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Consolidated Financial Results for the Third Quarter of Fiscal 2023 [Japanese GAAP]

January 30, 2023

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange
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Date to submit the Quarterly Securities Report: February 9, 2023
Date to start distributing dividends: —
Supplementary materials for these consolidated financial results: Yes
Results briefing for financial results: None

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of Fiscal 2023 (April 1, 2022 to December 31, 2022)

(1) Consolidated Business Results

(The percentages indicate the rates of increase or decrease compared with the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First nine months of Fiscal 2023	600,005	18.7	25,462	(2.6)	27,040	(8.0)	(22,912)	—
First nine months of Fiscal 2022	505,310	(1.7)	26,150	17.8	29,384	20.0	18,200	12.0

(Note) Comprehensive income: First nine months of Fiscal 2023: ¥(20,548) million (—%)
First nine months of Fiscal 2022: ¥14,821 million (down 50.6%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First nine months of Fiscal 2023	(77.05)	—
First nine months of Fiscal 2022	61.21	61.21

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2022	695,555	427,821	59.8
March 31, 2022	723,073	460,643	62.1

(Reference) Equity capital: December 31, 2022: ¥415,709 million March 31, 2022: ¥449,174 million

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2022	—	19.00	—	20.00	39.00
Fiscal 2023	—	19.00	—		
Fiscal 2023 (forecast)				20.00	39.00

(Note) Revision to the latest forecast of dividends: None

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(The percentages indicate the rates of increase or decrease compared with the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	780,000	14.8	33,000	12.1	35,000	7.3	(10,000)	—	(33.63)

(Note) Revision to the latest forecast of financial results: Yes

* Notes

(1) Changes in important subsidiaries during the period under review (changes in specified subsidiaries involving a change in the scope of consolidation): None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Related Notes (3) Notes on Quarterly Consolidated Financial Statements [Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]” on page 11 of the Attachment.

(3) Changes in accounting policies, changes in accounting estimates and revisions restated

1) Changes in accounting policies associated with the revisions of accounting standards, etc.: None

2) Changes in accounting policies other than the above: None

3) Changes in accounting estimates: None

4) Revisions restated: None

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

1) Number of shares issued and outstanding (including treasury shares)	As of December 31, 2022	304,357,891	As of March 31, 2022	304,357,891
2) Number of treasury shares	As of December 31, 2022	6,982,652	As of March 31, 2022	6,960,907
3) Average number of shares outstanding	First nine months of Fiscal 2023	297,355,145	First nine months of Fiscal 2022	297,360,848

* Quarterly earnings reports are not subject to quarterly review by certified public accountants or independent account auditors.

* Statement regarding the proper use of financial forecasts and other special remarks

(1) The statements contained in this document are based on various assumptions and do not constitute any guarantee or definite promise that projections of future performance or related business policies will actually be realized. For details of assumptions for financial forecasts and other related matters, please refer to “1. Qualitative Information for the Period under Review (3) Forecast of Consolidated Financial Results and Other Forward-looking Information” on page 6 of the Attachment.

(2) Supplementary materials for this report can be found on the Company’s website.

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1. Qualitative Information for the Period under Review

(1) Business Performance

[Overview of the Period under Review]

During the first nine months of the fiscal year ending March 31, 2023, the Japanese economy continued to mount a gradual turnaround as measures to fight infection and social activities gained ground despite a resurgence in COVID-19 infections domestically. The future, however, remained shrouded in uncertainty, with the corporate goods price index in Japan climbing to historical highs due to a range of factors, among them soaring prices for raw materials, rising energy prices, and the devaluation of the yen in currency markets.

Under these conditions, the Group strives to fulfill its corporate mission of ensuring the stable supply of foods involving wheat flour and the delivery of safe and reliable products in each business area, while also giving highest priority to responding to food inflation. In October of last year, the Group formulated “Medium-term Management Plan 2026,” a plan it is promoting for achieving social contribution through business and realizing sustained growth as a food-centered enterprise. Addressing environmental issues connected to social sustainability and utilizing digital technologies and other technological innovations is crucial for the Group’s own sustainable growth, and is becoming even more important. Given these changes in the business environment, the Group is promoting management for realizing its vision driven by three basic policies – “Stimulate the Group’s ability to grow by restructuring the business portfolio,” “Enhance management by clarifying our business’ relationships toward stakeholders,” and “Integrate ESG into management strategy, implement by adapting to social trends.”

With respect to performance, consolidated net sales for the first nine months of the fiscal year ending March 31, 2023, increased 18.7% year on year to ¥600,005 million. Factors driving growth included enactment of price revisions for wheat flour in the flour milling business in Japan in step with wheat price revisions, coupled with growth in wheat market prices and foreign currency translation effects in the overseas flour milling business. In terms of profits, operating profit decreased 2.6% year on year to ¥25,462 million, while ordinary profit was down 8.0% to ¥27,040 million. In addition to lower shipments of processed foods and raw materials for pharmaceuticals in the processed food segment, these results reflected the inability to enact price revisions that kept pace with higher-than-anticipated increases in cost for raw materials and ingredients, as well as expenses for the launch of a yeast business in India. These effects countered firm sales prices for bran in the flour milling business in Japan, and favorable performance from the overseas flour milling business. Furthermore, as stated in the “Notice of Recognition of Impairment Loss and Revision of Business Forecasts (Second Quarter, Full Year)” announced on October 19, 2022, while the Company reported profit on the sale of shares held for cross-shareholding purposes, it reported a loss attributable to owners of parent for the period of ¥22,912 million due to an impairment loss reported for the Australia flour milling business in the second quarter. The Company is taking seriously the loss that is now projected for the full term. With the sale of shares held for cross-shareholding purposes generating a reported ¥12.5 billion in extraordinary income from November to December 2022, we are quickening the pace at which the Company reduces its shares held for cross-shareholding purposes this term.

(Year-on-year Comparison)

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	505,310	600,005	94,695	18.7%
Operating profit	26,150	25,462	(688)	(2.6)%
Ordinary profit	29,384	27,040	(2,343)	(8.0)%
Profit (loss) attributable to owners of parent	18,200	(22,912)	(41,112)	–

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	229,410	313,345	83,934	36.6%
Operating profit	7,704	12,191	4,486	58.2%

In the flour milling business in Japan, shipments were lower year on year due mainly to effects from a fallback in demand due to product price revisions and the absence of shipment growth reported in the previous year before price revisions were enacted. This outcome came despite an ongoing recovery in restaurant dining demand and progress on initiatives to expand sales. In June 2022, we implemented price revisions for commercial wheat flour in response to revised government prices for five classes of imported wheat enacted in April 2022. On average, the government's price for imported wheat rose 17.3%. Commercial wheat flour prices, meanwhile, were left unchanged since then, tracking the lack of movement in government prices due to emergency price countermeasures instituted by the Japanese government in October 2022.

In the overseas flour milling business, sales were higher year on year mainly due to strong shipment performance, as well as the effects of rising wheat market prices, coupled with foreign currency translation effects.

As a result, net sales of the Flour Milling Segment increased 36.6% year on year to ¥313,345 million. Operating profit climbed 58.2% to ¥12,191 million despite lower shipments, benefiting mainly from firm sales prices for bran, a byproduct from the flour milling business in Japan, and significant year-on-year performance improvement in the overseas flour milling business, including a decrease in amortization of goodwill from the reporting of impairment losses for the flour milling business in Australia.

Elsewhere, following the granting of regulatory approval, the Company acquired 85% of the shares issued and outstanding from Kumamoto Flour Milling Co., Ltd. in January 2023.

2) Processed Food Segment

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	138,343	142,043	3,699	2.7%
Operating profit	11,244	5,527	(5,717)	(50.8)%

In the processed food business, sales were higher year on year. Growth reflected product price revisions enacted for household-use products in Japan from July 2022 in line with rising costs for raw materials, together with firm shipments of prepared mix and product price revisions

overseas.

In the yeast and biotechnology business, sales were up year on year, reflecting price revisions for yeast enacted in July and November 2022 in Japan, in response to soaring raw material prices and energy costs, coupled with the start of full-scale operations at the yeast business in India in August 2022 overseas.

In the healthcare foods business, sales were lower year on year due to lower shipments of raw materials for pharmaceuticals.

As a result, net sales of the Processed Food Segment increased 2.7% year on year to ¥142,043 million. Operating profit, however, declined 50.8% to ¥5,527 million. In addition to lower shipments of processed foods and raw materials for pharmaceuticals, performance was impacted by the inability to enact product price revisions in step with higher-than-anticipated increases in the cost of raw materials, as well as expenses incurred in the launch of the yeast business in India.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	105,872	113,290	7,417	7.0%
Operating profit	3,273	3,264	(8)	(0.3)%

In the prepared dishes and other prepared foods business, sales were higher year on year, as demand recovers particularly at convenience stores as the flow of people rebounds with the elimination of pandemic-related behavior restrictions.

As a result, net sales of the Prepared Dishes and Other Prepared Foods Segment increased 7.0% year on year to ¥113,290 million. Operating profit, meanwhile, was ¥3,264 million, down 0.3% from the previous year, as the effects of soaring prices for raw materials and rising energy costs slightly offset sales growth.

Meanwhile, Nisshin Seifun Delica Frontier Inc. was established as an intermediate holding company responsible for the Prepared Dishes and Other Prepared Foods Segment in July 2022, in a move designed to strengthen the organizational structure for shaping this growth field into a core business.

4) Others Segment

(Millions of yen)

	First nine months of Fiscal 2022	First nine months of Fiscal 2023	Difference	Change
Net sales	31,683	31,326	(356)	(1.1)%
Operating profit	3,804	4,338	534	14.0%

In the engineering business, sales were lower year on year, reflecting a decline in large-scale projects in mainstay plant engineering operations.

In the mesh cloths business, sales rose year on year atop increased shipments of screen printing materials for solar panels. The decision to expand a forming filter plant in Thailand was also reached in December 2022.

As a result, net sales of the Others Segment decreased 1.1% year on year to ¥31,326 million, while operating profit increased 14.0% to ¥4,338 million. Profit growth came atop improved profitability from extensive construction cost management in the engineering business, coupled

with effects from higher sales in the mesh cloths business.

(2) Financial Position

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022	Difference
Current assets	280,527	315,755	35,228
Non-current assets	442,546	379,799	(62,747)
Total assets	723,073	695,555	(27,518)
Current liabilities	129,158	140,790	11,632
Non-current liabilities	133,272	126,943	(6,329)
Total liabilities	262,430	267,733	5,303
Total net assets	460,643	427,821	(32,821)
Total liabilities and net assets	723,073	695,555	(27,518)

The status of assets, liabilities and net assets on a consolidated basis at the end of the first nine months of the fiscal year ending March 31, 2023 was as follows.

Current assets increased ¥35,228 million from the previous fiscal year-end to ¥315,755 million, tracking growth in inventories mainly due to rising prices for raw materials. Non-current assets decreased ¥62,747 million to ¥379,799 million, primarily due to an impairment loss recognized for non-current assets pertaining to the Australia flour milling business and reductions in shares held for cross-shareholding purposes. As a result, total assets declined ¥27,518 million from the previous fiscal year-end to ¥695,555 million.

Meanwhile, current liabilities increased ¥11,632 million to ¥140,790 million, mainly reflecting an increase in short-term loans payable used as working capital. Non-current liabilities decreased ¥6,329 million to ¥126,943 million, primarily due to the reversal of deferred tax liabilities in line with the reporting of impairment losses on non-current assets. As a result, total liabilities increased ¥5,303 million from the previous fiscal year-end to ¥267,733 million. Net assets decreased ¥32,821 million to ¥427,821 million, including a decrease due to a loss attributable to owners of parent for the period and a decrease due to the payment of dividends.

(3) Forecast of Consolidated Financial Results and Other Forward-looking Information

The effects of the COVID-19 pandemic and the situation unfolding in Russia and Ukraine continue to shroud social and economic conditions, both domestically and globally, in uncertainty. Under these circumstances, the Group remains committed to fulfilling its social mission of ensuring the stable supply of wheat flour and other food staples, and has set responding to food staple inflation as the Group's highest priority. In particular, for businesses where keeping pace with rising costs is possible through price revisions, most notably the processed food business, we are making steady progress in catching up in this area. Additionally, the Group is taking definitive action to respond in each business in ways that work to steadily bring its medium-term vision outlined in "Medium-term Management Plan 2026," drafted in October 2022, to fruition. With respect to the Australia flour milling business, improving business performance is also an important theme of the recently formulated medium-term management plan. Once the core business base is secured, efforts will turn to boosting profitability through ongoing cost reductions, the expansion of sales among mainstay products that leverage Group advantages, the selection of highly profitable markets, and steps toward brand enhancement.

Regarding the outlook for the fiscal year ending March 31, 2023, as stated in the revised business forecasts announced on October 19, 2022, we are projecting consolidated net sales to rise 14.8% to ¥780,000 million, operating profit to increase 12.1% to ¥33,000 million, and ordinary profit to rise 7.3% year on year to ¥35,000 million. However, we have positively revised the loss attributable to owners of parent to ¥10,000 million (previously projected as a loss of ¥18,500 million), reflecting incorporation of the reporting of additional profit from the sale of shares held for cross-shareholding purposes.

Revisions to Forecast of Consolidated Financial Results for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit (loss) attributable to owners of parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A) (Announced on October 19, 2022)	780,000	33,000	35,000	(18,500)	(62.22)
Revised forecast (B)	780,000	33,000	35,000	(10,000)	(33.63)
Difference (B-A)	–	–	–	8,500	28.59
Percent change (%)	–	–	–	–	–
(Reference) Prior-year results (fiscal year ended March 31, 2022)	679,736	29,430	32,626	17,509	58.88

With respect to dividends, as initially projected, the Company plans to pay a full-year dividend of ¥39 per share, the same as in the previous fiscal year, in line with its basic policy of maintaining a payout ratio of at least 40% on a consolidated basis.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 Third Quarter (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	69,607	76,615
Notes and accounts receivable – trade, and contract assets	100,594	113,865
Securities	1,103	–
Inventories	96,596	115,125
Other	13,167	10,894
Allowance for doubtful accounts	(542)	(744)
Total current assets	280,527	315,755
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,843	67,494
Machinery, equipment and vehicles, net	53,018	57,666
Land	46,334	46,513
Right-of-use assets	29,050	17,021
Other, net	22,131	14,984
Total property, plant and equipment	219,379	203,680
Intangible assets		
Goodwill	42,385	7,852
Other	26,367	16,559
Total intangible assets	68,752	24,411
Investments and other assets		
Investment securities	141,590	133,808
Other	12,948	18,019
Allowance for doubtful accounts	(125)	(120)
Total investments and other assets	154,414	151,707
Total non-current assets	442,546	379,799
Total assets	723,073	695,555

(Millions of yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 Third Quarter (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	63,655	65,680
Short-term loans payable	6,789	14,767
Income taxes payable	5,784	3,354
Accrued expenses	24,727	20,806
Other	28,201	36,180
Total current liabilities	129,158	140,790
Non-current liabilities		
Bonds	20,000	20,000
Long-term loans payable	13,785	13,725
Lease obligations	38,939	37,441
Deferred tax liabilities	28,360	24,130
Provision for repairs	1,373	1,543
Net defined benefit liability	22,845	22,934
Other	7,968	7,167
Total non-current liabilities	133,272	126,943
Total liabilities	262,430	267,733
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,622	12,726
Retained earnings	347,165	312,650
Treasury shares	(10,960)	(10,993)
Total shareholders' equity	365,946	331,501
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,585	57,294
Deferred gains or losses on hedges	445	(391)
Foreign currency translation adjustment	23,059	27,977
Remeasurements of defined benefit plans	(862)	(672)
Total accumulated other comprehensive income	83,227	84,208
Subscription rights to shares	95	44
Non-controlling interests	11,373	12,067
Total net assets	460,643	427,821
Total liabilities and net assets	723,073	695,555

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First nine months of Fiscal 2022 (April 1, 2021 to December 31, 2021)	First nine months of Fiscal 2023 (April 1, 2022 to December 31, 2022)
Net sales	505,310	600,005
Cost of sales	392,079	478,719
Gross profit	113,231	121,285
Selling, general and administrative expenses	87,080	95,823
Operating profit	26,150	25,462
Non-operating income		
Interest income	114	181
Dividend income	2,640	2,836
Share of profit of entities accounted for using equity method	1,960	774
Other	967	747
Total non-operating income	5,682	4,540
Non-operating expenses		
Interest expenses	2,192	2,629
Other	256	332
Total non-operating expenses	2,448	2,962
Ordinary profit	29,384	27,040
Extraordinary income		
Gain on sale of investment securities	1,645	12,716
Total extraordinary income	1,645	12,716
Extraordinary losses		
Loss on retirement of non-current assets	516	347
Impairment losses	–	Note 1 56,046
Expenses related to change of the corporate name	111	211
Total extraordinary losses	628	56,605
Profit (loss) before income taxes	30,401	(16,848)
Total income taxes	11,168	5,310
Profit (loss)	19,232	(22,159)
Profit attributable to non-controlling interests	1,031	753
Profit (loss) attributable to owners of parent	18,200	(22,912)

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First nine months of Fiscal 2022 (April 1, 2021 to December 31, 2021)	First nine months of Fiscal 2023 (April 1, 2022 to December 31, 2022)
Profit (loss)	19,232	(22,159)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,236)	(3,331)
Deferred gains or losses on hedges	(63)	(449)
Foreign currency translation adjustment	481	5,030
Remeasurements of defined benefit plans	176	178
Share of other comprehensive income of entities accounted for using equity method	230	182
Total other comprehensive income (loss)	(4,410)	1,610
Comprehensive income	14,821	(20,548)
(Breakdown)		
Comprehensive income attributable to owners of parent	14,220	(21,932)
Comprehensive income attributable to non-controlling interests	601	1,383

(3) Notes on Quarterly Consolidated Financial Statements

[Notes on the Premise of a Going Concern]

There are no applicable matters to be reported.

[Notes on a Significant Change in Shareholders' Equity]

There are no applicable matters to be reported.

[Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]

Tax expenses are calculated in accordance with Paragraph 15, "Method for Using the Statutory Effective Tax Rate," of the Practical Guidelines on Tax-Effect Accounting for Preparation of Interim Financial Statements, pursuant to the provision of Paragraph 19 of the Guidance on the Accounting Standard for Quarterly Financial Reporting.

The amount of tax adjustments is included in "Total income taxes."

[Related to the Quarterly Consolidated Statements of Income]

1. Impairment losses

First nine months of Fiscal 2023 (April 1, 2022 to December 31, 2022)

The Group has recognized an impairment loss regarding the assets described below.

Location	Application	Type
Australia	– (Flour Milling business)	Goodwill
	Business assets (Flour Milling business)	Other (intangible assets), property, plant and equipment

The Nisshin Seifun Group categorizes assets based on the smallest unit that largely generates cash flows independently from the cash flows of other assets and asset groups.

In the flour milling business, non-current assets pertaining to the Australia flour milling business experienced a decline in profitability largely attributable to changes in demand due to the COVID-19 pandemic, coupled with the impact of rising costs driven by the situation in Ukraine. Since there is no longer any prospect of a recovery of investment, the Company has reduced the book value of the assets to their recoverable amount, and has recognized an impairment loss of ¥56,046 million as an extraordinary loss. A breakdown of the impairment loss includes ¥31,496 million in goodwill, other (intangible assets) of ¥7,866 million, and ¥16,683 million in property, plant and equipment.

The recoverable amount is measured based on value in use. A discount rate of 11.9% was used in the calculation of value in use.

[Segment Information, etc.]

[Segment information]

I. First nine months of Fiscal 2022 (April 1, 2021 to December 31, 2021)

1. Information about net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total				
Net sales								
Sales to external customers	229,410	138,343	105,872	473,627	31,683	505,310	–	505,310
Intersegment sales and transfers	11,759	1,210	3,986	16,955	2,315	19,271	(19,271)	–
Total	241,170	139,554	109,858	490,582	33,999	524,582	(19,271)	505,310
Segment profit	7,704	11,244	3,273	22,222	3,804	26,027	123	26,150

- Notes: 1. Business segment of “Others” is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.
2. Segment profit adjustment refers to intersegment transaction eliminations and other.
3. Segment profit has been adjusted for the operating profit appearing in the quarterly consolidated statements of income.

2. Matters regarding reportable segment changes

[Changes in Accounting Policies]

As detailed in the “Notes on Quarterly Consolidated Financial Statements,” the Company has applied an accounting standard regarding revenue recognition from the start of the fiscal year (April 1, 2021), which has changed its accounting treatment methodology with respect to revenue recognition. Consequently, the same changes have been made to the Company’s methodology for measuring profit and loss in reportable segments.

II. First nine months of Fiscal 2023 (April 1, 2022 to December 31, 2022)

1. Information about net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total				
Net sales								
Sales to external customers	313,345	142,043	113,290	568,678	31,326	600,005	–	600,005
Intersegment sales and transfers	14,573	1,329	3,467	19,371	2,069	21,440	(21,440)	–
Total	327,919	143,373	116,757	588,049	33,395	621,445	(21,440)	600,005
Segment profit	12,191	5,527	3,264	20,983	4,338	25,322	139	25,462

- Notes: 1. Business segment of “Others” is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.
2. Segment profit adjustment refers to intersegment transaction eliminations and other.
3. Segment profit has been adjusted for the operating profit appearing in the quarterly consolidated statements of income.

2. Information regarding impairment losses or goodwill for non-current assets for each reportable segment

[Material impairment losses pertaining to non-current assets]

In the Flour Milling Segment, due to a decline in profitability, non-current assets pertaining to the Australia flour milling business were deemed to no longer hold any prospect of a recovery of investment, prompting the Company to reduce the book value of the assets to their recoverable value and post an impairment loss. For the first nine months of the fiscal year ending March 31, 2023, the value of this impairment loss was ¥56,046 million.

[Material changes in goodwill]

Due to the recognition of an impairment loss for goodwill pertaining to the Australia flour milling business, goodwill for the Flour Milling Segment for the first nine months of the fiscal year ending March 31, 2023, declined by ¥33,599 million.

[Material Subsequent Events]

[Corporate merger via acquisition]

At a meeting of the Board of Directors on June 23, 2022, the Company's consolidated subsidiary Nisshin Flour Milling Inc. reached the decision, pending regulatory approval, to acquire 85% of the shares issued and outstanding of Kumamoto Flour Milling Co., Ltd. (Kumamoto Flour Milling) from Nagasaka Corporation. Following conclusion of the share transfer agreement, the acquisition took place on January 4, 2023. In line with this acquisition, Kumamoto Flour Milling and its subsidiaries are expected to become consolidated subsidiaries of the Company.

1. Outline of the merger

(1) Name and business lines of the acquired company

Name: Kumamoto Flour Milling Co., Ltd.

Business lines: Flour milling, processed foods, warehousing, real estate, others

(2) Main rationale for the merger

The manufacture and sale of wheat flour has been a core business since the founding of the Nisshin Seifun Group, and is positioned as a core business that anchors Group operations. Nisshin Flour Milling, the company responsible for this business, views steps to ensure the stable supply of wheat flour as key staple of the Japanese market, together with support for food infrastructure, as its mission. At the same time, Japan's wheat flour market is in a state of near constant change, with the market environment growing more adverse. In addition to facing declines in demand for wheat-related products due to a shrinking and aging domestic population, two long-standing issues that have grown more acute, the coming into force of international trade agreements has lowered border control mechanisms pertaining to wheat-related products. Consequently, competition from overseas products is expected to intensify going forward.

In this environment, enhancing cost competitiveness to go head-to-head against import products from overseas and improving adaptability to respond quickly to drastic market changes are essential in order for Nisshin Flour Milling to continue the flour milling business in Japan and fulfill its social mission.

Kumamoto Flour Milling was founded in 1947, and enjoys both high name recognition

and customer trust, particularly in Japan's Kyushu region. Further, this outstanding flour milling company possesses highly distinctive technological and developmental capabilities and brand strength, and is involved not only in wheat flour but in soba flour, rice flour and other grain flour businesses, as well as adjacent operations.

Nisshin Flour Milling and Kumamoto Flour Milling first entered a business partnership in 2011, building a track record of collaboration in the supply of wheat and rice flour products, as well as the procurement of wheat as a raw ingredient. A tighter bond was forged back in 2016, when Nisshin Flour Milling supplied alternative products, support for the restoration of production facilities and other assistance in the wake of the Kumamoto Earthquake.

After considering Kumamoto Flour Milling's business composition, accumulated expertise, workforce, assets and other traits from various perspectives, the companies decided to conduct the acquisition, having determined that merging to do business as a single entity would bring major mutual and complementary merits to the individual operations of both companies, while the ability to promote cost competitiveness and market adaptability through synergies would further enhance business competitiveness. Building a more robust relationship between Nisshin Flour Milling and Kumamoto Flour Milling going forward will enable them to meet their responsibilities in the supply of wheat flour, contributing to the business efforts of their respective customers while striving for sustainable growth, stability in business continuity and expansion in corporate value.

(3) Date of merger

January 4, 2023

(4) Legal form of merger

Share acquisition at cash value

(5) Post-merger name

Kumamoto Flour Milling Co., Ltd.

(6) Percentage of voting rights acquired

85%

(7) Principal evidence supporting acquisition decision

Following share acquisition at cash value, Nisshin Flour Milling will acquire 85% of voting rights.

2. Breakdown of acquisition cost and type of compensation

Not reported, as per agreement with share acquisition partner.

3. Name and amount of principal acquisition-related expenses

TBD

4. Amount of subsequent goodwill, reasons for occurrence, amortization method and amortization period

TBD

5. Amount and principal breakdown of assets and liabilities assumed on date of acquisition
TBD