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

October 29, 2018

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange
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Date to submit the Quarterly Securities Report: November 7, 2018
Date to start distributing dividends: December 7, 2018
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 2019 (April 1, 2018 to September 30, 2018)

(1) Consolidated Business Results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months of Fiscal 2019	284,289	8.4	14,406	10.0	16,809	7.8	11,108	5.3
First six months of Fiscal 2018	262,140	(3.4)	13,102	14.0	15,593	10.4	10,553	4.0

(Note) Comprehensive income: First six months of Fiscal 2019: ¥17,654 million (up 75.1 %)
First six months of Fiscal 2018: ¥10,080 million (up 130.5 %)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First six months of Fiscal 2019	37.41	37.37
First six months of Fiscal 2018	35.17	35.14

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2018	606,418	423,961	67.5
March 31, 2018	591,512	413,794	67.5

(Reference) Equity capital: September 30, 2018: ¥409,544 million March 31, 2018: ¥399,278 million

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the start of the first quarter of fiscal 2019, the year ending March 31, 2019. Relevant figures for the previous consolidated fiscal year are presented following retroactive application of this accounting standard.

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	14.00	—	15.00	29.00
Fiscal 2019	—	16.00			
Fiscal 2019 (forecast)			—	16.00	32.00

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

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

(The 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	565,000	4.6	27,500	1.1	32,000	0.6	22,000	3.1	74.09

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

* Notes

(1) Changes in important subsidiaries during the period under review (changes in specified subsidiaries involving a change in the scope of consolidation): None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Related Notes (4) Notes on Quarterly Consolidated Financial Statements [Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]” on page 12 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, 2018	304,357,891	As of March 31, 2018	304,357,891
2) Number of treasury shares	As of September 30, 2018	7,374,827	As of March 31, 2018	7,426,065
3) Average number of shares outstanding	First six months of Fiscal 2019	296,957,036	First six months of Fiscal 2018	300,029,921

* 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 6 of the Attachment.

(2) Supplementary materials for this report and results briefing materials (Japanese version only) 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, 2019, the Japanese economy recovered modestly, primarily atop improvement in corporate earnings and the country's employment and personal income picture. Nevertheless, uncertainty over its future continued, as labor shortages, rising crude oil prices and concerns over trade friction loomed.

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

With respect to performance, consolidated net sales for the first six months of the fiscal year ending March 31, 2019, increased 8.4% year on year to ¥284,289 million. Along with effects from wheat flour price revisions in the domestic flour milling business, net sales were helped by progress on large-scale construction projects in the engineering business. In terms of profits, due to growth in shipments of commercial wheat flour resulting from strategic investments in Canada and Thailand, higher shipments of raw materials for pharmaceuticals, and steady progress on construction projects in the engineering business, coupled with cost reduction efforts company-wide, operating profit increased 10.0% year on year to ¥14,406 million, with ordinary profit up 7.8% to ¥16,809 million. Profit attributable to owners of parent for the quarter rose 5.3% to ¥11,108 million.

(Year-on-year Comparison)

(Millions of yen)

	First six months of Fiscal 2018	First six months of Fiscal 2019	Difference	Change
Net sales	262,140	284,289	22,149	108.4%
Operating profit	13,102	14,406	1,304	110.0%
Ordinary profit	15,593	16,809	1,216	107.8%
Profit attributable to owners of parent	10,553	11,108	555	105.3%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First six months of Fiscal 2018	First six months of Fiscal 2019	Difference	Change
Net sales	113,868	120,668	6,799	106.0%
Operating profit	4,361	4,965	604	113.9%

In the flour milling business, we made progress in attracting new customers in an adverse market environment characterized by continued belt-tightening behavior among consumers. As a result, shipments of commercial wheat flour in Japan remained on a par with the same period a year earlier. Also in June 2018, the Company revised its commercial wheat flour prices in response to the government’s decision to change the prices of five classes of imported wheat. On average, the government’s price for imported wheat rose 3.5% in April 2018.

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

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

In the overseas business, sales were up year on year, largely reflecting increased shipments from the purchase of a flour milling plant in Thailand and completion of efforts to boost the production capacity of Canadian subsidiary Rogers Foods Ltd.’s Chilliwack Plant in October 2017. Elsewhere, construction to boost by approximately 70% the production capacity of U.S. subsidiary Miller Milling Company, LLC’s Saginaw Plant is on track and scheduled to conclude in early 2019.

As a result, net sales of the Flour Milling Segment increased 6.0% year on year to ¥120,668 million, lifted by effects from wheat flour price revisions in the domestic business and increased shipments from strategic investments in Thailand and Canada in the overseas business. Operating profit, meanwhile, increased 13.9% to ¥4,965 million, mainly atop robust prices for bran in the domestic business, increased shipments of commercial wheat flour in the overseas business and cost reductions due to strategic investments.

2) Processed Food Segment

(Millions of yen)

	First six months of Fiscal 2018	First six months of Fiscal 2019	Difference	Change
Net sales	127,340	130,736	3,396	102.7%
Operating profit	7,194	7,297	102	101.4%

In the processed food business, for household-use products, in addition to efforts to address consumer needs and progress in developing high-value-added products with “simple,” “authentic” and “healthy” as keywords, we conducted sales promotion measures—notably TV commercials—and made use of digital marketing along with other initiatives designed to stimulate consumption. In commercial-use products, we launched new products tailored to customer needs and carried out proposal activities geared toward garnering new customers. Also, in response to revised prices for commercial wheat flour due to the government’s decision to revise the prices of imported wheat, the Company in July 2018 revised prices for its household-use wheat flour and commercial prepared mix products. In the overseas business, sales were higher year on year atop steady shipment growth in the prepared mix business. Elsewhere, in June 2018 we established Vietnam Nisshin Technomic Co., Ltd. with the aim of building a market for commercial-use prepared mix in Vietnam. Preparations are also moving forward for construction of a plant there scheduled to begin operating in winter of fiscal 2020. In the prepared dishes and other prepared foods business, we have developed and are steadily expanding a comprehensive prepared dishes and other prepared foods business that can provide full lineups across wide-ranging categories of products. As a result, sales in the processed food business were higher overall year on year, mainly due to firm growth in prepared dishes and other prepared foods and expansion in shipments of commercial-use prepared mix.

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

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

As a result, net sales of the Processed Food Segment increased 2.7% year on year to ¥130,736 million, primarily from sales growth in the prepared dishes and other prepared foods business of the processed food business, the yeast and biotechnology business and the healthcare foods business. Reflecting this revenue growth, operating profit increased 1.4% year on year to ¥7,297 million.

3) Others Segment

(Millions of yen)

	First six months of Fiscal 2018	First six months of Fiscal 2019	Difference	Change
Net sales	20,931	32,884	11,953	157.1%
Operating profit	1,453	2,080	626	143.1%

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 condition.

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

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

As a result, net sales of the Others Segment increased 57.1% year on year to ¥32,884 million, and operating profit increased 43.1% to ¥2,080 million, primarily atop increased plant construction sales in the engineering business.

(2) Financial Position

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018	Difference
Current assets	260,751	268,028	7,276
Non-current assets	330,761	338,390	7,628
Total assets	591,512	606,418	14,905
Current liabilities	114,189	116,514	2,324
Non-current liabilities	63,528	65,943	2,414
Total liabilities	177,718	182,457	4,739
Total net assets	413,794	423,961	10,166
Total liabilities and net assets	591,512	606,418	14,905

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

Current assets increased ¥7,276 million from the previous fiscal year-end to ¥268,028 million, due largely to increases in notes and accounts receivable – trade. Non-current assets increased ¥7,628 million to ¥338,390 million, primarily due to increases in property, plant and equipment from investment in construction to boost production capacity at the Saginaw Plant of Miller Milling Company, LLC, and valuation gains on investment securities. As a result, total assets increased ¥14,905 million from the previous fiscal year-end to ¥606,418 million.

Meanwhile, current liabilities increased ¥2,324 million to ¥116,514 million, mainly reflecting increases in short-term loans payable. Non-current liabilities increased ¥2,414 million to ¥65,943 million, primarily due to an increase in deferred tax liabilities in response to an increase in valuation gains on investment securities. As a result, total liabilities increased ¥4,739 million from the previous fiscal year-end to ¥182,457 million. Net assets increased ¥10,166 million to ¥423,961 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 2018	First six months of Fiscal 2019	Difference
Net cash provided by (used in) operating activities	22,453	15,905	(6,547)
Net cash provided by (used in) investing activities	(10,131)	(8,171)	1,959
Net cash provided by (used in) financing activities	(14,467)	(3,636)	10,830
Effect of exchange rate change on cash and cash equivalents	145	(584)	(729)
Net increase (decrease) in cash and cash equivalents	(1,999)	3,512	5,512
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	–	(1,006)	(1,006)
Cash and cash equivalents at end of period	88,837	100,967	12,130

Net cash provided by (used in) operating activities

An increase in cash and cash equivalents mainly due to profit before income taxes of ¥16,706 million and depreciation and amortization of ¥7,211 million exceeded a decrease in cash and cash equivalents from factors such as an increase in operating capital from an increase in notes and accounts receivable – trade and the payment of income taxes. This led to net cash provided by operating activities of ¥15,905 million, compared to ¥22,453 million a year earlier.

Net cash provided by (used in) investing activities

¥7,731 million was used for the purchase of property, plant, and equipment and intangible assets, leading to net cash used in investing activities of ¥8,171 million, compared to ¥10,131 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 ¥7,734 million, compared to an inflow of ¥12,322 million a year ago.

Net cash provided by (used in) financing activities

Proceeds from long-term payable and proceeds from short-term loans payable surpassed the repayment of long-term loans payable and the repayment of short-term loans payable by ¥1,641 million. In contrast, to distribute profits to shareholders, the Company paid dividends of ¥4,455 million. This led to net cash used in financing activities of ¥3,636 million, compared to ¥14,467 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, 2019 increased ¥3,512 million from the previous year-end to ¥100,967 million, and included a decrease in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries of ¥1,006 million.

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

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

Regarding forecasts for the fiscal year ending March 31, 2019, while progress continues to move apace on business strategies, including the development of overseas operations, expansion in the prepared dishes and other prepared foods business, and development and sales expansion of high-value-added products, we anticipate growth from the third quarter onward in advertising and other promotion expenses and R&D expenditures, as well as higher personnel costs and other strategic costs related to the Company’s future. Coupled with a consumer environment that remains uncertain, consolidated net sales for the fiscal year ending March 31, 2019 are forecast to rise 4.6% year on year to ¥565,000 million, operating profit is projected to climb 1.1% to ¥27,500 million, and ordinary profit is expected to increase 0.6% to ¥32,000 million, while profit attributable to owners of parent is expected to increase 3.1% to ¥22,000 million. At present, all figures remain in line with initial projections.

With respect to dividends, one of our basic policies is to aim for a payout ratio of 40% or more on a consolidated basis and seek to continuously increase the amount of dividends. Consequently, in line with initial projections, the Company plans to pay an interim dividend of ¥16 per share, up ¥2 year on year, and full-year dividend of ¥32 per share, up ¥3 from the previous fiscal year. This is set to result in an actual dividend increase for a sixth consecutive year.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019 Second Quarter (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	91,635	95,129
Notes and accounts receivable – trade	79,676	86,527
Securities	7,857	6,834
Inventories	71,882	70,793
Other	9,892	8,987
Allowance for doubtful accounts	(193)	(243)
Total current assets	260,751	268,028
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,979	55,624
Machinery, equipment and vehicles, net	38,700	38,193
Land	42,208	42,360
Other, net	14,054	17,092
Total property, plant and equipment	150,942	153,270
Intangible assets		
Goodwill	5,623	5,481
Other	6,786	6,001
Total intangible assets	12,409	11,482
Investments and other assets		
Investment securities	158,211	164,596
Other	9,322	9,163
Allowance for doubtful accounts	(125)	(123)
Total investments and other assets	167,408	173,636
Total non-current assets	330,761	338,390
Total assets	591,512	606,418

(Millions of yen)

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019 Second Quarter (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	58,492	56,530
Short-term loans payable	7,892	11,628
Income taxes payable	4,397	4,503
Accrued expenses	19,291	19,107
Other	24,115	24,743
Total current liabilities	114,189	116,514
Non-current liabilities		
Long-term loans payable	7,194	7,452
Deferred tax liabilities	27,184	29,198
Provision for repairs	1,159	1,400
Net defined benefit liability	20,782	20,961
Other	7,207	6,930
Total non-current liabilities	63,528	65,943
Total liabilities	177,718	182,457
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,894	12,881
Retained earnings	306,415	313,299
Treasury shares	(11,695)	(11,668)
Total shareholders' equity	324,732	331,631
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	69,467	73,900
Deferred gains or losses on hedges	(473)	(35)
Foreign currency translation adjustment	6,352	4,795
Remeasurements of defined benefit plans	(800)	(746)
Total accumulated other comprehensive income	74,546	77,912
Subscription rights to shares	189	181
Non-controlling interests	14,327	14,235
Total net assets	413,794	423,961
Total liabilities and net assets	591,512	606,418

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First six months of Fiscal 2018 (April 1, 2017 to September 30, 2017)	First six months of Fiscal 2019 (April 1, 2018 to September 30, 2018)
Net sales	262,140	284,289
Cost of sales	182,281	202,541
Gross profit	79,858	81,748
Selling, general and administrative expenses	66,755	67,341
Operating profit	13,102	14,406
Non-operating income		
Interest income	103	188
Dividend income	1,158	1,273
Share of profit of entities accounted for using equity method	1,189	695
Other	298	412
Total non-operating income	2,749	2,570
Non-operating expenses		
Interest expenses	99	106
Foreign exchange losses	23	–
Share issuance cost	53	3
Other	81	57
Total non-operating expenses	258	167
Ordinary profit	15,593	16,809
Extraordinary income		
Gain on sales of non-current assets	276	73
Gain on sales of investment securities	2	16
Total extraordinary income	278	90
Extraordinary losses		
Loss on retirement of non-current assets	184	194
Total extraordinary losses	184	194
Profit before income taxes	15,687	16,706
Total income taxes	4,423	4,809
Profit	11,264	11,897
Profit attributable to non-controlling interests	710	788
Profit attributable to owners of parent	10,553	11,108

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First six months of Fiscal 2018 (April 1, 2017 to September 30, 2017)	First six months of Fiscal 2019 (April 1, 2018 to September 30, 2018)
Profit	11,264	11,897
Other comprehensive income		
Valuation difference on available-for-sale securities	733	4,411
Deferred gains or losses on hedges	(262)	433
Foreign currency translation adjustment	(1,774)	890
Remeasurements of defined benefit plans	73	24
Share of other comprehensive income of entities accounted for by the equity method	46	(3)
Total other comprehensive income (loss)	(1,183)	5,757
Comprehensive income	10,080	17,654
(Breakdown)		
Comprehensive income attributable to owners of parent	9,286	17,084
Comprehensive income attributable to non-controlling interests	794	570

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of Fiscal 2018 (April 1, 2017 to September 30, 2017)	First six months of Fiscal 2019 (April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	15,687	16,706
Depreciation and amortization	7,537	7,211
Amortization of goodwill	615	643
Increase (decrease) in net defined benefit liability	(193)	176
Interest and dividend income	(1,262)	(1,462)
Interest expenses	99	106
Share of (profit) loss of entities accounted for using equity method	(1,189)	(695)
Loss (gain) on sales of investment securities	(2)	(16)
Decrease (increase) in notes and accounts receivable – trade	(2,779)	(7,385)
Decrease (increase) in inventories	419	1,253
Increase (decrease) in notes and accounts payable – trade	6,436	(1,110)
Other, net	1,446	1,709
Subtotal	26,816	17,135
Interest and dividend income received	2,238	2,377
Interest expenses paid	(98)	(106)
Income taxes paid	(6,503)	(3,500)
Net cash provided by (used in) operating activities	22,453	15,905
Cash flows from investing activities		
Payments into time deposits	(2,185)	(516)
Proceeds from withdrawal of time deposits	2,041	516
Purchase of securities	(1,717)	(1,026)
Proceeds from sales of securities	1,726	1,032
Purchase of property, plant and equipment and intangible assets	(9,861)	(7,731)
Purchase of investment securities	(19)	(190)
Proceeds from sales of investment securities	2	27
Purchase of shares of subsidiaries and associates	(40)	(125)
Other, net	(76)	(157)
Net cash provided by (used in) investing activities	(10,131)	(8,171)
Cash flows from financing activities		
Increase in short-term loans payable	–	886
Decrease in short-term loans payable	(4,084)	(338)
Proceeds from long-term loans payable	3,387	1,094
Proceeds from sales of treasury shares	183	178
Purchase of treasury shares	(9,427)	(189)
Cash dividends paid	(3,926)	(4,455)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(180)
Other, net	(598)	(632)
Net cash provided by (used in) financing activities	(14,467)	(3,636)
Effect of exchange rate change on cash and cash equivalents	145	(584)
Net increase (decrease) in cash and cash equivalents	(1,999)	3,512
Cash and cash equivalents at beginning of period	90,837	98,461
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	–	(1,006)
Cash and cash equivalents at end of period	88,837	100,967

(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."

[Additional information]

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

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

Profit and losses for applicable consolidated subsidiaries from January 1, 2018 or February 1, 2018 to March 31, 2018 have been adjusted as changes in retained earnings. Related changes in cash and cash equivalents are disclosed under "Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries" in the quarterly consolidated statements of cash flows.

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

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

[Segment Information, etc.]

[Segment information]

I. First six months of Fiscal 2018 (April 1, 2017 to September 30, 2017)

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

(Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Flour Milling	Processed Food	Total				
Net sales							
Sales to external customers	113,868	127,340	241,209	20,931	262,140	–	262,140
Intersegment sales and transfers	7,856	224	8,080	972	9,053	(9,053)	–
Total	121,725	127,564	249,289	21,903	271,193	(9,053)	262,140
Segment profit	4,361	7,194	11,555	1,453	13,009	93	13,102

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 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	Total				
Net sales							
Sales to external customers	120,668	130,736	251,404	32,884	284,289	–	284,289
Intersegment sales and transfers	8,009	215	8,225	1,477	9,702	(9,702)	–
Total	128,678	130,952	259,630	34,361	293,992	(9,702)	284,289
Segment profit	4,965	7,297	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.