



**Briefing Session on Business Results
for the First Half of Fiscal Year Ending
March 31, 2019 (FY2019)**

November 15, 2018

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



First Half of FY2019
Performance Overview and Outlook

November 15, 2018

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2 Change in Business Environment

3 Strategy for Sustainable Growth

4 Promotion of CSR Management

First Half of FY2019 Performance Overview

Consolidated Business Results for 1H FY2019

Key points

- Net sales increased because flour milling, food, and other businesses all achieved higher sales.
- Profit increased reflecting higher sales and cost reduction.
- The current plan calls for a full-year dividend of ¥30 per share.

1H FY2019 Results

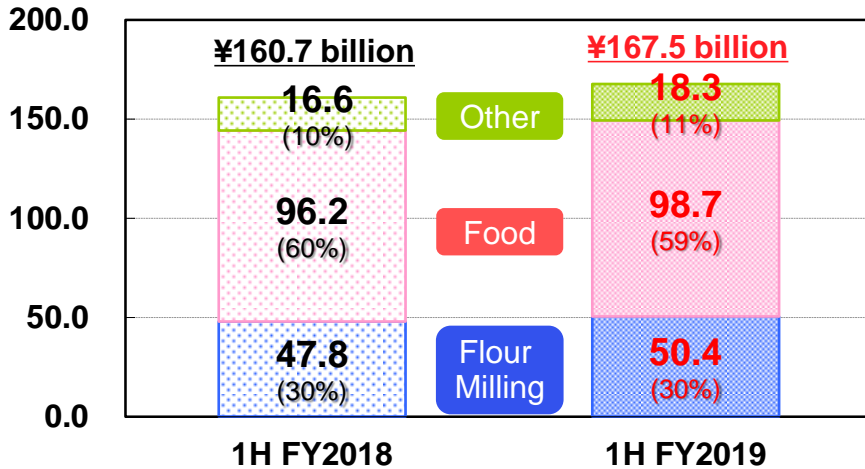
(Millions of yen)

	1H FY2018	1H FY2019	Change	Change (%)
Net sales	160,760	167,586	6,825	4.2%
Operating income	4,501	5,346	845	18.8%
Ordinary income	5,484	6,377	893	16.3%
Profit attributable to owners of parent	3,551	4,031	480	13.5%

Consolidated Business Results for 1H FY2019

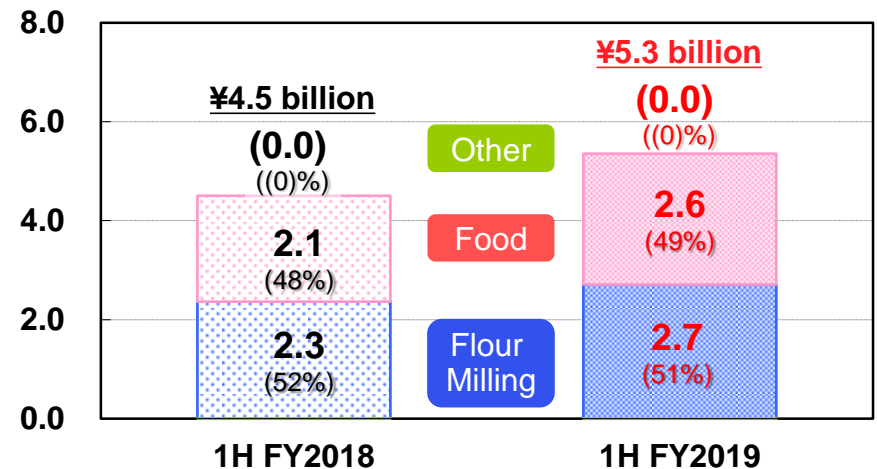
Net Sales

(Billions of yen)



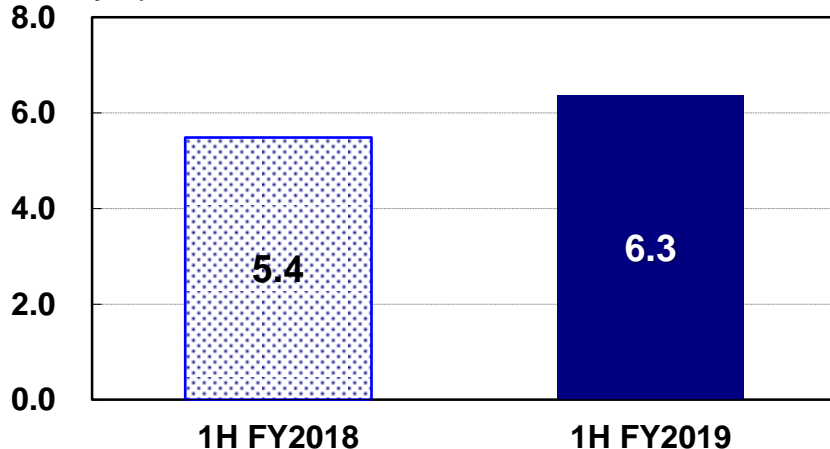
Operating Income

(Billions of yen)



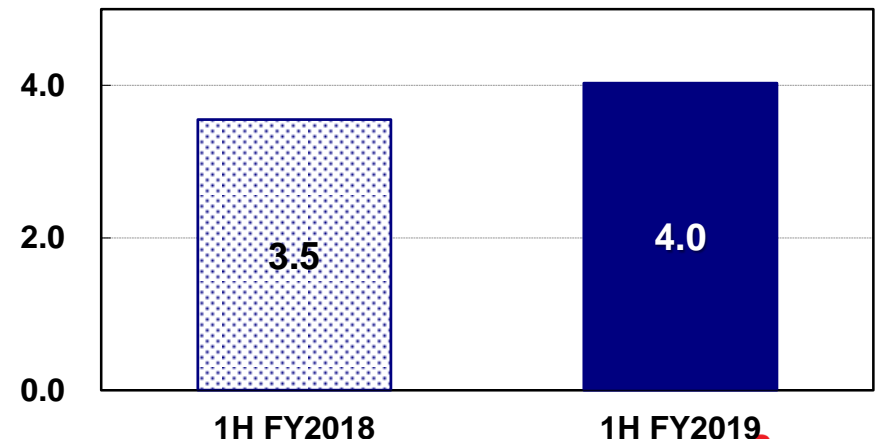
Ordinary Income

(Billions of yen)



Profit Attributable to Owners of Parent

(Billions of yen)



(Amounts less than 100 million yen rounded down)

Forecast for FY2019 Consolidated Performance

Key points

- Higher sales from all businesses (flour milling, foods, and other businesses)
- Higher profit through absorption of increased cost by higher sales of each business
- The current plan calls for a full-year dividend of ¥30 per share.

Forecast for FY2019 Performance

(Millions of yen)

	FY2018	FY2019	Change	Change (%)
Net sales	323,495	350,000	26,505	8.2%
Operating income	10,060	12,000	1,940	19.3%
Ordinary income	11,862	13,500	1,638	13.8%
Profit attributable to owners of parent	7,651	9,000	1,349	17.6%

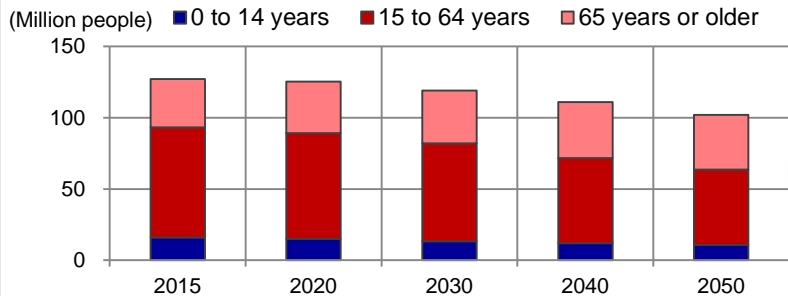
Change in Business Environment

Recognition of Operating Environment

(1) Change in the environment of the food market

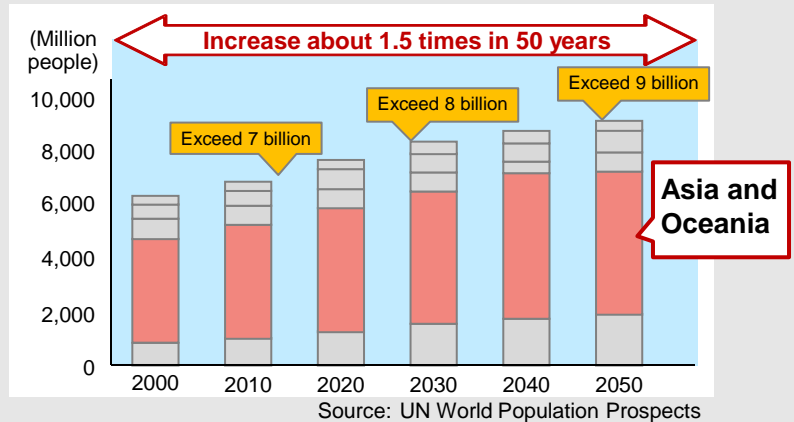
Change of demographic profile Japanese market to shrink

➤ Decrease in working population

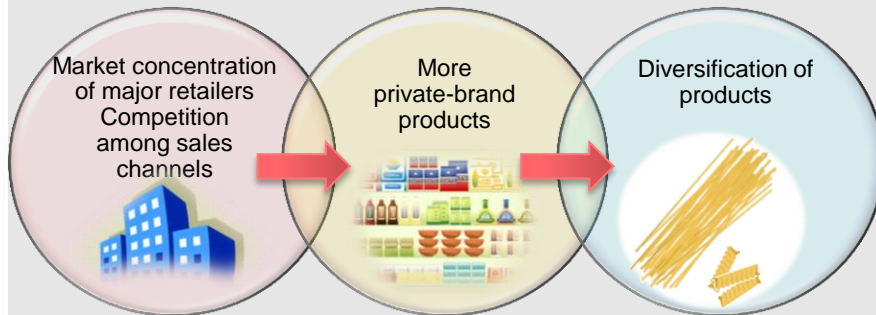


Source: National Institute of Population and Social Security Research
Population Projection for Japan

➤ Overseas markets to expand → Food export market worth ¥1 trillion



Change in products



➤ Intensified competition → Online sales, convenience stores, drugstores

Change in consumers → Change in needs

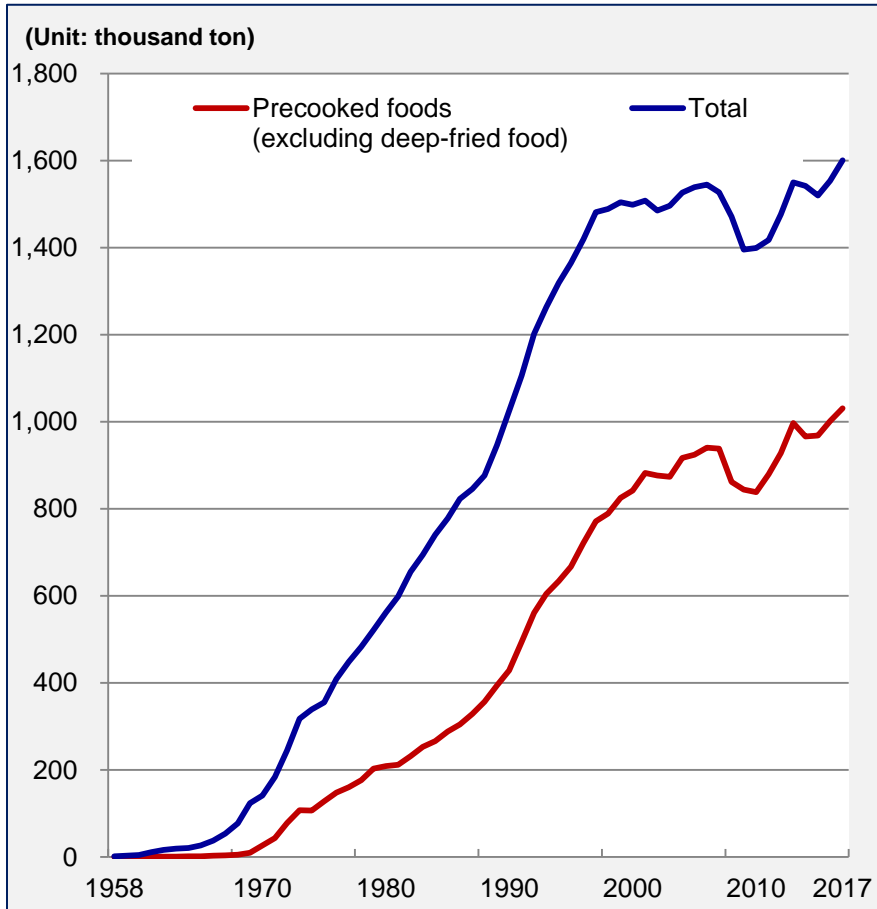
- Population aging → People aged 65 or older account for 30%.
- Greater participation of women in society
- More double-income households → 11,290 thousand households
- Increase in small households → 60% of all households



Diversifying needs
Simple, quick to prepare and eat

Recognition of Operating Environment (2) Food market data

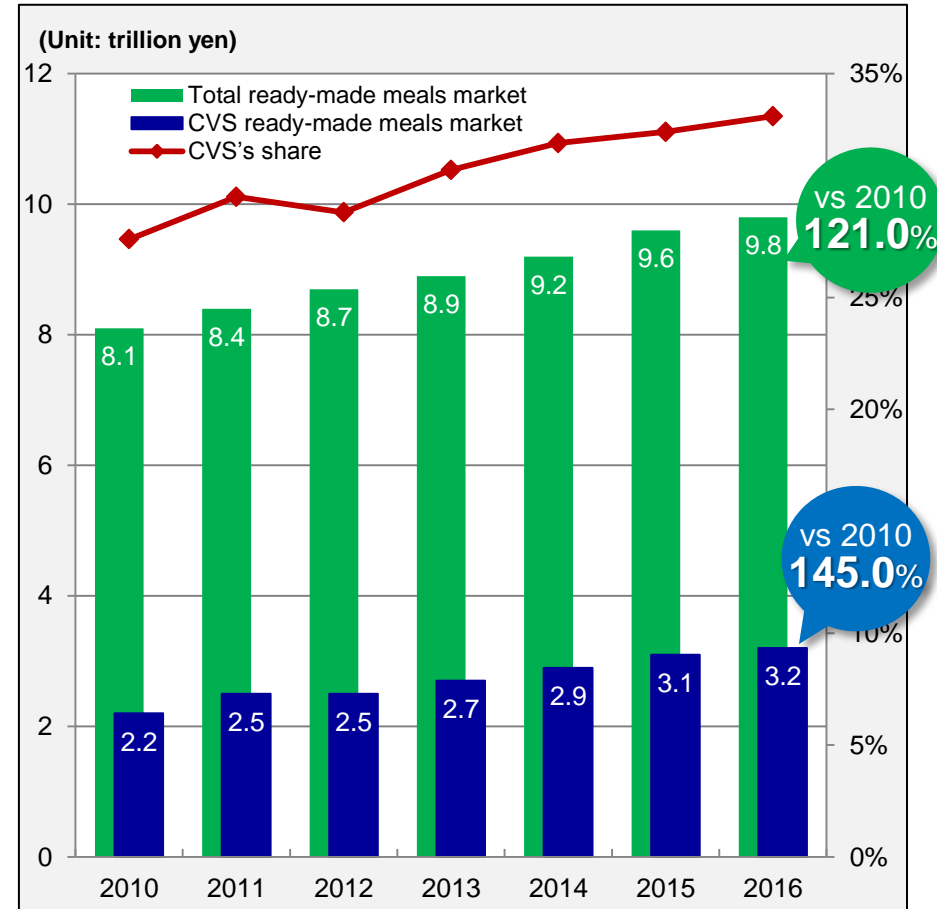
Frozen food products (Trend of domestic production)



Source: Japan Frozen Food Association

Ready-made meals market/ CVS ready-made meals market and its share

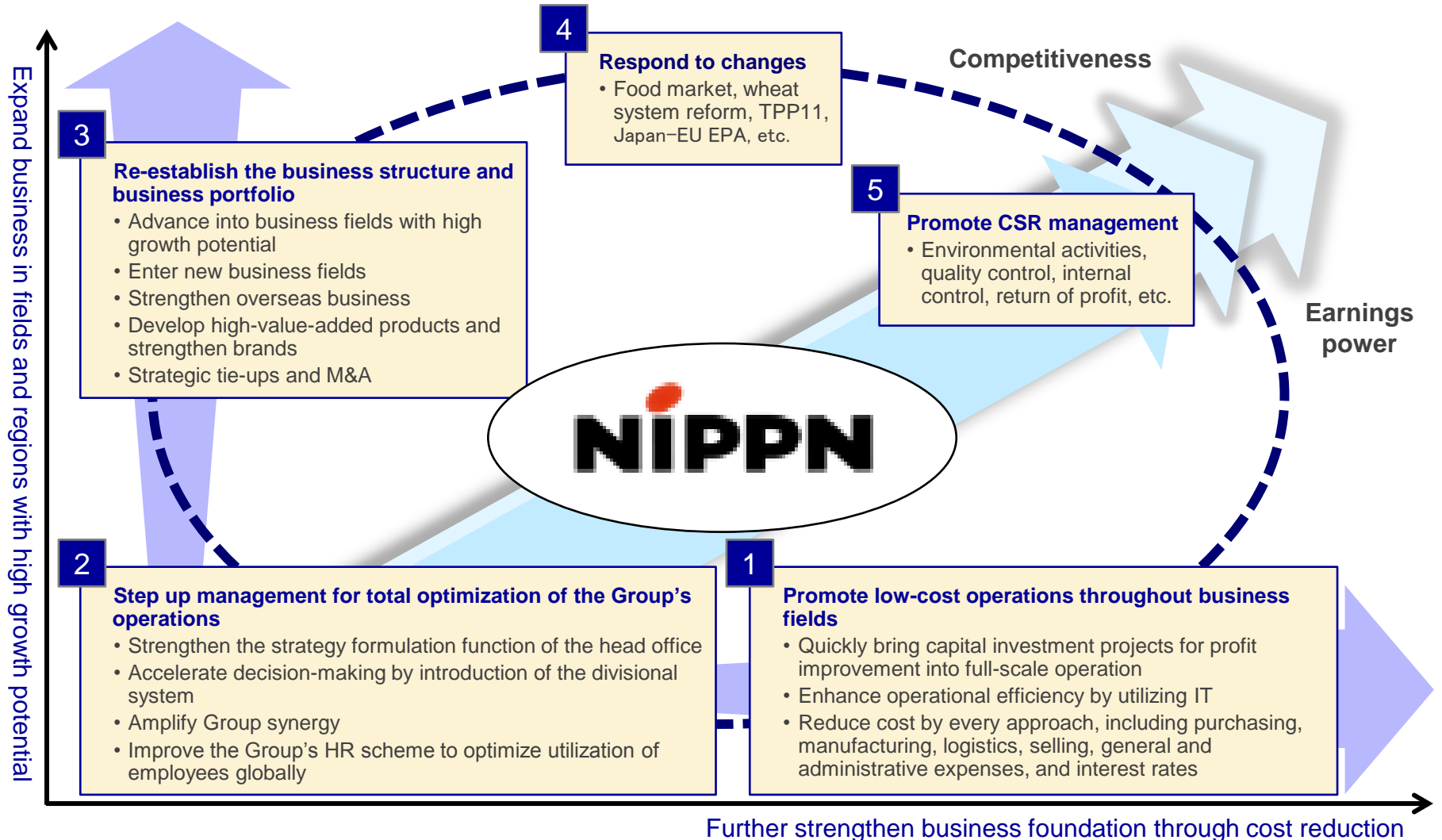
*Amount spent



Sources: "FY2017 Home-meal Replacement White Book," Japan Ready-made Meal Association
*including packaged meals
"Home Meal replacement Market Survey," Fuji Keizai Co., Ltd

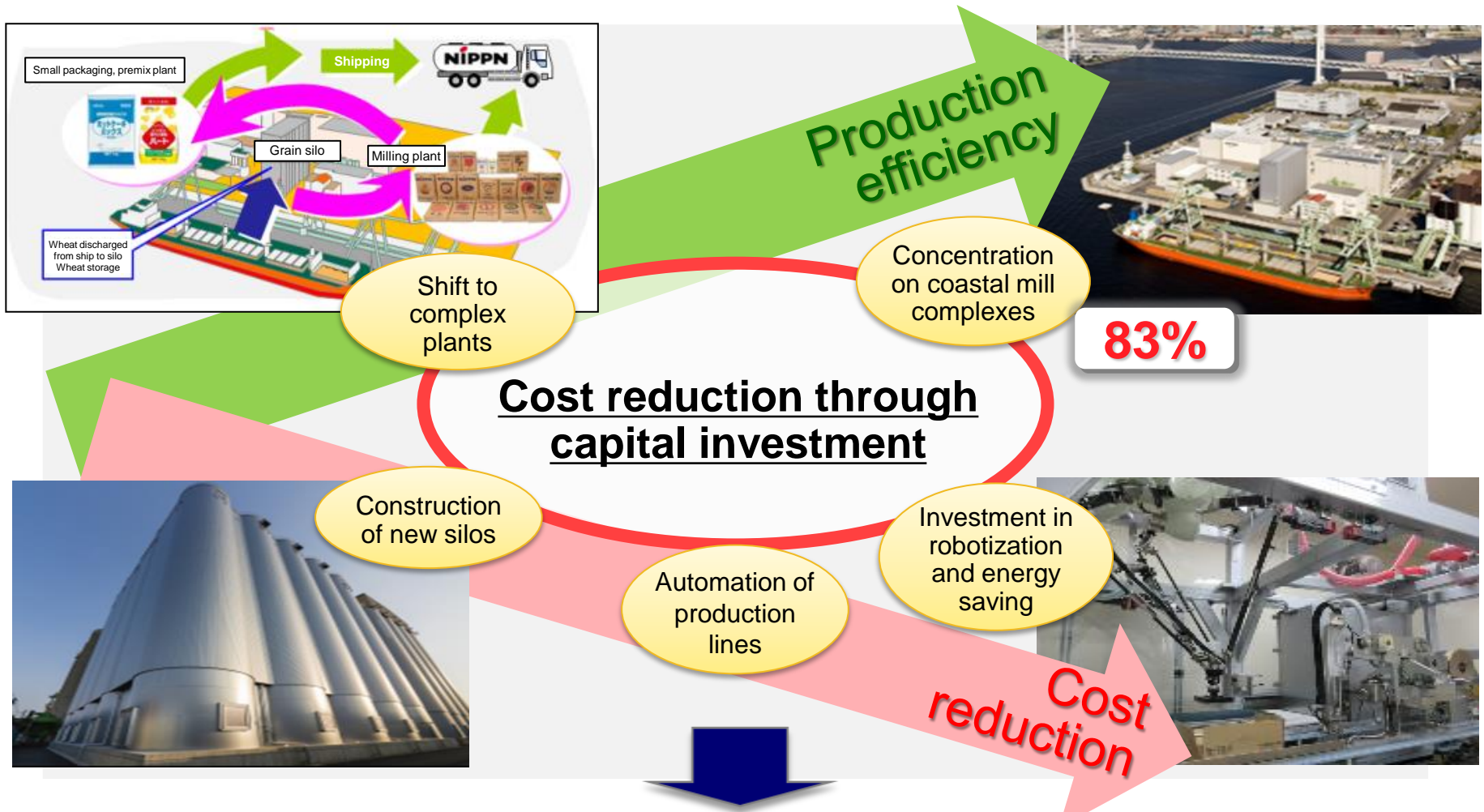
Strategy for Sustainable Growth

Growth Strategy Swiftly Responding to Change



Initiatives to Strengthen the Business Foundation

– Strengthening Flour Milling and Food Business – Low-cost operations strategy



Premix Business

Food infrastructure — Premix business —

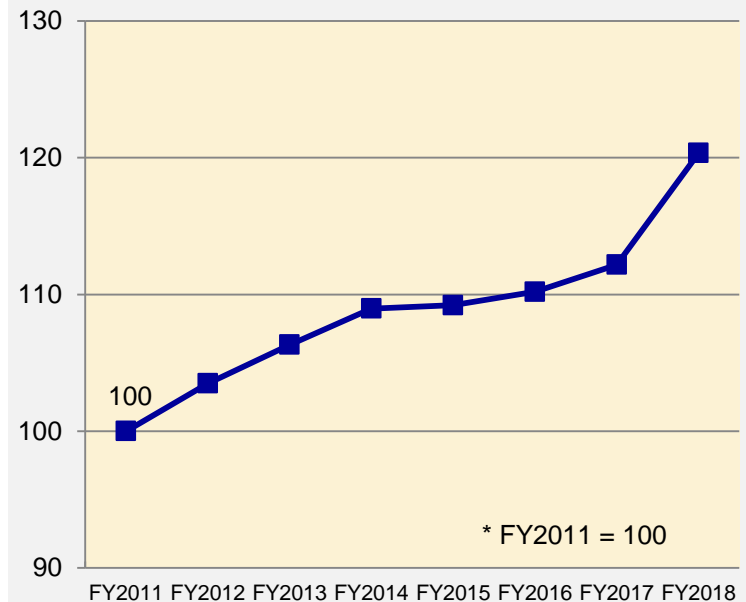
Premix market trend

- Need to enhance operational efficiency because of labor shortages, stable quality and differentiation → Increase in the market size
- NIPPN's market share is increasing (attuned to consumers' preoccupation with health and authenticity, response to labor shortages, and emphasis on ease of use and saving time).

NIPPN's strengths

- Wide product lineup
- Highly capable of addressing customers' issues
- High competitiveness of products made by NIPPN
- Expansion of overseas production bases

The Company's sales of premixes (for professional use)



◆ Cake doughnut premix



◆ Cake premix



◆ Bread premix



◆ Deep fry premix



◆ Tempura premix



Other premix products include steamed bread premix, yeast doughnut premix, snack premix (Western style, Japanese style).

Development of Pasta Business (1)

Supply of pasta in Japan → Imported pasta has accounted for over 50% since 2016.

—Supply of pasta made in Japan—

REGALO

Premium pasta with an Italian name meaning



Texture that is firm to the bite

Meticulous attention to raw materials, the production method, and semolina

- Import of raw materials procured in Montana, one of the largest wheat producers in the U.S. and known for excellent durum wheat
- Use of meticulously selected coarse semolina produced from the central portion of durum wheat endosperm
- Flavor and firmness intrinsic to wheat realized by high-temperature, slow drying

Oh' my



Composed 100% of durum semolina
Classic brand cherishing the authentic taste of pasta



“Cho-hayayude” pasta, ready after boiling for 80 seconds, the fastest product of its kind in the industry



Dry pasta with texture, color, and flavor like fresh pasta




Spaghetti composed 100% of SETODURE, a new variety of wheat that is Japan's first durum wheat


Wheat cultivated in the Setouchi region is processed into pasta there. Initiatives for local production local consumption → Safety and lower environmental impacts

Development of Pasta Business (2)

—Supply of pasta from overseas bases—



One of the largest production capacities in Campania



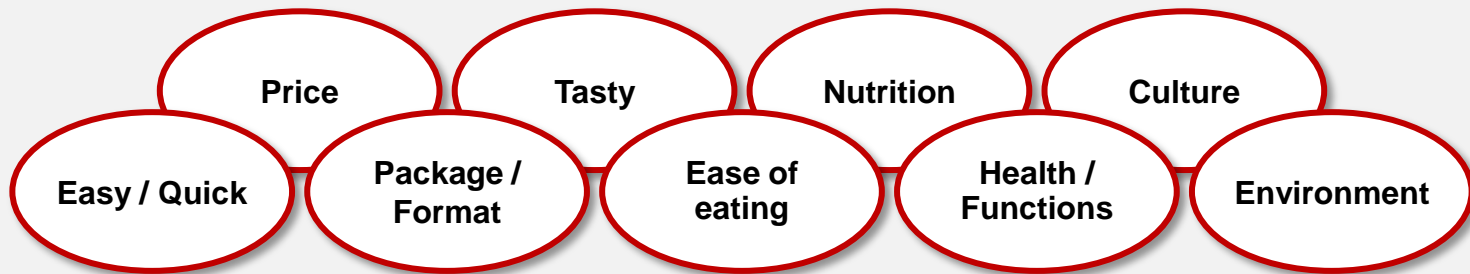
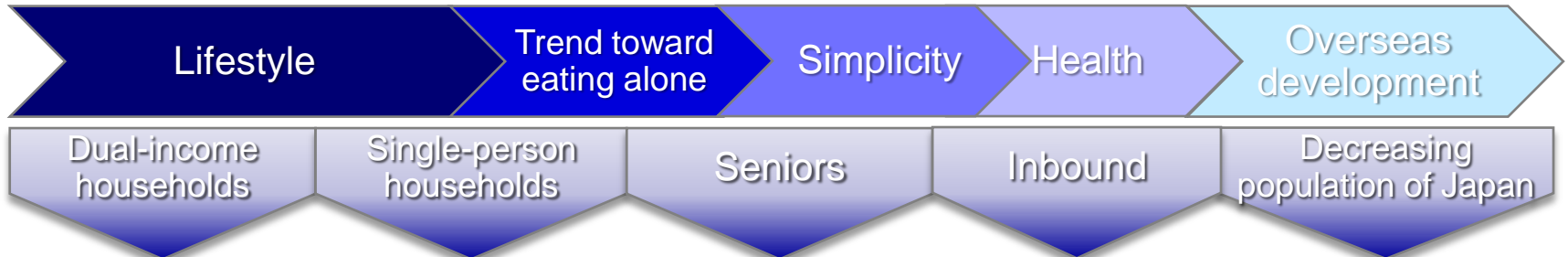
Pasta plant (Izmir)



- Production and sales of pasta
- New production line started operation (capacity increased 40%)
- Brisk exports to Japan → 40%
- Expansion of sales of products for the U.S. → 60%

Business Expansion in Growth Fields

In view of the change in dining and consumption



Development of market-creation-type products

Frozen food business

Strengthen the lineup of all-in-one meals

Ready-made meals business

Strengthen collaboration with convenience stores

Healthcare business

Commitment to businesses that extend healthy life expectancy

Overseas business

Expand sales in Asia and North America

Frozen Food Business (1)

Pasta lineup attuned to various needs

◆ Oh' my Premium



◆ Gu-no-Shogeki



◆ Umamori



◆ Big



Wider lineup meeting every dining scenario

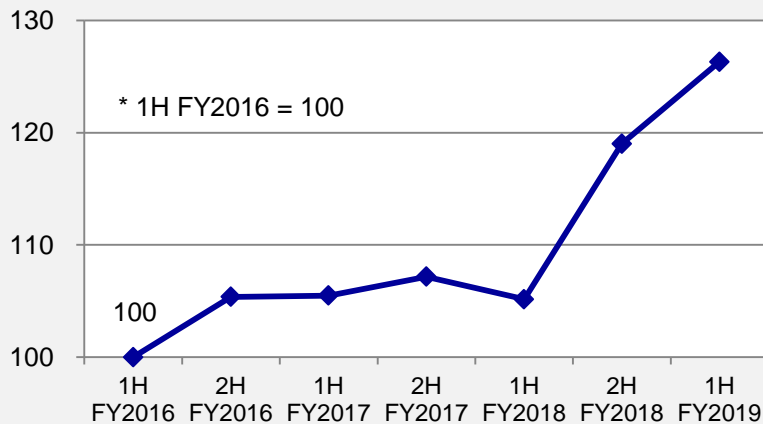
◆ Rice dishes in trays Imadoki Gohan series



◆ Yokubari Plate series of one-plate dishes: Addition of "Japanese dishes"



The Company's sales of frozen food products for home use



Frozen Food Business (2)

Development of environmentally conscious products —Reduced use of plastic—

[Change from plastic containers to paper trays in spring 2018]

Developed the **world's first** molded pulp containers*1, considering the contribution to environmental protection and safety

Patent pending



*1 Molded pulp containers
Molded pulp is made by molding pulp solved in water and drying it.



Unbleached paper tray



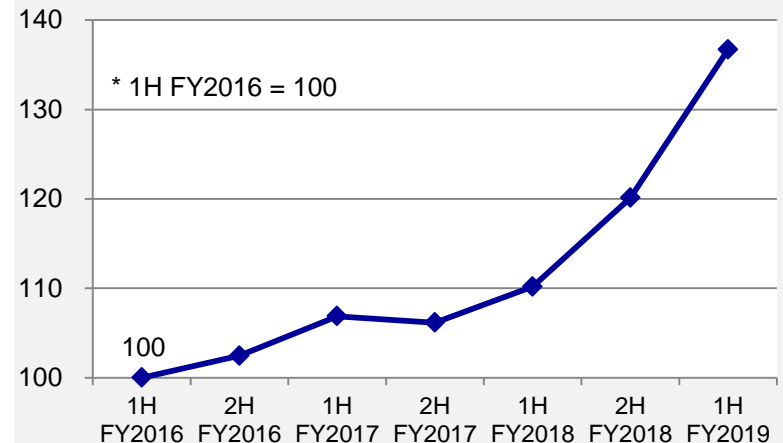
PEFC labeling of existing products



Use of PEFC-certified paper
Paper made from timber procured from PEFC-certified forests is used.

* PEFC: International organization providing certification for appropriate forest management

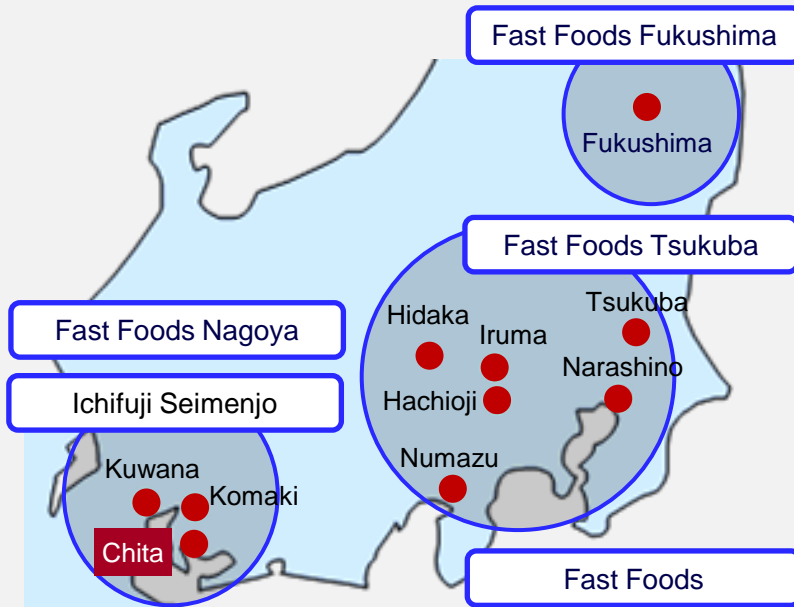
Sales trend of products (NB) for which paper trays are used



Ready-made Meals Business

Expanded in line with diversification of needs (simple, quick to prepare and eat)

Fast Foods Group
(5 companies and 10 plants)



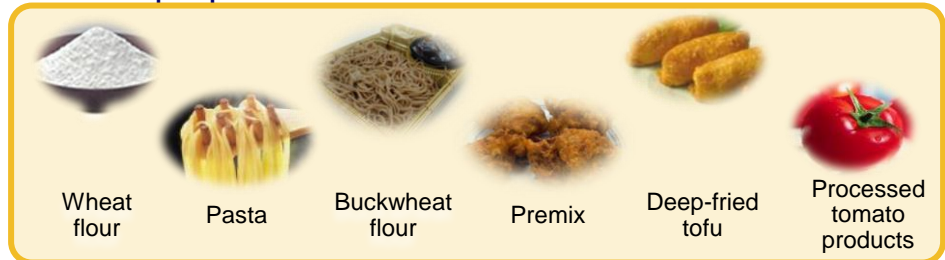
Ichifuji Seimenjo's new factory for pre-cooked noodles (Chita City, Aichi Prefecture)
Operation to start in 2019

Greater collaboration with convenience stores

- Strengthen broadly based initiatives with convenience stores to expand sales in growth markets
- Capital investment to respond to demand increase and to strengthen business
 - Improvement of the supply system for cooked noodles, boxed lunches, rice balls, sandwiches, etc.

Greater sales in the ready-made-meals market

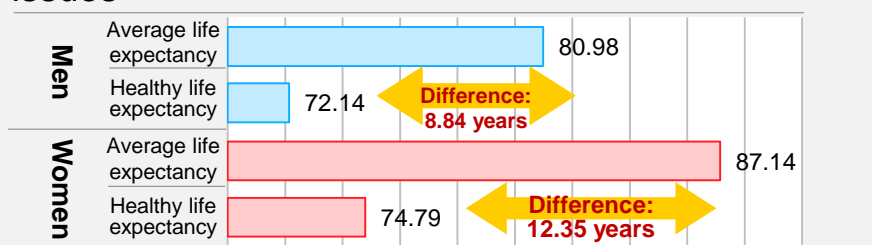
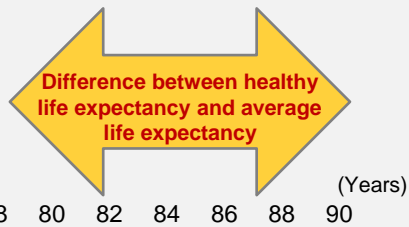
- Sell the Group's diverse food products to the ready-made-meals market and supermarkets (meal preparation area)
- Feedback of market needs and strengthening of menu proposals



Commitment to Businesses Extending Healthy Life Expectancy (1)

– Use of functional materials –

Healthy life expectancy:
The number of years that a person can expect to live without major health issues



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

Flaxseed-related products:
Raw material, processed food, health food

Nutritional value of flaxseed is attracting attention.
Wide lineup ranging from raw materials to processed food and supplements

For people with high cholesterol
Food with function claims



[Maslin Tablet]

Development and commercialization of olive drupe extract

Participated in an industry-government-academia joint research organization
Helping the elderly stay healthy

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



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

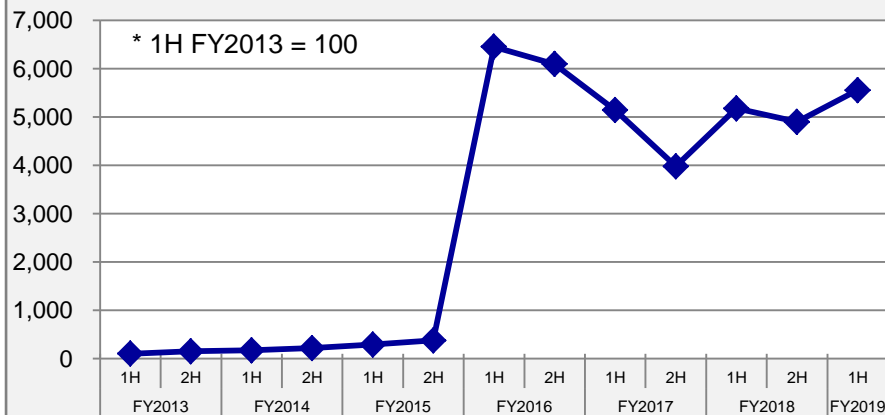


[Urutsuya Ceramide]

Food with Functional Claims
"For people anxious about dry skin"



Sales trend of flaxseed-related products



Commitment to Businesses Extending Healthy Life Expectancy (2)

– Utilization of vegetables with added value –

◆ Superiority of the Company's "Vege Paste"

- Vivid color and rich flavor
- Possible to use without heating after thawing
- "Superheated steam processing," a special method



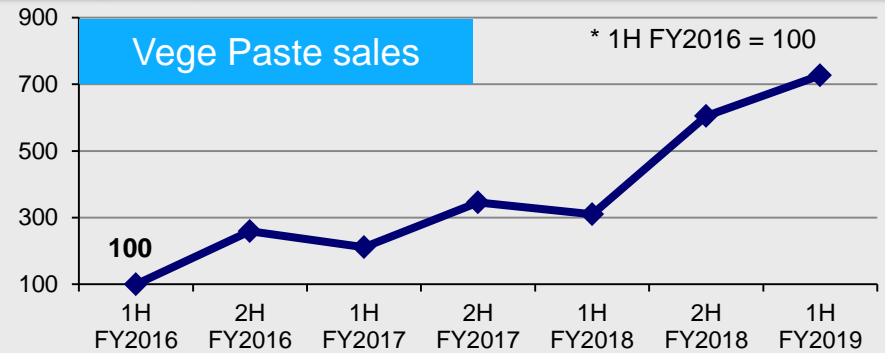
"Koikurenai" carrot containing lycopene



"Koiaona" kale with high nutritional value



"Koiakane" red beet



Vege (vegetable) Paste



Koikurenai paste

Koiakane paste

Pumpkin paste

Koiaona paste



Vegetable smoothies

Carrot Smoothie

Kale Smoothie

Beet & Berry Smoothie



Overseas Business

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

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

- Sale of premix products, etc.

Tianjin
Shanghai
Bangkok
Jakarta

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

NIPPN California Inc.

- Manufacture and sale of food and food ingredients in the North American market

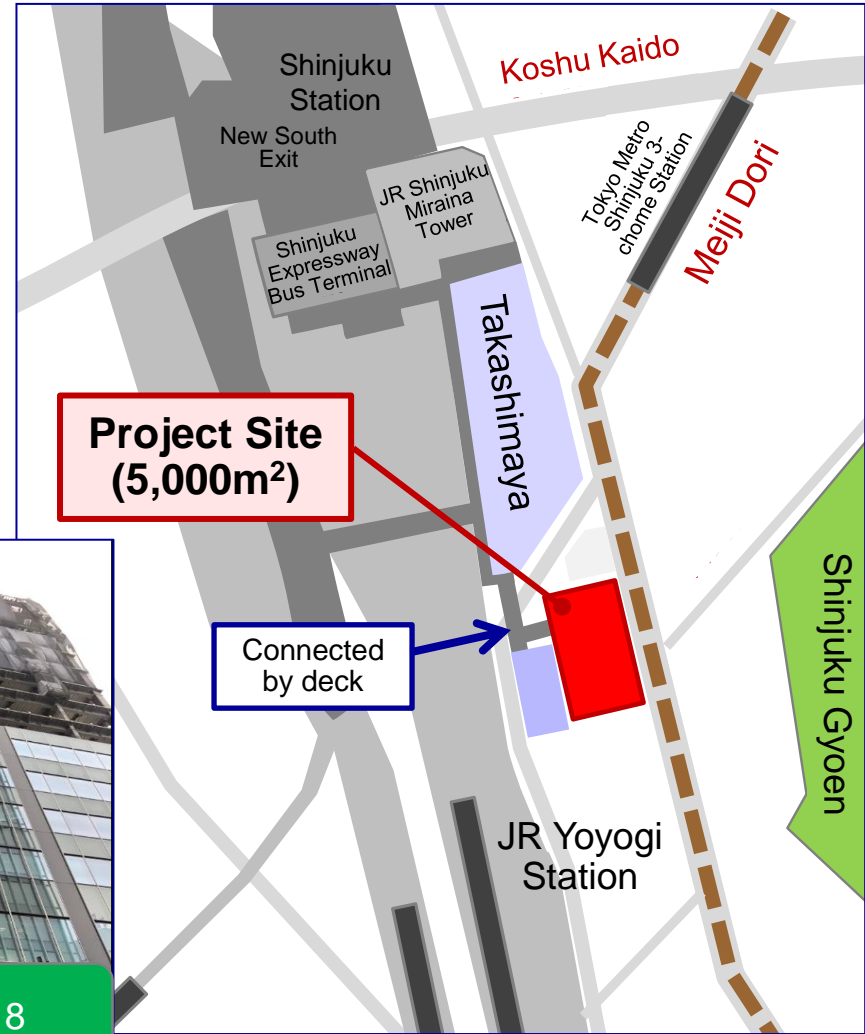
Shinjuku South Exit Project

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

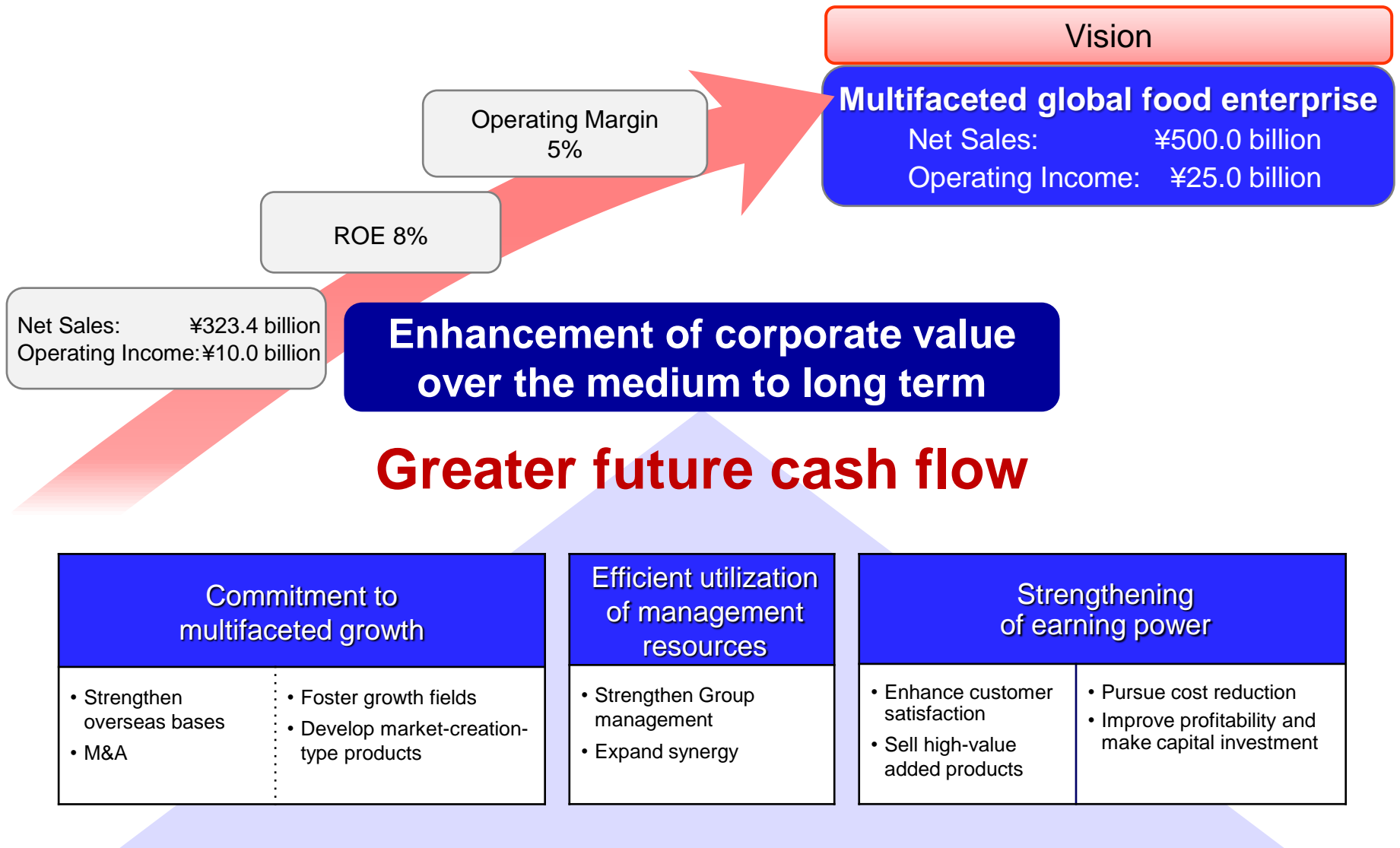


Artist's impression
(scheduled for completion in August 2019)



As of October 2018

Growth Strategy (summary)




Promotion of CSR Management

CSR Activities

Dietary education

Support children's growth

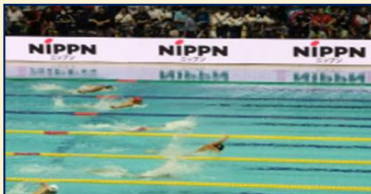
-  Dietary Education Department of Tamesue College
- Joint project with “Tamesue College” of Dai Tamesue, a former professional athlete
- Provision of special classes on exercise and diet at elementary schools



Support of sports

Support of people's wellbeing

- Official sponsor of athletes representing Japan in swimming
- Supporting company of Japan Rugby Football Union



Amani Forum

Realization of a consumer-friendly society

- Increase quality of life (QOL) by extending healthy life expectancy
- Communicate the latest medical information and correct nutritional information to consumers



5th forum

JFS-C certification

- Ryugasaki Plant gained JFS-C certification* for its food safety management system

* Based on the standard of the Japan Food Safety Management Association, of which the Company is a member



Ryugasaki Plant

Environment activity

Consideration of environmental friendliness

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



- Development of “unbleached eco-paper tray” made of molded pulp, considering safety and environmental friendliness

Expanded ISO14001 certification coverage

Head office and all plants are now ISO14001 certified.

Environmental Policy revised

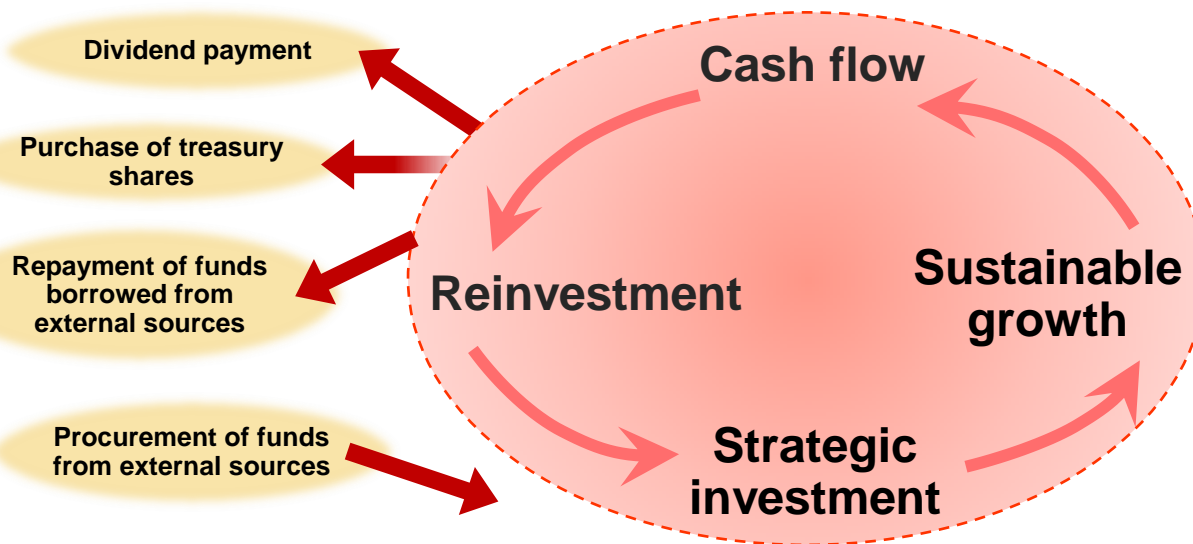


“The Nippon Flour Mills Group conducts food-related business activities that benefit from the bounty of nature. Mindful that business activities have environmental impacts, we aim to achieve harmony between people and the environment, thereby contributing to realization of a sustainable society.”

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 purchase of treasury shares)



<Reference>

- April 2013
Issuance of straight bonds in the amount of ¥5.0 billion
- June 2018
Issuance of convertible bonds in the amount of ¥25.0 billion
- September 30, 2018
Treasury shares

Number of shares acquired during the year	4,880 thousand shares
Number of shares retired during the year	2,800 thousand shares
Acquisition total	-
Less than unit purchase	18,850 thousand shares
Sales and others	60 thousand shares
Accumulated retirement	2,530 thousand shares
	11,490 thousand shares

Target key performance indicators

Operating margin 5%

ROE
8%

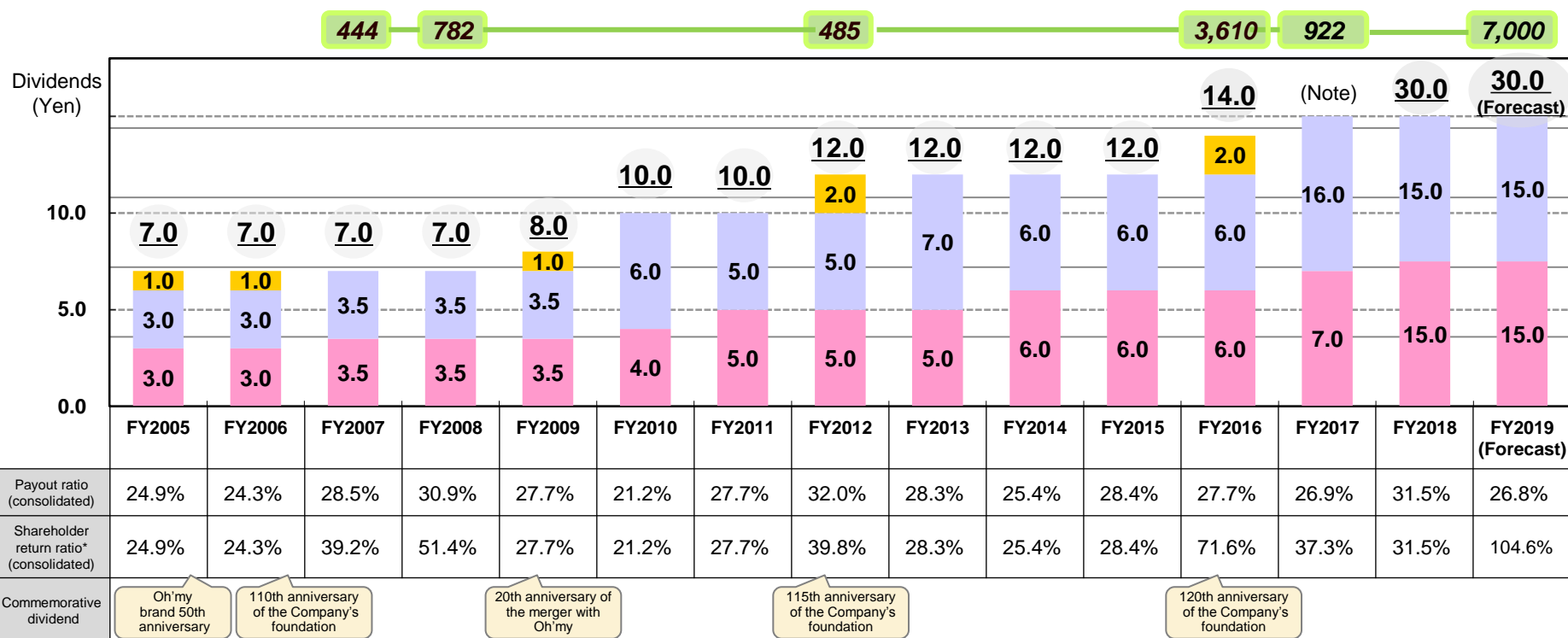
ROA
4%

Returning Profits to Shareholders

- The Company's basic policy is to continue to pay stable dividends, comprehensively taking into consideration the need to strengthen the corporate structure and prepare for future business development, the business environment, and internal reserves. Returning profits to shareholders is also an important management objective.
- 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 share trading unit from 1,000 shares to 100 shares on October 1, 2016

■ Interim ■ Year-end ■ Commemorative (Yen) ■ Share buyback (Millions of yen)



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

Acquisition of treasury shares

[Resolution on June 6, 2018 on matters relating to the acquisition of treasury shares]

- **Class of shares to be acquired: Common shares**
- **Total number of shares to be acquired: 4,500,000 shares (maximum)**
- **Total acquisition value of shares: ¥7 billion (maximum)**
- **Acquisition period: From June 7, 2018 to March 31, 2019**
- **Acquisition method: Purchase on the Tokyo Stock Exchange**



To enhance shareholder returns and improve capital efficiency

Overview of First Half of Fiscal Year
Ending March 31, 2019 (FY2019)
Business Results and FY2019 Future Forecasts

November 15, 2018

Consolidated Statements of Income

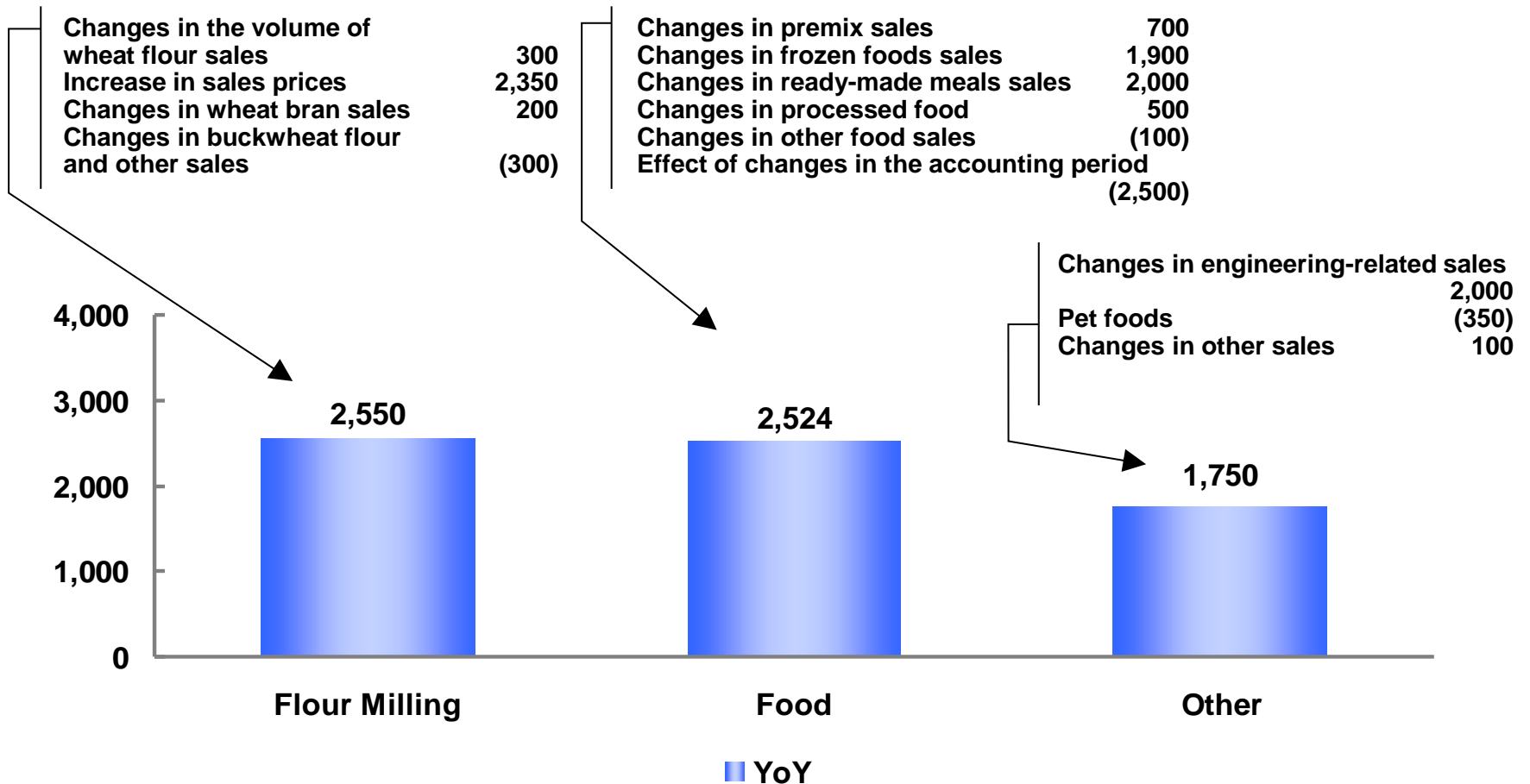
(Millions of yen)

		1H FY2018		1H FY2019		YoY	
		(2017, 4 ~ 9)	Vs. net sales	(2018, 4 ~ 9)	Vs. net sales	Change	Change (%)
Net sales	Flour Milling	47,888	29.8%	50,439	30.1%	2,550	5.3%
	Food	96,266	59.9%	98,790	58.9%	2,524	2.6%
	Other	16,605	10.3%	18,356	11.0%	1,750	10.5%
	Total	160,760	100.0%	167,586	100.0%	6,825	4.2%
Operating income	Flour Milling	2,361	4.9%	2,709	5.4%	347	14.7%
	Food	2,141	2.2%	2,644	2.7%	502	23.5%
	Other	(1)	0.0%	(6)	0.0%	(6)	-
	Total	4,501	2.8%	5,346	3.2%	845	18.8%
Ordinary income		5,484	3.4%	6,377	3.8%	893	16.3%
Profit attributable to owners of parent		3,551	2.2%	4,031	2.4%	480	13.5%
ROE		2.4%		2.7%		0.3p	
EPS		¥44.25		¥51.16		¥6.91	

Analysis of Factors for Changes in Net Sales

◆ Factors for changes in net sales (overall increase of ¥6,825 million)

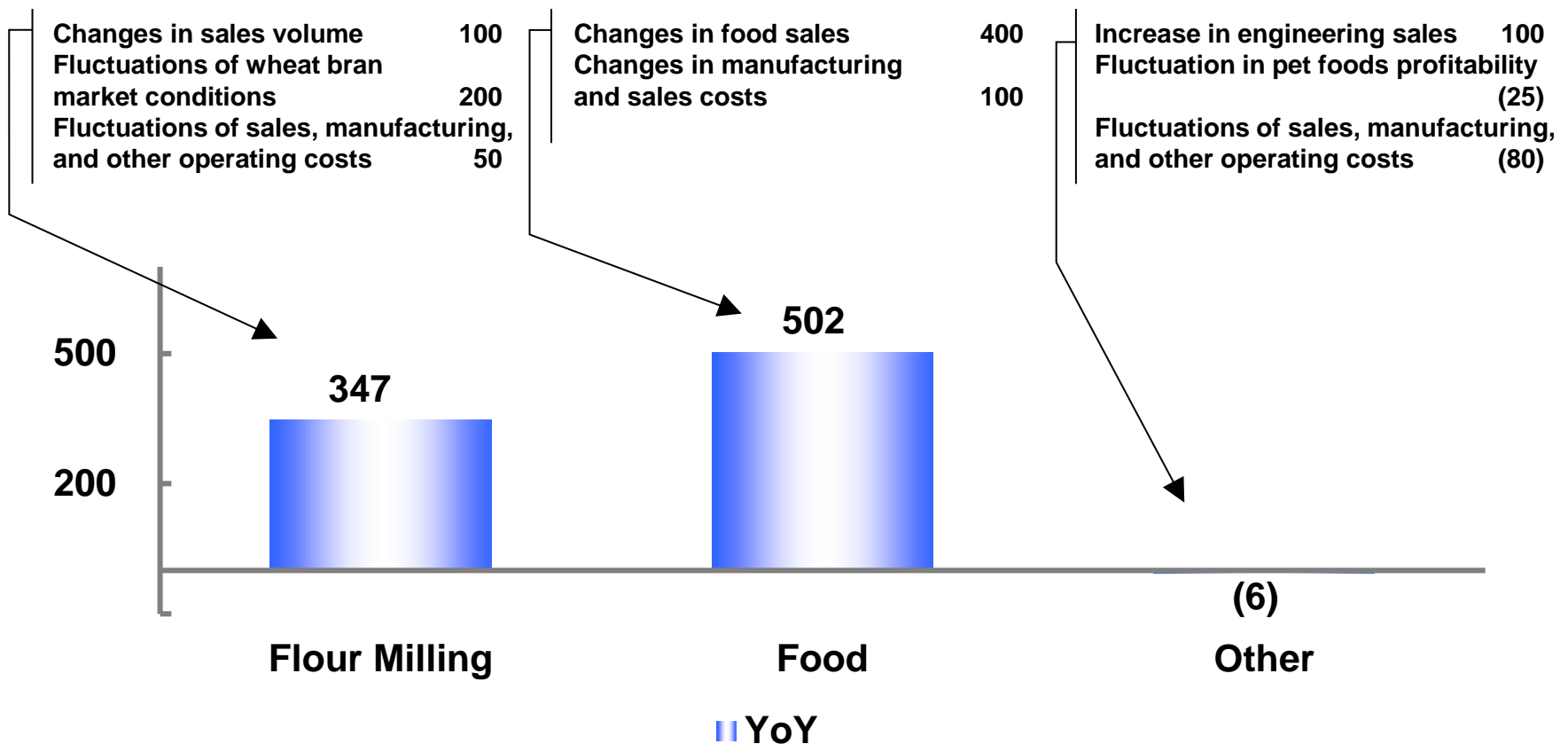
(Millions of yen)



Analysis of Factors for Changes in Operating Income

◆ Factors for changes in operating income (overall increase of ¥845 million)

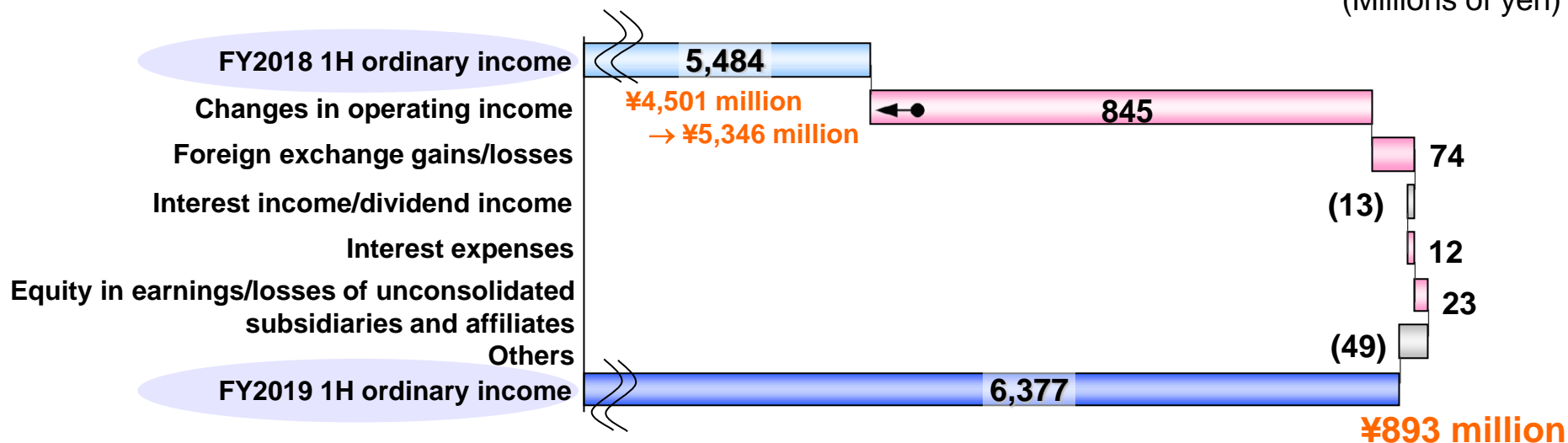
(Millions of yen)



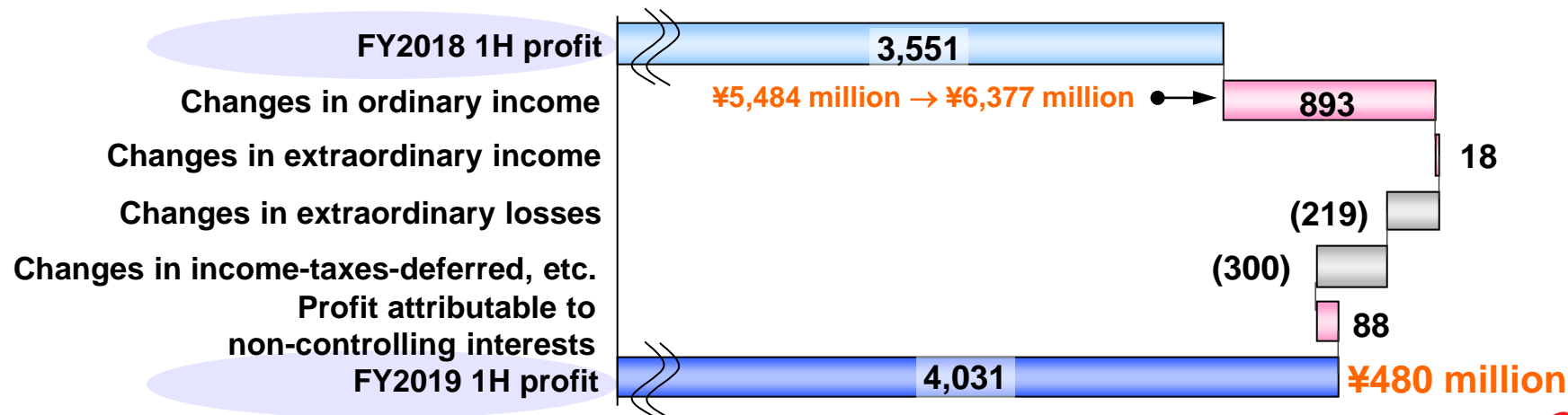
Analysis of Factors for Changes in Ordinary Income / Profit*

◆ 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)

	FY2018		1H FY2019		Change		Major factors for changes
	(As of Mar. 31, 2018)	Component ratio	(As of Sep. 30, 2018)	Component ratio			
Current assets	105,143	38.6%	117,957	40.5%	12,813	1.8p	
Property, plant and equipment	92,867	34.1%	94,363	32.4%	1,495	(1.7)p	
Intangible assets	1,424	0.5%	1,387	0.5%	(37)	(0.0)p	
Investments and other assets	72,730	26.7%	77,598	26.6%	4,868	(0.1)p	Valuation difference on investment securities
Non-current assets	167,022	61.4%	173,349	59.5%	6,326	(1.9)p	
Deferred assets	-	-	79	0.0%	79	0.0%	
Total assets	272,166	100.0%	291,386	100.0%	19,219	-	

*In accordance with the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” and other standards, figures after retrospective application of these accounting standards are presented.

Consolidated Balance Sheets (Liabilities and Net Assets)

(Millions of yen)

		FY2018		1H FY2019		Change		Major factors for changes
		(As of Mar. 31, 2018)	Component ratio	(As of Sep. 30, 2018)	Component ratio			
Current liabilities		77,675	28.5%	70,544	24.2%	(7,130)	(4.3)p	
Non-current liabilities		37,585	13.8%	63,595	21.8%	26,010	8.0p	
Total liabilities		115,261	42.3%	134,140	46.0%	18,879	3.7p	
Shareholders' equity	Common stock	12,240	4.5%	12,240	4.2%	-	(0.3)p	
	Capital surplus	11,415	4.2%	11,413	3.9%	(2)	(0.3)p	
	Retained earnings	103,522	38.0%	106,346	36.5%	2,824	(1.5)p	
	Treasury shares	(2,635)	(1.0)%	(7,951)	(2.7)%	(5,315)	(1.7)p	
Accumulated other comprehensive income		27,765	10.2%	30,353	10.4%	2,588	0.2p	
Subscription rights to shares		211	0.1%	244	0.1%	32	0.0p	
Non-controlling interests		4,385	1.6%	4,598	1.6%	212	(0.0)p	
Total net assets		156,905	57.7%	157,245	54.0%	340	(3.7)p	
Total liabilities and net assets		272,166	100.0%	291,386	100.0%	19,219	-	

*In accordance with the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." and other standards, figures after retrospective application of these accounting standards are presented.

Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2018	1H FY2019	Change
Operating activities	6,279	5,669	(610)
Investing activities	(7,376)	(5,445)	1,930
Financing activities	3,276	11,731	8,454
Effect of exchange rate change on cash and cash equivalents	(22)	(68)	(45)
Net increase (decrease) in cash and cash equivalents	2,157	11,886	9,729
Cash and cash equivalents at beginning of period	14,368	20,556	6,188
Increase in cash and cash equivalents from newly consolidated subsidiary	25	-	(25)
Cash and cash equivalents at end of period	16,551	32,443	15,891

- Major factors contributing to changes in cash flows from operating activities = Increase in profit, decrease in notes and accounts payable - 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 = Proceeds from issuance of convertible bond-type bonds, purchase of treasury shares, etc.

Forecast for FY2019 Performance

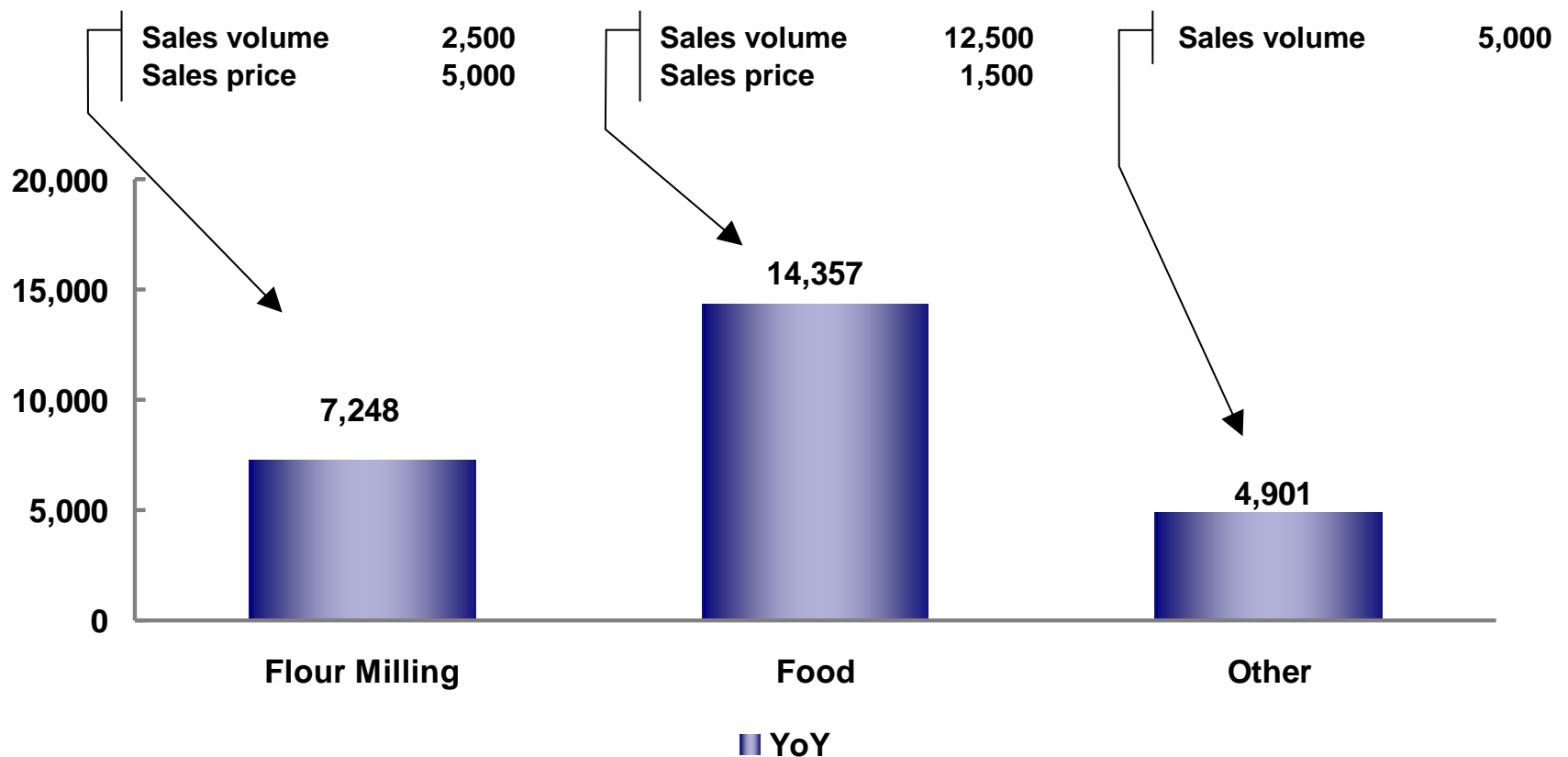
(Millions of yen)

		FY2018		FY2019 (Forecasts)		YoY	
		Result	Vs. net sales	Forecasts	Vs. net sales	Change	Change (%)
Net sales	Flour Milling	97,752	30.2%	105,000	30.0%	7,248	7.4%
	Food	191,643	59.2%	206,000	58.9%	14,357	7.5%
	Other	34,099	10.5%	39,000	11.1%	4,901	14.4%
	Total	323,495	100.0%	350,000	100.0%	26,505	8.2%
Operating income	Flour Milling	5,216	5.3%	5,850	5.6%	634	12.2%
	Food	4,435	2.3%	5,550	2.7%	1,115	25.1%
	Other	409	1.2%	600	1.5%	191	46.7%
	Total	10,060	3.1%	12,000	3.4%	1,940	19.3%
Ordinary income		11,862	3.7%	13,500	3.9%	1,638	13.8%
Profit attributable to owners of parent		7,651	2.4%	9,000	2.6%	1,349	17.6%
ROE		5.2%		5.8%		0.6p	
EPS		¥95.34		¥112.13		¥16.79	

Analysis of Factors for Changes in Net Sales Forecasts

◆ Factors for changes in net sales forecasts (overall increase of ¥26,505 million)

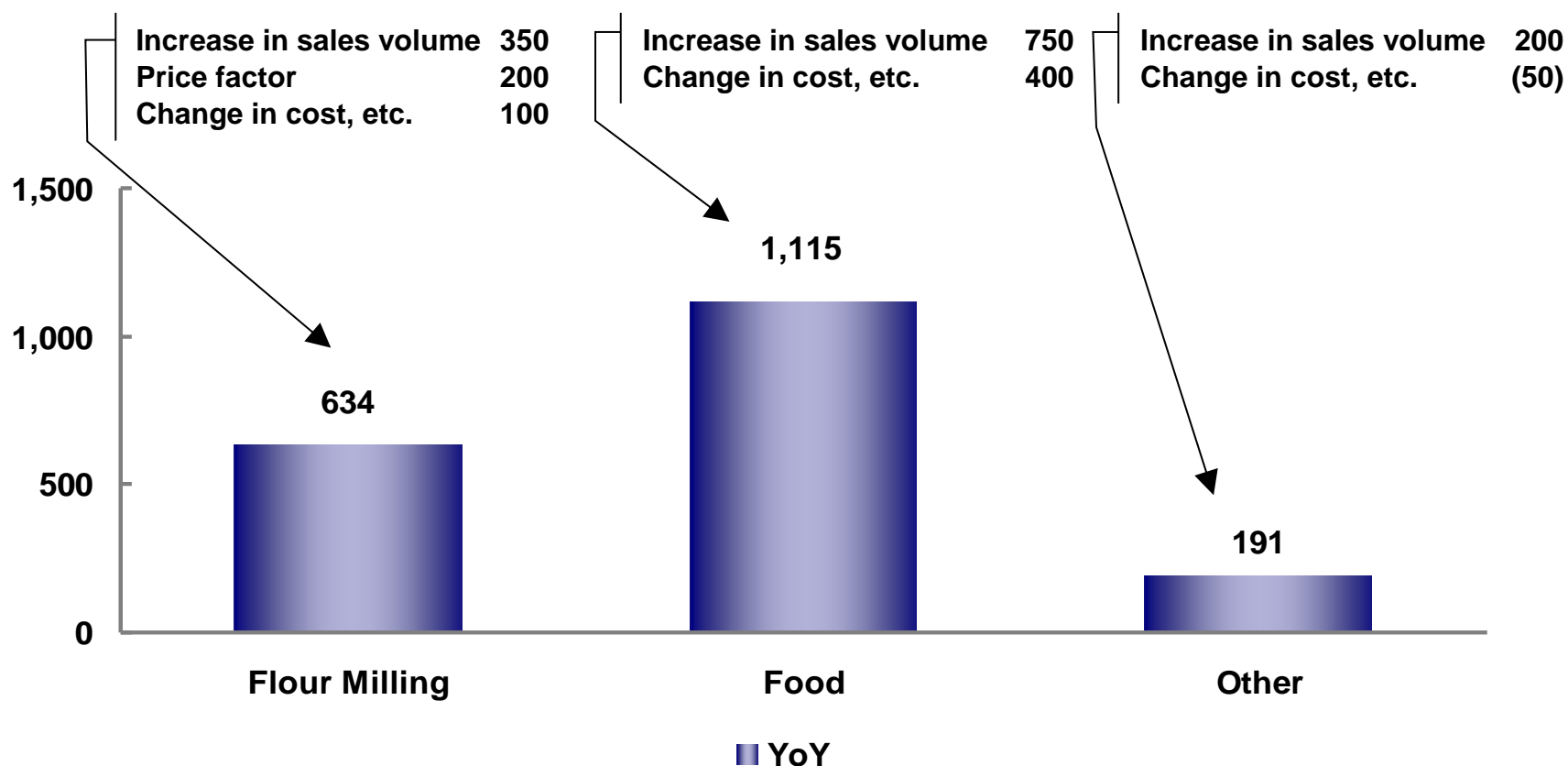
(Millions of yen)



Analysis of Factors for Changes in Operating Income Forecasts

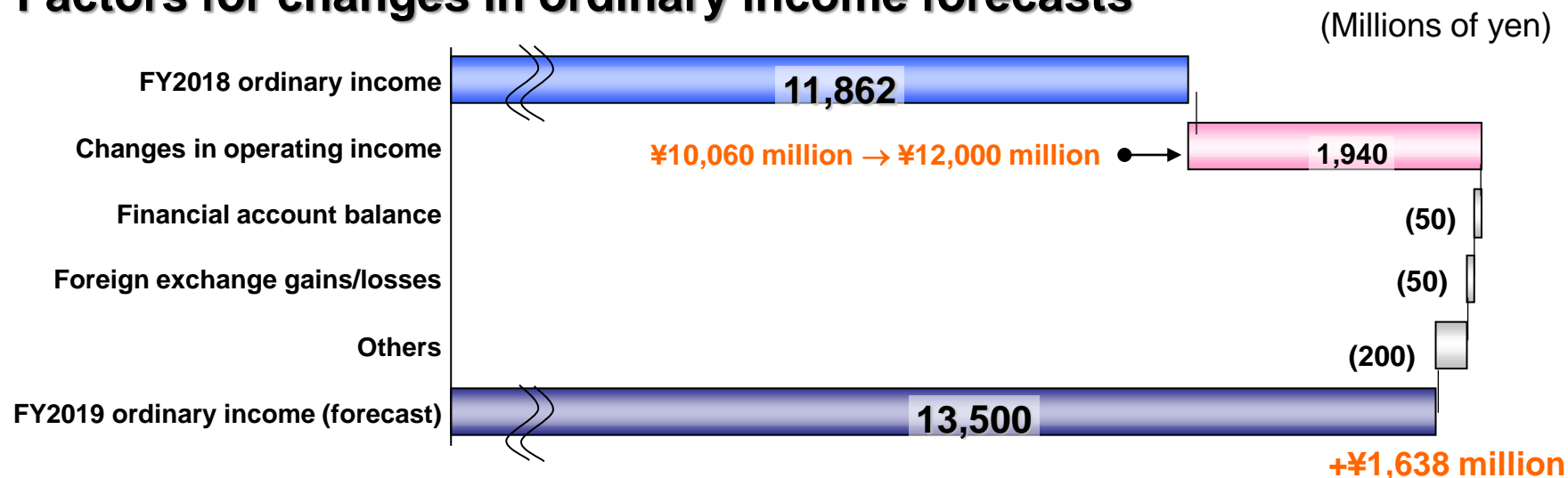
◆ Factors for changes in operating income forecasts (overall increase of ¥1,940 million)

(Millions of yen)

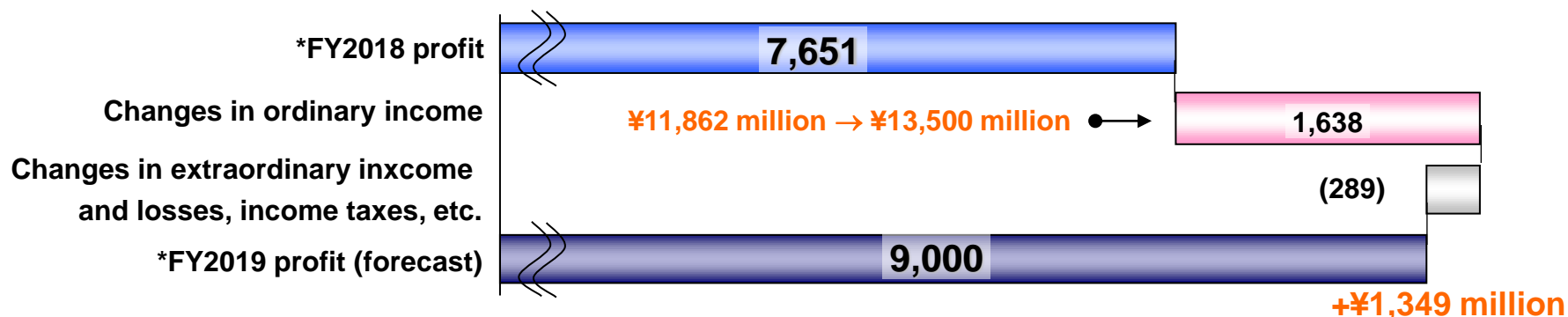


Analysis of Factors for Changes in Ordinary Income / Profit Forecasts

◆ 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.