



Consolidated Financial Results for the Third Quarter of FY2022 [J-GAAP]

February 25, 2022

Listed company name: **NIPPON CORPORATION**
 Listing: The 1st section of Tokyo Stock Exchange
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 Filing date of quarterly financial report: March 18, 2022
 Start of cash dividend payments: —
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

*Amounts less than one million yen have been rounded down.

1. Consolidated financial results for the third quarter of FY2022 (From April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Millions of yen, percentage figures show the rates of change from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
3Q of FY2022	241,779	12.0%	8,686	12.6%	11,376	18.3%	7,634	22.8%
3Q of FY2021	215,805	—	7,711	—	9,614	—	6,217	—

(Note) Comprehensive income: 3Q of FY2022: ¥8,529 million (9.7%)
 3Q of FY2021: ¥7,778 million (—)

	Profit per Share (Yen)	Fully Diluted Profit per Share (Yen)
3Q of FY2022	99.54	86.79
3Q of FY2021	81.09	70.73

(Note) The figures for 3Q of FY2021 presented are the figures after retrospective application of changes in accounting policies. The rate of change from the same period of the previous year is not presented for 3Q of FY2021 because of the retrospective application.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
3Q of FY2022	326,250	174,700	52.1%
FY2021	307,813	169,063	53.3%

(Reference) Equity capital: 3Q of FY2022: ¥169,905 million
 FY2021: ¥164,209 million

(Note) The figures for FY2021 presented are the figures after retrospective application of changes in accounting policies.

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2021	—	17.00	—	19.00	36.00
FY2022	—	18.00	—		
FY2022 (Forecast)				20.00	38.00

(Note) Adjustment for the most recent forecast of the dividends in the current term: Yes

Breakdown of year-end dividends for FY2021: Ordinary dividend of ¥17.00 and commemorative dividend of ¥2.00 (commemorating change of the company name)

3. Forecast of the consolidated financial results for FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen, percentage figures show the rates of change from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share (Yen)
Full year	320,000	11.0%	11,100	7.0%	12,700	0.3%	9,000	4.2%	117.35

(Note) Adjustment for the most recent forecast of the consolidated financial results in the current term: None

Rates of change from the same period of the previous year are the rates compared with the figures after retrospective application of changes in accounting policies.

* Notes

(1) Significant changes in subsidiaries during the current quarter (changes in specified subsidiaries in accordance with changes in the scope of consolidation): None

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial information: None

(3) Changes in accounting policies, accounting estimates and retrospective restatements

- 1) Changes in accounting policies due to revisions of accounting standards: Yes
- 2) Changes other than 1): None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatements: None

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes on quarterly consolidated financial information (Changes in accounting policies)” on page 10.

(4) Number of shares issued and outstanding (common stock)

1) Number of shares outstanding at the end of each period (including treasury shares):	3Q of FY2022	78,824,009 shares	FY2021	78,824,009 shares
2) Number of treasury shares at the end of each period:	3Q of FY2022	2,087,023 shares	FY2021	2,093,223 shares
3) Average number of shares (quarterly consolidated cumulative period):	3Q of FY2022	76,696,200 shares	3Q of FY2021	76,677,010 shares

* These consolidated financial results are outside the scope of quarterly review procedures by certified public accountants or an audit corporation.

* Explanation regarding the appropriate use of projected financial results and other special instructions

Descriptions regarding the future, including the financial outlook contained in this material, are based on certain information currently available to the Company and particular assumptions, which are, at the discretion of the Company, deemed reasonable, and actual financial results may significantly vary due to various factors. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Results, (3) Information on forecast of the consolidated financial results” on page 5 for information on preconditions underlying the above outlook and other related information.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Overview of business results

(Millions of yen)

	First nine months of Fiscal 2021	First nine months of Fiscal 2022	Difference	Change
Net sales	215,805	241,779	25,973	112.0%
Operating income	7,711	8,686	974	112.6%
Ordinary income	9,614	11,376	1,762	118.3%
Profit attributable to owners of parent	6,217	7,634	1,416	122.8%

During the first nine months of the fiscal year ending March 31, 2022, amid the ongoing COVID-19 pandemic, the rising vaccination rate helped economic activity in Japan start returning to normal. However, the emergence of a new variant of the COVID-19 virus caused a resurgence of infection. As a result, prospects for the Japanese economy have remained uncertain.

In the food industry, the spread of COVID-19 brought about significant changes in consumer behavior, such as growth of delivery services and an increase in eating at home, and an increase in demand for products for consumption at home as people refrain from going out. Moreover, soaring prices of raw materials and crude oil and the trend of foreign exchange rates are among the factors contributing to the persisting unpredictability of the business environment.

In these circumstances, while thoroughly implementing measures to prevent the spread of COVID-19 and according the top priority to customers' safety and security and employees' health, the Group is continuing production at all its plants in Japan and abroad, and thus maintaining a business system to fulfill its social responsibility as a food enterprise.

Meanwhile, the Group is pursuing sustainable growth as a multifaceted food enterprise. We are reinforcing the existing business by reducing costs and strengthening sales while, at the same time, vigorously investing in promising fields to strengthen the business foundation based on a flexible approach in an unprecedented business environment.

In these circumstances, the Company decided to construct a new flour mill on the site in Chita City, Aichi Prefecture, and expand facilities of the Kobe-Konan Mill in the ongoing reorganization of the production structure. The new plant will be a state-of-the-art flour mill that will take the Sustainable Development Goals (SDGs) into consideration while achieving enhanced productivity.

Although the Group recorded expenses related to a system failure caused by a cyberattack that occurred on July 7, 2021, as an extraordinary loss, net sales and profits were both higher than the levels for the same period of the previous year, because the frozen food category's brisk performance continued owing to increasing demand for products for consumption at home and a recovery in demand for food in the professional-use category and ready-made meals that exceeded expectations following sluggishness in 2020. Consolidated net sales for the first nine months of fiscal 2022 increased by 12.0% year on year to ¥241,779 million, operating income increased by 12.6% to ¥8,686 million, ordinary income increased by 18.3% to ¥11,376 million, and profit attributable to owners of parent increased by 22.8% to ¥7,634 million.

The performance of individual business segments was as follows.

1) Flour Milling

(Millions of yen)

	First nine months of Fiscal 2021	First nine months of Fiscal 2022	Difference	Change
Net sales	70,417	72,247	1,830	102.6%
Operating income	3,939	4,494	555	114.1%

The Group is strengthening quality control in response to the growing preoccupation with the safety and security of food throughout society. At the same time, to address customer needs and diversifying food preferences, the Group promoted sales initiatives with a view to resolving the issues that concern customers. Despite operating in an environment in which the impact of COVID-19 was expanding, we strove to strengthen initiatives in partnership with customers, and enhance sales capabilities and brand power, and promoted sales activities.

As a result, sales of wheat flour and sales of wheat bran, a by-product, were higher than the levels for the same period of the previous year.

In line with the increase of government sales prices (tax inclusive) of imported wheat by 5.5% on average for the five key products in April 2021 and by 19.0% in October 2021, we revised the prices of our products in June 2021 and December 2021, respectively.

As a result, net sales for the Flour Milling segment increased by 2.6% year on year to ¥72,247 million, and operating income increased by 14.1% to ¥4,494 million.

2) Food

(Millions of yen)

	First nine months of Fiscal 2021	First nine months of Fiscal 2022	Difference	Change
Net sales	119,761	140,924	21,162	117.7%
Operating income	3,313	3,525	212	106.4%

In the professional-use category, demand showed a tendency to recover compared with the same period of the previous year and sales of products in this category were higher than the level for the same period of the previous year despite a significant impact, mainly on the restaurant sector, of the government's request for large-scale commercial facilities to suspend operations and for restaurants to suspend operations or reduce opening hours, following the declarations of a state of emergency.

In the home-use product category, sales were lower than the level for the same period of the previous year because of a dip in demand following surging demand in the previous year for products for consumption at home because people refrained from going out.

In the frozen foods category, sales were far higher than the level for the same period of the previous year. In addition to solid demand for frozen pasta, demand for the One Plate Meal series of complete meals consisting of a main dish and staples and demand for the Imadoki Gohan series of rice dishes, which allow consumers to have trendy rice dishes easily at home, were brisk. These results not only reflected continued high demand for products for consumption at home but also the fact that the COVID-19 pandemic prompted more consumers to pursue ease and convenience in meals. Vigorous advertising and sales promotion, including airing of TV commercials also contributed to the results.

In the ready-made meals business, despite the COVID-19 pandemic's adverse impact on demand, it showed a tendency to recover compared with the same period of the previous year and sales were higher than the level for the previous year.

As a result, net sales of the Food segment increased by 17.7% year on year to ¥140,924 million, and operating income increased by 6.4% to ¥3,525 million.

3) Other

(Millions of yen)

	First nine months of Fiscal 2021	First nine months of Fiscal 2022	Difference	Change
Net sales	25,627	28,607	2,980	111.6%
Operating income	520	676	155	129.9%

Sales of the pet food business were higher than the level for the same period of the previous year because shipped volume grew briskly.

Sales of the engineering business were higher than the level for the same period of the previous year, as a result of an increase in inquiries for large projects.

As a result, net sales for the Other segment increased by 11.6% year on year to ¥28,607 million, and operating income increased by 29.9% to ¥676 million.

(2) Overview of financial position

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021	Difference
Current assets	117,693	133,354	15,660
Non-current assets	190,069	192,855	2,785
Deferred assets	49	40	(9)
Total assets	307,813	326,250	18,437
Current liabilities	69,544	80,378	10,833
Non-current liabilities	69,205	71,171	1,966
Total liabilities	138,749	151,550	12,800
Total net assets	169,063	174,700	5,636
Total liabilities and net assets	307,813	326,250	18,437

Total assets at the end of the first nine months of fiscal 2022 increased by ¥18,437 million from the previous fiscal year end (March 31, 2021) to ¥326,250 million. This was mainly because notes and accounts receivable - trade and contract assets and property, plant and equipment increased by ¥16,090 million and ¥1,872 million, respectively.

Total liabilities increased by ¥12,800 million from the previous fiscal year end to ¥151,550 million. This was mainly because other current liabilities increased by ¥13,253 million.

Net assets increased by ¥5,636 million from the previous fiscal year end to ¥174,700 million. This was mainly attributable to increases of ¥4,766 million in retained earnings and ¥810 million in unrealized holding gain (loss) on securities.

(3) Information on forecast of the consolidated financial results

In light of the emergence of a new variant of the COVID-19 virus, it is particularly difficult to predict when the pandemic will abate. Cost increases due to such factors as soaring prices of raw materials and crude oil and the trend of foreign exchange rates are also expected to have an impact on business results. The business environment in which the Group operates is likely to be increasingly challenging, going forward.

In these circumstances, while continuing to exercise due care and implementing measures to prevent infection of customers and employees so as to ensure safety and a stable supply of food as part of efforts to fulfill its social responsibility, the Group aims to achieve further growth as a multifaceted food enterprise.

The consolidated business results for the first nine months of the fiscal year ending March 31, 2022, exceeded the forecast in terms of profit. However, the business environment is expected to be increasingly challenging as mentioned above. Therefore, the forecasts of consolidated business results for the full year of fiscal 2022 announced on May 14, 2021, are unchanged.

In consideration of the latest operating results and financial position and as an expression of appreciation of shareholders' ongoing support, we plan to pay a year-end dividend of ¥20 per share, an increase of ¥2 from the initial forecast. As a result, full-year dividends will amount to ¥38 per share. Thus, dividends will have increased for four consecutive fiscal years.

The Group recorded expenses related to a system failure caused by a cyberattack that occurred on July 7, 2021, as an extraordinary loss for the second quarter and the third quarter of fiscal 2022. We are investigating the amount of additional expenses to be incurred from the fourth quarter onward. Currently, we expect there will be no need to revise the forecasts of business results. However, if any matters arise that should be made public, such as significant differences from the forecasts, we will promptly make an announcement.

2. Quarterly Consolidated Financial Statements and Primary Notes**(1) Quarterly consolidated balance sheets**

(Millions of yen)

	FY2021 (As of March 31, 2021)	Third Quarter of FY2022 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	37,486	34,089
Notes and accounts receivable - trade and contract assets	41,848	57,939
Merchandise and finished goods	16,662	17,516
Work in process	219	109
Raw materials and supplies	17,394	19,009
Other current assets	4,143	4,754
Allowance for doubtful accounts	(59)	(64)
Total current assets	117,693	133,354
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,932	48,194
Machinery, equipment and vehicles, net	21,692	22,677
Land	40,269	41,605
Construction in progress	3,814	1,116
Other, net	2,531	2,519
Total property, plant and equipment	114,240	116,113
Intangible assets		
Goodwill	1,644	1,465
Other	1,213	1,097
Total intangible assets	2,858	2,562
Investments and other assets		
Investment securities	65,809	66,695
Other assets	7,625	7,940
Allowance for doubtful accounts	(464)	(456)
Total investments and other assets	72,970	74,179
Total non-current assets	190,069	192,855
Deferred assets	49	40
Total assets	307,813	326,250

(Millions of yen)

	FY2021 (As of March 31, 2021)	Third Quarter of FY2022 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,931	26,448
Short-term loans payable	22,388	21,407
Current portion of bonds	–	96
Income taxes payable	2,371	754
Provision for bonuses	690	256
Other current liabilities	18,162	31,415
Total current liabilities	69,544	80,378
Non-current liabilities		
Bonds payable	536	392
Convertible bond-type bonds with subscription rights to shares	25,074	25,060
Long-term loans payable	22,181	23,639
Retirement benefit liability	3,747	3,760
Accrued retirement benefits for directors	809	445
Other non-current liabilities	16,856	17,872
Total non-current liabilities	69,205	71,171
Total liabilities	138,749	151,550
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	11,308	11,305
Retained earnings	115,366	120,133
Treasury shares	(3,317)	(3,306)
Total shareholders' equity	135,598	140,372
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	27,770	28,580
Deferred gain (loss) on hedges	37	19
Foreign currency translation adjustment	493	616
Retirement benefits liability adjustments	308	315
Total accumulated other comprehensive income	28,610	29,532
Subscription rights to shares	234	279
Non-controlling interests	4,620	4,515
Total net assets	169,063	174,700
Total liabilities and net assets	307,813	326,250

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)

(Millions of yen)

	Third Quarter of FY2021 (From April 1, 2020 to December 31, 2020)	Third Quarter of FY2022 (From April 1, 2021 to December 31, 2021)
Net sales	215,805	241,779
Cost of sales	164,111	185,100
Gross profit	51,693	56,678
Selling, general and administrative expenses	43,981	47,992
Operating income	7,711	8,686
Non-operating income		
Interest income	67	48
Dividend income	1,468	1,507
Share of profit of entities accounted for using equity method	184	197
Other	631	1,281
Total non-operating income	2,351	3,034
Non-operating expenses		
Interest expenses	128	147
Other	319	195
Total non-operating expenses	448	343
Ordinary income	9,614	11,376
Extraordinary income		
Gain on sales of fixed assets	363	57
Gain on sales of investment securities	355	1,051
Total extraordinary income	718	1,108
Extraordinary expenses		
Loss on sales and disposal of fixed assets	84	64
Loss on sale of shares of subsidiaries and associates	—	24
Impairment loss	233	31
Company name change cost	297	—
System failure response costs	—	1,174
Other	256	19
Total extraordinary expenses	872	1,314
Profit before income taxes	9,460	11,171
Income taxes - current	2,521	2,951
Income taxes - deferred	609	617
Total income taxes	3,130	3,568
Profit	6,330	7,603
Profit (loss) attributable to non-controlling interests	112	(31)
Profit attributable to owners of parent	6,217	7,634

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third Quarter of FY2021 (From April 1, 2020 to December 31, 2020)	Third Quarter of FY2022 (From April 1, 2021 to December 31, 2021)
Profit	6,330	7,603
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	1,915	795
Deferred gain (loss) on hedges	(6)	(18)
Foreign currency translation adjustment	(590)	115
Retirement benefits liability adjustments	147	9
Share of other comprehensive income of entities accounted for using equity method	(17)	24
Total other comprehensive income (loss)	1,447	926
Comprehensive income	7,778	8,529
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	7,646	8,556
Comprehensive income (loss) attributable to non-controlling interests	132	(26)

(3) Notes on quarterly consolidated financial information**(Notes on going concern assumption)**

Not applicable.

(Notes to significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. and recognizes the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to a customer. Major changes due to the application of the Accounting Standard for Revenue Recognition, etc. are described below.

(1) Transactions as an agent

Regarding transactions in which the Group acts as an agent in providing merchandise or finished goods to a customer, previously the gross amount of consideration received from the customer had been recognized as revenue. However, the method has been changed and the net amount of consideration received from the customer from which the amount payable to a supplier of the merchandise or finished goods is deducted is recognized as revenue.

(2) Sales incentives

Whereas previously certain sales incentives and other fees paid to customers had been recorded as selling, general and administrative expenses, the method has been changed and they are deducted from net sales.

(3) Change in the basis for revenue recognition

Regarding certain transactions of the Group, whereas previously revenue had been recognized at the time of shipping of merchandise or finished goods, the method has been changed and revenue is recognized at the time of completion of the handover.

The said changes in the accounting policies shall be retrospectively applied, in principle, and the quarterly consolidated financial statements for the first nine months of fiscal year ended March 31, 2021, and consolidated financial statements for the fiscal year ended March 31, 2021, after retrospective application are presented.

As a result, compared with the figures before retrospective application, net sales, cost of sales, and selling, general and administrative expenses for the first nine months of the previous year decreased by ¥31,656 million, ¥11,946 million, and ¥19,732 million, respectively, and operating income, ordinary income, and profit before income taxes each increased by ¥23 million. Moreover, the beginning balance of retained earnings for the previous year decreased by ¥84 million because the cumulative effect of the retrospective application was reflected in the beginning balance of net assets for the previous year.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade," which was presented under "Current assets" in the consolidated balance sheet for the previous year, is included in "Notes and accounts receivable - trade and contract assets" from the first quarter of fiscal 2022. In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the composition of revenue from contracts with customers for the first nine months of the previous year is not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company applies the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. and will apply the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. from now on in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. Third quarter of FY2021 (From April 1, 2020 to December 31, 2020)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in quarterly consolidated financial statements ^(Note 3)
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	70,417	119,761	190,178	25,627	215,805	—	215,805
Internal sales or transfers between segments	1,348	386	1,735	5,762	7,497	(7,497)	—
Total	71,765	120,147	191,913	31,390	223,303	(7,497)	215,805
Segment income	3,939	3,313	7,252	520	7,772	(61)	7,711

Notes: 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.

2. Segment income adjustment of ¥(61) million includes elimination of inter-segment transactions and corporate expenses.

3. Segment income is adjusted to reconcile total segment income to operating income in the quarterly consolidated financial statements.

2. Information about impairment loss on fixed assets and about goodwill etc. by reportable segment
(Material impairment loss pertaining to fixed assets)

The Food segment and other operations recorded an impairment loss on fixed assets amounting to ¥136 million and ¥96 million, respectively. The amount of the impairment loss on fixed assets of other operations relates to the restaurant business etc.

II. Third quarter of FY2022 (From April 1, 2021 to December 31, 2021)

1. Information on sales and income (loss) by reportable segment and composition of revenue

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in quarterly consolidated financial statements ^(Note 3)
	Flour Milling	Food	Total				
Net sales							
Revenue from contracts with customers	72,247	140,889	213,136	27,891	241,028	—	241,028
Other revenue	—	34	34	715	750	—	750
Net sales to external customers	72,247	140,924	213,171	28,607	241,779	—	241,779
Internal sales or transfers between segments	1,535	475	2,011	1,736	3,747	(3,747)	—
Total	73,783	141,399	215,182	30,344	245,527	(3,747)	241,779
Segment income	4,494	3,525	8,019	676	8,696	(10)	8,686

Notes: 1. The “Other” column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.

2. Segment income adjustment of ¥(10) million includes elimination of inter-segment transactions and corporate expenses.

3. Segment income is adjusted to reconcile total segment income to operating income in the quarterly consolidated financial statements.

2. Information about impairment loss on fixed assets and about goodwill etc. by reportable segment
(Material impairment loss pertaining to fixed assets)

The other operations recorded an impairment loss on fixed assets amounting to ¥31 million.

3. Change in reportable segments

The method of measurement of segment income (loss) has been changed in accordance with the change in the method of accounting treatment for revenue recognition as a result of application of the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of fiscal 2022, as described in the “(Changes in accounting policies)” above.

Segment information for the third quarter of fiscal 2021 presented was prepared using the segment income (loss) measurement method after the change.

(Important subsequent events)**Important capital expenditure**

At the Board of Directors' meeting held on February 18, 2022, the Company decided to construct a new flour mill on the site it acquired previously in Chita City, Aichi Prefecture, and to close the Nagoya Mill (Minato-ku, Nagoya City, Aichi Prefecture) and the Osaka Mill (Taisho-ku, Osaka City, Osaka Prefecture). In addition, the Company will expand facilities of the Kobe-Konan Mill (Higashinada-ku, Kobe City, Hyogo Prefecture) and transfer production from the Nagoya Mill and the Osaka Mill to the new mill and, to some extent, to the Kobe-Konan Mill.

The new mill will be adjacent to Chita Wharf where large grain carriers can berth and will be directly linked to silos for raw wheat, resulting in reduction in raw materials procurement cost. This reorganization will increase the Company's ratio of waterfront milling from 83% to 95%.

The Company aims to realize a state-of-the-art flour mill that will be resilient to natural disasters and take the SDGs into consideration, including through energy saving and environmental friendliness, while enhancing the new mill's productivity by combining the latest automation technology with the Company's accumulated technological expertise.

As well as continuing to strengthen the infrastructure of the flour milling business, we are establishing the foundation for vigorous business development in Japan and overseas in order to achieve continued growth as a multifaceted food enterprise. Going forward, we will maintain the vigor and pace of investment in each business and supply products attuned to the needs of the era.

<Outline of the new mill in Chita City>

Total construction cost: Approx. ¥14 billion

Capacity: Wheat milling capacity of 600 tons per day, 2 lines

Construction: To start in December 2022

Operation: To start in February 2026

<Expansion of the Kobe-Konan Mill>

Total construction cost: Approx. ¥2.7 billion

Expansion details: Product warehouse etc.

Construction: To start in March 2022

Operation: To start in March 2024