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Summary of Financial Statements for the First Quarter of Fiscal 2019 [Japanese Standards]

July 26, 2018

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: Hideki Machida, General Manager, Public Communications Department (General Administration Division)
 Tel.: +81-3-5282-6650
 Date to submit the Quarterly Securities Report: August 7, 2018
 Date to start distributing dividends: —
 Supplementary documents for this summary of financial statements: Yes
 Results briefing for financial results: None

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

1. Consolidated Financial Results for the First Quarter of Fiscal 2019 (April 1, 2018 to June 30, 2018)

(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 three months of Fiscal 2019	141,271	8.0	7,260	17.4	9,052	13.7	6,083	10.2
First three months of Fiscal 2018	130,788	(3.8)	6,185	19.3	7,960	10.1	5,521	5.1

(Note) Comprehensive income: First three months of Fiscal 2019: ¥15,375 million (up 114.5%)
 First three months of Fiscal 2018: ¥7,166 million (up 109.1%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First three months of Fiscal 2019	20.49	20.46
First three months of Fiscal 2018	18.32	18.31

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2018	598,390	421,784	68.1
March 31, 2018	591,512	413,794	67.5

(Reference) Equity capital: June 30, 2018: ¥407,708 million March 31, 2018: ¥399,278 million

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the start of the first quarter of fiscal 2019, the year ending March 31, 2019. Relevant figures for the previous consolidated fiscal year are presented following retroactive 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 2018	—	14.00	—	15.00	29.00
Fiscal 2019	—				
Fiscal 2019 (forecast)		16.00	—	16.00	32.00

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

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(The full-year percentages indicate the rates of increase or decrease compared with the previous fiscal year, the percentages for the first half are comparisons with the same period of 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
First half	285,000	8.7	13,300	1.5	15,700	0.7	10,600	0.4	35.70
Full year	565,000	4.6	27,500	1.1	32,000	0.6	22,000	3.1	74.09

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

* 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 10 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 June 30, 2018	304,357,891	As of March 31, 2018	304,357,891
2) Number of treasury shares	As of June 30, 2018	7,391,180	As of March 31, 2018	7,426,065
3) Average number of shares outstanding	First three months of Fiscal 2019	296,952,639	First three months of Fiscal 2018	301,323,571

* Quarterly earnings reports are not subject to quarterly review by certified public accounts 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 5 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 three months of the fiscal year ending March 31, 2019, the Japanese economy recovered modestly, primarily atop improvement in corporate earnings and the country's employment and personal income picture. Nevertheless, uncertainty over its future grew, as labor shortages, rising crude oil prices and concerns over trade friction loomed.

Under these conditions, the Group in May 2018 formulated and launched new initiatives in accordance with a long-term vision called "NNI 'Compass for the Future' —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change," taking into account anticipated structural changes in society for the next 10 to 20 years. Setting the final year of the "NNI-120 II" management plan (the year ending March 31, 2021) as a milestone, the Group continues to promote the plan, and is moving quickly to execute growth strategies in each business, including pursuing products and services offering higher added value and sales expansion, greater cost competitiveness in tandem with safety and reliability, and strategic investments in growth fields.

With respect to performance, consolidated net sales for the first three months of the fiscal year ending March 31, 2019, increased 8.0% year on year to ¥141,271 million. Along with effects from wheat flour price revisions in the domestic flour milling business last year, net sales were helped by progress on large-scale construction projects in the engineering business. In terms of profits, due to profit growth accompanying higher sales in the Processed Food Segment and Others Segment, coupled with measures to improve profitability, including cost reduction efforts company-wide, operating profit increased 17.4% year on year to ¥7,260 million, with ordinary profit up 13.7% to ¥9,052 million. Profit attributable to owners of parent for the quarter rose 10.2% to ¥6,083 million.

(Year-on-year Comparison)

(Millions of yen)

	First three months of Fiscal 2018	First three months of Fiscal 2019	Difference	Change
Net sales	130,788	141,271	10,483	108.0%
Operating profit	6,185	7,260	1,075	117.4%
Ordinary profit	7,960	9,052	1,092	113.7%
Profit attributable to owners of parent	5,521	6,083	562	110.2%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First three months of Fiscal 2018	First three months of Fiscal 2019	Difference	Change
Net sales	57,406	60,683	3,277	105.7%
Operating profit	1,963	2,625	661	133.7%

In the flour milling business, we made progress in attracting new customers in an adverse market environment characterized by continued belt-tightening behavior among consumers. As a result, shipments of commercial wheat flour in Japan remained on a par with the same period a year earlier. Also in June 2018, the Company revised its commercial wheat flour prices in response to the government's decision to change the prices of five classes of imported wheat.

On average, the government's price for imported wheat rose 3.5% in April 2018.

From the perspectives of production and distribution, we continued to advance measures to enhance product safety, alongside steps to boost productivity and reduce fixed costs.

The price of bran, a byproduct of the milling process, remained strong throughout the period.

In the overseas business, sales were up year on year, largely reflecting increased shipments from the purchase of a flour milling plant in Thailand. Elsewhere, construction to boost by approximately 70% the production capacity of U.S. subsidiary Miller Milling Company, LLC's Saginaw Plant is on track and scheduled to conclude in early 2019.

As a result, net sales of the Flour Milling Segment increased 5.7% year on year to ¥60,683 million, lifted by effects from wheat flour price revisions in the domestic business in the previous year and increased shipments from the purchase of a Thai flour milling plant in the overseas business. Operating profit, meanwhile, increased 33.7% to ¥2,625 million, mainly atop robust prices for bran in the domestic business and cost reductions.

2) Processed Food Segment

(Millions of yen)

	First three months of Fiscal 2018	First three months of Fiscal 2019	Difference	Change
Net sales	63,422	65,266	1,844	102.9%
Operating profit	3,520	3,781	261	107.4%

In the processed food business, for household-use products, in addition to efforts to expand the sales of our strong-selling bottle-type products designed to address needs arising from an increase in eating alone and demand for meals that are easy to prepare, we conducted sales promotion measures—notably TV commercials—and made use of digital marketing along with other initiatives designed to stimulate consumption. In commercial-use products, we launched new products tailored to customer needs and carried out proposal activities geared toward garnering new customers. In the prepared dishes and other prepared foods business, we have developed and are steadily expanding a comprehensive prepared dishes and other prepared foods business that can provide full lineups across wide-ranging categories of products. As a result, sales in the processed food business were higher overall year on year, mainly due to firm growth in new household-use products and prepared dishes and other prepared foods.

In the overseas business, sales in the prepared mix business were higher year on year. Elsewhere, in June 2018 we established Vietnam Nisshin Technomic Co., Ltd. with the aim of building a market for commercial-use prepared mix in Vietnam. Preparations are also moving forward for construction of a plant there scheduled to begin operating in winter of the current fiscal year.

In the yeast and biotechnology business, sales in the biotechnology business were higher year on year atop growth in shipments of raw materials for diagnostic pharmaceuticals. Meanwhile, construction is moving apace on a yeast plant in India being developed by overseas subsidiary Oriental Yeast India Pvt. Ltd., with a scheduled completion date of summer 2020.

In the healthcare foods business, sales were higher year on year, reflecting growth in shipments of raw materials for pharmaceuticals.

As a result, net sales of the Processed Food Segment increased 2.9% year on year to ¥65,266 million, primarily from sales growth in the yeast and biotechnology business and the

healthcare foods business. Reflecting this revenue growth, operating profit increased 7.4% year on year to ¥3,781 million.

3) Others Segment

(Millions of yen)

	First three months of Fiscal 2018	First three months of Fiscal 2019	Difference	Change
Net sales	9,960	15,322	5,362	153.8%
Operating profit	621	810	189	130.4%

In the pet food business, sales were lower year on year despite the launch of new products and the implementation of campaigns and other sales expansion efforts. This outcome came against a backdrop of market contraction due to a decline in the number of pet dogs.

In the engineering business, sales increased year on year, mainly due to progress made on large-scale construction projects in the mainstay plant engineering business.

In the mesh cloths business, sales were up from the same period a year earlier, reflecting strong shipments of molded plastic products primarily for automotive components.

As a result, net sales of the Others Segment increased 53.8% year on year to ¥15,322 million, and operating profit increased 30.4% to ¥810 million, primarily atop increased plant construction sales in the engineering business.

(2) Financial Position

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018	Difference
Current assets	260,751	255,825	(4,926)
Non-current assets	330,761	342,564	11,803
Total assets	591,512	598,390	6,877
Current liabilities	114,189	108,949	(5,240)
Non-current liabilities	63,528	67,656	4,127
Total liabilities	177,718	176,606	(1,112)
Total net assets	413,794	421,784	7,989
Total liabilities and net assets	591,512	598,390	6,877

The status of assets, liabilities and net assets on a consolidated basis at the end of the period under review was as follows. Please note that “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been applied from the start of the first quarter of fiscal 2019 (the year ending March 31, 2019). Figures as of the end of the previous consolidated fiscal year have been retroactively adjusted for comparison.

Current assets decreased ¥4,926 million from the previous fiscal year-end to ¥255,825 million, due largely to reductions in inventories. Non-current assets increased ¥11,803 million to ¥342,564 million, primarily due to increases in property, plant and equipment from investment in construction to boost production capacity at the Saginaw Plant of Miller Milling Company, LLC, and valuation gains on investment securities. As a result, total assets increased ¥6,877 million from the previous fiscal year-end to ¥598,390 million.

Meanwhile, current liabilities declined ¥5,240 million to ¥108,949 million, mainly reflecting decreases in notes and accounts payable – trade. Non-current liabilities increased ¥4,127 million to ¥67,656 million, primarily due to an increase in deferred tax liabilities in response to an increase in valuation gains on investment securities. As a result, total liabilities decreased ¥1,112 million from

the previous fiscal year-end to ¥176,606 million. Net assets increased ¥7,989 million to ¥421,784 million, including an increase due to profit attributable to owners of parent for the period, a decrease due to the payment of dividends, and an increase in accumulated other comprehensive income.

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

With the “NNI-120 II” management plan, set to conclude in the fiscal year ending March 31, 2021, as a milestone, the entire Group is working together to achieve the objectives outlined in the Group’s long-term vision, “NNI ‘Compass for the Future’ —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change,” formulated in May 2018.

Regarding forecasts for the fiscal year ending March 31, 2019, we anticipate growth in advertising and other promotion expenses and R&D expenditures, as well as higher personnel costs and other strategic costs related to the Company’s future. Consequently, consolidated net sales for the fiscal year ending March 31, 2019 are forecast to rise 4.6% year on year to ¥565,000 million, operating profit is projected to climb 1.1% to ¥27,500 million, and ordinary profit is expected to increase 0.6% to ¥32,000 million, while profit attributable to owners of parent is expected to increase 3.1% to ¥22,000 million. All figures are in line with initial projections.

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 ¥32 per share, up ¥3 from the previous fiscal year. This is set to result in an actual dividend increase for a sixth consecutive year.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019 First Quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	91,635	89,763
Notes and accounts receivable – trade	79,676	79,016
Securities	7,857	7,149
Inventories	71,882	67,354
Other	9,892	12,726
Allowance for doubtful accounts	(193)	(185)
Total current assets	260,751	255,825
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,979	55,218
Machinery, equipment and vehicles, net	38,700	37,671
Land	42,208	42,253
Other, net	14,054	16,308
Total property, plant and equipment	150,942	151,452
Intangible assets		
Goodwill	5,623	5,649
Other	6,786	6,122
Total intangible assets	12,409	11,772
Investments and other assets		
Investment securities	158,211	170,189
Other	9,322	9,273
Allowance for doubtful accounts	(125)	(123)
Total investments and other assets	167,408	179,340
Total non-current assets	330,761	342,564
Total assets	591,512	598,390

(Millions of yen)

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019 First Quarter (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	58,492	53,089
Short-term loans payable	7,892	7,715
Income taxes payable	4,397	2,476
Accrued expenses	19,291	16,104
Other	24,115	29,562
Total current liabilities	114,189	108,949
Non-current liabilities		
Long-term loans payable	7,194	7,594
Deferred tax liabilities	27,184	30,942
Provision for repairs	1,159	1,346
Net defined benefit liability	20,782	20,872
Other	7,207	6,900
Total non-current liabilities	63,528	67,656
Total liabilities	177,718	176,606
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,894	12,892
Retained earnings	306,415	308,274
Treasury shares	(11,695)	(11,640)
Total shareholders' equity	324,732	326,644
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	69,467	78,114
Deferred gains or losses on hedges	(473)	(381)
Foreign currency translation adjustment	6,352	4,088
Remeasurements of defined benefit plans	(800)	(758)
Total accumulated other comprehensive income	74,546	81,063
Subscription rights to shares	189	193
Non-controlling interests	14,327	13,882
Total net assets	413,794	421,784
Total liabilities and net assets	591,512	598,390

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First three months of Fiscal 2018 (April 1, 2017 to June 30, 2017)	First three months of Fiscal 2019 (April 1, 2018 to June 30, 2018)
Net sales	130,788	141,271
Cost of sales	91,022	100,258
Gross profit	39,765	41,013
Selling, general and administrative expenses	33,580	33,752
Operating profit	6,185	7,260
Non-operating income		
Interest income	38	85
Dividend income	1,081	1,184
Share of profit of entities accounted for using equity method	604	383
Other	169	204
Total non-operating income	1,893	1,857
Non-operating expenses		
Interest expenses	51	47
Other	67	17
Total non-operating expenses	118	65
Ordinary profit	7,960	9,052
Extraordinary income		
Gain on sales of non-current assets	276	51
Gain on sales of investment securities	1	0
Total extraordinary income	277	52
Extraordinary losses		
Loss on retirement of non-current assets	70	52
Total extraordinary losses	70	52
Profit before income taxes	8,167	9,052
Total income taxes	2,275	2,573
Profit	5,892	6,478
Profit attributable to non-controlling interests	371	394
Profit attributable to owners of parent	5,521	6,083

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First three months of Fiscal 2018 (April 1, 2017 to June 30, 2017)	First three months of Fiscal 2019 (April 1, 2018 to June 30, 2018)
Profit	5,892	6,478
Other comprehensive income		
Valuation difference on available-for-sale securities	3,198	8,638
Deferred gains or losses on hedges	(34)	100
Foreign currency translation adjustment	(1,953)	198
Remeasurements of defined benefit plans	36	12
Share of other comprehensive income of affiliates accounted for by the equity method	26	(53)
Total other comprehensive income	1,273	8,896
Comprehensive income	7,166	15,375
(Breakdown)		
Comprehensive income attributable to owners of parent	6,835	15,209
Comprehensive income attributable to non-controlling interests	330	165

(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."

[Additional information]

[Changes in matters regarding the fiscal term of consolidated subsidiaries]

For consolidated subsidiaries with accounting periods ending on either December 31 or January 31, the Company previously used the financial statements of subsidiaries available as of the respective dates, with adjustments for any material transactions occurring during the period between the subsidiary's fiscal year-end and the consolidated fiscal year-end. In a move to provide more accurate disclosure on the consolidated financial statements, from the period under review certain consolidated subsidiaries (Miller Milling Company, LLC and eight other companies) will conduct a provisional calculation of results as of March 31, and will subsequently adopt the consolidated fiscal year-end date of March 31.

Profit and losses for applicable consolidated subsidiaries from January 1, 2018 or February 1, 2018 to March 31, 2018 have been adjusted as changes in retained earnings.

[Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc.]

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the start of the first quarter of fiscal 2019, the year ending March 31, 2019. Deferred tax assets are disclosed under the category, "Investment and other assets," with deferred tax liabilities disclosed under the category, "Non-current liabilities."

[Segment Information, etc.]

[Segment information]

I. First three months of Fiscal 2018 (April 1, 2017 to June 30, 2017)

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	Total				
Net sales							
Sales to external customers	57,406	63,422	120,828	9,960	130,788	–	130,788
Intersegment sales and transfers	3,922	122	4,044	472	4,516	(4,516)	–
Total	61,328	63,544	124,872	10,432	135,305	(4,516)	130,788
Segment profit	1,963	3,520	5,483	621	6,104	80	6,185

- 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 three months of Fiscal 2019 (April 1, 2018 to June 30, 2018)

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	Total				
Net sales							
Sales to external customers	60,683	65,266	125,949	15,322	141,271	–	141,271
Intersegment sales and transfers	4,044	99	4,144	795	4,939	(4,939)	–
Total	64,727	65,366	130,093	16,117	146,211	(4,939)	141,271
Segment profit	2,625	3,781	6,406	810	7,216	44	7,260

- 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.