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Summary of Financial Statements for the Second Quarter of Fiscal 2020 [Japanese Standards]

October 29, 2019

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 Date to submit the Quarterly Securities Report: November 6, 2019
 Date to start distributing dividends: December 6, 2019
 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 2020 (April 1, 2019 to September 30, 2019)

(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 2020	346,518	21.9	14,124	(2.0)	15,113	(10.1)	13,519	21.7
First six months of Fiscal 2019	284,289	8.4	14,406	10.0	16,809	7.8	11,108	5.3

(Note) Comprehensive income: First six months of Fiscal 2020: ¥3,131 million (down 82.3%)
 First six months of Fiscal 2019: ¥17,654 million (up 75.1%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First six months of Fiscal 2020	45.50	45.46
First six months of Fiscal 2019	37.41	37.37

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2019	677,362	415,644	59.3
March 31, 2019	594,754	418,848	67.9

(Reference) Equity capital: September 30, 2019: ¥401,582 million March 31, 2019: ¥403,937 million

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	16.00	—	16.00	32.00
Fiscal 2020	—	17.00			
Fiscal 2020 (forecast)			—	17.00	34.00

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

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(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	715,000	26.5	29,500	9.6	31,000	(3.3)	22,000	(1.2)	74.04

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

* Notes

(1) Changes in important subsidiaries during the period under review (changes in specified subsidiaries involving a change in the scope of consolidation): Yes

Newly included: Eight companies
PFG Topco 1 Pty Ltd.
Allied Pinnacle Pty Ltd., six others

Excluded: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Related Notes (4) Notes on Quarterly Consolidated Financial Statements [Changes in Important Subsidiaries during the Period under Review]” on page 13 of the Attachment.

(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, 2019	304,357,891	As of March 31, 2019	304,357,891
2) Number of treasury shares	As of September 30, 2019	7,202,955	As of March 31, 2019	7,234,479
3) Average number of shares outstanding	First six months of Fiscal 2020	297,136,947	First six months of Fiscal 2019	296,957,036

* 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 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, 2020, the Japanese economy faced greater uncertainty regarding its future. While the country's employment and personal income picture remained strong, a consumption tax hike in October fueled concerns of a possible standstill in personal consumption, coupled with worries of a global economic slowdown due to trade friction between the U.S. and China and higher crude oil prices.

Under these conditions, the Group is carrying out initiatives to realize its long-term vision called "NNI 'Compass for the Future'," setting the final year of the "NNI-120 II" medium-term management plan (the year ending March 31, 2021) as a milestone. As part of this push, in April 2019 the Group purchased Allied Pinnacle Pty Ltd., a company that has built a solid position as a market leader in wheat flour with operations across Australia. This move was followed in July by the conversion of comprehensive prepared dishes supplier, Tokatsu Foods Co., Ltd. into a consolidated subsidiary following an additional purchase of shares.

With respect to performance, consolidated net sales, operating profit and ordinary profit all surpassed initial forecasts. Consolidated net sales for the first six months of the fiscal year ending March 31, 2020, increased 21.9% year on year to ¥346,518 million. This result primarily reflected effects from the new consolidation of Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd. In terms of profits, operating profit decreased 2% year on year to ¥14,124 million, with ordinary profit down 10.1% to ¥15,113 million. In addition to effects from the aforementioned consolidation, profits were lifted initially by brisk performance in raw materials for pharmaceuticals and the engineering business. This performance was ultimately offset by intensifying competition in the U.S. flour milling business and a rise in strategic costs, specifically expenses related to the integration of Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd. Profit attributable to owners of parent for the quarter rose 21.7% to ¥13,519 million, as the gain on the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary upon its step acquisition outweighed an impairment loss which was posted as a precautionary measure to account for a temporary downturn in the U.S. flour milling business' performance.

(Year-on-year Comparison)

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	284,289	346,518	62,228	121.9%
Operating profit	14,406	14,124	(282)	98.0%
Ordinary profit	16,809	15,113	(1,696)	89.9%
Profit attributable to owners of parent	11,108	13,519	2,411	121.7%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	120,668	154,898	34,230	128.4%
Operating profit	4,965	4,338	(626)	87.4%

In the flour milling business, although we made progress in attracting new customers

thanks to aggressive sales expansion efforts, shipments of commercial wheat flour in Japan were slightly lower year on year, reflecting an adverse market environment. Also in July 2019, 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 declined 1.7% in April 2019.

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

In the overseas business, sales rose dramatically year on year, largely reflecting effects from the new consolidation of Allied Pinnacle Pty Ltd. of Australia.

As a result, net sales of the Flour Milling Segment increased 28.4% year on year to ¥154,898 million. Operating profit, however, decreased 12.6% to ¥4,338 million, mainly due to a downturn in performance triggered by sales competition in the United States, despite effects from the new consolidation of Allied Pinnacle Pty Ltd. and robust prices for bran in the domestic business.

2) Processed Food Segment

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	106,742	107,283	541	100.5%
Operating profit	6,343	6,013	(329)	94.8%

In the processed food business, for household-use products, amid continued belt-tightening behavior among consumers we have made efforts to launch and expand sales of high-value-added products with “simple,” “authentic” and “healthy” as keywords. Additionally, we enacted initiatives designed to stimulate consumption, including event co-sponsorship and other advertising activities. In commercial-use products, we launched new products tailored to customer needs and carried out proposal activities geared toward garnering new customers. These measures led to firm shipments of pasta, pasta sauces and frozen foods, most notably among high-value-added products, keeping sales of processed foods relatively unchanged year on year despite lower shipments of household-use wheat flour. We are also making steady progress on plant construction at Vietnam Nisshin Technomic Co., Ltd., established in June 2018 to build a market for commercial-use prepared mix in Vietnam, with operations scheduled to begin later this year.

In the yeast and biotechnology business, sales were lower year on year despite comparable yeast shipments with the previous fiscal year, reflecting a decline in shipments of other bread making ingredients. 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 and consumer products.

As a result, net sales of the Processed Food Segment increased 0.5% year on year to ¥107,283 million. Despite effects from revenue growth mainly in the healthcare foods business, operating profit declined 5.2% to ¥6,013 million. This performance primarily reflected an increase in strategic costs, including expenses for the launch of a yeast plant in India and other advertising and promotion expenses, coupled with higher logistics costs.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	23,994	53,373	29,379	222.4%
Operating profit	954	1,287	332	134.9%

In the prepared dishes and other prepared foods business, while unstable weather led to weaker sales of prepared noodles, effects from the new consolidation of Tokatsu Foods Co., Ltd. lifted sales substantially higher year on year.

As a result, net sales of the Prepared Dishes and Other Prepared Foods Segment increased 122.4% year on year to ¥53,373 million, and operating profit increased 34.9% to ¥1,287 million.

4) Others Segment

(Millions of yen)

	First six months of Fiscal 2019	First six months of Fiscal 2020	Difference	Change
Net sales	32,884	30,962	(1,922)	94.2%
Operating profit	2,080	2,384	304	114.6%

In the pet food business, sales were lower year on year despite the launch of new products and other sales expansion efforts, reflecting adverse market conditions.

In the engineering business, sales were lower year on year, mainly due to large-scale construction projects secured during the previous fiscal year.

In the mesh cloths business, sales were down from the same period a year earlier, reflecting lower shipments of screen printing materials.

As a result, net sales of the Others Segment decreased 5.8% year on year to ¥30,962 million, while operating profit increased 14.6% to ¥2,384 million, primarily atop brisk performance in the engineering business.

(2) Financial Position

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019	Difference
Current assets	268,170	235,988	(32,181)
Non-current assets	326,583	441,373	114,789
Total assets	594,754	677,362	82,608
Current liabilities	114,806	129,520	14,713
Non-current liabilities	61,098	132,198	71,099
Total liabilities	175,905	261,718	85,812
Total net assets	418,848	415,644	(3,204)
Total liabilities and net assets	594,754	677,362	82,608

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 ¥32,181 million from the previous fiscal year-end to ¥235,988 million, due largely to decreases in cash and deposits accompanying the acquisition of Allied Pinnacle Pty Ltd. Non-current assets increased ¥114,789 million to ¥441,373 million, primarily due to increases

in leased assets and goodwill accompanying acquisition of Allied Pinnacle Pty Ltd. and the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary. As a result, total assets increased ¥82,608 million from the previous fiscal year-end to ¥677,362 million.

Meanwhile, current liabilities increased ¥14,713 million to ¥129,520 million, mainly reflecting an increase in short-term loans payable accompanying the purchase of Allied Pinnacle Pty Ltd. and the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary. Non-current liabilities increased ¥71,099 million to ¥132,198 million, primarily due to increases in lease obligations accompanying the purchase of Allied Pinnacle Pty Ltd., an increase in long-term loans payable and the issue of bonds. As a result, total liabilities increased ¥85,812 million from the previous fiscal year-end to ¥261,718 million. Net assets decreased ¥3,204 million to ¥415,644 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 2019	First six months of Fiscal 2020	Difference
Net cash provided by (used in) operating activities	15,905	10,935	(4,970)
Net cash provided by (used in) investing activities	(8,171)	(90,392)	(82,220)
Free cash flow	7,734	(79,457)	(87,191)
Net cash provided by (used in) financing activities	(3,636)	19,576	23,213
Effect of exchange rate change on cash and cash equivalents	(584)	76	661
Net increase (decrease) in cash and cash equivalents	3,512	(59,804)	(63,317)
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	(1,006)	713	1,719
Cash and cash equivalents at end of period	100,967	48,284	(52,683)

Net cash provided by (used in) operating activities

An increase in cash and cash equivalents mainly due to profit before income taxes of ¥18,267 million and depreciation and amortization of ¥10,141 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 ¥10,935 million, compared to ¥15,905 million a year earlier.

Net cash provided by (used in) investing activities

¥12,218 million was used for the purchase of property, plant, and equipment and intangible assets, coupled with ¥77,189 million used for the acquisition of Allied Pinnacle Pty Ltd. and the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary. Consequently, net cash used in investing activities was ¥90,392 million, compared to ¥8,171 million a year earlier.

Adding net cash used in investing activities to net cash provided by operating activities, free cash flow came to an outflow of ¥79,457 million, compared to an inflow of ¥7,734 million a year ago.

Net cash provided by (used in) financing activities

Proceeds from long-term loans payable, short-term loans payable and the issue of bonds surpassed the repayment of long-term loans payable and the repayment of short-term loans

payable by ¥26,415 million. In contrast, to distribute profits to shareholders, the Company paid dividends of ¥4,755 million. This led to net cash provided by financing activities of ¥19,576 million, compared to net cash used of ¥3,636 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, 2020 decreased ¥59,804 million from the previous year-end to ¥48,284 million, and included an increase in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries of ¥713 million.

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

With fiscal year ending March 31, 2021 marking the milestone final year of the “NNI-120 II” medium-term management plan, the entire Group will continue to work together to achieve the objectives outlined in the Group’s long-term vision, “NNI ‘Compass for the Future’.”

Regarding forecasts for the fiscal year ending March 31, 2020, given a reduction in sales prices for wheat flour and the projected impact of a stronger yen on exchange rates in the overseas business, we have revised initial estimates and consolidated net sales are now expected to rise 26.5% over the previous fiscal year to ¥715,000 million. In terms of profits, with respect to the downturn in business performance due to sales competition in the U.S. flour milling business, recovery measures to minimize losses are already in place, including sales price revisions. In addition, we are taking steps to ensure that any shortfalls will be covered by increased shipments in the prepared dishes and other prepared foods business and the healthcare foods business, and by strong performance in the engineering business. On the other hand, amortization of goodwill, etc following the completed evaluation of assets held by Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd. is expected to surpass initial projections. Consequently, consolidated operating profit for the fiscal year ending March 31, 2020 is forecast to climb 9.6% to ¥29,500 million, and ordinary profit is expected to decrease 3.3% to ¥31,000 million, while profit attributable to owners of parent is expected to decrease 1.2% to ¥22,000 million. All figures reflect revision of initial projections.

Revisions to Forecast of Consolidated Business Results for the Year Ending March 31, 2020
(April 1, 2019 to March 31, 2020)

	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
Previous forecast (A) (Announced May 14, 2019)	725,000	30,000	31,700	23,300	78.42
Revised forecast (B)	715,000	29,500	31,000	22,000	74.04
Difference (B-A)	(10,000)	(500)	(700)	(1,300)	–
Percent change (%)	(1.4)	(1.7)	(2.2)	(5.6)	–
(Reference) Prior-year results (fiscal year ended March 31, 2019)	565,343	26,916	32,062	22,268	74.98

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 ¥34 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 2019 (As of March 31, 2019)	Fiscal 2020 Second Quarter (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	101,974	43,099
Notes and accounts receivable – trade	76,245	93,745
Securities	7,336	7,291
Inventories	73,348	81,188
Other	9,497	11,012
Allowance for doubtful accounts	(232)	(349)
Total current assets	268,170	235,988
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,308	70,101
Machinery, equipment and vehicles, net	41,393	49,051
Land	42,611	45,809
Leased assets, net	1,011	27,255
Other, net	12,994	18,950
Total property, plant and equipment	156,317	211,167
Intangible assets		
Goodwill	5,016	48,633
Other	5,446	29,054
Total intangible assets	10,462	77,688
Investments and other assets		
Investment securities	149,659	137,399
Other	10,265	15,242
Allowance for doubtful accounts	(122)	(125)
Total investments and other assets	159,802	152,517
Total non-current assets	326,583	441,373
Total assets	594,754	677,362

(Millions of yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 Second Quarter (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	54,936	56,579
Short-term loans payable	9,535	19,194
Income taxes payable	5,217	4,945
Accrued expenses	19,963	20,981
Other	25,153	27,819
Total current liabilities	114,806	129,520
Non-current liabilities		
Bonds	–	20,000
Long-term loans payable	6,771	18,573
Lease obligations	760	33,363
Deferred tax liabilities	24,664	30,466
Provision for repairs	1,464	1,253
Net defined benefit liability	21,169	21,251
Other	6,268	7,289
Total non-current liabilities	61,098	132,198
Total liabilities	175,905	261,718
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,882	12,632
Retained earnings	319,705	328,509
Treasury shares	(11,403)	(11,421)
Total shareholders' equity	338,303	346,838
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,669	58,656
Deferred gains or losses on hedges	(393)	36
Foreign currency translation adjustment	4,086	(3,287)
Remeasurements of defined benefit plans	(728)	(660)
Total accumulated other comprehensive income	65,634	54,743
Subscription rights to shares	167	148
Non-controlling interests	14,743	13,912
Total net assets	418,848	415,644
Total liabilities and net assets	594,754	677,362

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First six months of Fiscal 2019 (April 1, 2018 to September 30, 2018)	First six months of Fiscal 2020 (April 1, 2019 to September 30, 2019)
Net sales	284,289	346,518
Cost of sales	202,541	249,797
Gross profit	81,748	96,720
Selling, general and administrative expenses	67,341	82,596
Operating profit	14,406	14,124
Non-operating income		
Interest income	188	295
Dividend income	1,273	1,358
Share of profit of entities accounted for using equity method	695	819
Other	412	460
Total non-operating income	2,570	2,933
Non-operating expenses		
Interest expenses	106	1,701
Other	61	242
Total non-operating expenses	167	1,944
Ordinary profit	16,809	15,113
Extraordinary income		
Gain on sales of non-current assets	73	64
Gain on sales of investment securities	16	2
Gain on step acquisitions	–	7,272
Total extraordinary income	90	7,339
Extraordinary losses		
Loss on retirement of non-current assets	194	278
Impairment loss	–	3,906
Total extraordinary losses	194	4,185
Profit before income taxes	16,706	18,267
Total income taxes	4,809	4,092
Profit	11,897	14,175
Profit attributable to non-controlling interests	788	655
Profit attributable to owners of parent	11,108	13,519

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First six months of Fiscal 2019 (April 1, 2018 to September 30, 2018)	First six months of Fiscal 2020 (April 1, 2019 to September 30, 2019)
Profit	11,897	14,175
Other comprehensive income		
Valuation difference on available-for-sale securities	4,411	(3,965)
Deferred gains or losses on hedges	433	416
Foreign currency translation adjustment	890	(7,477)
Remeasurements of defined benefit plans	24	75
Share of other comprehensive income of entities accounted for by the equity method	(3)	(92)
Total other comprehensive income (loss)	5,757	(11,044)
Comprehensive income	17,654	3,131
(Breakdown)		
Comprehensive income attributable to owners of parent	17,084	2,436
Comprehensive income attributable to non-controlling interests	570	694

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of Fiscal 2019 (April 1, 2018 to September 30, 2018)	First six months of Fiscal 2020 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	16,706	18,267
Depreciation and amortization	7,211	10,141
Impairment loss	–	3,906
Amortization of goodwill	643	2,935
Loss (gain) on step acquisitions	–	(7,272)
Increase (decrease) in net defined benefit liability	176	(55)
Interest and dividend income	(1,462)	(1,653)
Interest expenses	106	1,701
Share of (profit) loss of entities accounted for using equity method	(695)	(819)
Loss (gain) on sales of investment securities	(16)	(2)
Decrease (increase) in notes and accounts receivable – trade	(7,385)	3,520
Decrease (increase) in inventories	1,253	6,634
Increase (decrease) in notes and accounts payable – trade	(1,110)	(14,630)
Other, net	1,709	(7,010)
Subtotal	17,135	15,662
Interest and dividend income received	2,377	2,713
Interest expenses paid	(106)	(1,670)
Income taxes paid	(3,500)	(5,770)
Net cash provided by (used in) operating activities	15,905	10,935
Cash flows from investing activities		
Payments into time deposits	(516)	(1,063)
Proceeds from withdrawal of time deposits	516	900
Purchase of securities	(1,026)	(1,036)
Proceeds from sales of securities	1,032	1,043
Purchase of property, plant and equipment and intangible assets	(7,731)	(12,218)
Purchase of investment securities	(190)	(522)
Proceeds from sales of investment securities	27	22
Purchase of shares of subsidiaries and associates	(125)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(77,189)
Other, net	(157)	(328)
Net cash provided by (used in) investing activities	(8,171)	(90,392)
Cash flows from financing activities		
Increase in short-term loans payable	886	37,053
Decrease in short-term loans payable	(338)	(40,525)
Proceeds from long-term loans payable	1,094	10,000
Proceeds from issuance of bonds	–	19,888
Proceeds from sales of treasury shares	178	146
Purchase of treasury shares	(189)	(189)
Cash dividends paid	(4,455)	(4,755)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(180)	(274)
Other, net	(632)	(1,766)
Net cash provided by (used in) financing activities	(3,636)	19,576
Effect of exchange rate change on cash and cash equivalents	(584)	76
Net increase (decrease) in cash and cash equivalents	3,512	(59,804)
Cash and cash equivalents at beginning of period	98,461	107,374
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	(1,006)	713
Cash and cash equivalents at end of period	100,967	48,284

(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 Important Subsidiaries during the Period under Review]

Due to the purchase of PFG Topco 1 Pty Ltd. during the first quarter of the fiscal year ending March 31, 2020, both PFG Topco 1 Pty Ltd. and its subsidiaries (Allied Pinnacle Pty Ltd. and 19 other companies) were newly included within the scope of consolidation.

Of these companies, PFG Topco 1 Pty Ltd., Allied Pinnacle Pty Ltd. and six other companies are designated as specified subsidiaries.

Tokatsu Foods Co., Ltd. and three subsidiaries were newly included within the scope of consolidation following acquisition of additional shares of former equity-method affiliate Tokatsu Foods Co., Ltd. during the second quarter of the fiscal year ending March 31, 2020.

[Merger-related Matters]

1. Acquisition-based merger

Establishment of provisional accounting treatment pertaining to corporate merger

During the first quarter of the fiscal year ending March 31, 2020, provisional accounting measures were applied to distribution of the acquisition cost of PFG Topco 1 Pty Ltd. (holding company with all shares of Allied Pinnacle), a company acquired during the same period. These measures were made permanent in the second quarter.

Accompanying establishment of the aforementioned accounting measures, as a result of the distribution of ¥21,733 million mainly in customer-related assets classified as intangible assets, goodwill provisionally calculated at ¥56,739 million declined by ¥15,638 million, to ¥41,101 million.

The amortization period for goodwill is 10 years; the weighted average amortization period for customer-related assets allocated to intangible assets not part of goodwill is 13.5 years.

2. Acquisition-based merger

At a meeting of the Board of Directors held March 26, 2019, the Company resolved and concluded a share transfer agreement to acquire from other external shareholders 51% of the existing shares of common stock of the Company's affiliate Tokatsu Foods Co., Ltd. (Tokatsu Foods), a comprehensive prepared dishes supplier. As a result of the acquisition conducted on July 4, 2019, Tokatsu Foods became a consolidated subsidiary of the Company.

(1) Outline of the merger

a. Name and business lines of acquired company

Name: Tokatsu Foods Co., Ltd.

Business lines: Freshly prepared dishes business (production and sales of bento boxes, seasoned rice balls, sandwiches, prepared dishes, noodles, salads and other prepared foods), frozen prepared dishes business (production and sales of commercial-use frozen bento boxes, frozen prepared dishes, frozen noodles)

b. Rationale for the merger

The Company has positioned the prepared dishes and other prepared foods business as a growth field, and is taking steps to groom it as one of the Group's core operations. In December 2012, the Company entered a capital tie-up with Tokatsu Foods, followed in January 2016 with the consolidation of Joyous Foods Co., Ltd., a supplier of prepared noodles, as a subsidiary. The Company conducted the current acquisition after determining that doing so would contribute to further expansion of its prepared dishes and other prepared foods and frozen foods businesses.

Established in 1968, Tokatsu Foods has a leading presence in Japan as a comprehensive supplier of prepared dishes, and has developed a deli prepared dishes business targeting convenience stores along with a delivery route-focused frozen prepared dishes business. Prior to the merger, the Company had, over many years, developed a collaborative relationship with Tokatsu Foods, both through outsourcing the production of deli prepared dishes and frozen foods to Tokatsu Foods, and through a capital tie-up. The current acquisition will further enhance these relations, with hopes to leverage the Group's basic research expertise and product development capabilities to stimulate expansion of the Group's prepared dishes and other prepared foods business and its frozen foods business.

c. Date of merger

July 4, 2019

d. Legal form of merger

Share acquisition at cash value

e. Post-merger name

Tokatsu Foods Co., Ltd.

f. Percentage of voting rights acquired

1. Shareholding prior to transfer	55,725 shares (No. of voting rights: 55,725) (Percentage of voting rights: 49%)
2. Shares for acquisition	58,000 shares (No. of voting rights: 58,000)
3. Shareholding following transfer	113,725 shares (No. of voting rights: 113,725) (Percentage of voting rights: 100%)

g. Principal evidence supporting acquisition decision

Following share acquisition at cash value, the Company acquired 100% of voting rights.

(2) Period of acquired company's results included in quarterly consolidated statements of

income for the quarterly consolidated period

July 1, 2019 to September 30, 2019

(3) Breakdown of acquisition cost and type of compensation

Market value of shares held prior to acquisition as of the merger date	¥14,488 million
Cash and deposits used in additional acquisition of shares	¥15,080 million
Acquisition cost	¥29,568 million

(4) Name and amount of principal acquisition-related expenses

Advisory costs, etc. ¥190 million

(5) Acquisition cost and difference from total cost of individual transactions required for the acquisition

Gain on step acquisitions ¥7,272 million

(6) Method for procuring funds for payment

Acquisition funds supplied entirely from funds on hand.

(7) Amount of subsequent goodwill, reasons for occurrence, depreciation method and depreciation period

a. Goodwill

¥11,808 million

b. Reasons for occurrence

The incurrence of goodwill is based on reasonable estimates of surplus future earnings capacity anticipated from business development going forward.

c. Depreciation method and period

Depreciated uniformly over a period of 10 years

(8) Distribution amount, description of type and depreciation period for intangible assets outside of goodwill

a. Amount allocated to intangible assets

¥4,655 million

b. Description of type

Customer-related assets ¥4,655 million

c. Depreciation period

12 years

[Segment Information, etc.]

[Segment information]

I. First six months of Fiscal 2019 (April 1, 2018 to September 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	Prepared Dishes and Other Prepared Foods	Total				
Net sales								
Sales to external customers	120,668	106,742	23,994	251,404	32,884	284,289	–	284,289
Intersegment sales and transfers	8,009	215	1,874	10,100	1,477	11,577	(11,577)	–
Total	128,678	106,958	25,869	261,505	34,361	295,867	(11,577)	284,289
Segment profit	4,965	6,343	954	12,262	2,080	14,342	63	14,406

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 2020 (April 1, 2019 to September 30, 2019)

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	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 ending 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.

Segment information listed for the same period of the previous fiscal year has been adjusted to reflect this change in classification.

3. Information about assets for each reportable segment

(Notable increase in assets due to subsidiary acquisition)

Due to the purchase of PFG Topco 1 Pty Ltd. during the first quarter of the fiscal year ending March 31, 2020, both PFG Topco 1 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 ending 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 ending March 31, 2020.

(Important changes in goodwill)

During the first quarter of the fiscal year ending March 31, 2020, goodwill in the Flour Milling Segment increased by ¥32,848 million, primarily from the purchase of PFG Topco 1 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 ending March 31, 2020 increased goodwill in the Prepared Dishes and Other Prepared Foods Segment by ¥11,513 million.