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Summary of Financial Statements for the Second Quarter of Fiscal 2021 [Japanese Standards]

October 27, 2020

Listed Company Name:	Nissin Seifun Group Inc.	Registered on Tokyo Stock Exchange
Code:	2002	
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Date to submit the Quarterly Securities Report:	November 9, 2020	
Date to start distributing dividends:	December 4, 2020	
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 2021 (April 1, 2020 to September 30, 2020)

(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 2021	335,944	(3.1)	12,356	(12.5)	13,652	(9.7)	9,057	(33.0)
First six months of Fiscal 2020	346,518	21.9	14,124	(2.0)	15,113	(10.1)	13,519	21.7

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

First six months of Fiscal 2020: ¥3,131 million (down 82.3%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First six months of Fiscal 2021	30.47	30.47
First six months of Fiscal 2020	45.50	45.46

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2020	673,195	422,878	61.2
March 31, 2020	666,215	409,042	59.3

(Reference) Equity capital: September 30, 2020: ¥411,974 million March 31, 2020: ¥394,995 million

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
Fiscal 2020	Yen —	Yen 17.00	Yen —	Yen 17.00	Yen 34.00
Fiscal 2021	—	17.00	—	17.00	34.00
Fiscal 2021 (forecast)			—	18.00	35.00

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

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	700,000	(1.7)	26,000	(9.9)	27,000	(14.1)	17,000	(24.1)	57.19

(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 (4) Notes on Quarterly Consolidated Financial Statements [Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]" on page 13 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, 2020	304,357,891	As of March 31, 2020	304,357,891
2) Number of treasury shares	As of September 30, 2020	7,137,406	As of March 31, 2020	7,079,592
3) Average number of shares outstanding	First six months of Fiscal 2021	297,255,131	First six months of Fiscal 2020	297,136,947

* 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 7 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, 2021, the Japanese economy's future remained shrouded in uncertainty. While the global economy showed signs of recovery as economic activity gradually reemerged after interruption caused by the pandemic spread of a novel coronavirus, the tempo of economic recovery in Japan was subdued, with stagnation apparent in both individual consumption and capital investment.

Under these conditions, the Group placed highest priority on its corporate mission of ensuring the stable supply of foods involving wheat flour, as well as the safety of the employees who support this mission. In each business, the Group took decisive steps for building the foundation for further growth through initiatives to realize its long-term vision called "NNI 'Compass for the Future'."

With respect to performance, consolidated net sales for the first six months of the fiscal year ending March 31, 2021, decreased 3.1% year on year to ¥335,944 million. This result primarily reflected a decline in shipments of commercial-use wheat flour in Japan and abroad due to the novel coronavirus pandemic, price revisions for wheat flour implemented in the flour milling business in Japan in January 2020, and a decrease in facility construction. These factors outweighed positive effects from the new consolidation of Tokatsu Foods Co., Ltd. in July 2019. In terms of profits, operating profit decreased 12.5% year on year to ¥12,356 million, ordinary profit was down 9.7% to ¥13,652 million, and profit attributable to owners of parent declined 33.0% to ¥9,057 million. While profits initially rose atop performance recovery in the U.S. flour milling business, growth in sales of household-use products driven by effects from the novel coronavirus pandemic and brisk sales of raw materials for pharmaceuticals, earnings declined overall primarily due to a downturn in sales revenue in the flour milling business in and outside of Japan from the continuing impact of people avoiding outings, etc., coupled with lower sales of prepared dishes and other prepared foods. The decline in profit attributable to owners of parent, meanwhile, mainly reflected the absence of extraordinary income posted a year earlier from a gain on step acquisitions accompanying the consolidation of Tokatsu Foods Co., Ltd.

(Year-on-year Comparison)

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	346,518	335,944	(10,573)	(3.1)%
Operating profit	14,124	12,356	(1,767)	(12.5)%
Ordinary profit	15,113	13,652	(1,461)	(9.7)%
Profit attributable to owners of parent	13,519	9,057	(4,461)	(33.0)%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	154,898	140,840	(14,058)	(9.1)%
Operating profit	4,338	2,037	(2,301)	(53.0)%

In the flour milling business in Japan, the shift to at-home dining stemming from the novel coronavirus pandemic spurred growth in demand for pasta, instant noodles and similar products.

However, the continuation of a decline in demand for bread, sweets and other products for specialty stores, and weak restaurant demand resulted in lower shipments of commercial wheat flour year on year. Additionally, in June 2020, we implemented price revisions for commercial wheat flour in response to revised government prices for five classes of imported wheat enacted in April 2020. On average, the government's price for imported wheat rose 3.1%.

The price of bran, a byproduct of the milling process, remained largely unchanged year on year.

In the overseas flour milling business, sales were lower year on year due to various factors, including weaker performance for sales of prepared mix and bakery-related ingredients at Australia-based Allied Pinnacle Pty Ltd., and sales of commercial wheat flour in Thailand and New Zealand due to the spread of the novel coronavirus pandemic. Sales were also negatively impacted by foreign currency translation for overseas businesses due to a strong yen.

As a result, net sales of the Flour Milling Segment decreased 9.1% year on year to ¥140,840 million. Operating profit fell 53.0% to ¥2,037 million, as sales revenue deteriorated in Japan mainly due to the spread of the novel coronavirus leading people to refrain from outings, etc., which altered the composition of product sales, along with deteriorated earnings in Australia due to weak sales of value-added products and decreased productivity. These factors outweighed earnings growth from improved sales revenue and productivity in the United States, where performance had been down due to sales competition in the previous year.

2) Processed Food Segment

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	107,283	106,485	(798)	(0.7)%
Operating profit	6,013	8,009	1,996	33.2%

In the processed food business, in household-use products, we focused on the production of mainstay products to meet dramatic growth in demand triggered by the novel coronavirus pandemic. Measures to boost production included shifting some production lines for commercial-use products over to household-use products, resulting in the stable supply of these products. In contrast, demand for commercial-use products particularly for restaurants fell significantly from the previous year. As a result, sales in the processed food business were largely flat year on year.

In the yeast and biotechnology business, sales were lower year on year, mainly reflecting a decline in shipments of bread making ingredients. Furthermore, construction of a yeast plant in India being developed by local subsidiary Oriental Yeast India Pvt. Ltd., which had been suspended due to the impact of the novel coronavirus pandemic, partially resumed. However, due to the ongoing effects of the novel coronavirus, a date for the start of operations at this plant has not been set at this time.

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

As a result, net sales of the Processed Food Segment decreased 0.7% year on year to ¥106,485 million. Operating profit rose 33.2% to ¥8,009 million, reflecting growth in shipments of household-use products and raw materials for pharmaceuticals, as well as a decline in advertising and promotion expenses and other selling, general and administrative expenses.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	53,373	70,584	17,211	32.2%
Operating profit	1,287	339	(948)	(73.6)%

In the prepared dishes and other prepared foods business, sales and profits were significantly impacted by a dramatic decline in sales particularly in urban areas and tourist sites, reflecting an increase in working from home and official requests to restrict outings in response to the spread of the novel coronavirus.

As a result, net sales of the Prepared Dishes and Other Prepared Foods Segment increased 32.2% year on year to ¥70,584 million, atop revenue growth effects due to the new consolidation of Tokatsu Foods Co., Ltd. in July 2019, during the first quarter of the fiscal year under review. Operating profit, however, fell 73.6% to ¥339 million.

4) Others Segment

(Millions of yen)

	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference	Change
Net sales	30,962	18,034	(12,928)	(41.8)%
Operating profit	2,384	2,003	(380)	(16.0)%

In the engineering business, sales were lower year on year due to a decline in facility construction.

In the mesh cloths business, sales were down from a year earlier, reflecting lower shipments of chemical products mainly for automotive components, amid a global downturn in automobile production volume due to the spread of the novel coronavirus pandemic.

In the pet food business, we continue involvement in the outsourced production of pet food following transfer of the sales business at the end of March 2020. Accordingly, sales were lower year on year.

As a result, net sales of the Others Segment decreased 41.8% year on year to ¥18,034 million, while operating profit decreased 16.0% to ¥2,003 million.

(2) Financial Position

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020	Difference
Current assets	238,980	235,281	(3,699)
Non-current assets	427,234	437,913	10,679
Total assets	666,215	673,195	6,979
Current liabilities	131,058	119,295	(11,763)
Non-current liabilities	126,114	131,021	4,907
Total liabilities	257,172	250,316	(6,856)
Total net assets	409,042	422,878	13,836
Total liabilities and net assets	666,215	673,195	6,979

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 decreased ¥3,699 million from the previous fiscal year-end to ¥235,281 million, due largely to decreases in notes and accounts receivable - trade. Non-current assets increased ¥10,679 million to ¥437,913 million, primarily due to an increase in the valuation difference on investment securities. As a result, total assets increased ¥6,979 million from the previous fiscal year-end to ¥673,195 million.

Meanwhile, current liabilities decreased ¥11,763 million to ¥119,295 million, mainly reflecting a decrease in notes and accounts payable - trade. Non-current liabilities increased ¥4,907 million to ¥131,021 million, primarily due to an increase in deferred tax liabilities. As a result, total liabilities decreased ¥6,856 million from the previous fiscal year-end to ¥250,316 million. Net assets increased ¥13,836 million to ¥422,878 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.

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

	(Millions of yen)		
	First six months of Fiscal 2020	First six months of Fiscal 2021	Difference
Net cash provided by (used in) operating activities	10,935	25,439	14,504
Net cash provided by (used in) investing activities	(90,392)	(8,230)	82,161
Free cash flow	(79,457)	17,208	96,666
Net cash provided by (used in) financing activities	19,576	(9,701)	(29,277)
Effect of exchange rate change on cash and cash equivalents	76	277	201
Net increase (decrease) in cash and cash equivalents	(59,804)	7,785	67,589
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	713	–	(713)
Cash and cash equivalents at end of period	48,284	64,335	16,051

Net cash provided by (used in) operating activities

An increase in cash and cash equivalents mainly due to profit before income taxes of ¥14,644 million and depreciation and amortization of ¥10,809 million exceeded a decrease in cash and cash equivalents from factors such as a decrease in notes and accounts payable - trade and the payment of income taxes. This led to net cash provided by operating activities of ¥25,439 million, compared to ¥10,935 million a year earlier.

Net cash provided by (used in) investing activities

¥9,807 million was used for the purchase of property, plant, and equipment and intangible assets. Consequently, net cash used in investing activities was ¥8,230 million, compared to ¥90,392 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 ¥17,208 million, compared to an outflow of ¥79,457 million a year ago.

Net cash provided by (used in) financing activities

Proceeds from long-term loans payable and short-term loans payable surpassed the repayment of long-term loans payable and the repayment of short-term loans payable by ¥884 million. In contrast, to distribute profits to shareholders, the Company paid dividends of ¥5,055 million. This led to net cash used in financing activities of ¥9,701 million for the second quarter of the fiscal year ending March 31, 2021, compared to net cash provided of ¥19,576 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, 2021 increased ¥7,785 million from the previous year-end to ¥64,335 million.

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

The pandemic spread of the novel coronavirus has shrouded social and economic conditions, both domestically and globally, in extreme uncertainty. Under these circumstances, the entire Group is working together to continue adapting to this changing business environment and to achieving the objectives outlined in the Group's long-term vision, "NNI 'Compass for the Future,'" in a staunch commitment to its social mission of ensuring the stable supply of food staples and maintaining the source of its corporate value.

With respect to the outlook for the fiscal year ending March 31, 2021, although performance for the first six months of the year surpassed initial estimates, the pace of recovery in consumption has been slower than anticipated, thus fueling uncertainty. For this reason, we are projecting consolidated net sales to decline 1.7% to ¥700,000 million, operating profit to decline 9.9% to ¥26,000 million, and ordinary profit to decrease 14.1% to ¥27,000 million, while profit attributable to owners of parent is expected to decline 24.1% to ¥17,000 million. These projections are unchanged from initial forecasts.

In terms of assumptions regarding this outlook, a key assumption is that a repeated pattern of temporary growth and retreat in novel coronavirus cases will recur throughout the year before gradually giving way to recovery. Similarly, amid a cycle of halt and restart of economic activity, demand for the Company's products will likely be impacted most notably by rises and declines in demand in restaurant dining and in prepared dishes and other prepared foods, as well as temporary disruption in facility construction, on the path to eventual recovery. We will continue to closely and carefully examine the impact on Group operations as we devise appropriate countermeasures.

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 ¥35 per share, up ¥1 from the previous fiscal year.

With respect to shares held for cross-shareholding purposes, the Group has minimized such shares following an examination of shareholding rationale, and will continue to take steps in this direction going forward.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of March 31, 2020)	Fiscal 2021 Second Quarter (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	49,710	64,002
Notes and accounts receivable - trade	92,236	81,801
Securities	7,523	968
Inventories	79,854	78,803
Other	10,180	10,207
Allowance for doubtful accounts	(524)	(501)
Total current assets	238,980	235,281
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	69,597	68,447
Machinery, equipment and vehicles, net	48,769	49,144
Land	45,791	45,751
Right-of-use assets	23,285	25,818
Other, net	21,043	21,157
Total property, plant and equipment	208,487	210,319
Intangible assets		
Goodwill	42,743	44,573
Other	25,972	26,897
Total intangible assets	68,716	71,470
Investments and other assets		
Investment securities	135,739	141,571
Other	14,416	14,678
Allowance for doubtful accounts	(126)	(127)
Total investments and other assets	150,030	156,123
Total non-current assets	427,234	437,913
Total assets	666,215	673,195

(Millions of yen)

	Fiscal 2020 (As of March 31, 2020)	Fiscal 2021 Second Quarter (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,730	48,258
Short-term loans payable	18,078	19,270
Income taxes payable	5,829	4,869
Accrued expenses	21,814	20,198
Other	31,605	26,697
Total current liabilities	131,058	119,295
Non-current liabilities		
Bonds	20,000	20,000
Long-term loans payable	15,226	15,038
Lease obligations	30,989	33,914
Deferred tax liabilities	29,055	31,375
Provision for repairs	1,335	1,149
Net defined benefit liability	22,443	22,502
Other	7,062	7,040
Total non-current liabilities	126,114	131,021
Total liabilities	257,172	250,316
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,638	12,634
Retained earnings	332,342	336,344
Treasury shares	(11,172)	(11,262)
Total shareholders' equity	350,926	354,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56,970	61,401
Deferred gains or losses on hedges	(53)	(8)
Foreign currency translation adjustment	(11,689)	(3,122)
Remeasurements of defined benefit plans	(1,158)	(1,130)
Total accumulated other comprehensive income	44,069	57,140
Subscription rights to shares	137	125
Non-controlling interests	13,908	10,779
Total net assets	409,042	422,878
Total liabilities and net assets	666,215	673,195

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

	(Millions of yen)	
	First six months of Fiscal 2020 (April 1, 2019 to September 30, 2019)	First six months of Fiscal 2021 (April 1, 2020 to September 30, 2020)
Net sales	346,518	335,944
Cost of sales	249,797	244,039
Gross profit	96,720	91,904
Selling, general and administrative expenses	82,596	79,548
Operating profit	14,124	12,356
Non-operating income		
Interest income	295	95
Dividend income	1,358	1,374
Share of profit of entities accounted for using equity method	819	848
Other	460	478
Total non-operating income	2,933	2,796
Non-operating expenses		
Interest expenses	1,701	1,377
Other	242	122
Total non-operating expenses	1,944	1,500
Ordinary profit	15,113	13,652
Extraordinary income		
Gain on sales of non-current assets	64	305
Gain on sales of investment securities	2	1,133
Gain on step acquisitions	7,272	–
Total extraordinary income	7,339	1,439
Extraordinary losses		
Loss on retirement of non-current assets	278	234
Impairment loss	3,906	–
Business restructuring expenses	–	212
Total extraordinary losses	4,185	446
Profit before income taxes	18,267	14,644
Total income taxes	4,092	5,095
Profit	14,175	9,549
Profit attributable to non-controlling interests	655	491
Profit attributable to owners of parent	13,519	9,057

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First six months of Fiscal 2020 (April 1, 2019 to September 30, 2019)	First six months of Fiscal 2021 (April 1, 2020 to September 30, 2020)
Profit	14,175	9,549
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,965)	4,415
Deferred gains or losses on hedges	416	50
Foreign currency translation adjustment	(7,477)	8,571
Remeasurements of defined benefit plans	75	64
Share of other comprehensive income of entities accounted for using equity method	(92)	(99)
Total other comprehensive income (loss)	(11,044)	13,001
Comprehensive income (Breakdown)	3,131	22,551
Comprehensive income attributable to owners of parent	2,436	22,129
Comprehensive income attributable to non-controlling interests	694	421

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of Fiscal 2020 (April 1, 2019 to September 30, 2019)	First six months of Fiscal 2021 (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	18,267	14,644
Depreciation and amortization	10,141	10,809
Impairment loss	3,906	—
Amortization of goodwill	2,935	2,631
Loss (gain) on step acquisitions	(7,272)	—
Increase (decrease) in net defined benefit liability	(55)	58
Interest and dividend income	(1,653)	(1,469)
Interest expenses	1,701	1,377
Share of (profit) loss of entities accounted for using equity method	(819)	(848)
Loss (gain) on sales of investment securities	(2)	(1,133)
Decrease (increase) in notes and accounts receivable - trade	3,520	11,779
Decrease (increase) in inventories	6,634	2,383
Increase (decrease) in notes and accounts payable - trade	(14,630)	(5,770)
Other, net	(7,010)	(3,011)
Subtotal	15,662	31,451
Interest and dividend income received	2,713	2,228
Interest expenses paid	(1,670)	(1,342)
Income taxes paid	(5,770)	(6,898)
Net cash provided by (used in) operating activities	10,935	25,439
Cash flows from investing activities		
Payments into time deposits	(1,063)	—
Proceeds from withdrawal of time deposits	900	—
Purchase of securities	(1,036)	(640)
Proceeds from sales of securities	1,043	692
Purchase of property, plant and equipment and intangible assets	(12,218)	(9,807)
Purchase of investment securities	(522)	(21)
Proceeds from sales of investment securities	22	1,482
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(77,189)	(275)
Other, net	(328)	339
Net cash provided by (used in) investing activities	(90,392)	(8,230)
Cash flows from financing activities		
Increase in short-term loans payable	37,053	8,456
Decrease in short-term loans payable	(40,525)	(7,971)
Proceeds from long-term loans payable	10,000	400
Proceeds from issuance of bonds	19,888	—
Proceeds from sales of treasury shares	146	35
Purchase of treasury shares	(189)	(131)
Cash dividends paid	(4,755)	(5,055)
Dividends paid to non-controlling interests	(403)	(3,550)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(274)	(0)
Other, net	(1,363)	(1,883)
Net cash provided by (used in) financing activities	19,576	(9,701)
Effect of exchange rate change on cash and cash equivalents	76	277
Net increase (decrease) in cash and cash equivalents	(59,804)	7,785
Cash and cash equivalents at beginning of period	107,374	56,550
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	713	—
Cash and cash equivalents at end of period	48,284	64,335

(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.”

[Segment Information, etc.]

[Segment information]

I. First six months of Fiscal 2020 (April 1, 2019 to September 30, 2019)

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

	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	154,898	107,283	53,373	315,555	30,962	346,518	–	346,518
Intersegment sales and transfers	8,307	643	2,344	11,296	1,056	12,352	(12,352)	–
Total	163,206	107,927	55,718	326,851	32,018	358,870	(12,352)	346,518
Segment profit	4,338	6,013	1,287	11,639	2,384	14,023	100	14,124

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.

2. Matters regarding reportable segment changes

From the second quarter of the fiscal year ended March 31, 2020, the prepared dishes and other prepared foods business, formerly part of the Processed Food Segment, is now listed as a reportable segment. This change is a result of growth in the material importance of the business following the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary.

3. Information about assets for each reportable segment

(Notable increase in assets due to subsidiary acquisition)

Due to the purchase of PFG Topco1 Pty Ltd. during the first quarter of the fiscal year ended March 31, 2020, both PFG Topco1 Pty Ltd. and its subsidiaries (Allied Pinnacle Pty

Ltd. and 19 other companies) were newly included within the scope of consolidation. Compared to the non-inclusion of these companies within the scope of consolidation, assets in the Flour Milling Segment increased by ¥116,634 million.

Tokatsu Foods Co., Ltd. and three subsidiaries were newly included within the scope of consolidation following the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary during the second quarter of the fiscal year ended March 31, 2020. Compared to non-inclusion, the addition of these companies within the scope of consolidation increased assets in the Prepared Dishes and Other Prepared Foods Segment by ¥59,806 million.

4. Information about non-current asset impairment and goodwill for each reportable segment (Material impairment losses related to non-current assets)

Regarding goodwill for the U.S. flour milling business in the Flour Milling Segment, following comprehensive consideration of factors surrounding a downturn in business performance due to intensifying sales competition, the Company conducted an impairment test based on U.S. GAAP. This resulted in a reduction in the book value of this business to its fair value, and the subsequent posting of an impairment loss of ¥3,906 million for the first six months of the fiscal year ended March 31, 2020.

(Important changes in goodwill)

During the first quarter of the fiscal year ended March 31, 2020, goodwill in the Flour Milling Segment increased by ¥32,848 million, primarily from the purchase of PFG Topco1 Pty Ltd. and an impairment loss for goodwill related to the U.S. flour milling business.

Additionally, the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary during the second quarter of the fiscal year ended March 31, 2020 increased goodwill in the Prepared Dishes and Other Prepared Foods Segment by ¥11,513 million.

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

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

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)	(Millions of yen)
	Flour Milling	Processed Food	Prepared Dishes and Other Processed 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.