

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 FSSC22000, 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.



U.S.

Pasta Montana, L.L.C.

- Manufacture and sale of pasta
- Export to Japan
- **Start of operation of a new line (40% increase in capacity)**



Montana

California

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

NIPPN California Inc.



**Focus on expanding sales channels
in rapidly growing markets of Asia and North America**

Shinjuku South Exit Project

A large-scale building complex is being constructed near the south exit of JR Shinjuku Station.

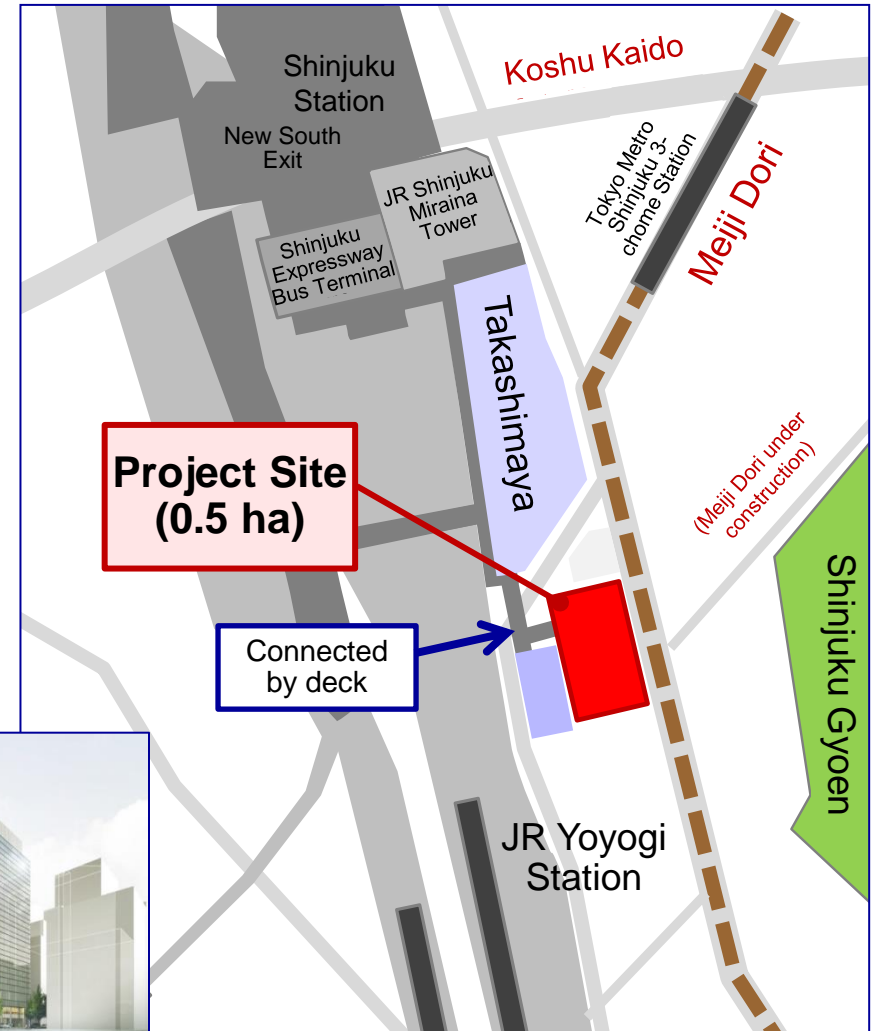
[Overview of the redevelopment project]

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 44,100 m ²
Usage	Office, shops, community facilities, parking lot, etc.
Construction start	June 2017
Building completion	August 2019

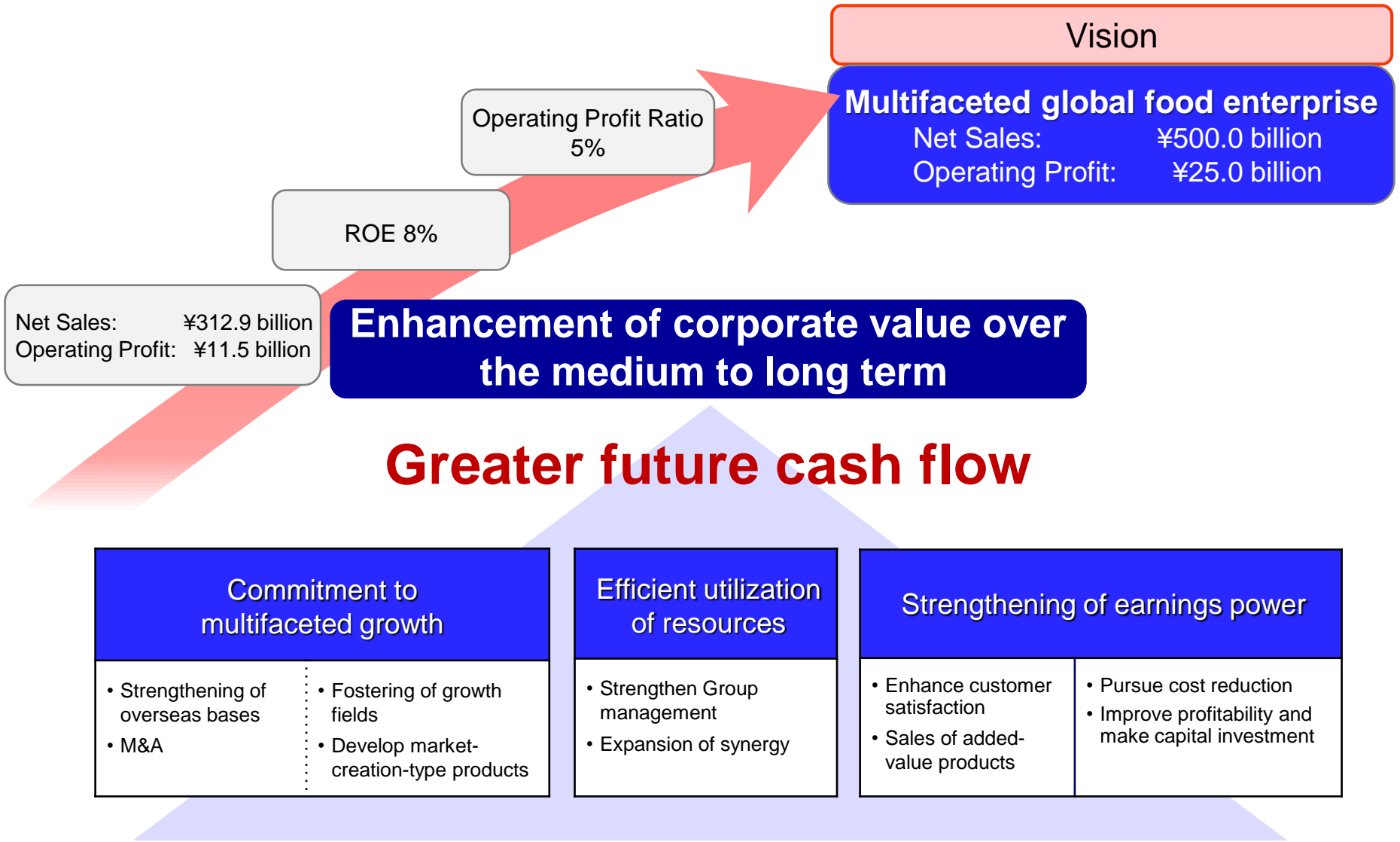
Once the building is completed, the Company plans to conduct real estate leasing business.



(Photo taken in September 2017)



Growth Strategy (summary)



Promotion of CSR Management

CSR through Food

Dietary education

Support children's growth



- Dietary Education Department of Tamesue College
- Joint project with "Tamesue College" of Dai Tamesue, a former professional athlete
- Visits to elementary schools and provision of special classes on exercise and diet



- Provision of dietary education classes at elementary and junior high schools across Japan



Support of sports

Support of people's wellbeing

- Supporting company of Japan Rugby Football Union



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



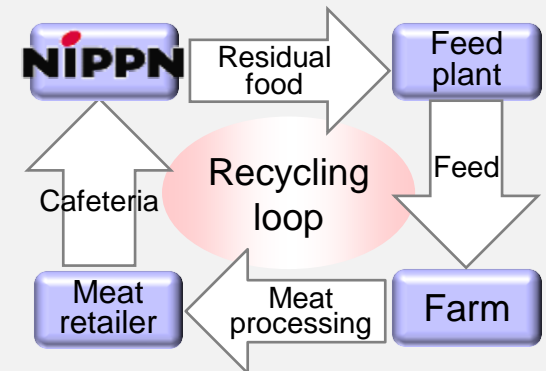
Environment

Consideration of environmental friendliness

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



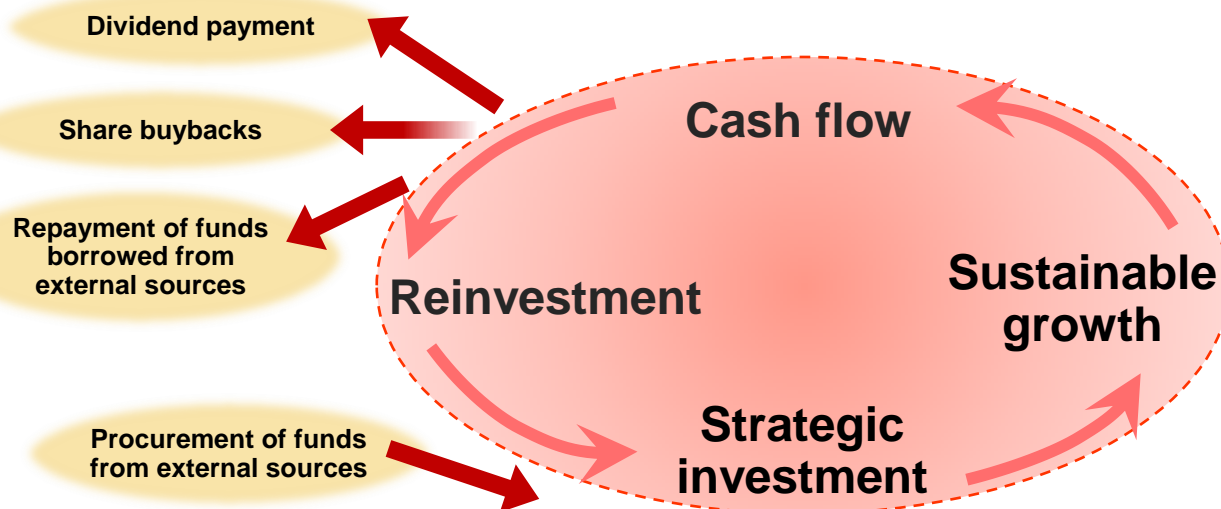
- Operation of food recycling loop for food waste



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)



<Reference>

- April 2013
Issuance of straight bonds in the amount of ¥10 billion
- September 30, 2017
Treasury shares
2,070 thousand shares
Number of shares acquired during the year
-
Number of shares retired during the year
-
Acquisition total
16,050 thousand shares
Less than unit purchase
60 thousand shares
Sales and others
2,530 thousand shares
Accumulated retirement
11,490 thousand shares

Target key performance indicators

Operating Profit Ratio
5%

ROE
8%

ROA
4%

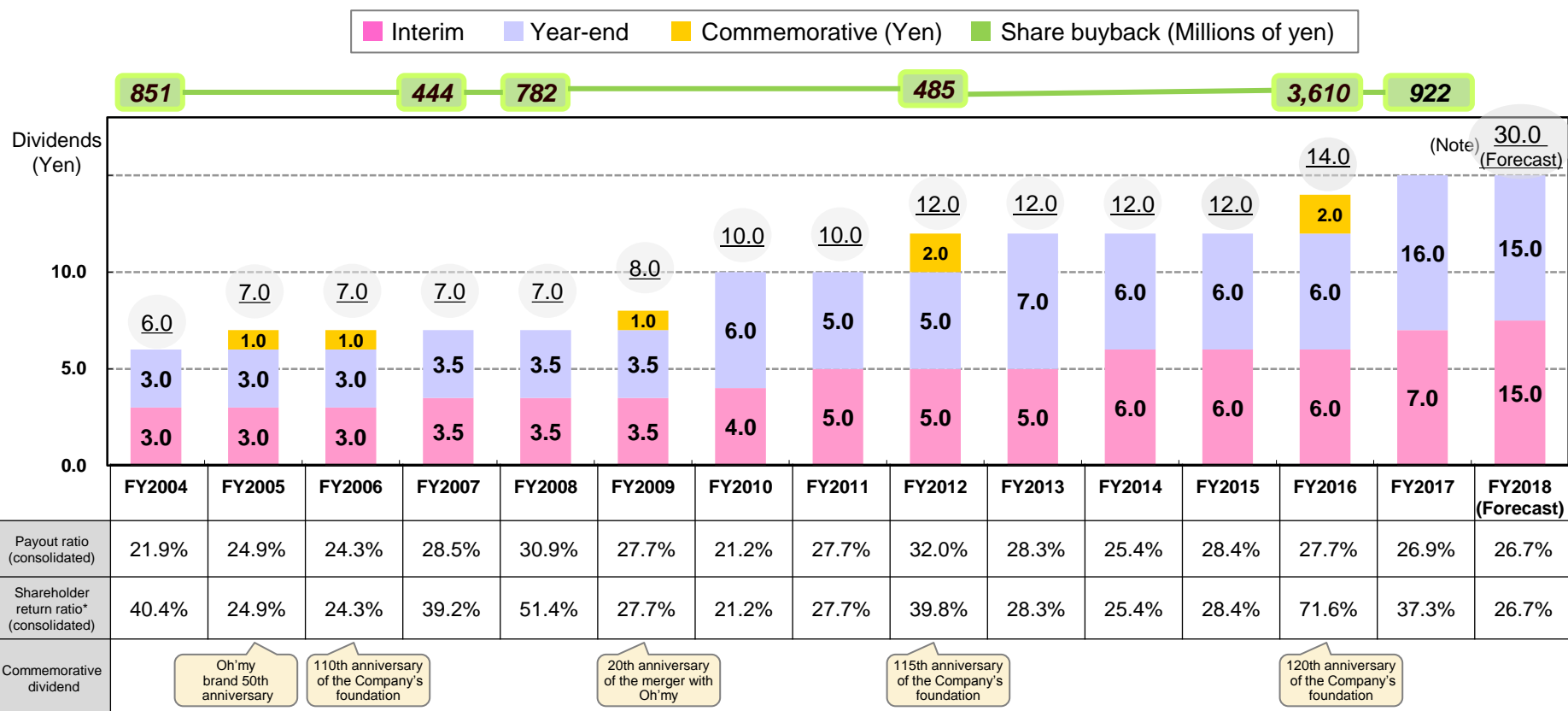
Optimal Capital Structure
50%

Consolidated Payout Ratio
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.

(Note) 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



*Shareholder return ratio = Dividend payout ratio + Ratio of share buyback (share buyback/profit)



Overview of First Half of Fiscal Year Ending March 31, 2018 (FY2018) Business Results and FY2018 Future Forecasts

November 16, 2017

Consolidated Statements of Income

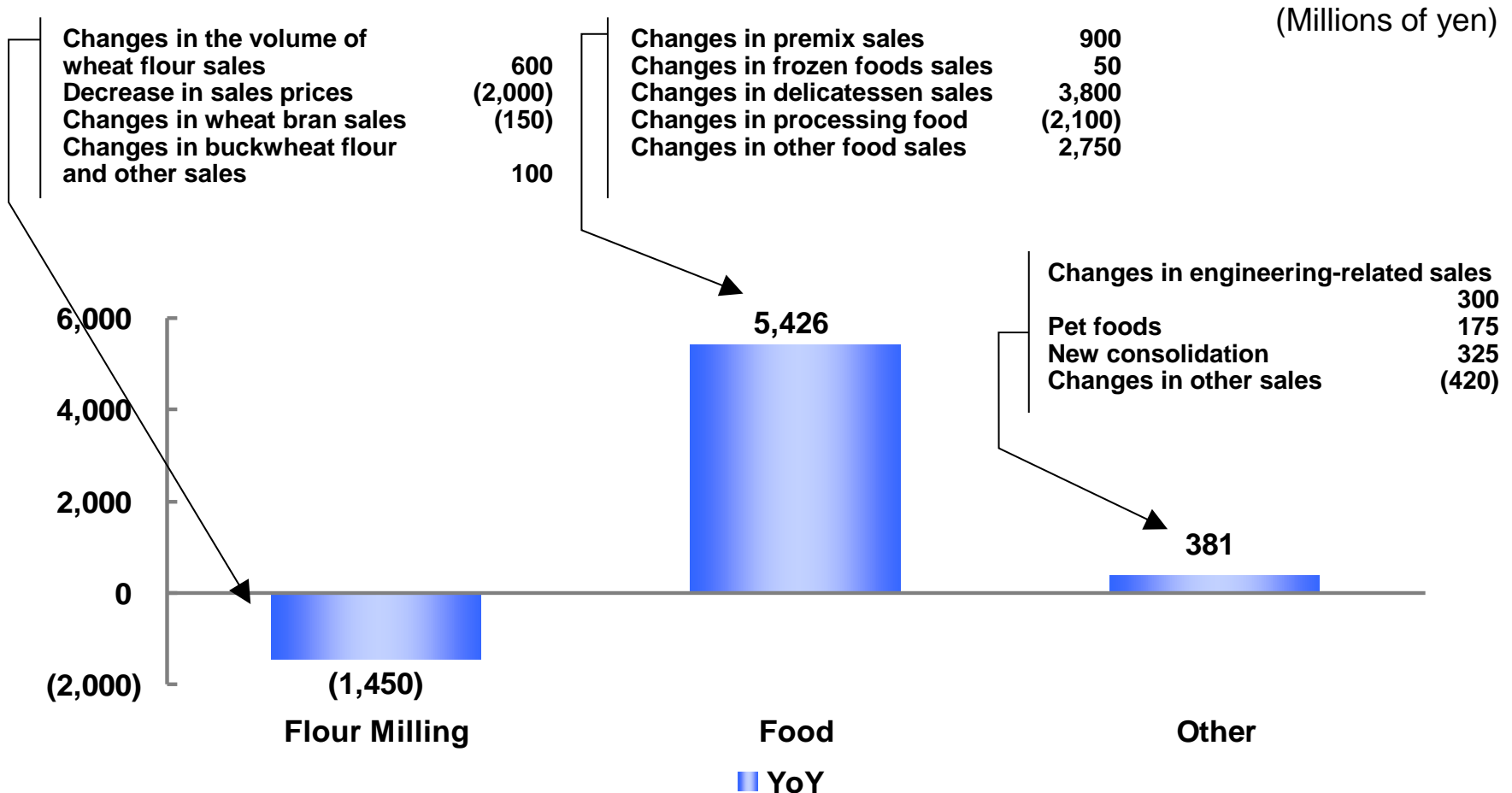
(Millions of yen)

		1H FY2017		1H FY2018		YoY	
		(2016.4 ~ 9)	Vs. net sales	(2017.4 ~ 9)	Vs. net sales	Change	Change
Net sales	Flour Milling	49,339	31.5%	47,888	29.8%	(1,450)	(2.9)%
	Food	90,840	58.1%	96,266	59.9%	5,426	6.0%
	Other	16,224	10.4%	16,605	10.3%	381	2.3%
	Total	156,404	100.0%	160,760	100.0%	4,356	2.8%
Operating profit	Flour Milling	1,848	3.7%	2,361	4.9%	513	27.8%
	Food	3,359	3.7%	2,141	2.2%	(1,218)	(36.3)%
	Other	194	1.2%	(1)	0.0%	(195)	(100.5)%
	Total	5,401	3.5%	4,501	2.8%	(900)	(16.7)%
Ordinary profit		6,069	3.9%	5,484	3.4%	(584)	(9.6)%
Profit attributable to owners of parent		4,151	2.7%	3,551	2.2%	(600)	(14.5)%
ROE		3.2%		2.4%		(0.8)p	
EPS		¥51.73		¥44.25		¥(7.48)	

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

Analysis of Factors for Changes in Net Sales

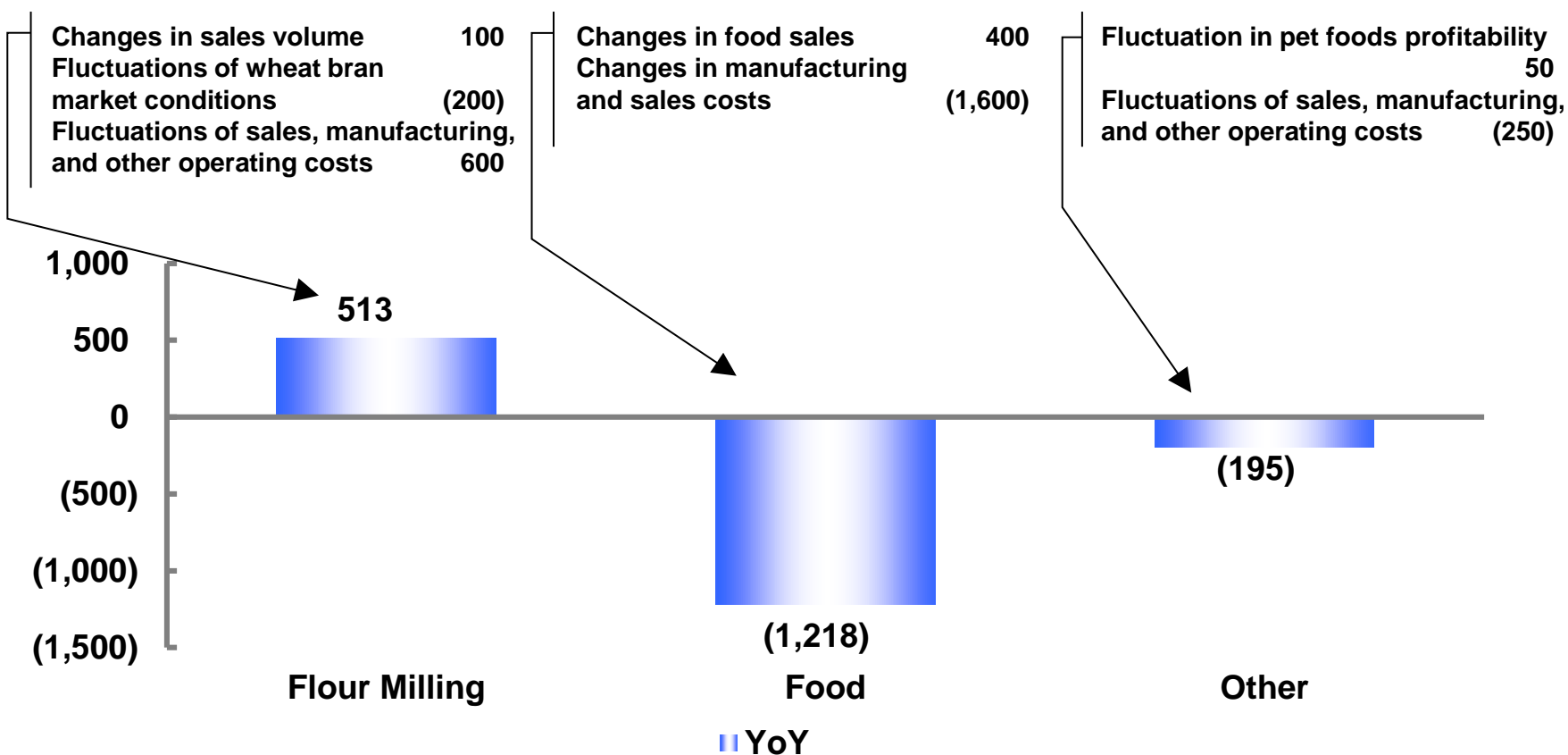
◆ Factors for changes in net sales (overall increase of ¥4,356 million)



Analysis of Factors for Changes in Operating Profit

◆ Factors for changes in operating profit (overall decrease of ¥900 million)

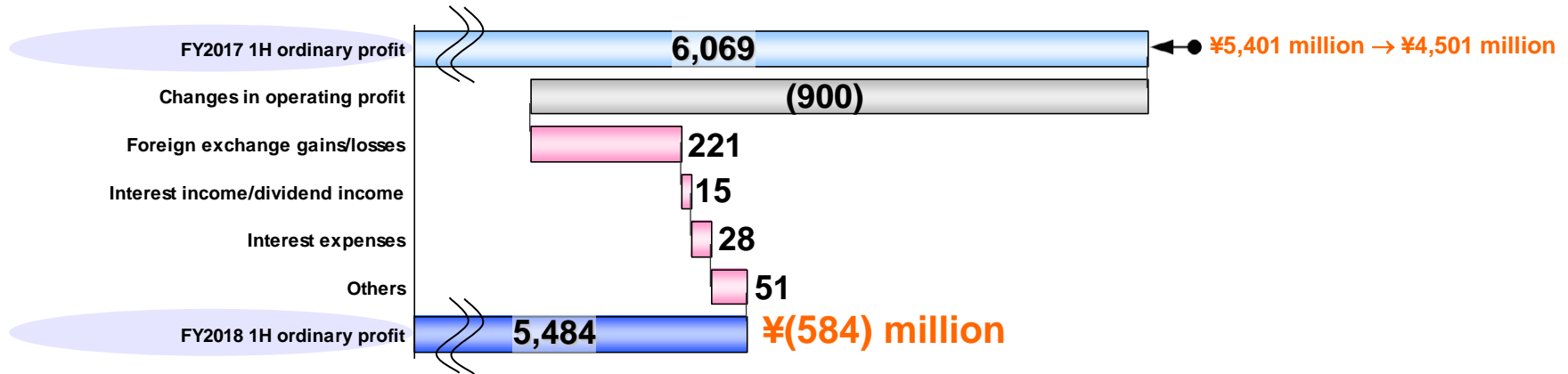
(Millions of yen)



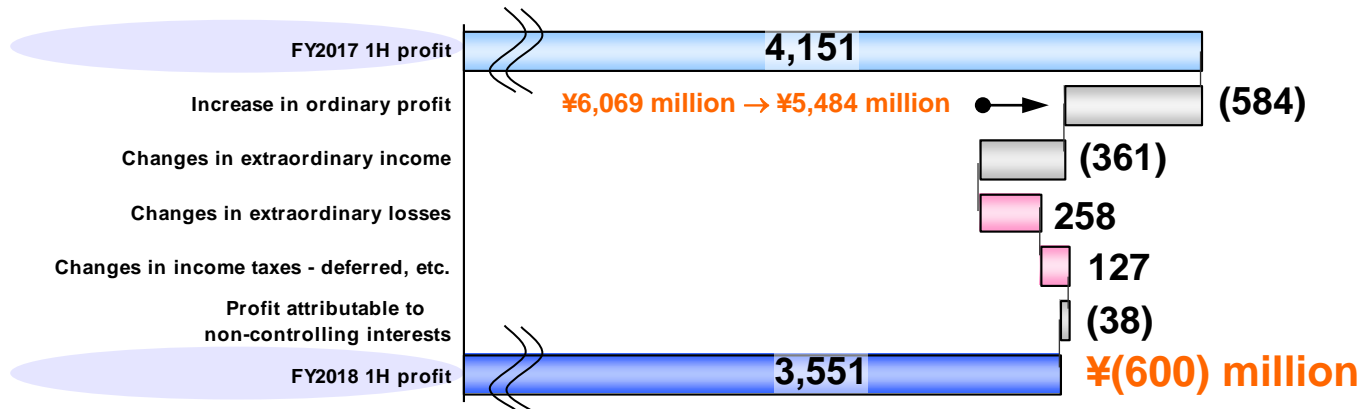
Analysis of Factors for Changes in Ordinary Profit / Profit*

◆ Factors for changes in ordinary profit

(Millions of yen)



◆ Factors for changes in profit*



* Profit attributable to owners of parent

Consolidated Balance Sheets (Assets)

(Millions of yen)

	FY2017		1H FY2018		Change		Major factors for changes
	(As of Mar. 31, 2017)	Component ratio	(As of Sep. 30, 2017)	Component ratio			
Current assets	92,275	36.6%	99,439	37.3%	7,164	0.7p	
Property, plant and equipment	90,380	35.9%	92,948	34.9%	2,568	(1.0)p	
Intangible assets	1,297	0.5%	1,295	0.5%	(1)	0.0p	
Investments and other assets	68,121	27.0%	72,689	27.3%	4,567	0.3p	Valuation difference on investment securities
Non-current assets	159,799	63.4%	166,934	62.7%	7,134	(0.7)p	
Total assets	252,074	100.0%	266,373	100.0%	14,299	-	

Consolidated Balance Sheets (Liabilities and Net Assets)

(Millions of yen)

		FY2017		1H FY2018		Change		Major factors for changes
		(As of Mar. 31, 2017)	Component ratio	(As of Sep. 30, 2017)	Component ratio			
Current liabilities		63,914	25.4%	72,934	27.4%	9,020	2.0p	
Non-current liabilities		40,714	16.1%	39,703	14.9%	(1,010)	(1.2)p	
Total liabilities		104,628	41.5%	112,638	42.3%	8,009	(0.8) p	
Shareholders' equity	Capital stock	12,240	4.9%	12,240	4.6%	-	(0.3)p	
	Capital surplus	11,412	4.5%	11,415	4.3%	3	(0.2)p	
	Retained earnings	98,361	39.0%	100,628	37.8%	2,266	(1.2)p	
	Treasury shares	(2,668)	(1.1)%	(2,635)	(1.0)%	32	0.1p	
Accumulated other comprehensive income		23,828	9.5%	27,656	10.4%	3,828	0.9p	
Subscription rights to shares		169	0.1%	171	0.1%	2	0.0p	
Non-controlling interests		4,102	1.6%	4,257	1.6%	155	0.0p	
Total net assets		147,446	58.5%	153,735	57.7%	6,289	(0.8)p	
Total liabilities and net assets		252,074	100.0%	266,373	100.0%	14,299	-	

Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2017	1H FY2018	Change
Cash flows from operating activities	8,582	6,279	(2,302)
Cash flows from investing activities	(6,505)	(7,376)	(871)
Cash flows from financing activities	(6,795)	3,276	10,072
Effect of exchange rate change on cash and cash equivalents	(322)	(22)	300
Net increase (decrease) in cash and cash equivalents	(5,040)	2,157	7,198
Cash and cash equivalents at beginning of period	20,776	14,368	(6,407)
Cash and cash equivalents at end of period	15,735	16,551	815

- Major factors contributing to changes in cash flows from operating activities = Decrease in profit, increase in notes and accounts receivable – trade, etc.
- Major factors contributing to changes in cash flows from investing activities = Purchase of non-current assets, etc.
- Major factors contributing to changes in cash flows from financing activities = Increase in loans payable, repayments of loans payable, etc.

FY2018 Forecasts

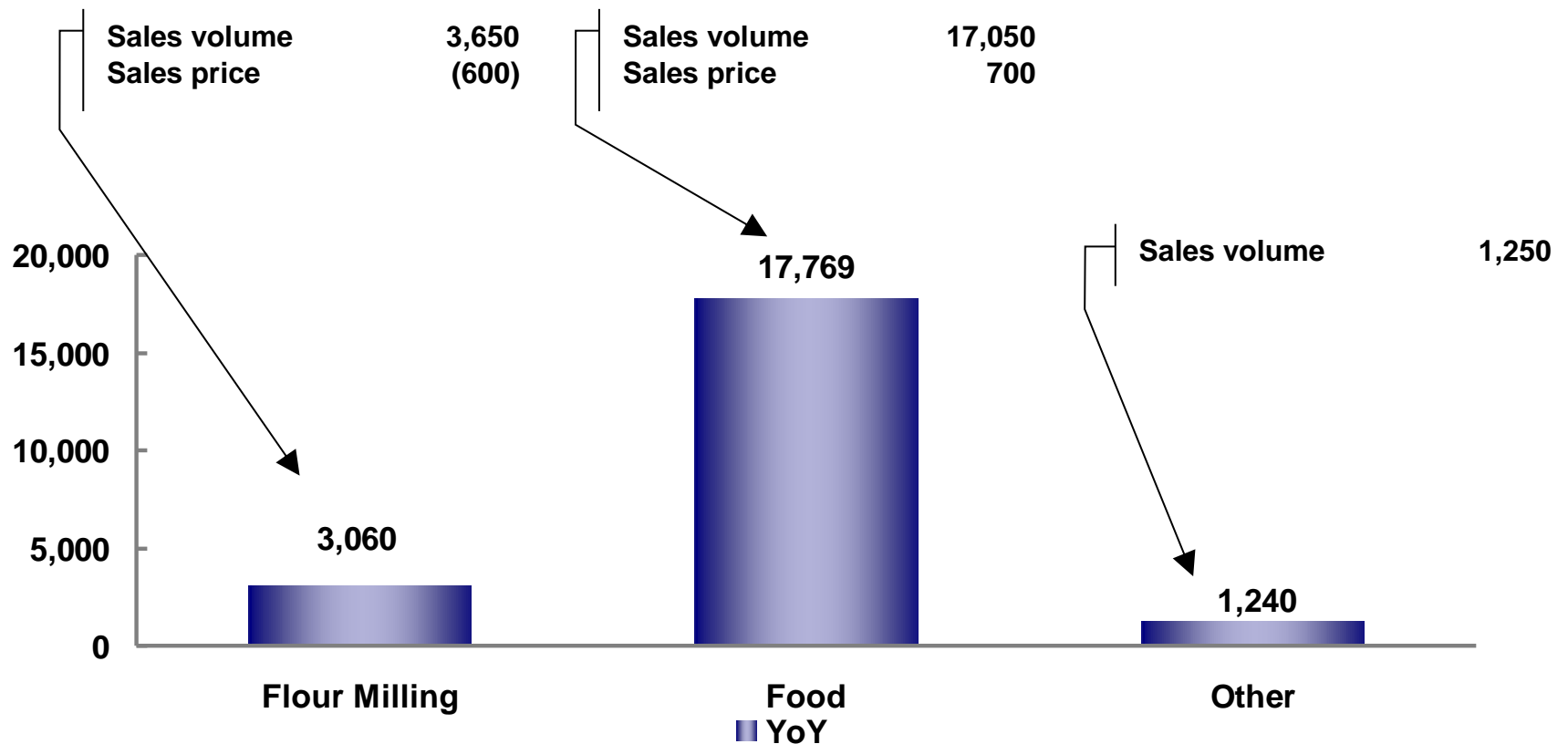
(Millions of yen)

		FY2017		FY2018 (Forecasts)		YoY	
		Result	Vs. net sales	Forecasts	Vs. net sales	Change	Change
Net sales	Flour Milling	96,940	31.0%	100,000	29.9%	3,060	3.2%
	Food	182,231	58.2%	200,000	59.7%	17,769	9.8%
	Other	33,760	10.8%	35,000	10.4%	1,240	3.7%
	Total	312,932	100.0%	335,000	100.0%	22,068	7.1%
Operating profit	Flour Milling	4,005	4.1%	5,300	5.3%	1,295	32.3%
	Food	6,726	3.7%	6,300	3.2%	(426)	(6.3)%
	Other	842	2.5%	400	1.1%	(442)	(52.5)%
	Total	11,574	3.7%	12,000	3.6%	426	3.7%
Ordinary profit		13,162	4.2%	13,500	4.0%	338	2.6%
Profit attributable to owners of parent		8,934	2.9%	9,000	2.7%	66	0.7%
ROE		6.5%		6.1%		(0.4)p	
EPS		¥111.40		¥112.17		¥0.77	

Analysis of Factors for Changes in Net Sales Forecasts

◆ Factors for changes in net sales forecasts (overall increase of ¥22,068 million)

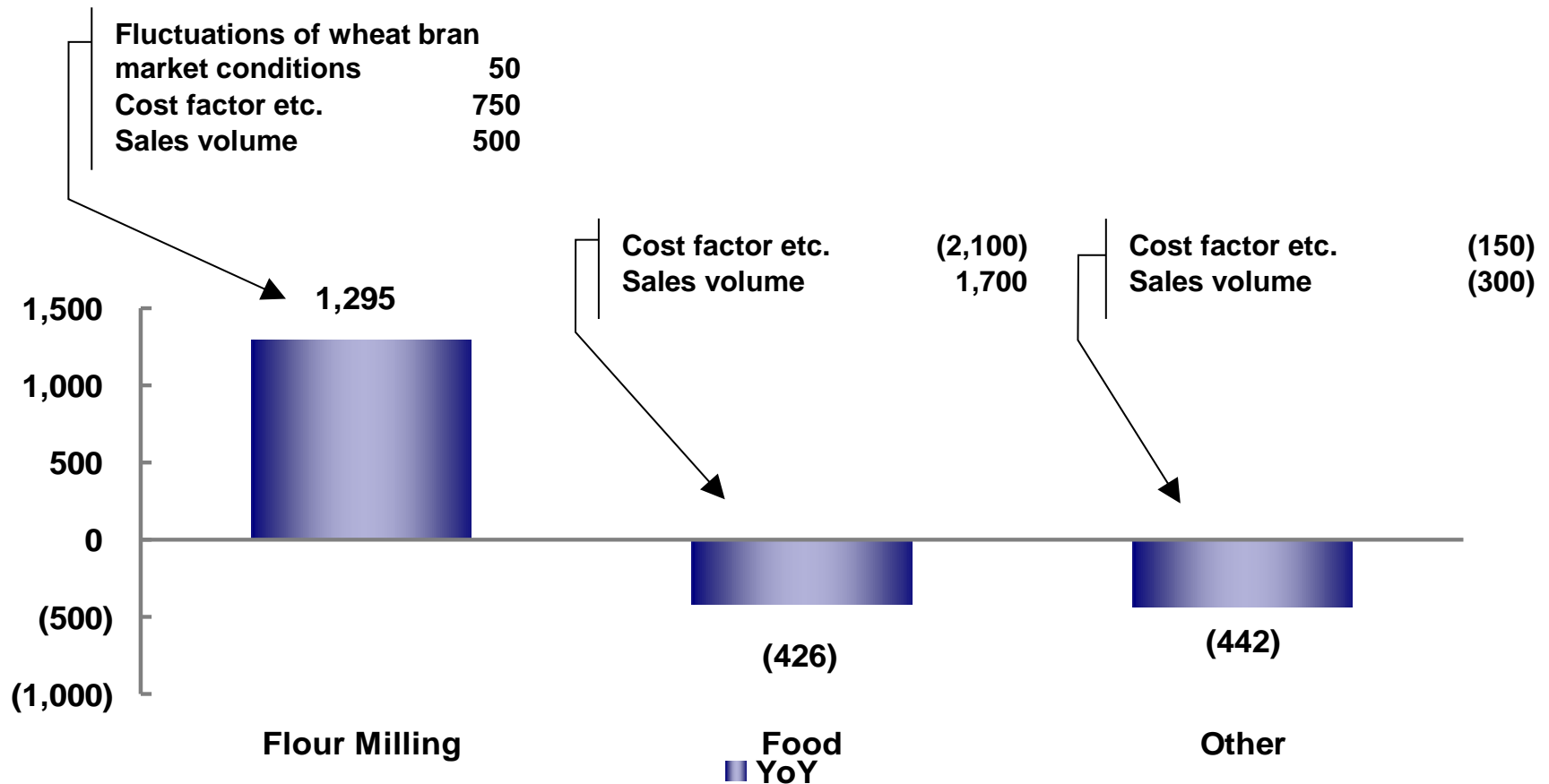
(Millions of yen)



Analysis of Factors for Changes in Operating Profit Forecasts

◆ Factors for changes in operating profit forecasts (overall increase of ¥426 million)

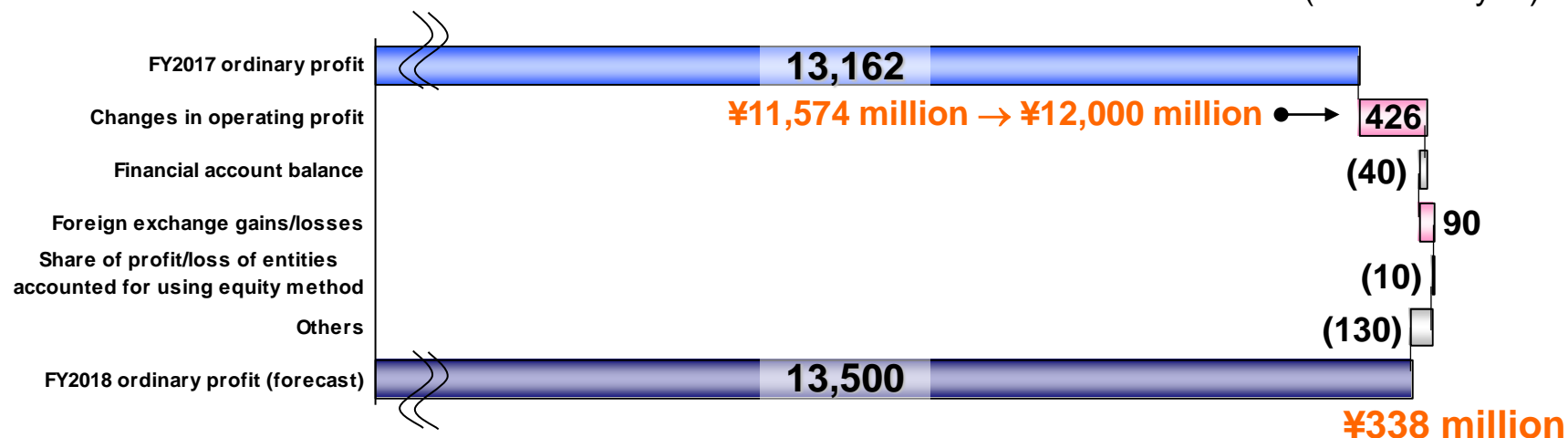
(Millions of yen)



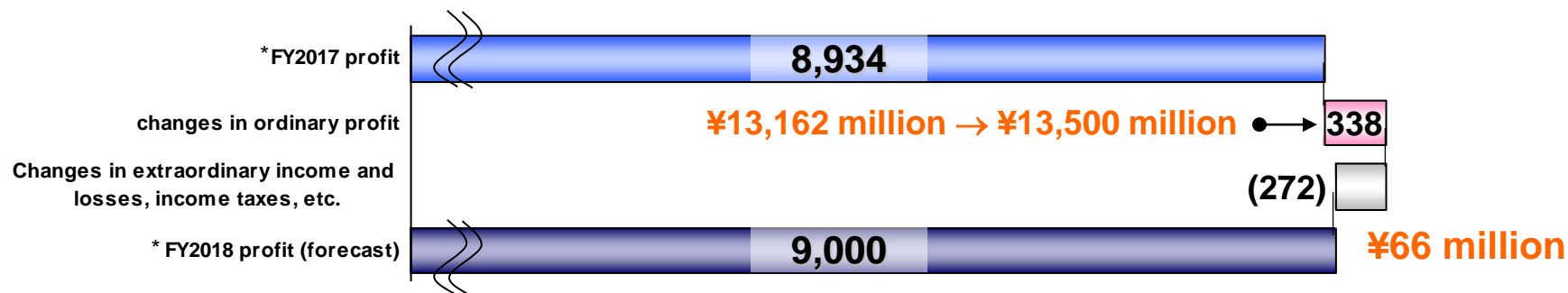
Analysis of Factors for Changes in Ordinary Profit / Profit Forecasts

◆ Factors for changes in ordinary profit 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.

Investor Relations Office
Accounting and Finance Div.
Nippon Flour Mills Co., Ltd.