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

July 25, 2019

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange
Code: 2002
URL: https://www.nisshin.com
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Date to submit the Quarterly Securities Report: August 6, 2019
Date to start distributing dividends: —
Supplementary materials for this summary of financial statements: Yes
Results briefing for financial results: None

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

1. Consolidated Financial Results for the First Quarter of Fiscal 2020 (April 1, 2019 to June 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 three months of Fiscal 2020	157,819	11.7	6,223	(14.3)	7,314	(19.2)	4,429	(27.2)
First three months of Fiscal 2019	141,271	8.0	7,260	17.4	9,052	13.7	6,083	10.2

(Note) Comprehensive income: First three months of Fiscal 2020: ¥(5,763) million (–%)
First three months of Fiscal 2019: ¥15,375 million (up 114.5%)

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First three months of Fiscal 2020	14.91	14.89
First three months of Fiscal 2019	20.49	20.46

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2019	648,767	408,414	60.6
March 31, 2019	594,754	418,848	67.9

(Reference) Equity capital: June 30, 2019: ¥393,416 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	—				
Fiscal 2020 (forecast)		17.00	—	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 full-year percentages indicate the rates of increase or decrease compared with the previous fiscal year, the percentages for the first half are comparisons with the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	346,000	21.7	13,900	(3.5)	14,700	(12.6)	14,800	33.2	49.81
Full year	725,000	28.2	30,000	11.5	31,700	(1.1)	23,300	4.6	78.42

(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): 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 (3) Notes on Quarterly Consolidated Financial Statements [Changes in Important Subsidiaries during the Period under Review]" on page 10 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 (3) Notes on Quarterly Consolidated Financial Statements [Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]" on page 10 of the Attachment.

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

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

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

1) Number of shares issued and outstanding (including treasury shares)	As of June 30, 2019	304,357,891	As of March 31, 2019	304,357,891
2) Number of treasury shares	As of June 30, 2019	7,207,146	As of March 31, 2019	7,234,479
3) Average number of shares outstanding	First three months of Fiscal 2020	297,134,567	First three months of Fiscal 2019	296,952,639

* 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 4 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 three months of the fiscal year ending March 31, 2020, the Japanese economy recovered modestly, primarily atop improvement in the national employment and personal income environment. Nevertheless, uncertainty over the future continued, fueled by trade friction between the United States and China, coupled with slower economic growth in China.

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.

With respect to performance, consolidated net sales for the first three months of the fiscal year ending March 31, 2020, increased 11.7% year on year to ¥157,819 million, atop effects from the new consolidation of Allied Pinnacle Pty Ltd. In terms of profits, operating profit decreased 14.3% year on year to ¥6,223 million, with ordinary profit down 19.2% to ¥7,314 million and profit attributable to owners of parent down 27.2% to ¥4,429 million. This performance largely reflected intensifying sales competition in the U.S. flour milling business, declines due to the absence of strong performance from the biotechnology business and sales of processed noodles reported in the previous year, and an increase in strategic costs, including costs for the acquisition of shares in Tokatsu Foods Co., Ltd. These factors overshadowed effects from the new consolidation of Allied Pinnacle Pty Ltd., as well as earnings growth from raw materials for pharmaceuticals and the engineering business.

(Year-on-year Comparison)

(Millions of yen)

	First three months of Fiscal 2019	First three months of Fiscal 2020	Difference	Change
Net sales	141,271	157,819	16,547	111.7%
Operating profit	7,260	6,223	(1,037)	85.7%
Ordinary profit	9,052	7,314	(1,738)	80.8%
Profit attributable to owners of parent	6,083	4,429	(1,654)	72.8%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	First three months of Fiscal 2019	First three months of Fiscal 2020	Difference	Change
Net sales	60,683	77,255	16,571	127.3%
Operating profit	2,625	2,074	(550)	79.0%

In the flour milling business, although we made progress in attracting new clients thanks to aggressive sales expansion efforts, shipments of commercial wheat flour in Japan were 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 27.3% year on year to ¥77,255 million. Operating profit, however, decreased 21.0% to ¥2,074 million, mainly due to worsening 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 three months of Fiscal 2019	First three months of Fiscal 2020	Difference	Change
Net sales	65,266	65,538	272	100.4%
Operating profit	3,781	3,068	(712)	81.2%

In the processed food business, amid continued belt-tightening behavior among consumers, for household-use products, in addition to efforts to expand sales of high-value-added products with "simple," "authentic" and "healthy" as keywords, we enacted initiatives designed to stimulate consumption, including TV commercials 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, lifting sales of processed foods higher 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 prepared dishes and other prepared foods business, despite weaker sales of processed noodles due to unseasonable weather, we are steadily expanding full lineups across wide-ranging categories of products. As a result, sales in the prepared dishes and other prepared foods business were higher overall year on year. In July 2019, we converted comprehensive prepared dish supplier Tokatsu Foods Co., Ltd. into a consolidated subsidiary following an additional purchase of shares.

In the yeast and biotechnology business, sales were lower year on year due to a decline in shipments of yeast and other bakery 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 0.4% year on year to ¥65,538 million, primarily atop growth in shipments in the prepared dishes and other prepared foods business and the healthcare foods business. Operating profit decreased 18.8% to ¥3,068 million, as benefits from sales growth were offset by temporary expenses accompanying acquisition of shares in Tokatsu Foods Co., Ltd., increased strategic costs, including advertising and other promotion expenses and R&D expenses, and the impact of the biotechnology business, which performed more strongly in the previous year, on shipment composition.

3) Others Segment

(Millions of yen)

	First three months of Fiscal 2019	First three months of Fiscal 2020	Difference	Change
Net sales	15,322	15,025	(296)	98.1%
Operating profit	810	1,015	205	125.4%

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

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

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

As a result, net sales of the Others Segment decreased 1.9% year on year to ¥15,025 million, and operating profit increased 25.4% to ¥1,015 million, primarily atop brisk performance in the engineering business.

(2) Financial Position

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019	Difference
Current assets	268,170	242,672	(25,498)
Non-current assets	326,583	406,095	79,511
Total assets	594,754	648,767	54,013
Current liabilities	114,806	153,835	39,028
Non-current liabilities	61,098	86,517	25,418
Total liabilities	175,905	240,352	64,447
Total net assets	418,848	408,414	(10,433)
Total liabilities and net assets	594,754	648,767	54,013

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 ¥25,498 million from the previous fiscal year-end to ¥242,672 million, due largely to decreases in cash and deposits accompanying the acquisition of Allied Pinnacle Pty Ltd. Non-current assets increased ¥79,511 million to ¥406,095 million, primarily due to increases in leased assets and goodwill accompanying acquisition of Allied Pinnacle Pty Ltd. and a narrowing of the valuation difference on investment securities. As a result, total assets increased ¥54,013 million from the previous fiscal year-end to ¥648,767 million.

Meanwhile, current liabilities increased ¥39,028 million to ¥153,835 million, mainly reflecting an increase in short-term loans payable accompanying the purchase of Allied Pinnacle Pty Ltd. Non-current liabilities increased ¥25,418 million to ¥86,517 million, primarily due to increases in lease obligations accompanying the purchase of Allied Pinnacle Pty Ltd. As a result, total liabilities increased ¥64,447 million from the previous fiscal year-end to ¥240,352 million. Net assets decreased ¥10,433 million to ¥408,414 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.

(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, forecasts include anticipated business results from the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary in July 2019, and an estimated ¥67.0 billion in goodwill from the acquisition of both Tokatsu Foods and Allied Pinnacle Pty Ltd., a company we purchased in April 2019. Related depreciation expense (anticipated depreciation period: 10 years) is similarly accounted for in our estimates. Calculations have also incorporated strategic costs for the future, including PMI expenses for both companies, advertising and other promotion expenses, R&D expenses and personnel costs. In terms of the current business environment, adverse conditions are projected as belt-tightening behavior continues among consumers in Japan, and competition in the U.S. wheat flour market intensifies. Furthermore, the amount of goodwill currently projected may change pending the result of asset evaluations. Consequently, consolidated net sales for the fiscal year ending March 31, 2020 are forecast to rise 28.2% year on year to ¥725,000 million, operating profit is projected to climb 11.5% to ¥30,000 million, and ordinary profit is expected to decrease 1.1% to ¥31,700 million, while profit attributable to owners of parent is expected to increase 4.6% to ¥23,300 million. 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 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 First Quarter (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	101,974	51,819
Notes and accounts receivable – trade	76,245	91,466
Securities	7,336	6,802
Inventories	73,348	80,526
Other	9,497	12,397
Allowance for doubtful accounts	(232)	(340)
Total current assets	268,170	242,672
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,308	58,720
Machinery, equipment and vehicles, net	41,393	46,407
Land	42,611	42,751
Leased assets, net	1,011	25,385
Other, net	12,994	17,614
Total property, plant and equipment	156,317	190,880
Intangible assets		
Goodwill	5,016	57,180
Other	5,446	5,516
Total intangible assets	10,462	62,697
Investments and other assets		
Investment securities	149,659	140,418
Other	10,265	12,219
Allowance for doubtful accounts	(122)	(119)
Total investments and other assets	159,802	152,517
Total non-current assets	326,583	406,095
Total assets	594,754	648,767

(Millions of yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 First Quarter (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	54,936	53,536
Short-term loans payable	9,535	49,375
Income taxes payable	5,217	2,313
Accrued expenses	19,963	17,478
Other	25,153	31,130
Total current liabilities	114,806	153,835
Non-current liabilities		
Long-term loans payable	6,771	6,425
Lease obligations	760	28,961
Deferred tax liabilities	24,664	22,115
Provision for repairs	1,464	1,529
Net defined benefit liability	21,169	21,134
Other	6,268	6,350
Total non-current liabilities	61,098	86,517
Total liabilities	175,905	240,352
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,882	12,872
Retained earnings	319,705	319,418
Treasury shares	(11,403)	(11,359)
Total shareholders' equity	338,303	338,048
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,669	56,064
Deferred gains or losses on hedges	(393)	(37)
Foreign currency translation adjustment	4,086	25
Remeasurements of defined benefit plans	(728)	(684)
Total accumulated other comprehensive income	65,634	55,368
Subscription rights to shares	167	164
Non-controlling interests	14,743	14,834
Total net assets	418,848	408,414
Total liabilities and net assets	594,754	648,767

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

[Quarterly Consolidated Statements of Income]

(Millions of yen)

	First three months of Fiscal 2019 (April 1, 2018 to June 30, 2018)	First three months of Fiscal 2020 (April 1, 2019 to June 30, 2019)
Net sales	141,271	157,819
Cost of sales	100,258	112,954
Gross profit	41,013	44,864
Selling, general and administrative expenses	33,752	38,641
Operating profit	7,260	6,223
Non-operating income		
Interest income	85	144
Dividend income	1,184	1,210
Share of profit of entities accounted for using equity method	383	488
Other	204	181
Total non-operating income	1,857	2,025
Non-operating expenses		
Interest expenses	47	885
Other	17	48
Total non-operating expenses	65	933
Ordinary profit	9,052	7,314
Extraordinary income		
Gain on sales of non-current assets	51	24
Gain on sales of investment securities	0	–
Total extraordinary income	52	24
Extraordinary losses		
Loss on retirement of non-current assets	52	83
Total extraordinary losses	52	83
Profit before income taxes	9,052	7,255
Total income taxes	2,573	2,512
Profit	6,478	4,743
Profit attributable to non-controlling interests	394	314
Profit attributable to owners of parent	6,083	4,429

[Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	First three months of Fiscal 2019 (April 1, 2018 to June 30, 2018)	First three months of Fiscal 2020 (April 1, 2019 to June 30, 2019)
Profit	6,478	4,743
Other comprehensive income		
Valuation difference on available-for-sale securities	8,638	(6,584)
Deferred gains or losses on hedges	100	364
Foreign currency translation adjustment	198	(4,315)
Remeasurements of defined benefit plans	12	48
Share of other comprehensive income of entities accounted for by the equity method	(53)	(19)
Total other comprehensive income (loss)	8,896	(10,507)
Comprehensive income (loss)	15,375	(5,763)
(Breakdown)		
Comprehensive income (loss) attributable to owners of parent	15,209	(6,030)
Comprehensive income attributable to non-controlling interests	165	266

(3) Notes on Quarterly Consolidated Financial Statements

[Notes on the Premise of a Going Concern]

There are no applicable matters to be reported.

[Notes on a Significant Change in Shareholders' Equity]

There are no applicable matters to be reported.

[Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements]

Tax expenses are calculated in accordance with Paragraph 15, "Method for Using the Statutory Effective Tax Rate," of the Practical Guidelines on Tax-Effect Accounting for Preparation of Interim Financial Statements, pursuant to the provision of Paragraph 19 of the Guidance on the Accounting Standard for Quarterly Financial Reporting.

The amount of tax adjustments is included in "Total income taxes."

[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.

[Merger-related Matters]

Acquisition-based merger

At a meeting of the Board of Directors held February 27, 2019, the Company and subsidiary Nisshin Flour Milling Inc. (Nisshin Flour Milling) resolved to purchase PFG Topco 1 Pty Limited (PFG), the parent company of Australian flour milling company Allied Pinnacle Pty Limited (Allied Pinnacle). For this acquisition, the Company and its subsidiary concluded a share purchasing agreement to acquire 100% of PFG shares from Pacific Equity Partners, an Australian private equity fund. The acquisition took place on April 1, 2019.

(1) Outline of the merger

a. Name and business lines of acquired company

Name:	PFG Topco 1 Pty Limited (holding company owning all shares of Allied Pinnacle)
Business lines:	Production and sales of wheat flour, prepared mix, and bakery good-related ingredients

b. Rationale for the merger

In May 2018, the Nisshin Seifun Group formulated a long-term vision entitled "NNI 'Compass for the Future'." As part of this vision, the Group is working to further raise its profile as "a globally operating company that assists 'healthy lifestyles' and plays a critical role in building 'the food infrastructure' of the future." To this end, the Group has positioned the overseas flour milling business as one of its operations for driving growth.

In recent years, Nisshin Flour Milling has moved aggressively to expand its overseas business, purchasing U.S.-based Miller Milling Company, LLC in 2012, establishing

Champion Flour Milling Ltd. in New Zealand in 2013 following the purchase of a flour milling operation there, and conducting the purchase of production assets of Thailand-based Pacific Flour Milling Co., Ltd. in 2018, among other actions. The Group's latest acquisition will further accelerate measures of this kind to expand its overseas business.

Australia's market for wheat flour used in breads, cakes, noodles and other products is supported by the high population growth rate in the developed world (approximately 1.6% annually), coupled with a strong economy boasting 26 years of continued positive growth, and rising demand for high-value-added products (organic products, etc.) in step with growing health consciousness among consumers. For these reasons, sustained market growth is anticipated going forward.

Allied Pinnacle is a leading company with a top share of Australia's wheat flour market (excluding flour used in starch production and other industrial applications), and also controls a significant share of the market for prepared mix and bakery good-related ingredients. Allied Pinnacle has business dealings with a number of major names in bread, confection and bakery good production, and has built a solid position in the wheat flour-related market.

Following the purchase, the combination of expertise possessed by both Allied Pinnacle and the Nisshin Seifun Group will enhance competitiveness as we seek to drive further business expansion forward. Similarly, we hope to create synergies between Allied Pinnacle and New Zealand-based Champion Flour Milling Ltd. that promote sales expansion and improved operational efficiency, taking advantage of the sales and distribution networks of both companies.

Additionally, the opportunity to develop business in Australia, a major wheat producer, as well as gather wheat-related information and create relationships with wheat producers and grain companies, is also extremely meaningful from the perspective of strengthening the Group's raw material procurement capabilities.

Furthermore, the overlapping of Allied Pinnacle's sales network with the Group's own sales channels will also enable the capture of demand not only in Oceania but in the Asia market, where the shift to a more western diet is occurring rapidly and demand for wheat flour is robust. For its part, the Group is reinforcing its foundations as a company responsible for "food infrastructure" in the promising Oceania and Asia markets, aiming to achieve both the maximization of corporate value and sustainable, cyclical growth.

c. Date of merger

April 1, 2019

d. Legal form of merger

Share acquisition at cash value

e. Post-merger name

PFG Topco 1 Pty Limited

f. Percentage of voting rights acquired

100%

g. Principal evidence supporting acquisition decision

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

(2) Period of acquired company's results included in quarterly consolidated statements of income for the quarterly consolidated period

April 1, 2019 to June 30, 2019

(3) Breakdown of acquisition cost and type of compensation

Compensation for acquisition	Cash and deposits	AUD 589 million	(¥46,810 million)
Acquisition cost		AUD 589 million	(¥46,810 million)

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

Advisory costs, etc. ¥1,040 million

(5) Method for procuring funds for payment

Acquisition funds supplied entirely from funds on hand.

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

a. Goodwill

¥56,739 million

The distribution of acquisition cost has not been finalized; consequently, the amount of goodwill has been calculated on a provisional basis.

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

[Segment Information, etc.]

[Segment information]

I. First three months of Fiscal 2019 (April 1, 2018 to June 30, 2018)

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

(Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Carried on quarterly consolidated statements of income (Note 3)
	Flour Milling	Processed Food	Total				
Net sales							
Sales to external customers	60,683	65,266	125,949	15,322	141,271	–	141,271
Intersegment sales and transfers	4,044	99	4,144	795	4,939	(4,939)	–
Total	64,727	65,366	130,093	16,117	146,211	(4,939)	141,271
Segment profit	2,625	3,781	6,406	810	7,216	44	7,260

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

II. First three months of Fiscal 2020 (April 1, 2019 to June 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	Total				
Net sales							
Sales to external customers	77,255	65,538	142,793	15,025	157,819	–	157,819
Intersegment sales and transfers	4,216	107	4,323	434	4,757	(4,757)	–
Total	81,471	65,645	147,117	15,459	162,576	(4,757)	157,819
Segment profit	2,074	3,068	5,143	1,015	6,158	64	6,223

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. 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 ¥116,815 million.

3. Information about non-current asset impairment and goodwill for each reportable segment

(Important changes in goodwill)

Due to the purchase of PFG Topco 1 Pty Ltd. during the first quarter of the fiscal year ending March 31, 2020, goodwill in the Flour Milling Segment increased by ¥52,612 million. Also, distribution of the acquisition cost has not been finalized; consequently, the amount of goodwill has been calculated on a provisional basis.

[Material Subsequent Events]

1. 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 shares of common stock of the Company's affiliate Tokatsu Foods Co., Ltd. (Tokatsu Foods), a comprehensive supplier of prepared dishes. This acquisition was conducted on July 4, 2019. As a result, Tokatsu Foods became a consolidated subsidiary of the Company from the fiscal year ending March 31, 2020.

(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 will acquire 100% of voting rights.

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

To be decided.

(3) Breakdown of acquisition cost and type of compensation

Cash and deposits used in additional acquisition of shares ¥15,080 million

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

To be decided.

(5) Method for procuring funds for payment

Acquisition funds supplied entirely from funds on hand.

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

To be decided.

(7) Amount and principal breakdown of assets and liabilities assumed on date of merger

To be decided.

2. Issue of corporate bonds

Based on a resolution by the Board of Directors held June 20, 2019, the Company issued domestic unsecured corporate bonds (detailed below) on July 16, 2019.

1st Unsecured Bond (10-year bond)

(1)	Total amount of issue:	¥10 billion
(2)	Issue price:	¥100 for each ¥100 bond
(3)	Interest rate:	0.200% annually
(4)	Payment date:	July 16, 2019
(5)	Redemption period:	July 13, 2029
(6)	Redemption method:	Lump-sum redemption upon maturity
(7)	Application of funds:	Repayment of loans
(8)	Special terms and conditions:	Negative pledge clause

2nd Unsecured Bond (20-year bond)

(1)	Total amount of issue:	¥10 billion
(2)	Issue price:	¥100 for each ¥100 bond
(3)	Interest rate:	0.560% annually
(4)	Payment date:	July 16, 2019
(5)	Redemption period:	July 15, 2039
(6)	Redemption method:	Lump-sum redemption upon maturity
(7)	Application of funds:	Repayment of loans
(8)	Special terms and conditions:	Negative pledge clause