Summary of Financial Statements for the Year Ended March 31, 2020 [Japanese Standards]

May 14, 2020

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange
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Date to hold the Ordinary General Meeting of Shareholders to approve results: June 25, 2020
Date to start distributing dividends: June 26, 2020
Date to submit the Securities Report: June 25, 2020
Supplementary documents 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 Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Consolidated Business Results

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2020	712,180	26.0	28,852	7.2	31,434	(2.0)	22,407	0.6
Fiscal 2019	565,343	4.7	26,916	(1.0)	32,062	0.8	22,268	4.4

(Note) Comprehensive income: Fiscal 2020: ¥1,347 million (down 92.1%)
Fiscal 2019: ¥17,043 million (down 32.2%)

	Earnings per share	Fully diluted earnings per share	Return on shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal 2020	75.40	75.35	5.6	5.0	4.1
Fiscal 2019	74.98	74.90	5.5	5.4	4.8

(Reference) Equity in earnings of affiliates: Fiscal 2020: ¥1,789 million Fiscal 2019: ¥1,647 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2020	666,215	409,042	59.3	1,328.71
March 31, 2019	594,754	418,848	67.9	1,359.49

(Reference) Equity capital: March 31, 2020: ¥394,995 million March 31, 2019: ¥403,937 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2020	38,420	(96,844)	8,337	56,550
Fiscal 2019	39,873	(19,184)	(10,567)	107,374

2. Dividends

	Dividend per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q End	2Q End	3Q End	Year-End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2019	—	16.00	—	16.00	32.00	9,510	42.7	2.4
Fiscal 2020	—	17.00	—	17.00	34.00	10,110	45.1	2.5
Fiscal 2021 (forecast)	—	17.00	—	18.00	35.00		61.2	

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

(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	345,000	(0.4)	11,500	(18.6)	12,000	(20.6)	7,000	(48.2)	23.55
Full year	700,000	(1.7)	26,000	(9.9)	27,000	(14.1)	17,000	(24.1)	57.19

* Notes

(1) Changes in important subsidiaries during the fiscal year ended March 31, 2020 (changes in specified subsidiaries involving a change in the scope of consolidation): Yes

Newly included: Eight companies
PFG Topco1 Pty Ltd.
Allied Pinnacle Pty Ltd., six others

Excluded: None

Note: For details, please refer to "III. Consolidated Financial Statements and Related Notes (5) Notes on Consolidated Financial Statements [Changes in scope of consolidation]" on page 16 of the Attachment.

(2) 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

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

1) Number of shares issued and outstanding (including treasury shares)	As of March 31, 2020	304,357,891	As of March 31, 2019	304,357,891
2) Number of treasury shares	As of March 31, 2020	7,079,592	As of March 31, 2019	7,234,479
3) Average number of shares outstanding	Fiscal 2020	297,187,439	Fiscal 2019	297,016,222

* This Summary of Financial Statements is not subject to review by certified public accountants or independent account auditors.

* Statement regarding the proper use of financial forecasts and other special remarks

(1) The statements contained in this document are based on various assumptions and do not constitute any guarantee or definite promise that projections of future performance or related business policies will actually be realized. For details of assumptions for financial forecasts and other related matters, please refer to "I. Review of Business Performance (4) Outlook" on page 6 of the Attachment.

(2) Supplementary materials for this report and results briefing materials can be found on the Company's website.

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I. Review of Business Performance

(1) Business Performance

During the fiscal year ended March 31, 2020, amid a modest recovery in the Japanese economy, both the economy and social infrastructure faced serious and widening challenges from the impact of a global pandemic triggered by a novel coronavirus from the start of the year. The economic environment is now one of extreme uncertainty, with the future economic outlook difficult to predict.

Under these conditions, the Group placed highest priority on its corporate mission of ensuring the stable supply of foods involving wheat flour, as well as the safety of the employees who support this mission. In each business, the Group took decisive steps for building the foundation for further growth through initiatives to realize its long-term vision called "NNI 'Compass for the Future' —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change," setting as a milestone the medium-term management plan, "NNI-120 II," which is scheduled to conclude in the fiscal year ending March 31, 2021. As part of this push, in April 2019 the Group acquired Allied Pinnacle Pty Ltd., a company engaged in wheat flour-related operations across Australia. This move was followed in July by the conversion of comprehensive prepared dishes supplier Tokatsu Foods Co., Ltd. into a consolidated subsidiary. Meanwhile, the Group transferred the business of consolidated subsidiary Nisshin Petfood Inc. to Petline Co., Ltd. in March 2020.

With respect to performance, consolidated net sales for the fiscal year ended March 31, 2020, increased 26.0% year on year to ¥712,180 million. This result primarily reflected effects from the new consolidation of Allied Pinnacle Pty Ltd. and Tokatsu Foods Co., Ltd. In terms of profits, operating profit increased 7.2% year on year to ¥28,852 million. In addition to the absence of temporary expenses posted in the previous year related to the acquisition of Allied Pinnacle Pty Ltd., profit was lifted by brisk performance in the prepared dishes and other prepared foods business, which included new consolidation, as well as in the existing raw materials for pharmaceuticals and engineering businesses. These factors ultimately offset the impact of profit deterioration in the U.S. flour milling business, integration-related expenses accompanying M&A activity, and higher personnel and logistics costs. In terms of sales, amid weak domestic consumption overall, the Group saw a rise in sales of certain household-use products driven by the growing impact of the novel coronavirus pandemic. For the U.S. flour milling business, which faces a tough competitive environment, the Group has developed a timeline for a turnaround to a growth trajectory for the business although the effects of the pandemic are uncertain. In contrast, ordinary profit was down 2.0% to ¥31,434 million. This result primarily reflected interest payments borne by Allied Pinnacle Pty Ltd. Profit attributable to owners of parent rose 0.6% to ¥22,407 million, as the gain on the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary upon its step acquisition outweighed an impairment loss which was posted as a precautionary measure to account for a temporary downturn in the U.S. flour milling business' performance.

With respect to dividends, one of the Company's basic policies is to maintain a payout ratio of at least 40% on a consolidated basis and to raise dividends on an ongoing basis. Consequently, in line with initial forecasts, the Company decided to pay a full-year dividend of ¥34 per share, up ¥2 from the previous fiscal year.

(Year-on-year Comparison)

(Millions of yen)

	Fiscal 2019	Fiscal 2020	Difference	Change
Net sales	565,343	712,180	146,836	26.0%
Operating profit	26,916	28,852	1,936	7.2%
Ordinary profit	32,062	31,434	(627)	(2.0%)
Profit attributable to owners of parent	22,268	22,407	138	0.6%

[Business Overview by Segment]

1) Flour Milling Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020	Difference	Change
Net sales	245,943	306,745	60,802	24.7%
Operating profit	9,179	9,326	146	1.6%

In the flour milling business in Japan, despite an adverse market environment mainly characterized by continued belt-tightening behavior among consumers we made progress in attracting new customers, keeping shipments of commercial wheat flour in Japan flat year on year. Also, in July 2019 and again in January 2020, we 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 and 8.7% in October 2019.

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

In the overseas flour milling business, sales rose dramatically year on year, largely reflecting effects from the new consolidation of Allied Pinnacle Pty Ltd. In the U.S. flour milling business, where market conditions remain challenging, increased production capacity at a key production plants in the U.S. and Canada was completed, and so in December 2019 we closed the Minnesota-based New Prague Plant which had previously been used to adjust supply to meet demand in North America. We have developed a timeline for turning this business around to a growth trajectory, with plans to concentrate management resources in growth regions and reinforce business foundations even further.

As a result, net sales of the Flour Milling Segment increased 24.7% year on year to ¥306,745 million. Operating profit increased 1.6% to ¥9,326 million, as the absence of effects from expenses related to acquisitions incurred in the previous year and robust prices for bran in the domestic business overcame a downturn in performance triggered by sales competition in the U.S.

2) Processed Food Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020	Difference	Change
Net sales	215,037	217,959	2,922	1.4%
Operating profit	12,850	12,895	45	0.4%

In the processed food business, for household-use products, amid continued belt-tightening behavior among consumers, we have moved aggressively to develop and launch high-value-added products with "easy-to-prepare and convenient," "authentic," and "healthy" as keywords. Additionally, we implemented initiatives designed to stimulate consumption, including event co-sponsorship, TV commercials and other advertising activities. Elsewhere, we implemented price revisions for household-use wheat flour in February 2020, in response to factors including price revisions for commercial-use wheat flour due to revised government prices for imported wheat enacted in October 2019. In commercial-use products, we launched new products tailored to customer needs and carried out proposal activities geared toward garnering new customers. In the overseas business, January 2020 saw the start in Vietnam of operations at a new plant for commercial-use prepared mix owned by Vietnam Nisshin Technomic Co., Ltd. Beyond these highlights, the pandemic caused by the novel coronavirus also triggered growth in demand for household-use products toward the end of the fiscal year, leading to higher sales year on year in the processed food business.

In the yeast and biotechnology business, sales were lower year on year, reflecting a decline in shipments of bread making ingredients, etc. Furthermore, construction had been 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. The start date for operations, however, may be delayed due to the impact of the coronavirus pandemic.

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 1.4% year on year to ¥217,959 million. Operating profit rose 0.4% to ¥12,895 million, as effects from revenue growth mainly in the healthcare foods business offset an increase in strategic costs, including expenses for the launch of a yeast plant in India in the yeast and biotechnology business and other advertising and promotion expenses, coupled with higher logistics costs.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020	Difference	Change
Net sales	43,745	129,967	86,222	197.1%
Operating profit	571	1,736	1,164	203.7%

In the prepared dishes and other prepared foods business, while unstable summer weather led to weaker sales of prepared noodles, along with a lower sales toward the fiscal year-end stemming from the coronavirus pandemic, effects from the new consolidation of Tokatsu Foods Co., Ltd. lifted sales substantially higher year on year.

As a result, net sales of the Prepared Dishes and Other Prepared Foods Segment increased 197.1% year on year to ¥129,967 million, and operating profit increased 203.7% to ¥1,736 million.

4) Others Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020	Difference	Change
Net sales	60,616	57,507	(3,109)	(5.1%)
Operating profit	4,088	4,698	610	14.9%

In the pet food business, sales were lower year on year despite the launch of campaigns and other sales expansion efforts, reflecting market contraction characterized by a decline in dog ownership. At the end of March 2020,, the Group transferred this business to Pet Line Co., Ltd..

In the engineering business, sales were lower year on year due to a decline in large-scale projects.

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

As a result, net sales of the Others Segment decreased 5.1% year on year to ¥57,507 million, while operating profit increased 14.9% to ¥4,698 million, primarily atop extensive construction cost control in the engineering business.

(2) Financial Position

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020	Difference
Current assets	268,170	238,980	(29,189)
Non-current assets	326,583	427,234	100,650
Total assets	594,754	666,215	71,461
Current liabilities	114,806	131,058	16,252
Non-current liabilities	61,098	126,114	65,015
Total liabilities	175,905	257,172	81,267
Total net assets	418,848	409,042	(9,806)
Total liabilities and net assets	594,754	666,215	71,461

The status of assets, liabilities and net assets on a consolidated basis at the end of the fiscal year ended March 31, 2020, was as follows.

Current assets decreased ¥29,189 million from the previous fiscal year-end to ¥238,980 million, due largely to decreases in cash and deposits accompanying the acquisition of Allied Pinnacle Pty Ltd. Non-current assets increased ¥100,650 million to ¥427,234 million, primarily due to increases in right-of-use assets and goodwill accompanying acquisition of Allied Pinnacle Pty Ltd. and the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary. As a result, total assets increased ¥71,461 million from the previous fiscal year-end to ¥666,215 million.

Meanwhile, current liabilities increased ¥16,252 million to ¥131,058 million, mainly reflecting an increase in short-term loans payable accompanying the acquisition of Allied Pinnacle Pty Ltd. and the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary. Non-current liabilities increased ¥65,015 million to ¥126,114 million, primarily due to an increase in lease obligations accompanying the acquisition of Allied Pinnacle Pty Ltd. and the issue of bonds. As a result, total liabilities increased ¥81,267 million from the previous fiscal year-end to ¥257,172 million. Net assets decreased ¥9,806 million to ¥409,042 million, including an increase due to profit attributable to owners of parent for the year, a decrease due to the payment of dividends, and a decrease in accumulated other comprehensive income.

(3) Cash Flows

1) Overview of the Fiscal Year Ended March 31, 2020

The status of consolidated cash flows for the fiscal year ended March 31, 2020, was as follows.

(Millions of yen)

	Fiscal 2019	Fiscal 2020	Difference
Net cash provided by (used in) operating activities	39,873	38,420	(1,453)
Net cash provided by (used in) investing activities	(19,184)	(96,844)	(77,660)
Net cash provided by (used in) financing activities	(10,567)	8,337	18,905
Effect of exchange rate changes on cash and cash equivalents	(202)	(1,451)	(1,249)
Net increase (decrease) in cash and cash equivalents	9,920	(51,537)	(61,457)
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	(1,006)	713	1,719
Cash and cash equivalents at end of period	107,374	56,550	(50,824)

Net cash provided by (used in) operating activities

An increase in cash and cash equivalents mainly due to profit before income taxes of ¥33,296 million and depreciation and amortization of ¥21,235 million exceeded a decrease in cash and cash equivalents from factors such as a decrease in notes and accounts payable – trade and the payment of income taxes. This led to net cash provided by operating activities of ¥38,420 million, compared to ¥39,873 million a year earlier.

Net cash provided by (used in) investing activities

¥21,919 million was used for the purchase of property, plant, and equipment and intangible assets, coupled with ¥77,189 million used for the acquisition of Allied Pinnacle Pty Ltd. and the conversion of Tokatsu Foods Co., Ltd. into a consolidated subsidiary. Consequently, net cash used in investing activities was ¥96,844 million, compared to ¥19,184 million a year earlier.

Subtracting net cash used in investing activities from net cash provided by operating activities, free cash flow came to an outflow of ¥58,424 million, compared to an inflow of ¥20,689 million a year ago.

Net cash provided by (used in) financing activities

Proceeds from long-term loans payable, short-term loans payable and the issue of bonds surpassed the repayment of long-term loans payable and the repayment of short-term loans payable by ¥22,317 million. In contrast, to distribute profits to shareholders, the Company paid dividends of ¥9,810 million. This led to net cash provided by financing activities of ¥8,337 million, compared to net cash used of ¥10,567 million a year earlier.

As a result, consolidated cash and cash equivalents at the end of the fiscal year ended March 31, 2020 decreased ¥51,537 million from the previous year-end to ¥56,550 million, and included an increase in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries of ¥713 million.

2) Cash-flow Indicators

The main cash flow indicators for the Nisshin Seifun Group are as follows:

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Equity ratio (%)	70.9	67.5	67.9	59.3
Market value–based equity ratio (%)	90.3	105.9	126.9	80.4
Ratio of interest-bearing debt to operating cash flow (years)	0.4	0.4	0.4	1.4
Interest coverage ratio (times)	218.8	197.2	154.9	12.1

Notes:

Equity ratio = Equity capital / Total assets

Market value-based equity ratio = Market capitalization / Total assets

Ratio of interest-bearing debt to operating cash flow = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest expense

1. All of the above cash-flow indicators are calculated on a consolidated basis.
2. Market capitalization is calculated by multiplying the closing share price on the final trading day of the fiscal year by the total number of outstanding shares (excluding treasury shares) as of the corresponding fiscal year-end.
3. Operating cash flow equals net cash provided by operating activities as stated in the consolidated statements of cash flows. Interest-bearing debt refers to bonds and debt as stated in the consolidated balance sheets. Interest expense is equal to interest payments as stated in the consolidated statements of cash flows.

(4) Outlook

1) Outlook for the Fiscal Year Ending March 31, 2021

As the halt in domestic and global economic activity caused by the pandemic spread of the novel coronavirus grows in severity, so too has uncertainty surrounding the outlook for the fiscal year ending March 31, 2021. Meanwhile, weak consumption due to stay-at-home orders and other restrictions suggests that extremely challenging conditions are likely to continue.

With respect to the outlook for the fiscal year ending March 31, 2021, a key assumption is that a repeated pattern of temporary growth and retreat in novel coronavirus cases will recur throughout the year before gradually giving way to recovery. Similarly, amid a cycle of halt and restart of economic activity, demand for the Company's products will likely be impacted most notably by declining consumption in both prepared dishes and food for restaurant dining, as well as temporary disruption in facility construction. Under these circumstances, the entire Group is working together to continue adapting to this changing business environment and to achieving the objectives outlined in the Group's long-term vision, "NNI 'Compass for the Future'," in a staunch commitment to its social mission of ensuring the stable supply of food staples and maintaining the source of its corporate value.

In light of these assumptions, for the fiscal year ending March 31, 2021, we are projecting consolidated net sales to decline 1.7% to ¥700,000 million, operating profit to decline 9.9% to ¥26,000 million, and ordinary profit to decrease 14.1% to ¥27,000 million, while profit attributable to owners of parent is expected to decline 24.1% to ¥17,000 million.

In the meantime, we will continue to closely and carefully examine the impact on Group operations, and will move quickly to disclose any required revisions as necessary.

2) Cash Flow Outlook for the Next Fiscal Year

Regarding cash flow in the fiscal year ending March 31, 2021, an increase in capital from profit attributable to owners of parent of ¥17,000 million will be used primarily for strategic investments and the return of profits to shareholders through the payment of dividends (representing a real increase for an eighth consecutive term). Consequently, cash and cash equivalents as of March 31, 2021 are expected to be largely unchanged compared to levels as of the end of the fiscal year ended March 31, 2020.

(5) Basic Policy on Profit Distribution and Dividends for Fiscal 2020 and Fiscal 2021

The Company aims to meet the expectations of shareholders to distribute profits, taking into consideration the current and future profitability of its business and financial position, by undertaking the payment of dividends based on a targeted payout ratio of at least 40% on a consolidated basis.

As a further return of profits to shareholders, the Company will pay a full-year dividend of ¥34 per share, an increase of ¥2 from that of the previous fiscal year, with the meeting of the Board of Directors held on May 14, 2020 resolving that the Company distribute its surplus to pay a year-end dividend of ¥17 per share. As a result, dividends paid have increased for seven consecutive terms since the fiscal year ended March 31, 2014, the fiscal year in which total dividends paid were increased instead of making adjustment to the dividend per share following the stock splits.

We will focus on enhancing the stable distribution of profits from a long-term perspective to shareholders who share with us "the values created down through the generations since the establishment of the Company" based on the policy concerning the long-term vision of "NNI 'Compass for the Future' ―Toward a New Stage―Maximizing Group-wide Capabilities and Effecting Business Model Change." More precisely, we aim for a payout ratio of 40% or more on a consolidated basis and seek to continuously increase the amount of dividends, while intending to repurchase treasury shares in a flexible manner taking into account cash flows and strategic needs for investment funds.For the fiscal year ending March 31, 2021, the Company, in line with the aforementioned policy of profit distribution, plans to increase the dividend per share by ¥1 from the fiscal year ended March 31, 2020 to pay an annual dividend of ¥35 per share. This will culminate in a projected actual dividend increase for a eighth consecutive term.

Furthermore, the Company has established a system of providing special privileges to shareholders who own 500 shares or more of the Company's stock as at March 31.

II. Basic Policy Regarding Selection of Accounting Standards

Regarding the voluntary adoption of international financial reporting standards (IFRS), in light of a variety of available information, the Nisshin Seifun Group's policy at this time is to continue to investigate eventual adoption, with close consideration of the potential impact of the global comparability and application of financial data.

III. Consolidated Financial Statements and Related Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	101,974	49,710
Notes and accounts receivable – trade	76,245	92,236
Securities	7,336	7,523
Inventories	73,348	79,854
Other	9,497	10,180
Allowance for doubtful accounts	(232)	(524)
Total current assets	268,170	238,980
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,308	69,597
Machinery, equipment and vehicles, net	41,393	48,769
Land	42,611	45,791
Construction in progress	10,030	13,682
Right-of-use assets	–	23,285
Other, net	3,974	7,360
Total property, plant and equipment	156,317	208,487
Intangible assets		
Goodwill	5,016	42,743
Other	5,446	25,972
Total intangible assets	10,462	68,716
Investments and other assets		
Investment securities	149,659	135,739
Net defined benefit asset	277	308
Deferred tax assets	6,064	9,059
Other	3,924	5,048
Allowance for doubtful accounts	(122)	(126)
Total investments and other assets	159,802	150,030
Total non-current assets	326,583	427,234
Total assets	594,754	666,215

(Millions of yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	54,936	53,730
Short-term loans payable	9,535	18,078
Income taxes payable	5,217	5,829
Accrued expenses	19,963	21,814
Other	25,153	31,605
Total current liabilities	114,806	131,058
Non-current liabilities		
Bonds	–	20,000
Long-term loans payable	6,771	15,226
Lease obligations	760	30,989
Deferred tax liabilities	24,664	29,055
Provision for repairs	1,464	1,335
Net defined benefit liability	21,169	22,443
Long-term deposits received	5,492	5,577
Other	775	1,485
Total non-current liabilities	61,098	126,114
Total liabilities	175,905	257,172
Net assets		
Shareholders' equity		
Capital stock	17,117	17,117
Capital surplus	12,882	12,638
Retained earnings	319,705	332,342
Treasury shares	(11,403)	(11,172)
Total shareholders' equity	338,303	350,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,669	56,970
Deferred gains or losses on hedges	(393)	(53)
Foreign currency translation adjustment	4,086	(11,689)
Remeasurements of defined benefit plans	(728)	(1,158)
Total accumulated other comprehensive income	65,634	44,069
Subscription rights to shares	167	137
Non-controlling interests	14,743	13,908
Total net assets	418,848	409,042
Total liabilities and net assets	594,754	666,215

(2) Consolidated Statements of Income and Comprehensive Income

[Consolidated Statements of Income]

(Millions of yen)

	Fiscal 2019 (April 1, 2018 to March 31, 2019)	Fiscal 2020 (April 1, 2019 to March 31, 2020)
Net sales	565,343	712,180
Cost of sales	401,584	512,356
Gross profit	163,759	199,824
Selling, general and administrative expenses	136,842	170,971
Operating profit	26,916	28,852
Non-operating income		
Interest income	458	496
Dividend income	2,655	2,867
Share of profit of entities accounted for using equity method	1,647	1,789
Rent income	275	295
Other	715	846
Total non-operating income	5,751	6,294
Non-operating expenses		
Interest expenses	257	3,163
Other	348	547
Total non-operating expenses	605	3,711
Ordinary profit	32,062	31,434
Extraordinary income		
Gain on sales of non-current assets	201	104
Gain on sales of investment securities	1,379	212
Gain on step acquisitions	–	7,272
Gain on sale of businesses	–	1,336
Total extraordinary income	1,581	8,925
Extraordinary losses		
Loss on retirement of non-current assets	457	599
Impairment loss	(note 1) 72	(note 1) 5,224
Business restructuring expenses	–	(note 2) 1,028
Other	–	212
Total extraordinary losses	529	7,064
Profit before income taxes	33,113	33,296
Income taxes – current	9,417	11,040
Income taxes – deferred	109	(1,414)
Total income taxes	9,526	9,625
Profit	23,586	23,670
Profit attributable to non-controlling interests	1,317	1,263
Profit attributable to owners of parent	22,268	22,407

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Fiscal 2019 (April 1, 2018 to March 31, 2019)	Fiscal 2020 (April 1, 2019 to March 31, 2020)
Profit	23,586	23,670
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,770)	(5,620)
Deferred gains or losses on hedges	95	327
Foreign currency translation adjustment	172	(16,529)
Remeasurements of defined benefit plans	44	(417)
Share of other comprehensive income of affiliates accounted for by the equity method	(85)	(84)
Total other comprehensive income	(6,543)	(22,323)
Comprehensive income	17,043	1,347
(Breakdown)		
Comprehensive income attributable to owners of parent	15,965	649
Comprehensive income attributable to non-controlling interests	1,077	698

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	17,117	12,894	306,415	(11,695)	324,732
Changes of items during the period					
Dividends from surplus			(9,209)		(9,209)
Profit attributable to owners of parent			22,268		22,268
Purchase of treasury shares				(190)	(190)
Disposal of treasury shares		(37)		483	445
Change of fiscal term of consolidated subsidiaries			230		230
Change in ownership interest of parent due to transactions with non-controlling interests		26			26
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(11)	13,289	292	13,571
Balance at the end of current period	17,117	12,882	319,705	(11,403)	338,303

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	69,467	(473)	6,352	(800)	74,546	189	14,327	413,794
Changes of items during the period								
Dividends from surplus								(9,209)
Profit attributable to owners of parent								22,268
Purchase of treasury shares								(190)
Disposal of treasury shares								445
Change of fiscal term of consolidated subsidiaries								230
Change in ownership interest of parent due to transactions with non-controlling interests								26
Net changes of items other than shareholders' equity	(6,797)	80	(2,266)	72	(8,911)	(21)	415	(8,517)
Total changes of items during the period	(6,797)	80	(2,266)	72	(8,911)	(21)	415	5,053
Balance at the end of current period	62,669	(393)	4,086	(728)	65,634	167	14,743	418,848

Fiscal 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	17,117	12,882	319,705	(11,403)	338,303
Changes of items during the period					
Dividends from surplus			(9,810)		(9,810)
Profit attributable to owners of parent			22,407		22,407
Purchase of treasury shares				(190)	(190)
Disposal of treasury shares		(24)		421	397
Change of fiscal term of consolidated subsidiaries			39		39
Change in ownership interest of parent due to transactions with non-controlling interests		(219)			(219)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(244)	12,636	231	12,623
Balance at the end of current period	17,117	12,638	332,342	(11,172)	350,926

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	62,669	(393)	4,086	(728)	65,634	167	14,743	418,848
Changes of items during the period								
Dividends from surplus								(9,810)
Profit attributable to owners of parent								22,407
Purchase of treasury shares								(190)
Disposal of treasury shares								397
Change of fiscal term of consolidated subsidiaries								39
Change in ownership interest of parent due to transactions with non-controlling interests								(219)
Net changes of items other than shareholders' equity	(5,699)	340	(15,775)	(430)	(21,565)	(29)	(834)	(22,429)
Total changes of items during the period	(5,699)	340	(15,775)	(430)	(21,565)	(29)	(834)	(9,806)
Balance at the end of current period	56,970	(53)	(11,689)	(1,158)	44,069	137	13,908	409,042

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2019 (April 1, 2018 to March 31, 2019)	Fiscal 2020 (April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	33,113	33,296
Depreciation and amortization	14,951	21,235
Impairment loss	72	5,224
Amortization of goodwill	1,324	5,672
Loss (gain) on step acquisitions	–	(7,272)
Loss (gain) on sale of businesses	–	(1,336)
Increase (decrease) in net defined benefit liability	381	1,162
Decrease (increase) in net defined benefit asset	(38)	(31)
Interest and dividend income	(3,113)	(3,363)
Interest expenses	257	3,163
Share of (profit) loss of entities accounted for using equity method	(1,647)	(1,789)
Loss (gain) on sales of investment securities	(1,379)	(210)
Decrease (increase) in notes and accounts receivable – trade	2,697	3,883
Decrease (increase) in inventories	(1,700)	6,339
Increase (decrease) in notes and accounts payable – trade	(2,666)	(16,989)
Other, net	1,314	(1,458)
Subtotal	43,567	47,528
Interest and dividends income received	4,049	4,449
Interest expenses paid	(257)	(3,145)
Income taxes paid	(7,485)	(10,412)
Net cash provided by (used in) operating activities	39,873	38,420
Cash flows from investing activities		
Payments into time deposits	(1,425)	(1,064)
Proceeds from withdrawal of time deposits	513	1,965
Purchase of securities	(2,038)	(1,771)
Proceeds from sales of securities	2,052	2,117
Purchase of property, plant, and equipment and intangible assets	(18,233)	(21,919)
Purchase of investment securities	(742)	(554)
Proceeds from sales of investment securities	1,706	291
Proceeds from sale of businesses	–	1,426
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(77,189)
Other, net	(1,016)	(145)
Net cash provided by (used in) investing activities	(19,184)	(96,844)
Cash flows from financing activities		
Increase in short-term loans payable	75	35,719
Decrease in short-term loans payable	(1,636)	(43,290)
Proceeds from long-term loans payable	1,105	10,000
Proceeds from issuance of bonds	–	19,888
Proceeds from sales of treasury shares	297	250
Purchase of treasury shares	(190)	(190)
Cash dividends paid	(9,209)	(9,810)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(180)	(275)
Repayments of lease obligations	(389)	(3,549)
Other, net	(439)	(404)
Net cash provided by (used in) financing activities	(10,567)	8,337
Effect of exchange rate changes on cash and cash equivalents	(202)	(1,451)
Net increase (decrease) in cash and cash equivalents	9,920	(51,537)
Cash and cash equivalents at beginning of period	98,461	107,374
Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	(1,006)	713
Cash and cash equivalents at end of period	107,374	56,550

(5) Notes on Consolidated Financial Statements

[Going Concern Considerations]

There are no applicable matters to be reported.

[Changes in Matters Fundamental to Preparation of the Consolidated Financial Statements]

[Changes in scope of consolidation]

Due to the acquisition of PFG Topco1 Pty Ltd. during the fiscal year ended March 31, 2020, both PFG Topco1 Pty Ltd. and its subsidiaries (Allied Pinnacle Pty Ltd. and 19 other companies) were newly included within the scope of consolidation.

Of these companies, PFG Topco1 Pty Ltd., Allied Pinnacle Pty Ltd. and six other companies are designated as specified subsidiaries.

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

[Changes in Accounting Policies]

[Application of IFRS 16 (“Leases”)]

From the start of the fiscal year ended March 31, 2020, Group companies subject to application of IFRS have applied IFRS 16 (“Leases”), an accounting method in which borrower lease transactions are viewed either as right-of-use assets or lease obligations. Accordingly, an approach was adopted in which any cumulative impact of the application of this standard, regarded as a transitional measure, is recognized on the start date of its application.

The application of this standard has a negligible impact on the consolidated financial statements.

[Changes in Disclosure]

[Consolidated Statements of Cash Flows]

Due to growth in its monetary importance, “Repayments of lease obligations, ” included within “Other, net” under “Net cash provided by (used in) financing activities” in the previous fiscal year (ended March 31, 2019), has been reported as a separate line item for the fiscal year ended March 31, 2020. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in disclosure.

As a result, a loss of ¥828 million reported as “Other, net” under “Net cash provided by (used in) financing activities” in the Consolidated Statements of Cash Flows for the previous fiscal year (ended March 31, 2019) has been restated as a loss of ¥389 million reported as “Repayments of lease obligations,” and a loss of ¥439 million reported as “Other, net.”

[Consolidated Statements of Income]

1. Impairment losses

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Due to negligible materiality, impairment losses posted for the year are omitted.

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Impairment losses were posted for the asset groups below during the fiscal year ended March 31, 2020.

<table>
<tr><th>Location</th><th>Application</th><th>Type</th></tr>
<tr><td rowspan="2">United States</td><td>—
(Flour Milling)</td><td>Goodwill</td></tr>
<tr><td>Business assets
(Flour Milling)</td><td>Buildings and structures; machinery, equipment and vehicles; others</td></tr>
<tr><td>City of Tsuru (Yamanashi Pref.), others</td><td>Business assets
(Others)</td><td>Buildings and structures; machinery, equipment and vehicles</td></tr>
<tr><td>City of Kawasaki (Kanagawa Pref.)</td><td>Business assets
(Others)</td><td>Buildings and structures; machinery, equipment and vehicles; others</td></tr>
</table>

The Nisshin Seifun Group categorizes assets based on the smallest unit that largely generates cash flows independently from the cash flows of other assets and asset groups.

Regarding goodwill for the U.S. flour milling business in the Flour Milling Segment, following comprehensive consideration of factors surrounding a downturn in business performance due to intensifying sales competition, the Company conducted an impairment test based on U.S. GAAP. This resulted in a reduction in the book value of this business to its fair value, and the subsequent posting of an impairment loss of ¥3,003 million under extraordinary losses. The breakdown of the impairment loss is ¥3,003 million in goodwill.

A discount rate of 8.5% was used in the calculation of fair value.

Furthermore, following the decision to close the Minnesota-based New Prague Plant in the U.S. flour milling business, the Company reduced the book value of assets from this plant to their recoverable value. This resulted in the subsequent posting of an impairment loss of ¥866 million under extraordinary losses. The breakdown of the impairment loss is ¥358 million in buildings and structures, ¥159 million in machinery, equipment and vehicles, and ¥347 million in others.
The recoverable value for the above asset groups is measured based on net sale value.

Regarding manufacturing equipment for mesh cloth used in screen printing by NBC Meshtec Inc. in the Others Segment, because future cash flow anticipated from this equipment has fallen below its book value due to changes in the market environment, the Company reduced the book value of this asset to its recoverable value. This resulted in the subsequent posting of an impairment loss of ¥912 million under extraordinary losses. The breakdown of the impairment loss is ¥636 million in buildings and structures, and ¥276 million in machinery, equipment and vehicles.

The recoverable value for the above asset groups is measured based on the usable value (discount rate of 15.1%).

Additionally, regarding the pet food manufacturing equipment of Nisshin Petfood Inc., due to the decision made to exit the manufacturing business at the end of March 2021, the Company reduced the book value of this asset to the recoverable value it expects to realize by the date of exit from this business. This resulted in the posting of an impairment loss of ¥442 million under extraordinary losses. The breakdown of the impairment loss is ¥99 million in buildings and structures, ¥323 million in machinery, equipment and vehicles, and ¥19 million in others.
The recoverable value for the above asset groups is measured based on the usable value (discount rate of 9.6%).

2. Business restructuring expenses

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Business restructuring expenses consist primarily of expenses related to the closure of the Minnesota-based New Prague Plant in the U.S. flour milling business, and expenses related to transfer of the pet food business.

[Merger-related Matters]

1. Acquisition-based merger

At a meeting of the Board of Directors held February 27, 2019, the Company resolved that the Company and its subsidiary Nisshin Flour Milling Inc. (Nisshin Flour Milling) would acquire PFG Topco1 Pty Ltd (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, etc. The acquisition took place on April 1, 2019.

(1) Outline of the merger

a. Name and business lines of acquired company

Name: PFG Topco1 Pty Limited (holding company owning all shares of Allied Pinnacle)

Business lines: Production and sales of wheat flour, prepared mix, and bakery-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 acquisition of a flour milling operation there, and conducting the acquisition 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 continuing 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 acquisition, 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 Topco1 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 business results for the acquired company included within the consolidated financial statements

April 1, 2019 to March 31, 2020

(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. Amount of subsequent goodwill

¥41,101 million

b. Reasons for occurrence

Occurrence stems from rationale estimate of future surplus earning capacity anticipated from business development going forward

c. Depreciation method and depreciation period

Depreciated uniformly over 10 years

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

Current assets	¥34,243 million
Non-current assets	¥59,275 million
Total assets	¥93,518 million
Current liabilities	¥15,483 million
Non-current liabilities	¥72,326 million
Total liabilities	¥87,809 million

(Note) (1) “Amount of subsequent goodwill” in 6. above not included in assets and liabilities.

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

a. Amount allocated to intangible assets

¥21,733 million

b. Description of type

Client-related assets ¥21,733 million

c. Weighted average depreciation period

13.5 years

(9) Estimation and method of calculation of effect on Consolidated Statements of Income for fiscal 2020 if merger assumed completed on the first day of the fiscal year

No effect reported since the merger date occurred on the first day of the fiscal year.

2. Acquisition-based merger

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

(1) Outline of the merger

a. Name and business lines of acquired company

Name: Tokatsu Foods Co., Ltd.

Business lines: Freshly prepared foods business (production and sales of bento boxes, seasoned rice balls, sandwiches, prepared foods, noodles, salads and other prepared foods), frozen prepared foods business (production and sales of commercial-use frozen bento boxes, frozen prepared foods, 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 foods business targeting convenience stores along with a delivery route-focused frozen prepared foods business. Prior to the merger, the Group had, over many years, developed a collaborative relationship with Tokatsu Foods, both through outsourcing the production of deli prepared foods and frozen foods to Tokatsu Foods, and through a capital tie-up. The current acquisition will further enhance these relations, with hopes to leverage the Group's basic research expertise and product development capabilities to stimulate expansion of the Group's prepared dishes and other prepared foods business and its frozen foods business.

c. Date of merger

July 4, 2019

d. Legal form of merger

Share acquisition at cash value

e. Post-merger name

Tokatsu Foods Co., Ltd.

f. Percentage of voting rights acquired

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

g. Principal evidence supporting acquisition decision

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

(2) Period of business results for the acquired company included within the consolidated financial statements

July 1, 2019 to March 31, 2020

(3) Breakdown of acquisition cost and type of compensation

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

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

Advisory costs, etc. ¥190 million

(5) Acquisition cost and difference from total cost of individual transactions required for the acquisition
Gain on step acquisitions ¥7,272 million

(6) Method for procuring funds for payment
Acquisition funds supplied entirely from funds on hand.

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

a. Amount of subsequent goodwill
¥11,808 million
b. Reasons for occurrence
Occurrence stems from reasonable estimates of future surplus earnings capacity anticipated from business development going forward.
c. Depreciation method and depreciation period
Depreciated uniformly over 10 years

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

Current assets	¥26,066 million
Non-current assets	¥29,197 million
Total assets	¥55,264 million
Current liabilities	¥26,328 million
Non-current liabilities	¥11,176 million
Total liabilities	¥37,504 million

(Note) (1) "Amount of subsequent goodwill" in 7. above not included in assets and liabilities.

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

a. Amount allocated to intangible assets
¥4,655 million
b. Description of type
Client-related assets ¥4,655 million
c. Depreciation period
12 years

(10) Estimation and method of calculation of effect on Consolidated Statements of Income for fiscal 2020 if merger assumed completed on the first day of the fiscal year

Net sales	¥27,283 million
Operating profit	¥406 million
Ordinary profit	¥285 million
Profit attributable to owners of parent	¥22 million

(Calculation method for estimation)

The calculated estimation reflects the comparative difference between net sales and profit/loss data reported in the Company's Consolidated Statements of Income and net sales and profit/loss data if the merger is assumed to have completed on the first day of the fiscal year. Furthermore, the estimated effect of goodwill and other intangible assets recognized at the date of merger is calculated as if such assets occurred at the beginning of the fiscal year. This note has not been audit certified.

[Segment Information, etc.]

[Segment information]

1. Outline of reportable segment

The Nisshin Seifun Group's reportable segments and the other businesses are components of the Group, for which discrete financial information is available and the operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to and assess the performance of the segments.

The Company, as the holding company of the Group, plans and determines group strategies for, allocates resources to and assesses the performance of each of its businesses, which are classified by type of products and services in Flour Milling, Processed Food, Prepared Dishes and Other Prepared Foods and Others.

Prepared Dishes and Other Prepared Foods, previously categorized under Processed Food, was established as a standalone reportable segment from the fiscal year ended March 31, 2020. This move reflects significant growth in the qualitative and substantive importance of this business following the consolidation of Tokatsu Foods Co., Ltd., as well as subsequent steps to strengthen the management structure for prepared dishes and other prepared foods business.

Accordingly, the Group designates the Flour Milling, Processed Food and Prepared Dishes and Other Prepared Foods segments as its reportable segments.

Major products of the reportable segments are as follows.

Flour Milling:	Wheat flour, bran and wheat flour-related products
Processed Food:	Prepared mix, wheat flour for household-use, pasta, pasta sauce, frozen food, cake and bread ingredients, biochemical products, life science business, healthcare foods
Prepared Dishes and Other Prepared Foods:	Boxed lunches, prepared dishes, prepared noodles and other prepared foods

2. Calculation methods of net sales, profit (loss), assets and other items for each reportable segment

The accounting methods used for reportable segments are largely the same as those adopted for use in the preparation of the consolidated financial statements. Segment profit figures are the same as operating profit figures. Intersegment sales and transfers are based on market prices.

3. Information about net sales, profit (loss), assets and other items for each reportable segment

Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Carried on consolidated financial statements (Note 3)
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total				
Net sales								
Sales to external customers	245,943	215,037	43,745	504,726	60,616	565,343	–	565,343
Intersegment sales and transfers	16,431	412	3,559	20,403	2,951	23,355	(23,355)	–
Total	262,375	215,450	47,305	525,130	63,568	588,699	(23,355)	565,343
Segment profit	9,179	12,850	571	22,601	4,088	26,689	226	26,916
Segment assets	209,818	159,544	25,814	395,177	72,255	467,432	127,321	594,754
Other items								
Depreciation and amortization	8,164	4,763	720	13,649	1,545	15,194	(243)	14,951
Investment for affiliates accounted for by the equity method	3,073	159	7,025	10,259	16,343	26,602	–	26,602
Increase in property, plant and equipment and intangible assets	8,209	8,682	727	17,619	1,239	18,858	(139)	18,719

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.

   The adjustment in segment assets of ¥127,321 million includes intersegment asset eliminations (-¥88,639 million) and the Group's assets (¥215,960 million): mainly, the Company's surplus operating capital (cash and deposits and securities) and investment securities.

3. Segment profit has been adjusted for the operating profit appearing in the consolidated statements of income.

Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Carried on consolidated financial statements (Note 3)
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total				
Net sales								
Sales to external customers	306,745	217,959	129,967	654,673	57,507	712,180	–	712,180
Intersegment sales and transfers	16,507	1,465	4,991	22,963	2,406	25,369	(25,369)	–
Total	323,252	219,424	134,959	677,637	59,913	737,550	(25,369)	712,180
Segment profit	9,326	12,895	1,736	23,958	4,698	28,657	194	28,852
Segment assets	294,565	159,399	60,065	514,031	73,642	587,674	78,540	666,215
Other items								
Depreciation and amortization	11,780	5,005	3,142	19,928	1,546	21,475	(239)	21,235
Investment for affiliates accounted for by the equity method	3,370	159	–	3,530	16,649	20,179	–	20,179
Increase in property, plant and equipment and intangible assets	7,629	9,094	3,474	20,198	1,731	21,930	(87)	21,843

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.
   The adjustment in segment assets of ¥78,540 million includes intersegment asset eliminations (-¥118,562 million) and the Group’s assets (¥197,103 million): mainly, the Company’s investment securities.
3. Segment profit has been adjusted for the operating profit appearing in the consolidated statements of income.

[Per Share Information]

(Yen)

	Fiscal 2019 (April 1, 2018 to March 31, 2019)	Fiscal 2020 (April 1, 2019 to March 31, 2020)
Net assets per share	1,359.49	1,328.71
Earnings per share	74.98	75.40
Fully diluted earnings per share	74.90	75.35

Notes

1. The basis of calculation for net assets per share

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
Total net assets, as stated on the consolidated balance sheets (millions of yen)	418,848	409,042
Net assets associated with common stock (millions of yen)	403,937	394,995
Major components of the difference (millions of yen):		
Subscription rights to shares	167	137
Non-controlling interests	14,743	13,908
Number of shares of common stock issued and outstanding (shares)	304,357,891	304,357,891
Number of treasury shares of common stock (shares)	7,234,479	7,079,592
Number of shares of common stock used in the calculation of net assets per share (shares)	297,123,412	297,278,299

2. The basis of calculation for earnings per share and fully diluted earnings per share

	Fiscal 2019 (April 1, 2018 to March 31, 2019)	Fiscal 2020 (April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent, as stated on the consolidated statements of income (millions of yen)	22,268	22,407
Amount not attributable to owners of common stock (millions of yen)	—	—
Profit attributable to owners of parent associated with common stock (millions of yen)	22,268	22,407
Average number of shares of common stock during the fiscal year (shares)	297,016,222	297,187,439
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Main components of increase in number of shares of common stock used in calculation of fully diluted earnings per share (shares):		
Subscription rights to shares	306,092	184,041
Details of shares not included in calculation of fully diluted earnings per share due to non-dilutive effect	—	—

Note:

When calculating net assets per share, Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded from the number of shares of common stock issued and outstanding at the end of the fiscal year.

As of March 31, 2019, 21,900 Company shares were held in the aforementioned trust. As of March 31, 2020, 38,400 Company shares were held in the aforementioned trust.

Furthermore, when calculating earnings per share and fully diluted earnings per share, Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded when calculating the average number of shares of common stock during the fiscal year. For the fiscal year ended March 31, 2019, the average number of shares of common stock for Company shares held in the aforementioned trust was 31,808 shares. For the fiscal year ended March 31, 2020, that figure was 46,962 shares.