Summary of Financial Statements for the Third Quarter of Fiscal 2016 [Japanese Standards]

January 29, 2016

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange
Code: 2002 URL: http://www.nisshin.com
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Date to submit the Quarterly Securities Report: February 10, 2016
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 Third Quarter of Fiscal 2016 (April 1, 2015 to December 31, 2015)

(1) Consolidated Business Results

(The percentages indicate the rates of increase or decrease compared with the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First nine months of Fiscal 2016	419,761	8.3	18,722	18.8	22,512	12.5	14,695	12.2
First nine months of Fiscal 2015	387,500	4.7	15,759	(11.5)	20,003	(2.6)	13,098	6.5

(Note) Comprehensive income: First nine months of Fiscal 2016 ¥17,722 million (down 36.7%)
First nine months of Fiscal 2015 ¥27,998 million (up 41.5%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
First nine months of Fiscal 2016	48.75	48.67
First nine months of Fiscal 2015	43.52	43.49

(Note) On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. Net income per share and fully diluted net income per share are calculated by deeming stock splits to have occurred at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2015	548,514	388,560	68.8
March 31, 2015	549,307	378,715	66.8

(Reference) Equity capital: December 31, 2015: ¥377,128 million March 31, 2015: ¥367,081 million

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	—	10.00	—	12.00	—
Fiscal 2016	—	12.00	—		
Fiscal 2016 (forecast)				12.00	24.00

(Note) Revision to the latest forecast of dividends: None
On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. The figure listed for the cash dividend at the end of the interim period for the fiscal year ended March 31, 2015, is the figure prior to the stock split.

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(The percentages indicate the rates of increase or decrease compared with the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	563,000	7.0	22,800	11.3	27,000	5.7	17,300	7.9	57.39

(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 "Matters Concerning Summary Information (Notes)" on page 6 of the Attachment.

(3) Changes in accounting policies, changes in accounting estimates and revisions restated

1) Changes in accounting policies associated with the revisions of accounting standards, etc.: Yes
2) Changes in accounting policies other than the above: None
3) Changes in accounting estimates: None
4) Revisions restated: None

Note: For details, please refer to "Matters Concerning Summary Information (Notes)" on page 6 of the Attachment.

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding (including treasury shares)	As of December 31, 2015	304,357,891	As of March 31, 2015	304,357,891
2) Number of treasury shares	As of December 31, 2015	2,797,304	As of March 31, 2015	3,098,077
3) Average number of shares outstanding	First nine months of Fiscal 2016	301,432,068	First nine months of Fiscal 2015	300,942,052

Note: On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. Number of shares issued and outstanding (common stock) is calculated as if the stock split occurred at the beginning of the previous consolidated fiscal year.

* Status of execution of the quarterly review of financial statements

Because this Summary of Financial Statements is not subject to the review of quarterly financial statements under the Financial Instruments and Exchange Act, the procedures for said review are not completed at the time of disclosing this summary.

* 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 "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.

Contents of the Attachment

1. Qualitative Information for the Period under Review

(1) Business Performance

[Overview of the Period under Review]

During the first nine months of the fiscal year ending March 31, 2016, the Japanese economy showed signs of a modest recovery, as effects from government-backed economic policies led to improvement in corporate performance and the country's employment and personal income landscape. At the same time, uncertainty overseas continued, fueled largely by a slowdown in the Chinese economy. Similarly, the business environment in industries relevant to the Company remained challenging, largely reflecting a continued preference for lower-priced options among consumers and higher prices for raw materials and distribution costs. These industries are also likely to be impacted by the Trans-Pacific Partnership (TPP) trade agreement largely agreed upon in October 2015, which will require they continue to pay close attention to trends and respond appropriately.

Under these conditions, the Group launched initiatives under a new management plan, dubbed "NNI-120 II," scheduled to conclude in fiscal 2021. Together with an emphasis on restructuring the earnings foundation in core businesses, the Group is aiming for solid profit growth through self-sustained business growth, including that of acquired businesses, and new strategic investments, while taking a more proactive stance to shareholder returns.

The Group took steps to aggressively launch and expand sales of new products in each business in a bid to energize markets, and worked to strengthen its business structure both domestically and abroad. In Japan, as seen most notably with the start of full-scale operations at the Chita Plant's (flour milling) new production line, we made advances in consolidating production at large-scale plants located near ports to reinforce our cost competitiveness. Meanwhile, frozen pasta shipments commenced following the start of operations at a new frozen food production site in Kobe. In December 2015, we opted to acquire shares of Joyous Foods Co., Ltd. in order to strengthen our prepared dishes and other prepared foods businesses. In the overseas business, along with promotion of Post Merger Integration (PMI) following the acquisition of four U.S. flour milling plants, construction is moving forward to enhance production capacity at a flour milling subsidiary in Canada, scheduled to begin operating in autumn 2017. We also marked steady progress on a range of other initiatives, including the start of operations and shipments at a pasta production site in Turkey.

As a result, consolidated net sales for the first nine months of the fiscal year ending March 31, 2016, increased 8.3% year on year to ¥419,761 million, mainly atop expansion in the overseas business and sales growth domestically. In terms of profits, operating income was ¥18,722 million, up 18.8% year on year. Ordinary income increased by 12.5% to ¥22,512 million, and profit attributable to owners of parent increased by 12.2% to ¥14,695 million. The growth in profits largely reflected new products in the Processed Foods Segment and brisk sales primarily in the prepared dishes and other prepared foods, yeast and biotechnology, and healthcare foods businesses, in addition to growth in the overseas business. These factors offset high costs for raw materials and higher depreciation expenses for strategic investments.

[Business Overview by Segment]

1) Flour Milling Segment

In the flour milling business, shipments of commercial wheat flour in Japan rose year on year, thanks to aggressive sales expansion measures, including the launch of new products tailored to customer needs. Growth came despite an adverse market environment characterized by a continued preference for lower-priced options among consumers.

From the perspectives of production and distribution, we continued to carry out measures to enhance productivity and reduce fixed and other costs. In tandem, we are moving ahead with efforts to concentrate production at large-scale plants located near ports in Japan. In the Chubu region, together with the start of full-scale operations at the new production line at the Chita Plant, we partially halted the production line at the Nagoya Plant as we made progress in concentrating production. In the Kansai region, construction to increase holding capacity by 25% at a wheat silo operated by Hanshin Silo Co., Ltd., located adjacent to the Higashinada Plant, was completed in April 2015. Similarly, in the Kanto region, we are moving to increase raw wheat silo capacity by 25% at the Tsurumi Plant by June 2016.

Also in January 2016, the Company revised its commercial wheat flour prices in response to the government's decision to lower the prices of five brands of imported wheat. On average, the Government's price for imported wheat fell by 5.7% in October 2015.

The price of bran, a byproduct of the milling process, was weaker throughout the period.

In the overseas business, we pushed ahead with PMI efforts for four flour milling plants in the United States acquired by our U.S. subsidiary Miller Milling Company, LLC, and strengthened our sales network as we drove forward steps to identify new customers. To meet growing demand on the west coast of North America, construction is moving forward to boost by 80% the production capacity of Canadian subsidiary Rogers Foods Ltd.'s Chilliwack Plant, located on the outskirts of Vancouver. The plant is scheduled to begin operating in autumn 2017. Consequently, the overseas business enjoyed steady expansion, centered on the North America region.

As a result, net sales of the Flour Milling Segment increased 14.7% from the same period of the previous fiscal year to ¥199,714 million. Operating income, meanwhile, rose 14.9% to ¥7,390 million, as robust contributions from overseas subsidiaries overcame higher depreciation expenses accompanying the start of operations at the Chita Plant's new production line.

2) Processed Food Segment

In the processed food business, for household-use products, we launched new market-building products designed to address needs arising from an increase in eating alone and demand for meals that are easy to prepare, and developed sales promotion measures—most notably TV commercials－and took other proactive 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 pursued stronger product development capabilities to attract new customers, coupled with progress on measures to expand shipments of prepared foods to volume retailers. These actions prompted brisk growth most notably in wheat flour for household use and prepared dishes and other prepared foods, leading to a year-on-year increase in sales of the domestic processed food business. Nevertheless, sales were lower overall compared to a year earlier due to intensifying competition. In the overseas business, we pursued product proposals aimed at obtaining new customers, mainly in the growing Southeast Asian market, lifting sales higher compared to the same period of the previous fiscal year.

From February 2016, we will institute price revisions for household-use wheat flour and commercial prepared mix, a move largely prompted by lower prices for commercial-use wheat flour due to government-imposed price reductions on imported wheat in October 2015.

In terms of production, we proceeded with additional measures to strengthen product safety. We also strengthened cost competitiveness and took steps to develop a new production framework with the aim of optimizing production sites worldwide. Shipments also commenced at a production plant for pasta sauces and other cooked and processed foods in Vietnam, a pasta plant in Turkey, and a frozen food production plant in Kobe, Japan. In a move to further strengthen foundations in prepared dishes and other prepared foods, we opted to acquire shares of Joyous Foods Co., Ltd. in December 2015.

In the yeast business section of the yeast and biotechnology business, sales improved year on year, reflecting brisk sales mainly of ingredients for specialty breads. In the biotechnology business section, sales rose primarily atop growth in shipments of diagnostic reagents.

In the healthcare foods business, sales improved year on year, reflecting brisk sales of consumer products driven by aggressive sales promotion measures, coupled with robust shipments of raw materials for pharmaceuticals.

As a result, net sales of the Processed Food Segment increased 1.0% from the same period of the previous fiscal year to ¥186,897 million. Operating income climbed 24.2% to ¥9,304 million, as strong performance of new products in the processed food business and brisk shipments in the prepared dishes and other prepared food, yeast and biotechnology, and healthcare foods businesses, along with contributions from the overseas subsidiaries, offset an increased depreciation expense burden accompanying the start of operations at new plants.

3) Others Segment

In the pet food business, shipments mainly of *JP Style* brand and other premium pet food were brisk chiefly due to sales expansion efforts, including the launch of new products and TV commercials, resulting in higher sales compared to the same period of the previous fiscal year.

In the engineering business, sales increased year on year due to growth in orders in the mainstay plant engineering business, mainly from the promotion of proposal-based marketing.

In the mesh cloths business, sales exceeded the previous fiscal year’s level, primarily reflecting strong shipments of mesh cloth used primarily in solar panels.

As a result, net sales of the Others Segment increased 16.5% to ¥33,149 million. Operating income climbed 1.2% to ¥1,919 million.

(2) Financial Position

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 ¥4,701 million from the previous fiscal year-end to ¥225,103 million, due mainly to decreases in cash and deposits and inventories, etc. Noncurrent assets increased ¥3,908 million to ¥323,411 million, primarily due to a decrease in property, plant and equipment and intangible assets, and an increase in investment securities. As a result, total assets decreased ¥793 million from the previous fiscal year-end to ¥548,514 million. Meanwhile, current liabilities shrank ¥13,071 million to ¥99,169 million, mainly reflecting decreases in notes and accounts payable – trade and short-term loans payable, etc. Noncurrent liabilities increased ¥2,433 million to ¥60,784 million, primarily due to an increase in deferred tax liabilities. As a result, total liabilities declined ¥10,637 million from the previous fiscal year-end to ¥159,954 million. Net assets increased ¥9,844 million to ¥388,560 million, including an increase due to profit attributable to owners of parent for the period, an increase due to accumulated other comprehensive income, and a decrease due to the payment of dividends.

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

The Japanese economy is showing modest signs of recovery, as evidenced by a rebound in corporate performance and an improved employment landscape. However, China's economic slowdown and other sources of instability abroad are fueling concerns for the future. The environment surrounding the Company, moreover, is projected to remain challenging, reflecting factors such as the continued preference for lower-priced options among consumers in Japan, as well as higher prices for raw materials and distribution costs. Under these circumstances, we will continue to fulfill our mission of securing stable supplies of wheat flour, and will strive to provide customers with safe and reliable products. Furthermore, we will steadily execute strategies formulated in line with our new management plan, "NNI-120 II," working in every business to develop new products and pursue advertising and other sales promotion measures designed from the customer's perspective, along with productivity enhancements and other cost-reduction efforts. At the same time, we will promote expansion in overseas business.

Considering business performance for the first nine months of the fiscal year ending March 31, 2016, as per estimates announced in October 2015, consolidated net sales for the fiscal year ending March 31, 2016 are forecast to rise 7.0% year on year to ¥563,000 million, operating income is projected to increase 11.3% to ¥22,800 million, ordinary income is expected to rise 5.7% to ¥27,000 million, and profit attributable to owners of parent is expected to increase 7.9% from the previous fiscal year to ¥17,300 million.

With respect to dividends, one of the basic policies of the new management plan is to maintain a payout ratio of at least 40% on a consolidated basis. Consequently, the Company plans to pay a full-year dividend of ¥24 per share, up ¥2 from the previous fiscal year, also in line with initial projections.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Important Subsidiaries during the Period under Review

[Changes in specified subsidiaries involving a change in the scope of consolidation]

There are no applicable matters to be reported.

(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements

Tax expenses are calculated in accordance with Paragraph 12, "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 "Income taxes – deferred" is included in "Total income taxes."

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revisions Restated

[Changes in accounting policies]

From the first quarter of the fiscal year ending March 31, 2016, the Company has applied the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21; September 13, 2013; herein, "the business combinations accounting standard"), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; September 13, 2013; herein, "the consolidated financial statements accounting standard"), and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7; September 13, 2013; herein, "the business divestitures accounting standard"). The accounting standards reflect a switch in methodology with respect to the posting to capital surplus of differences arising from changes in equity in a subsidiary by the parent company in cases in which control continues, and the posting of acquisition-related expenses as expenses for the consolidated fiscal year in which they are incurred. For business combinations occurring after the start of the first quarter, the Company has switched to a method in which revisions to the distribution of the cost of the acquisition due to decisions regarding temporary accounting treatment are reflected in the quarterly consolidated financial statements applicable to the quarterly period in which the date of the business combination falls. Additionally, the Company has made changes in the presentation of quarterly net income, etc. and the presentation of a switch from minority interests to non-controlling interests. Financial statements for the third quarter of the previous fiscal year and for the previous fiscal year have been reconfigured to reflect these changes in presentation.

Regarding application of the abovementioned accounting standards, pursuant to pass-through handling procedures stipulated in Article 58-2 (3) of the business combinations accounting standard, Article 44-5 (3) of the consolidated financial statements accounting standard, and Article 57-4 (3) of the business divestitures accounting standard, the cumulative monetary effect at the beginning of the first quarter of the current fiscal year arising from the retroactive application of the new accounting policies to all past periods are added or subtracted from capital surplus and retained earnings.

As a result, goodwill at the beginning of the period for the first quarter of the fiscal year ending March 31, 2016 declined by ¥1,252 million, while capital surplus increased by ¥3,173 million. In parallel, retained earnings declined by ¥4,196 million. These monetary effects had a negligible impact on financial performance for the third quarter of the fiscal year ending March 31, 2016.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2015 (As of March 31, 2015)	Fiscal 2016 Third Quarter (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	42,584	36,973
Notes and accounts receivable – trade	74,688	75,431
Short-term investment securities	25,565	27,152
Inventories	76,268	73,599
Other	10,905	12,166
Allowance for doubtful accounts	(208)	(219)
Total current assets	229,804	225,103
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	54,001	55,939
Machinery, equipment and vehicles, net	40,602	42,215
Land	40,497	40,284
Other, net	13,600	8,629
Total property, plant and equipment	148,702	147,069
Intangible assets		
Goodwill	10,355	8,159
Other	11,273	10,093
Total intangible assets	21,629	18,253
Investments and other assets		
Investment securities	143,288	152,270
Other	6,012	5,945
Allowance for doubtful accounts	(129)	(126)
Total investments and other assets	149,170	158,088
Total noncurrent assets	319,503	323,411
Total assets	549,307	548,514

(Millions of yen)

	Fiscal 2015 (As of March 31, 2015)	Fiscal 2016 Third Quarter (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	57,561	45,132
Short-term loans payable	17,175	15,149
Income taxes payable	3,157	3,197
Provision	195	139
Accrued expenses	17,042	15,133
Other	17,108	20,417
Total current liabilities	112,240	99,169
Noncurrent liabilities		
Long-term loans payable	3,874	4,190
Provision	1,521	1,605
Net defined benefit liability	21,421	21,373
Deferred tax liabilities	24,837	27,182
Other	6,697	6,432
Total noncurrent liabilities	58,351	60,784
Total liabilities	170,592	159,954
Net assets		
Shareholders’ equity		
Capital stock	17,117	17,117
Capital surplus	9,571	12,802
Retained earnings	275,194	278,458
Treasury stock	(2,659)	(2,397)
Total shareholders’ equity	299,224	305,980
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57,298	63,181
Deferred gains or losses on hedges	118	(35)
Foreign currency translation adjustment	11,911	9,257
Remeasurements of defined benefit plans	(1,471)	(1,255)
Total accumulated other comprehensive income	67,857	71,147
Subscription rights to shares	179	148
Non-controlling interests	11,454	11,283
Total net assets	378,715	388,560
Total liabilities and net assets	549,307	548,514

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First nine months of Fiscal 2015 (April 1, 2014 to December 31, 2014)	First nine months of Fiscal 2016 (April 1, 2015 to December 31, 2015)
Net sales	387,500	419,761
Cost of sales	275,533	302,547
Gross profit	111,967	117,214
Selling, general and administrative expenses	96,208	98,492
Operating income	15,759	18,722
Non-operating income		
Interest income	142	151
Dividends income	1,689	2,085
Equity in earnings of affiliates	1,730	1,239
Other	929	527
Total non-operating income	4,492	4,003
Non-operating expenses		
Interest expenses	132	126
Other	115	87
Total non-operating expenses	248	213
Ordinary income	20,003	22,512
Extraordinary income		
Gain on sales of noncurrent assets	938	–
Gain on sales of investment securities	13	6
Other	44	–
Total extraordinary income	996	6
Extraordinary losses		
Loss on retirement of noncurrent assets	244	339
Litigation settlement	732	–
Total extraordinary losses	977	339
Income before income taxes and minority interests	20,022	22,178
Total income taxes	6,272	6,810
Profit	13,749	15,368
Profit attributable to non-controlling interests	651	672
Profit attributable to owners of parent	13,098	14,695

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First nine months of Fiscal 2015 (April 1, 2014 to December 31, 2014)	First nine months of Fiscal 2016 (April 1, 2015 to December 31, 2015)
Profit	13,749	15,368
Other comprehensive income		
Valuation difference on available-for-sale securities	10,776	5,841
Deferred gains or losses on hedges	385	(126)
Foreign currency translation adjustment	2,695	(3,477)
Remeasurements of defined benefit plans	193	193
Share of other comprehensive income of affiliates accounted for by the equity method	196	(77)
Total other comprehensive income (loss)	14,248	2,353
Comprehensive income	27,998	17,722
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,992	17,985
Comprehensive income attributable to non-controlling interests	1,006	(263)

(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.

[Segment Information, etc.]

[Segment information]

I. First nine months of Fiscal 2015 (April 1, 2014 to December 31, 2014)

1. Information about net sales, 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	174,084	184,957	359,041	28,459	387,500	–	387,500
Intersegment sales and transfers	15,050	375	15,426	4,208	19,634	(19,634)	–
Total	189,134	185,333	374,468	32,667	407,135	(19,634)	387,500
Segment income	6,431	7,492	13,924	1,897	15,821	(62)	15,759

Notes: 1. Business segment of "Others" is excluded from reportable segment, which includes pet food, engineering, mesh cloths, handling and storage businesses.
2. Segment income adjustment refers to intersegment transaction eliminations and other.
3. Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

2. Information about goodwill by reporting segment

(Material changes in amount of goodwill)

In the Flour Milling Segment the Company's consolidated subsidiary, Miller Milling Company, LLC, acquired four flour milling plants in the United States from Cargill, Inc., Horizon Milling, LLC, and ConAgra Foods Food Ingredients Company, Inc. on May 25, 2014. For the first nine months of the fiscal year under review, goodwill resulting from this acquisition increased by ¥4,932 million.

II. First nine months of Fiscal 2016 (April 1, 2015 to December 31, 2015)

1. Information about net sales, 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	199,714	186,897	386,612	33,149	419,761	–	419,761
Intersegment sales and transfers	14,086	365	14,451	3,816	18,268	(18,268)	–
Total	213,800	187,263	401,064	36,966	438,030	(18,268)	419,761
Segment income	7,390	9,304	16,695	1,919	18,615	106	18,722

Notes: 1. Business segment of "Others" is excluded from reportable segment, which includes pet food, engineering, mesh cloths, handling and storage businesses.
2. Segment income adjustment refers to intersegment transaction eliminations and other.
3. Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

2. Information about goodwill by reporting segment

(Material changes in amount of goodwill)

As reported earlier under "Changes in accounting policies," the Company has applied the "Revised Accounting Standard for Business Combinations" and other accounting standards from the first quarter of the fiscal year under review. The reduction in goodwill resulting from this change was ¥1,252 million in the Flour Milling Segment.

[Material Subsequent Events]

(Business acquisition)

At a meeting of the Board of Directors on December 22, 2015, the Company, in conjunction with affiliate Tokatsu Foods Co., Ltd., resolved to conclude an agreement for the transfer and receipt of shares of Joyous Foods Co., Ltd., a supplier of cooked noodles to FamilyMart Co., Ltd. The share acquisition will involve the receipt of shares transferred by Japan Fresh Supply Co., Ltd., a 100% subsidiary of FamilyMart Co., Ltd., as well as the receipt, upon condition of the aforementioned transfer, of new shares issued by Joyous Foods Co., Ltd. through shareholder allotment. The share acquisition was set for January 29, 2016.

1. Overview of M&A activity

(1) Name and business lines of the acquired company

Acquired company name: Joyous Foods Co., Ltd.

Business lines: Manufacture and sale of cooked noodles

(2) Rationale for M&A activity

The Company has ranked the prepared dishes and other prepared foods business as a growth field, and is taking steps to groom it into one of the Group's mainstay businesses. In December 2012, the Company entered a capital alliance with Tokatsu Foods Co., Ltd., a supplier of bento boxes, seasoned rice balls and other prepared foods primarily to convenience stores. The Company moved in conjunction with Tokatsu Foods Co., Ltd. to conduct the aforementioned share acquisition, having deemed it necessary to contribute to further expansion of the prepared dishes and other prepared foods business.

(3) Date of acquisition

January 29, 2016

(4) Legal form of the acquisition

Cash value acquisition of shares and receipt of share allotment to shareholders to increase capital

(5) Name of company following acquisition

Joyous Foods Co., Ltd.

(6) Percentage of voting rights acquired

65.1%

(7) Main reason for the acquisition

To acquire a majority of voting rights for the Company by payment of cash in consideration for the acquisition and allotment of shares with an increase in capital.

2. Breakdown of acquisition price and type of payment offered for acquisition

Share acquisition via transfer of shares	Cash and deposits	¥0 million
Acquisition of shares from receipt of allotment to shareholders to increase capital	Cash and deposits	¥3,255 million
Acquisition cost		¥3,255 million

3. Amount of goodwill that arose, reasons for incidence and amortization method and period

Undetermined at this time.