Summary of Financial Statements for the Second Quarter of Fiscal 2022 [Japanese Standards]

October 28, 2021

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange
Code: 2002
URL: https://www.nisshin.com
Representative: Nobuki Kemmoku, Representative Director and President
Contact: Reiko Adachi, General Manager, Public Communications Department (General Administration Division)
Tel.: +81-3-5282-6650
Date to submit the Quarterly Securities Report: November 8, 2021
Date to start distributing dividends: December 3, 2021
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 2022 (April 1, 2021 to September 30, 2021)

(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 2022	325,727	(3.0)	15,568	26.0	17,425	27.6	9,957	9.9
First six months of Fiscal 2021	335,944	(3.1)	12,356	(12.5)	13,652	(9.7)	9,057	(33.0)

(Note) Comprehensive income: First six months of Fiscal 2022: ¥7,652 million (down 66.1%)
First six months of Fiscal 2021: ¥22,551 million (up 620.2%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First six months of Fiscal 2022	33.49	33.49
First six months of Fiscal 2021	30.47	30.47

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the start of the fiscal year (April 1, 2021). All figures for the first six months of the fiscal year ending March 31, 2022 reflect the application of this accounting standard.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2021	690,686	445,998	62.9
March 31, 2021	687,415	444,774	63.0

(Reference) Equity capital: September 30, 2021: ¥434,492 million March 31, 2021: ¥433,089 million
(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the start of the fiscal year (April 1, 2021). All figures for the first six months of the fiscal year ending March 31, 2022 reflect the application of this accounting standard.

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2021	—	17.00	—	20.00	37.00
Fiscal 2022	—	19.00			
Fiscal 2022 (forecast)			—	20.00	39.00

(Note) Revision to the latest forecast of dividends: None
(Note) Breakdown of year-end dividends for the fiscal year ended March 31, 2021
Dividend per share of common stock: ¥18.00 Commemorative dividend: ¥2.00 (dividend commemorating 120th anniversary)

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	670,000	(1.4)	29,200	7.4	31,300	4.7	19,300	1.5	64.90

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

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the start of the fiscal year (April 1, 2021). Figures for consolidated business forecasts reflect the application of this accounting standard.

* 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 (4) Notes on Quarterly Consolidated Financial Statements [Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]" on page 15 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.: Yes
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, 2021	304,357,891	As of March 31, 2021	304,357,891
2) Number of treasury shares	As of September 30, 2021	7,056,707	As of March 31, 2021	6,983,147
3) Average number of shares outstanding	First six months of Fiscal 2022	297,345,165	First six months of Fiscal 2021	297,255,131

* 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 9 of the Attachment.

(2) Supplementary materials for this report and results briefing materials can be found on the Company's website.

Contents of the Attachment

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, 2022, economic and production activities in Japan continued to mount a turnaround as uptake of the novel coronavirus vaccine gained momentum; this despite the spread of the highly contagious delta variant of the virus prompted extension of the country's declared state of emergency. Nevertheless, the Japanese economy's future remained shrouded in uncertainty as the impact of the novel coronavirus pandemic on the business environment continued with no foreseeable end in sight.

Under these conditions, the Group strove 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, as well as the safety of the employees who support this mission. Additionally, the Group gave highest priority to achieving a swift recovery in sales and earnings capabilities in order to realize its long-term vision called "NNI 'Compass for the Future'" along with decisive steps for building the foundation for further growth.

As part of this effort, the Board of Directors at a meeting today opted to begin construction of a new flour milling plant in the Mizushima district of the City of Kurashiki (Okayama Prefecture, Japan), scheduled to begin operating in May 2025, coupled with the closure of the Okayama Plant and the Sakaide Plant. Along with enhancing cost competitiveness, this measure strengthens the Company's BCP readiness for coping with earthquakes and other potential sources of damage, making possible the stable provision of wheat flour as a key staple.

In a further move, the Board of Directors today decided to change the corporate name of processed food business subsidiary Nisshin Foods Inc. to Nisshin Seifun Welna Inc. from January 1, 2022. By capping the subsidiary's corporate name with "Welna," used as the Group's brand for overseas markets, we aim to become a company with global ambitions through a new brand strategy targeting domestic and overseas audiences.

Additionally, to promote the sustainable cyclical growth targeted in the Company's Long-term Vision, we have endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and clarified the Company's intent to participate in the TCFD Consortium. In conjunction with these moves, we formulated specific medium- to long-term objectives with respect to two of our "CSR Priorities (materiality)" - "prepare for climate change and water resource issues" and "efficiently handle product and packaging waste" - and are further accelerating efforts to this end.

With respect to performance, consolidated net sales for the first six months of the fiscal year ending March 31, 2022, decreased 3.0% year on year to ¥325,727 million. This result came as lower revenue due to effects from the application of an accounting standard regarding revenue recognition and the termination of outsourced production in the pet food business outweighed several positive developments. These included increased revenue from growth in wheat market prices and foreign currency translation effects in the overseas flour milling business, sales growth in the prepared dishes and other prepared foods business that is on a recovery trend from the novel coronavirus pandemic in the previous year, and revenue growth from progress in plant construction in the engineering business. Excluding the impact of application of the accounting standard regarding revenue recognition, sales actually increased 5.7% year on year. In terms of profits, operating profit increased 26.0% year on year to ¥15,568 million, ordinary profit was up 27.6% to ¥17,425 million, and profit attributable to owners of parent rose 9.9% to ¥9,957 million. These results were largely reflective of robust performance in the overseas flour milling business, higher sales prices for bran (a byproduct of the domestic flour milling business), and steady recovery in the prepared dishes and other prepared foods business.

(Year-on-year Comparison)

(Millions of yen)

	First six months of Fiscal 2021	First six months of Fiscal 2022	Difference	Change
Net sales	335,944	325,727	(10,216)	(3.0)%
(Ref.) Net sales - Estimated impact of change in accounting standard	–	(29,300)	(29,300)	–
(Ref.) Net sales - Excluding impact of change in accounting standard	335,944	355,027	19,083	5.7%
Operating profit	12,356	15,568	3,211	26.0%
Ordinary profit	13,652	17,425	3,772	27.6%
Profit attributable to owners of parent	9,057	9,957	899	9.9%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First six months of Fiscal 2021	First six months of Fiscal 2022	Difference	Change
Net sales	140,840	147,213	6,373	4.5%
(Ref.) Net sales - Estimated impact of change in accounting standard	–	(7,600)	(7,600)	–
(Ref.) Net sales - Excluding impact of change in accounting standard	140,840	154,813	13,973	9.9%
Operating profit	2,037	4,441	2,404	118.0%

In the flour milling business in Japan, extension of the country's declaration of state of emergency, among other factors, caused the market environment to remain challenging. Nevertheless, sales expansion measures led shipments to increase slightly over the previous year. Additionally, in June 2021, we implemented price revisions for commercial wheat flour in response to revised government prices for five classes of imported wheat enacted in April 2021. On average, the government's price for imported wheat rose 5.5%.

In the overseas flour milling business, sales were higher year on year mainly due to the effects of rising wheat market prices in North America, coupled with foreign currency translation effects in Australia.

As a result, net sales of the Flour Milling Segment increased 4.5% year on year to ¥147,213 million, overcoming the sales-reducing effect of the application of an accounting standard regarding revenue recognition. Operating profit climbed 118.0% to ¥4,441 million, benefiting mainly from favorable business performance in the overseas flour milling business and higher sales prices for bran, a byproduct from the flour milling business in Japan.

2) Processed Food Segment

(Millions of yen)

	First six months of Fiscal 2021	First six months of Fiscal 2022	Difference	Change
Net sales	106,485	90,607	(15,877)	(14.9)%
(Ref.) Net sales - Estimated impact of change in accounting standard	–	(15,400)	(15,400)	–
(Ref.) Net sales - Excluding impact of change in accounting standard	106,485	106,007	(477)	(0.4)%
Operating profit	8,009	7,193	(815)	(10.2)%

In the processed food business, while shipments of household-use products fell short of the tremendous growth reported in the previous year, demand for commercial-use products continued to recover, while shipments of prepared mix for commercial use held firm overseas. Nevertheless, sales in the processed food business were lower year on year, mainly due to the sales-reducing effect of the application of an accounting standard regarding revenue recognition.

In the yeast and biotechnology business, sales were higher year on year, mainly reflecting a recovery in demand for bread making ingredients and higher shipments of raw materials for diagnostic pharmaceuticals and culture media. Furthermore, local subsidiary Oriental Yeast India Pvt. Ltd. has resumed construction of a yeast plant in India, where work was previously delayed by the novel coronavirus pandemic, with the goal of launching full-scale operations sometime in summer 2022.

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 decreased 14.9% year on year to ¥90,607 million, which also included sales-reducing effects from the application of an accounting standard regarding revenue recognition. Operating profit declined 10.2% to ¥7,193 million, as lower shipments of household-use products and the absence of lower expenses for sales expansion measures reported in the previous year in the processed food business, coupled with a decline in shipments of raw materials for pharmaceuticals in the healthcare foods business, overshadowed growth in shipments of commercial-use products in the processed food business, higher shipments of bread making ingredients and raw materials for diagnostic pharmaceuticals and culture media in the yeast and biotechnology business.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First six months of Fiscal 2021	First six months of Fiscal 2022	Difference	Change
Net sales	70,584	68,333	(2,251)	(3.2)%
(Ref.) Net sales - Estimated impact of change in accounting standard	–	(6,300)	(6,300)	–
(Ref.) Net sales - Excluding impact of change in accounting standard	70,584	74,633	4,048	5.7%
Operating profit	339	1,504	1,164	343.3%

In the prepared dishes and other prepared foods business, despite weak sales of prepared noodles due to inclement weather during the summer months, sales were higher year on year, reflecting steady recovery in sales from the effects of the novel coronavirus pandemic last year. However, net sales of the Prepared Dishes and Other Prepared Foods Segment decreased 3.2% year on year to ¥68,333 million, mainly due to sales-reducing effects from the application of an accounting standard regarding revenue recognition. Operating profit, meanwhile, was ¥1,504 million, up a substantial 343.3% from the previous year, reflecting benefits from improved production efficiency, in addition to sales growth.

4) Others Segment

(Millions of yen)

	First six months of Fiscal 2021	First six months of Fiscal 2022	Difference	Change
Net sales	18,034	19,572	1,538	8.5%
(Ref.) Net sales - Estimated impact of change in accounting standard	–	–	–	–
(Ref.) Net sales - Excluding impact of change in accounting standard	18,034	19,572	1,538	8.5%
Operating profit	2,003	2,354	351	17.5%

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 chemical products mainly for automotive components, as well as screen printing materials for overseas markets.

In the pet food business, our involvement in the outsourced production of pet food concluded on March 31, 2021.

As a result, net sales of the Others Segment increased 8.5% year on year to ¥19,572 million, while operating profit increased 17.5% to 2,354 million.

(2) Financial Position

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021	Difference
Current assets	238,674	251,386	12,712
Non-current assets	448,740	439,299	(9,440)
Total assets	687,415	690,686	3,271
Current liabilities	108,740	113,072	4,332
Non-current liabilities	133,900	131,615	(2,284)
Total liabilities	242,640	244,688	2,047
Total net assets	444,774	445,998	1,223
Total liabilities and net assets	687,415	690,686	3,271

The status of assets, liabilities and net assets on a consolidated basis at the end of the period under review was as follows.

Current assets increased ¥12,712 million from the previous fiscal year-end to ¥251,386 million, tracking an increase in cash and deposits. Non-current assets decreased ¥9,440 million to ¥439,299 million, primarily due to reductions stemming from amortization of goodwill. As a result, total assets increased ¥3,271 million from the previous fiscal year-end to ¥690,686 million.

Meanwhile, current liabilities increased ¥4,332 million to ¥113,072 million, mainly reflecting an increase in notes and accounts payable - trade. Non-current liabilities decreased ¥2,284 million to ¥131,615 million, primarily tracking a reduction in lease obligations due to changes in foreign currency translation rates for subsidiaries. As a result, total liabilities increased ¥2,047 million from the previous fiscal year-end to ¥244,688 million. Net assets increased ¥1,223 million to ¥445,998 million, including an increase due to profit attributable to owners of parent for the period, a decrease due to the payment of dividends, and a decrease in accumulated other comprehensive income.

The Company's consolidated cash flows for the period under review were as follows.

(Millions of yen)

	First six months of Fiscal 2021	First six months of Fiscal 2022	Difference
Net cash provided by (used in) operating activities	25,439	29,376	3,937
Net cash provided by (used in) investing activities	(8,230)	(8,474)	(243)
Free cash flow	17,208	20,902	3,693
Net cash provided by (used in) financing activities	(9,701)	(10,587)	(886)
Effect of exchange rate change on cash and cash equivalents	277	(597)	(875)
Net increase (decrease) in cash and cash equivalents	7,785	9,716	1,931
Cash and cash equivalents at end of period	64,335	68,869	4,533

Net cash provided by (used in) operating activities

An increase in cash and cash equivalents mainly due to profit before income taxes of ¥17,680 million and depreciation and amortization of ¥11,199 million exceeded a decrease in cash and cash equivalents from factors such as an increase in inventories and the payment of income taxes. This led to net cash provided by operating activities of ¥29,376 million, compared to ¥25,439 million a year earlier.

Net cash provided by (used in) investing activities

¥9,937 million was used for the purchase of property, plant, and equipment and intangible assets. Consequently, net cash used in investing activities was ¥8,474 million, compared to ¥8,230 million a year earlier.

Adding net cash used in investing activities to net cash provided by operating activities, free cash flow came to an inflow of ¥20,902 million, compared to an inflow of ¥17,208 million a year ago.

Net cash provided by (used in) financing activities

¥2,233 million for the repayment of short-term loans payable, coupled with ¥5,949 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 ¥10,587 million for the second quarter of the fiscal year ending March 31, 2022, compared to net cash used of ¥9,701 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, 2022 increased ¥9,716 million from the previous year-end to ¥68,869 million.

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

While the effects of the pandemic spread of the novel coronavirus have dramatically altered the Group's business environment, we remain focused on a swift recovery in sales and earnings capabilities as our highest priority concern. Furthermore, the Group continues to strive together to become "a globally operating company that assists 'healthy lifestyles' and plays a critical role in building 'the food infrastructure' of the future," as detailed in its long-term vision, "NNI 'Compass for the Future'."

With respect to the outlook for the fiscal year ending March 31, 2022, while the effect on the business environment of the ongoing novel coronavirus pandemic remains unclear, we also plan to invest aggressively in a brand strategy accompanying change in the corporate name of a key subsidiary. Consequently, as originally announced on July 27, 2021, for the full year we are projecting consolidated net sales to decline 1.4% to ¥670,000 million, operating profit to increase 7.4% to ¥29,200 million, and ordinary profit to increase 4.7% to ¥31,300 million. Profit attributable to owners of parent is expected to increase 1.5% to ¥19,300 million.

With respect to dividends, one of our basic policies is to aim for a payout ratio of 40% or more on a consolidated basis and seek to continuously increase the amount of dividends. Consequently, in line with initial projections, the Company plans to pay a full-year dividend of ¥39 per share, up ¥2 from the previous fiscal year.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2021 (As of March 31, 2021)	Fiscal 2022 Second Quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	61,282	68,991
Notes and accounts receivable - trade	85,483	–
Notes and accounts receivable – trade, and contract assets	–	86,073
Securities	452	2,420
Inventories	81,606	84,175
Other	10,361	10,195
Allowance for doubtful accounts	(511)	(469)
Total current assets	238,674	251,386
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,269	67,751
Machinery, equipment and vehicles, net	51,256	51,271
Land	45,877	45,861
Right-of-use assets	28,055	26,662
Other, net	21,969	21,013
Total property, plant and equipment	215,428	212,559
Intangible assets		
Goodwill	45,551	41,037
Other	27,824	25,267
Total intangible assets	73,376	66,304
Investments and other assets		
Investment securities	147,168	148,533
Other	12,895	12,030
Allowance for doubtful accounts	(128)	(128)
Total investments and other assets	159,935	160,435
Total non-current assets	448,740	439,299
Total assets	687,415	690,686

(Millions of yen)

	Fiscal 2021 (As of March 31, 2021)	Fiscal 2022 Second Quarter (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	47,946	55,546
Short-term loans payable	5,547	4,101
Income taxes payable	5,022	4,891
Accrued expenses	21,869	20,271
Other	28,353	28,260
Total current liabilities	108,740	113,072
Non-current liabilities		
Bonds	20,000	20,000
Long-term loans payable	14,729	14,104
Lease obligations	36,673	35,114
Deferred tax liabilities	30,562	30,492
Provision for repairs	1,324	1,389
Net defined benefit liability	22,533	22,593
Other	8,077	7,920
Total non-current liabilities	133,900	131,615
Total liabilities	242,640	244,688
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,627	12,622
Retained earnings	341,241	345,266
Treasury shares	(10,997)	(11,120)
Total shareholders' equity	359,990	363,886
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	64,687	65,816
Deferred gains or losses on hedges	222	58
Foreign currency translation adjustment	9,314	5,622
Remeasurements of defined benefit plans	(1,125)	(891)
Total accumulated other comprehensive income	73,098	70,606
Subscription rights to shares	116	95
Non-controlling interests	11,569	11,410
Total net assets	444,774	445,998
Total liabilities and net assets	687,415	690,686

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First six months of Fiscal 2021 (April 1, 2020 to September 30, 2020)	First six months of Fiscal 2022 (April 1, 2021 to September 30, 2021)
Net sales	335,944	325,727
Cost of sales	244,039	252,959
Gross profit	91,904	72,768
Selling, general and administrative expenses	79,548	57,200
Operating profit	12,356	15,568
Non-operating income		
Interest income	95	62
Dividend income	1,374	1,443
Share of profit of entities accounted for using equity method	848	1,498
Other	478	513
Total non-operating income	2,796	3,518
Non-operating expenses		
Interest expenses	1,377	1,457
Other	122	204
Total non-operating expenses	1,500	1,661
Ordinary profit	13,652	17,425
Extraordinary income		
Gain on sales of non-current assets	305	–
Gain on sales of investment securities	1,133	648
Total extraordinary income	1,439	648
Extraordinary losses		
Loss on retirement of non-current assets	234	393
Business restructuring expenses	212	–
Total extraordinary losses	446	393
Profit before income taxes	14,644	17,680
Total income taxes	5,095	7,063
Profit	9,549	10,616
Profit attributable to non-controlling interests	491	659
Profit attributable to owners of parent	9,057	9,957

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First six months of Fiscal 2021 (April 1, 2020 to September 30, 2020)	First six months of Fiscal 2022 (April 1, 2021 to September 30, 2021)
Profit	9,549	10,616
Other comprehensive income		
Valuation difference on available-for-sale securities	4,415	1,119
Deferred gains or losses on hedges	50	(152)
Foreign currency translation adjustment	8,571	(4,305)
Remeasurements of defined benefit plans	64	117
Share of other comprehensive income of entities accounted for using equity method	(99)	255
Total other comprehensive income (loss)	13,001	(2,964)
Comprehensive income	22,551	7,652
(Breakdown)		
Comprehensive income attributable to owners of parent	22,129	7,464
Comprehensive income attributable to non-controlling interests	421	187

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of Fiscal 2021 (April 1, 2020 to September 30, 2020)	First six months of Fiscal 2022 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	14,644	17,680
Depreciation and amortization	10,809	11,199
Amortization of goodwill	2,631	2,934
Interest and dividend income	(1,469)	(1,506)
Interest expenses	1,377	1,457
Share of (profit) loss of entities accounted for using equity method	(848)	(1,498)
Loss (gain) on sales of investment securities	(1,133)	(648)
Decrease (increase) in notes and accounts receivable - trade	11,779	–
Decrease (increase) in notes and accounts receivable – trade, and contract assets	–	(1,040)
Decrease (increase) in inventories	2,383	(3,286)
Increase (decrease) in notes and accounts payable - trade	(5,770)	7,633
Other, net	(2,953)	2,442
Subtotal	31,451	35,367
Interest and dividend income received	2,228	2,332
Interest expenses paid	(1,342)	(1,461)
Income taxes paid	(6,898)	(6,862)
Net cash provided by (used in) operating activities	25,439	29,376
Cash flows from investing activities		
Payments into time deposits	–	(2,796)
Proceeds from withdrawal of time deposits	–	2,630
Purchase of securities	(640)	(75)
Proceeds from sales of securities	692	240
Purchase of property, plant and equipment and intangible assets	(9,807)	(9,937)
Proceeds from sales of investment securities	1,482	715
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(275)	–
Other, net	317	747
Net cash provided by (used in) investing activities	(8,230)	(8,474)
Cash flows from financing activities		
Increase in short-term loans payable	8,456	144
Decrease in short-term loans payable	(7,971)	(2,233)
Proceeds from long-term loans payable	400	–
Purchase of treasury shares	(131)	(188)
Cash dividends paid	(5,055)	(5,949)
Dividends paid to non-controlling interests	(3,550)	(339)
Other, net	(1,848)	(2,020)
Net cash provided by (used in) financing activities	(9,701)	(10,587)
Effect of exchange rate change on cash and cash equivalents	277	(597)
Net increase (decrease) in cash and cash equivalents	7,785	9,716
Cash and cash equivalents at beginning of period	56,550	59,152
Cash and cash equivalents at end of period	64,335	68,869

(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."

[Changes in Accounting Policies]

[Application of accounting standard regarding revenue recognition]

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereafter "accounting standard regarding revenue recognition") from the start of the fiscal year (April 1, 2021). Accordingly, when control of any promised goods or services is transferred to a client, the monetary sum expected to be received in exchange for said goods or services is recognized as revenue.

Principal changes in line with application of the accounting standard regarding revenue recognition are detailed below.

The methodology for rebates and other compensation paid to clients, which previously treated as selling, general and administrative expenses, has changed to one in which such payments are now deducted from the transaction value. As a result, net sales for the first six months of the fiscal year ending March 31, 2022, declined ¥29,332 million. There was no effect on profit before income taxes.

Consolidated subsidiaries in Japan previously recognized revenue upon shipment. However, this has changed to a methodology whereby revenue is recognized upon product receipt and inspection by the client. This change had a negligible impact on the quarterly consolidated financial statements for the first six months of the fiscal year ending March 31, 2022.

For application of the accounting standard regarding revenue recognition, in accordance with transitional procedures outlined in item 84 of the accounting standard, any accumulated effects from the prior retroactive application of new accounting policies are added or deducted from retained earnings at the start of the fiscal year ending March 31, 2022, with the new accounting policies applied from the beginning of the same year. However, with application of the methodology outlined in item 86 of the accounting standard regarding revenue recognition, there is no retroactive application of new accounting policies for contracts in which substantially all revenue was recognized in line with prior handling of such revenue before the start of the fiscal year ending March 31, 2022. Similarly, with application of the methodology outlined in item 86 (1), for contract changes prior to the start of the fiscal year ending March 31, 2022, based on contract terms reflective of all contract changes, accounting treatment is conducted and any accumulated monetary effect is added or deducted from retained earnings at the start of the fiscal year ending March 31, 2022. This resulted in a negligible impact on retained earnings at the start of the fiscal year ending March 31, 2022.

Due to application of the accounting standard regarding revenue recognition, “Notes and accounts receivable – trade” disclosed under “Current assets” in the consolidated balance sheets for the previous fiscal year is now included and disclosed under “Notes and accounts receivable - trade, and contract assets” from the fiscal year ending March 31, 2022. Furthermore, “Decrease (increase) in notes and accounts receivable - trade,” disclosed under “Cash flows from operating activities” in the quarterly consolidated statements of cash flows for the second quarter of the previous fiscal year, is now included and disclosed under “Decrease (increase) in notes and accounts receivable – trade, and contract assets” from the second quarter of the fiscal year under review. In line with the transitional procedures outlined in item 89-2 of the accounting standard regarding revenue recognition, there has been no restatement of figures for the previous fiscal year due to the new disclosure methodology.

[Application of accounting standard regarding measurement of fair value]

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereafter, “accounting standard regarding measurement of fair value”) from the start of the fiscal year ending March 31, 2022. In line with transitional procedures outlined in item 19 of the accounting standard regarding measurement of fair value and item 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies outlined in the accounting standard regarding measurement of fair value for the foreseeable future. This resulted in a negligible impact on the quarterly consolidated financial statements for the first six months of the fiscal year ending March 31, 2022.

[Segment Information, etc.]

[Segment information]

I. First six months of Fiscal 2021 (April 1, 2020 to September 30, 2020)

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	140,840	106,485	70,584	317,910	18,034	335,944	–	335,944
Intersegment sales and transfers	8,008	783	2,755	11,547	1,510	13,058	(13,058)	–
Total	148,848	107,268	73,340	329,457	19,544	349,002	(13,058)	335,944
Segment profit	2,037	8,009	339	10,385	2,003	12,389	(32)	12,356

Notes: 1. Business segment of “Others” is excluded from reportable segment, which includes pet food, 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.

II. 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.

[Material Subsequent Events]

[Major capital investments]

At a meeting on October 28, 2021, the Board of Directors opted to begin construction of a new flour milling plant (production capacity 550 tons, 2 lines) on land acquired previously by subsidiary Nisshin Flour Milling Inc. adjacent to Seto Futo Co., Ltd. in the Mizushima district of the City of Kurashiki (Okayama Prefecture, Japan). The Okayama Plant and the Sakaide Plant will be shuttered in conjunction with this move.

Border control mechanisms with respect to wheat-related products have weakened and the trend toward liberalization has gained momentum as a number of international trade agreements have come into effect in the last few years. In this context, the ability to win out against global competition in Japan is now essential. Under these conditions, the Company's two-plant structure in the Chugoku and Shikoku area, consisting of the Okayama Plant (Okayama City, Okayama Pref.) and the Sakaide Plant (Sakaide City, Kagawa Pref.), featured plants that were small in scale yet harbored relatively high manufacturing costs since the plants lack direct connection to wheat silos accessible to large grain ships. Accordingly, achieving low-cost operations had emerged as a key issue. Moreover, as the risks posed by earthquakes and climate change mount, so too has the need to establish a new plant built to withstand such catastrophes, including from the standpoint of BCP responsiveness.

The land previously acquired in the Mizushima district is directly adjacent to a grain silo company (Seto Futo Co., Ltd.) enabling direct access by large grain ships, making the location advantageous for raw wheat procurement. The site is also located near the Great Seto Bridge, making it easy to transport goods to Shikoku. By constructing a new, eco-friendly plant at this site that combines resilience to natural disasters with the technology cultivated to date along with the latest in automation and digital technology, we seek to ensure the stable provision of products to the entire Chugoku and Shikoku area.

To meet its responsibility to provide products to every area of Japan, the Company has made steady progress in shuttering smaller plants while consolidating production in large coastal plants. The construction of this new plant will complete consolidation under a large coastal plant in the Chugoku and Shikoku area as well, following similar steps previously taken in the Kanto, Kansai and Kyushu areas. This new addition will raise the proportion of large coastal plants in the Company's plant roster from its current 83% to 92%.

Along with stronger cost competitiveness thanks to this measure, more robust BCP responsiveness in the event of an earthquake or other potential sources of damage will make the stable supply of wheat flour as an important food staple possible.

Overview of Nisshin Flour Milling Inc. New Mizushima District Plant

Total cost: Approx. ¥14.0 billion
Equipment capacity: Wheat grinding capacity per day - 550 tons
Wheat flour silo capacity: 4,200 tons
Multi-tier automated warehouse capacity: 200,000 bags (5,000 tons)
Start of construction: Around Jan. 2023
Start of operations: Around May 2025