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## Summary of Financial Statements for the Second Quarter of Fiscal 2023 [Japanese Standards]

October 26, 2022

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange  
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 Date to submit the Quarterly Securities Report: November 8, 2022  
 Date to start distributing dividends: December 2, 2022  
 Supplementary materials for this summary of financial statements: Yes  
 Results briefing for financial results: Yes (for analysts and institutional investors)

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

### 1. Consolidated Financial Results for the Second Quarter of Fiscal 2023 (April 1, 2022 to September 30, 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 six months of Fiscal 2023	388,742	19.3	15,919	2.3	17,220	(1.2)	(37,795)	—
First six months of Fiscal 2022	325,727	(3.0)	15,568	26.0	17,425	27.6	9,957	9.9

(Note) Comprehensive income: First six months of Fiscal 2023: ¥(20,775) million (—%)  
 First six months of Fiscal 2022: ¥7,652 million (down 66.1%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First six months of Fiscal 2023	(127.11)	—
First six months of Fiscal 2022	33.49	33.49

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2022	701,993	433,096	60.0
March 31, 2022	723,073	460,643	62.1

(Reference) Equity capital: September 30, 2022: ¥420,940 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 Business 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	(18,500)	—	(62.22)

(Note) Revision to the latest forecast of business results: None

(Note) No revisions made to full-year forecasts announced on October 19, 2022.

\* Notes

(1) Changes in important subsidiaries during the first six months of the fiscal year ending March 31, 2023 (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 (4) Notes on Quarterly Consolidated Financial Statements [Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]” on page 14 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 September 30, 2022	304,357,891	As of March 31, 2022	304,357,891
2) Number of treasury shares	As of September 30, 2022	7,078,546	As of March 31, 2022	6,960,907
3) Average number of shares outstanding	First six months of Fiscal 2023	297,346,493	First six months of Fiscal 2022	297,345,165

\* 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 Business Results and Other Forward-looking Information” on page 8 of the Attachment.

(2) Supplementary materials for this report and results briefing materials 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 six months of the fiscal year ending March 31, 2023, the Japanese economy continued to mount a gradual turnaround as social activities steadily returned to normal despite a resurgence in COVID-19 infections domestically. The future, however, remained shrouded in uncertainty, as growing inflation with respect to food staples greatly impacted the business environment. Spurring inflation was soaring prices for raw materials, along with 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.

Recently, the Group newly formulated “Medium-term Management Plan 2026,” a five-year roadmap for achieving social contribution through business and realizing sustained growth as a food-centered enterprise, running from the fiscal year ended March 31, 2022 to the year ending March 31, 2026. Addressing environmental issues connected to social sustainability is crucial for the Group’s own sustainable growth. At the same time, taking steps to view digital technologies and other technological innovations as growth opportunities 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.” In terms of target figures, for the fiscal year ending March 31, 2026, the plan’s final year, the Group is targeting net sales of ¥900.0 billion, operating profit of ¥48.0 billion, and EPS (earnings per share) of ¥110 per share. Through sustained EPS growth, the Group is aiming to achieve an appropriate TSR (total shareholder return) for its shareholders.

With respect to performance, consolidated net sales for the first six months of the fiscal year ending March 31, 2023, increased 19.3% year on year to ¥388,742 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 increased 2.3% year on year to ¥15,919 million. In addition to lower shipments of raw materials for pharmaceuticals and the inability to enact price revisions that kept pace with higher-than-anticipated increases in cost for raw materials and ingredients in the processed food business, performance was initially lower year on year due to effects from the absence of shipment growth reported a year earlier. These effects were countered, however, by firm sales prices for bran in the flour milling business in Japan, and favorable performance from the overseas flour milling business, with the exception of Australia. Ordinary profit was down 1.2% to ¥17,220 million, largely due to a lower share of profit of entities accounted for using equity method. 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, due to market changes and supply chain disruption in Australia caused by measures to combat the spread of COVID-19, the impact of soaring prices for natural resources and the grain market triggered by the situation in Ukraine, the Company carefully reevaluated the feasibility of its business plan, opting instead to draft a new plan. This led to a significant departure from the initial business plan, culminating in the recognition of an impairment loss on non-current assets, including goodwill for the flour milling business in Australia. Consequently, the Company reported a loss attributable to owners of parent for the period of ¥37,795 million.

(Year-on-year Comparison)

(Millions of yen)

	First six months of Fiscal 2022	First six months of Fiscal 2023	Difference	Change
Net sales	325,727	388,742	63,014	19.3%
Operating profit	15,568	15,919	351	2.3%
Ordinary profit	17,425	17,220	(204)	(1.2)%
Profit (loss) attributable to owners of parent	9,957	(37,795)	(47,752)	—

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First six months of Fiscal 2022	First six months of Fiscal 2023	Difference	Change
Net sales	147,213	201,881	54,667	37.1%
Operating profit	4,441	7,117	2,675	60.2%

In the flour milling business in Japan, shipments were lower year on year due mainly to product price revisions, despite 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%.

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 37.1% year on year to ¥201,881 million. Operating profit climbed 60.2% to ¥7,117 million, benefiting mainly from firm sales prices for bran, a byproduct from the flour milling business in Japan, and firm business performance in the overseas flour milling business, with the exception of Australia.

2) Processed Food Segment

(Millions of yen)

	First six months of Fiscal 2022	First six months of Fiscal 2023	Difference	Change
Net sales	90,607	92,486	1,878	2.1%
Operating profit	7,193	4,066	(3,126)	(43.5)%

In the processed food business, shipments of household-use products fell short of growth stimulated in the prior year by the impact last year of pandemic-related behavior restrictions. Product price revisions have been enacted from July 2022 in line with rising costs for raw materials. In contrast, recovery trends in demand were evident for commercial-use products, with shipments of prepared mix overseas also firm. Sales in the processed food business ultimately rose higher than the previous year atop product price revisions.

In the yeast and biotechnology business, sales were largely unchanged year on year, as product price revisions and higher shipments of raw materials for diagnostic pharmaceuticals countered lower shipments mainly of both yeast and other bread making ingredients. Product price revisions for yeast have been enacted in July 2022 in response to soaring raw materials prices and energy costs. Meanwhile, the new yeast plant which had previously been under construction at India-based subsidiary Oriental Yeast India Pvt. Ltd. saw the start of full-scale operations in August 2022. Efforts now turn to building a business base for rising demand for bread yeast in India and further accelerating overseas business advancement in this area.

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 2.1% year on year to ¥92,486 million. Operating profit, however, declined 43.5% to ¥4,066 million. In addition to lower shipments of raw materials for pharmaceuticals and the inability to enact product price revisions in step with higher-than-anticipated increase in the cost of raw materials, this outcome was attributable mainly to effects from the absence of shipment growth reported in the previous year.

### 3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First six months of Fiscal 2022	First six months of Fiscal 2023	Difference	Change
Net sales	68,333	73,285	4,952	7.2%
Operating profit	1,504	1,638	134	8.9%

In the prepared dishes and other prepared foods business, sales were higher year on year, as demand recovers particularly in urban areas and tourist resorts 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 7.2% year on year to ¥73,285 million. Operating profit, meanwhile, was ¥1,638 million, up 8.9% from the previous year, as sales growth offset the effects of soaring prices for raw materials and rising energy costs.

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 six months of Fiscal 2022	First six months of Fiscal 2023	Difference	Change
Net sales	19,572	21,089	1,516	7.7%
Operating profit	2,354	3,050	696	29.6%

In the engineering business, sales were higher year on year, reflecting progress on 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.

As a result, net sales of the Others Segment increased 7.7% year on year to ¥21,089 million, while operating profit increased 29.6% to ¥3,050 million.

## (2) Financial Position

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022	Difference
Current assets	280,527	303,929	23,402
Non-current assets	442,546	398,063	(44,482)
Total assets	723,073	701,993	(21,080)
Current liabilities	129,158	136,816	7,658
Non-current liabilities	133,272	132,080	(1,192)
Total liabilities	262,430	268,896	6,466
Total net assets	460,643	433,096	(27,546)
Total liabilities and net assets	723,073	701,993	(21,080)

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

Current assets increased ¥23,402 million from the previous fiscal year-end to ¥303,929 million, tracking growth in inventories mainly due to rising prices for raw materials. Non-current assets decreased ¥44,482 million to ¥398,063 million, primarily due to an impairment loss recognized for non-current assets pertaining to the Australia flour milling business. As a result, total assets declined ¥21,080 million from the previous fiscal year-end to ¥701,993 million.

Meanwhile, current liabilities increased ¥7,658 million to ¥136,816 million, mainly reflecting an increase in short-term loans payable. Non-current liabilities decreased ¥1,192 million to ¥132,080 million, primarily due to a decline in deferred tax liabilities. As a result, total liabilities increased ¥6,466 million from the previous fiscal year-end to ¥268,896 million. Net assets decreased ¥27,546 million to ¥433,096 million, including a decrease due to a loss attributable to owners of parent for the period, a decrease due to the payment of dividends, and an increase in accumulated other comprehensive income.



The Company's consolidated cash flows for the first six months of the fiscal year ending March 31, 2023 were as follows.

(Millions of yen)

	First six months of Fiscal 2022	First six months of Fiscal 2023	Difference
Net cash provided by (used in) operating activities	29,376	(1,823)	(31,200)
Net cash provided by (used in) investing activities	(8,474)	(6,733)	1,740
Free cash flow	20,902	(8,557)	(29,459)
Net cash provided by (used in) financing activities	(10,587)	(1,258)	9,329
Effect of exchange rate change on cash and cash equivalents	(597)	1,769	2,367
Net increase (decrease) in cash and cash equivalents	9,716	(8,046)	(17,762)
Cash and cash equivalents at end of period	68,869	60,682	(8,186)

*Net cash provided by (used in) operating activities*

An decrease in cash and cash equivalents mainly due to a loss before income taxes of ¥38,766 million and an increase in inventories of ¥21,942 million due to rising prices for raw materials exceeded an increase in cash and cash equivalents from factors such as an impairment loss and depreciation and amortization. This led to net cash used in operating activities of ¥1,823 million, compared to ¥29,376 million in net cash provided by operating activities a year earlier.

*Net cash provided by (used in) investing activities*

¥8,947 million was used for the purchase of property, plant, and equipment and intangible assets, focused mainly on investments related to augmenting capacity and product safety. Consequently, net cash used in investing activities was ¥6,733 million, compared to ¥8,474 million a year earlier.

Adding net cash used in investing activities to net cash used in operating activities, free cash flow came to an outflow of ¥8,557 million, compared to an inflow of ¥20,902 million a year ago.

*Net cash provided by (used in) financing activities*

Despite proceeds from short-term loans payable acquired for use as operating capital, ¥5,950 million used for the payment of dividends as part of the return of profits to shareholders led to net cash used in financing activities of ¥1,258 million for the second quarter of the fiscal year ending March 31, 2023, compared to net cash used of ¥10,587 million a year earlier.

As a result, consolidated cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2023 decreased ¥8,046 million from the previous year-end to ¥60,682 million.

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

The effects of the COVID-19 pandemic and the situation unfolding in 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 food staples, and has set responding to food staple inflation as the Group's highest priority. 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 the recently drafted "Medium-term Management Plan 2026" to fruition.

Furthermore, in light of the impairment loss recognized in the Australia flour milling business in the second quarter, with the amortization of goodwill and depreciation and amortization of non-current assets in the second half of the year set to decline, this is projected to result in an increase in operating profit and ordinary profit for the full year. 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.

With respect to the outlook for the fiscal year ending March 31, 2023, as stated in the "Notice of Recognition of Impairment Loss and Revision of Business Forecasts (Second Quarter, Full Year)" 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, ordinary profit to rise 7.3% year on year to ¥35,000 million, and a loss attributable to owners of parent of ¥18,500 million.

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 Second Quarter (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	69,607	60,377
Notes and accounts receivable – trade, and contract assets	100,594	106,688
Securities	1,103	304
Inventories	96,596	121,983
Other	13,167	15,412
Allowance for doubtful accounts	(542)	(837)
Total current assets	280,527	303,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,843	69,482
Machinery, equipment and vehicles, net	53,018	61,356
Land	46,334	46,885
Right-of-use assets	29,050	18,181
Other, net	22,131	13,669
Total property, plant and equipment	219,379	209,575
Intangible assets		
Goodwill	42,385	8,232
Other	26,367	17,714
Total intangible assets	68,752	25,946
Investments and other assets		
Investment securities	141,590	144,388
Other	12,948	18,275
Allowance for doubtful accounts	(125)	(122)
Total investments and other assets	154,414	162,541
Total non-current assets	442,546	398,063
Total assets	723,073	701,993

(Millions of yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 Second Quarter (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	63,655	64,878
Short-term loans payable	6,789	15,459
Income taxes payable	5,784	5,362
Accrued expenses	24,727	22,679
Other	28,201	28,435
Total current liabilities	129,158	136,816
Non-current liabilities		
Bonds	20,000	20,000
Long-term loans payable	13,785	14,395
Lease obligations	38,939	39,459
Deferred tax liabilities	28,360	26,267
Provision for repairs	1,373	1,494
Net defined benefit liability	22,845	22,825
Other	7,968	7,637
Total non-current liabilities	133,272	132,080
Total liabilities	262,430	268,896
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,622	12,726
Retained earnings	347,165	303,420
Treasury shares	(10,960)	(11,148)
Total shareholders' equity	365,946	322,116
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,585	62,453
Deferred gains or losses on hedges	445	301
Foreign currency translation adjustment	23,059	36,795
Remeasurements of defined benefit plans	(862)	(726)
Total accumulated other comprehensive income	83,227	98,824
Subscription rights to shares	95	44
Non-controlling interests	11,373	12,111
Total net assets	460,643	433,096
Total liabilities and net assets	723,073	701,993

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## [Quarterly Consolidated Statements of Income]

(Millions of yen)

	First six months of Fiscal 2022 (April 1, 2021 to September 30, 2021)	First six months of Fiscal 2023 (April 1, 2022 to September 30, 2022)
Net sales	325,727	388,742
Cost of sales	252,959	308,600
Gross profit	72,768	80,141
Selling, general and administrative expenses	57,200	64,221
Operating profit	15,568	15,919
Non-operating income		
Interest income	62	103
Dividend income	1,443	1,577
Share of profit of entities accounted for using equity method	1,498	632
Other	513	869
Total non-operating income	3,518	3,183
Non-operating expenses		
Interest expenses	1,457	1,703
Other	204	179
Total non-operating expenses	1,661	1,882
Ordinary profit	17,425	17,220
Extraordinary income		
Gain on sale of investment securities	648	206
Total extraordinary income	648	206
Extraordinary losses		
Loss on retirement of non-current assets	393	203
Impairment losses	–	Note1-55,836
Expenses related to change of the company name	–	154
Total extraordinary losses	393	56,194
Profit (loss) before income taxes	17,680	(38,766)
Total income taxes	7,063	(1,649)
Profit (loss)	10,616	(37,117)
Profit attributable to non-controlling interests	659	677
Profit (loss) attributable to owners of parent	9,957	(37,795)

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First six months of Fiscal 2022 (April 1, 2021 to September 30, 2021)	First six months of Fiscal 2023 (April 1, 2022 to September 30, 2022)
Profit (loss)	10,616	(37,117)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,119	1,859
Deferred gains or losses on hedges	(152)	(92)
Foreign currency translation adjustment	(4,305)	14,046
Remeasurements of defined benefit plans	117	118
Share of other comprehensive income of entities accounted for using equity method	255	409
Total other comprehensive income (loss)	(2,964)	16,341
Comprehensive income	7,652	(20,775)
(Breakdown)		
Comprehensive income attributable to owners of parent	7,464	(22,198)
Comprehensive income attributable to non-controlling interests	187	1,423

### (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of Fiscal 2022 (April 1, 2021 to September 30, 2021)	First six months of Fiscal 2023 (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	17,680	(38,766)
Depreciation and amortization	11,199	11,523
Impairment losses	–	55,836
Amortization of goodwill	2,934	3,185
Interest and dividend income	(1,506)	(1,681)
Interest expenses	1,457	1,703
Share of (profit) loss of entities accounted for using equity method	(1,498)	(632)
Loss (gain) on sale of investment securities	(648)	(206)
Decrease (increase) in notes and accounts receivable – trade, and contract assets	(1,040)	(3,360)
Decrease (increase) in inventories	(3,286)	(21,942)
Increase (decrease) in notes and accounts payable - trade	7,633	332
Other, net	2,442	(1,263)
Subtotal	35,367	4,727
Interest and dividend income received	2,332	2,482
Interest expenses paid	(1,461)	(1,679)
Income taxes paid	(6,862)	(7,354)
Net cash provided by (used in) operating activities	29,376	(1,823)
Cash flows from investing activities		
Payments into time deposits	(2,796)	(439)
Proceeds from withdrawal of time deposits	2,630	2,108
Purchase of property, plant and equipment and intangible assets	(9,937)	(8,947)
Proceeds from sale of investment securities	715	407
Other, net	912	137
Net cash provided by (used in) investing activities	(8,474)	(6,733)
Cash flows from financing activities		
Increase in short-term loans payable	144	9,056
Decrease in short-term loans payable	(2,233)	(2,395)
Proceeds from long-term loans payable	–	1,112
Purchase of treasury shares	(188)	(189)
Cash dividends paid	(5,949)	(5,950)
Other, net	(2,359)	(2,891)
Net cash provided by (used in) financing activities	(10,587)	(1,258)
Effect of exchange rate change on cash and cash equivalents	(597)	1,769
Net increase (decrease) in cash and cash equivalents	9,716	(8,046)
Cash and cash equivalents at beginning of period	59,152	68,728
Cash and cash equivalents at end of period	68,869	60,682

#### (4) 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 six months of Fiscal 2023 (April 1, 2022 to September 30, 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)	Others (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 ¥55,836 million as an extraordinary loss. A breakdown of the impairment loss includes ¥31,378 million in goodwill, other (intangible assets) of ¥7,837 million, and ¥16,620 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 six months of Fiscal 2022 (April 1, 2021 to September 30, 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	147,213	90,607	68,333	306,155	19,572	325,727	–	325,727
Intersegment sales and transfers	7,424	799	2,786	11,011	1,539	12,551	(12,551)	–
Total	154,638	91,407	71,120	317,166	21,112	338,278	(12,551)	325,727
Segment profit	4,441	7,193	1,504	13,139	2,354	15,493	74	15,568

- 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 six months of Fiscal 2023 (April 1, 2022 to September 30, 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	201,881	92,486	73,285	367,653	21,089	388,742	–	388,742
Intersegment sales and transfers	9,540	884	2,439	12,865	1,401	14,267	(14,267)	–
Total	211,422	93,370	75,725	380,518	22,490	403,009	(14,267)	388,742
Segment profit	7,117	4,066	1,638	12,823	3,050	15,874	45	15,919

- 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 six months of the fiscal year ending March 31, 2023, the value of this impairment loss was ¥55,836 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 six months of the fiscal year ending March 31, 2023, declined by ¥33,530 million.