176th Fiscal Term (April 1, 2019 to March 31, 2020)

# Securities Report

Nisshin Seifun Group Inc.

**Contents**

**Report Data**

| | |
|---|---|
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| Locations where filings are available for public inspection | Tokyo Stock Exchange, Inc.<br>(2-1, Nihonbashi-Kabutocho, Chuo-ku, Tokyo) |

# *Part A: Company Information*

# [1] Company Overview

## (1) Principal Business Performance Indicators

### 1. Consolidated business performance indicators

| Fiscal term | | 172nd | 173rd | 174th | 175th | 176th |
|---|---|---|---|---|---|---|
| Years ended March 31 | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Net sales | (millions of yen) | 556,701 | 532,040 | 540,094 | 565,343 | 712,180 |
| Ordinary profit | (millions of yen) | 28,099 | 30,329 | 31,800 | 32,062 | 31,434 |
| Profit attributable to owners of parent | (millions of yen) | 17,561 | 19,466 | 21,339 | 22,268 | 22,407 |
| Comprehensive income | (millions of yen) | 14,140 | 28,457 | 25,148 | 17,043 | 1,347 |
| Net assets | (millions of yen) | 386,485 | 406,805 | 413,794 | 418,848 | 409,042 |
| Total assets | (millions of yen) | 548,120 | 555,337 | 591,512 | 594,754 | 666,215 |
| Net assets per share | (yen) | 1,237.64 | 1,303.45 | 1,344.68 | 1,359.49 | 1,328.71 |
| Earnings per share | (yen) | 58.25 | 64.50 | 71.47 | 74.98 | 75.40 |
| Fully diluted earnings per share | (yen) | 58.15 | 64.43 | 71.40 | 74.90 | 75.35 |
| Equity ratio | (%) | 68.1 | 70.9 | 67.5 | 67.9 | 59.3 |
| Return on equity | (%) | 4.8 | 5.1 | 5.4 | 5.5 | 5.6 |
| Price-earnings ratio (p/e) | (times) | 30.71 | 25.75 | 29.51 | 33.88 | 23.90 |
| Cash flows from operating activities | (millions of yen) | 35,839 | 35,361 | 42,869 | 39,873 | 38,420 |
| Cash flows from investing activities | (millions of yen) | (12,201) | (5,240) | (18,067) | (19,184) | (96,844) |
| Cash flows from financing activities | (millions of yen) | (9,446) | (11,470) | (18,593) | (10,567) | 8,337 |
| Cash and cash equivalents at end of year | (millions of yen) | 72,960 | 90,837 | 98,461 | 107,374 | 56,550 |
| Number of employees [average number of part-time employees] | (persons) | 6,440 [2,501] | 6,324 [2,089] | 6,545 [2,351] | 6,760 [2,622] | 8,962 [10,200] |

Notes:

1. Consumption taxes and other taxes are not included in net sales.
2. When calculating net assets per share from the 174th fiscal term, 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. 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.
3. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the start of the 175th fiscal term. As a result, the Company has adopted a methodology whereby deferred tax assets are disclosed under "Investments and other assets," and deferred tax liabilities are disclosed under "Non-current liabilities."
   Principal management indicators prior to the 174th fiscal term are shown following retroactive restatement of relevant figures based on this methodology.

## 2. Non-consolidated business performance indicators

| Fiscal term | | 172nd | 173rd | 174th | 175th | 176th |
|---|---|---|---|---|---|---|
| Years ended March 31 | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Net sales | (millions of yen) | 18,924 | 25,221 | 30,056 | 25,077 | 20,068 |
| Ordinary profit | (millions of yen) | 8,402 | 14,509 | 18,911 | 13,874 | 8,190 |
| Profit | (millions of yen) | 8,158 | 14,608 | 19,556 | 14,987 | 8,460 |
| Paid-in capital | (millions of yen) | 17,117 | 17,117 | 17,117 | 17,117 | 17,117 |
| Shares issued and outstanding | (thousand shares) | 304,357 | 304,357 | 304,357 | 304,357 | 304,357 |
| Net assets | (millions of yen) | 279,608 | 295,488 | 299,620 | 300,019 | 293,079 |
| Total assets | (millions of yen) | 310,248 | 329,827 | 336,153 | 371,633 | 385,798 |
| Net assets per share | (yen) | 926.09 | 977.65 | 1,008.14 | 1,008.91 | 985.14 |
| Total dividends per share<br>(interim dividend amount) | (yen) | 24.00<br>(12.00) | 26.00<br>(13.00) | 29.00<br>(14.00) | 32.00<br>(16.00) | 34.00<br>(17.00) |
| Earnings per share | (yen) | 27.05 | 48.39 | 65.48 | 50.44 | 28.46 |
| Fully diluted earnings per share | (yen) | 27.01 | 48.34 | 65.41 | 50.39 | 28.44 |
| Equity ratio | (%) | 90.1 | 89.5 | 89.1 | 80.7 | 75.9 |
| Return on equity | (%) | 2.9 | 5.1 | 6.6 | 5.0 | 2.9 |
| Price-earnings ratio (p/e) | (times) | 66.14 | 34.33 | 32.21 | 50.36 | 63.32 |
| Dividend payout ratio | (%) | 88.7 | 53.7 | 44.3 | 63.4 | 119.5 |
| Number of employees<br>[average number of part-time employees] | (persons) | 296<br>[29] | 297<br>[30] | 305<br>[38] | 337<br>[44] | 342<br>[49] |
| Total shareholder return | (%) | 128.2 | 121.0 | 154.7 | 187.5 | 137.7 |
| (Benchmark: TOPIX Total Return Index) | (%) | (89.2) | (102.3) | (118.5) | (112.5) | (101.9) |
| Share-price highs | (yen) | 2,056 | 1,895 | 2,334 | 2,573 | 2,677 |
| Share-price lows | (yen) | 1,365 | 1,444 | 1,631 | 2,078 | 1,461 |

Notes:

1. Consumption taxes and other taxes are not included in net sales.
2. Share-price highs and lows are prices for the Company's shares listed on the First Section of the Tokyo Stock Exchange.
3. When calculating net assets per share from the 174th fiscal term, 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. 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.
4. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the start of the 175th fiscal term. As a result, the Company has adopted a methodology whereby deferred tax assets are disclosed under "Investments and other assets," and deferred tax liabilities are disclosed under "Non-current liabilities."
   Principal management indicators prior to the 174th fiscal term year are shown following retroactive restatement of relevant figures based on this accounting standard.

## (2) History

The predecessor of Nisshin Seifun Group Inc. was Tatebayashi Flour Milling Co., Ltd., a company established in 1900 to specialize in the manufacture and sales of wheat flour. In 1908, Tatebayashi Seifun bought Nisshin Flour Milling Co., Ltd., and changed its name to that of the Company it acquired.

Nisshin Flour Milling Co., Ltd. expanded operations steadily through plant constructions, mergers, and acquisitions. After World War II, the Company undertook extensive rationalization of its core flour milling operations and diversified its business into several areas. This process eventually created a corporate group that incorporated new businesses comprising processed food, compound feed, pet food, pharmaceuticals and engineering.

In July 2001, the Nisshin Seifun Group adopted a holding company structure, under which the Company holds all shares in each operating company covering the Group's principal business fields: flour milling, processed food, compound feed, pet food, and pharmaceuticals. With sights on strengthening its business competitiveness further, the Group has arrived where it is today by moving since then to pursue the remodeling of existing businesses that underpin its resilient earnings base, while enhancing the business portfolio in order to maximize corporate value.

| Date | Event |
|---|---|
| October 1900 | Tatebayashi Flour Milling Co., Ltd. established in Tatebayashi (Gunma). |
| February 1908 | Acquired Nisshin Flour Milling Co., Ltd.; company name changed to that of acquired entity. |
| February 1926 | Construction of the Tsurumi Plant completed. |
| 1934 | Nippon Bolting Cloth, Co., Ltd. (predecessor of NBC Meshtec Inc.) established. |
| 1949 | Reconstruction and expansion of plants damaged during World War II largely completed. |
| May 1949 | Shares listed on the Tokyo Stock Exchange. |
| February 1961 | Compound feed production and research operations of affiliate Nisshin Feed Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd. |
| September 1963 | Research operations in Tokyo and Osaka consolidated into a new facility, the Central Research Laboratory in Oimachi (now Fujimino), Saitama. |
| July 1965 | Acquired Nisshin Nagano Chemical Co., Ltd., which was renamed Nisshin Chemicals Co., Ltd. |
| October 1965 | Prepared mix production and research operations of affiliate Nisshin Foods Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd. |
| December 1966 | Established Nisshin-DCA Foods Inc., a joint venture with DCA Food Industries Inc. of the U.S. (later renamed Nisshin Technomic Co., Ltd. in 1997). |
| February 1968 | Construction of food production lines within the Nagoya Plant completed. |
| October 1970 | Nisshin Pet Food Co., Ltd. established. |
| April 1972 | Nisshin Engineering Co., Ltd. established. |
| April 1978 | Fresh Food Service Co., Ltd. established. |
| October 1987 | Operations of Nisshin Foods Co., Ltd. and Nisshin Chemicals Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd. in a merger. |
| March 1988 | Thai Nisshin Seifun Co., Ltd., a joint venture, established in Thailand; operations commenced in January 1989. |
| September 1989 | Canadian flour milling company Rogers Foods Ltd. acquired by Nisshin Flour Milling Co., Ltd. |
| October 1989 | The Nasu Research Center established in Nasu (now Nasu Shiobara), Tochigi, by transferring operations from Second Central Research Laboratory. |
| September 1990 | The Chiba Plant expanded to include a fourth flour milling facility (Mill D). |
| August 1991 | Nisshin-STC Flour Milling Co., Ltd., a joint venture, established in Thailand; operations started in March 1993. |
| September 1994 | The Higashinada Plant expanded to include a third flour milling facility (Mill C). |
| April 1996 | Nisshin Kyorin Pharmaceutical Co., Ltd., a joint venture with Kyorin Pharmaceutical Co., Ltd., commenced operations. (Nisshin Kyorin Pharmaceutical Co., Ltd., merged with Kyorin Pharmaceutical Co., Ltd., the former joint venture partner of Nisshin Pharma Inc., in October 2008.) |
| October 1996 | Medallion Foods, Inc. established in the U.S. |
| October 1997 | Frozen food operations of Nisshin Flour Milling Co., Ltd. transferred to newly established Nisshin Foods Co., Ltd. |
| March 1998 | Head office relocated to Chiyoda-ku, Tokyo. |
| April 1999 | Operations of Nisshin Technomic Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd. in a merger. |
| October 1999 | Management stake in SANKO Co., Ltd. acquired by Nisshin Flour Milling Co., Ltd. |
| July 2001 | New corporate entity created with operating companies (Nisshin Flour Milling Inc., Nisshin Foods Inc., Nisshin Feed Inc., Nisshin Petfood Inc., and Nisshin Pharma Inc.) under a holding company (Nisshin Seifun Group Inc.) |
| April 2002 | Qingdao Nisshin Seifun Foods Co., Ltd. established in China. |
| October 2002 | The Tsurumi Plant of Nisshin Flour Milling Inc. expanded to include a seventh flour milling facility (Mill G). |

| Date | Event |
| --- | --- |
| April 2003 | Acquired additional shares in Oriental Yeast Co., Ltd., making it a subsidiary. |
| October 2003 | Operations commenced at Marubeni Nisshin Feed Co., Ltd. (an affiliate accounted for by the equity method), a joint venture created through the merger of Nisshin Feed Inc. with Marubeni Feed Co., Ltd. |
| March 2004 | Initio Foods Inc. established. |
| December 2004 | A new flour milling facility constructed by Rogers Foods Ltd. in Chilliwack, British Columbia, Canada. |
| July 2005 | Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. established in China. Started full-scale operations in April 2007. |
| October 2005 | Initio Foods Inc. took over SANKO Co., Ltd. in a merger. |
| November 2005 | Established Jinzhu (Yantai) Food Research and Development Co., Ltd., a joint venture with Nichirei Corporation, in China. The venture commenced operations in October 2006. |
| June 2007 | Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. took over Qingdao Nisshin Seifun Foods Co., Ltd. in a merger. |
| January 2008 | Thai Nisshin Technomic Co., Ltd. opened the R&D Office Center & Sales Office at in Thailand. |
| February 2008 | OYC Shanghai Co., Ltd. (later renamed Nisshin Seifun OYC (Shanghai) Co., Ltd. in 2011), established in China. |
| September 2008 | The Higashinada Plant of Nisshin Flour Milling Inc. expanded its flour milling facilities (Mills D and E). |
| July 2009 | The Tatebayashi Plant of Nisshin Foods Inc. expanded its prepared mix production line. |
| December 2010 | Through tender offers for the shares and other methods, additionally acquired shares in consolidated subsidiaries Oriental Yeast Co., Ltd., and NBC Meshtec Inc. to obtain 100% ownership. |
| May 2011 | Acquired additional shares in Hanshin Silo Co., Ltd., and made it a subsidiary. |
| January 2012 | Oriental Yeast India Pvt. Ltd. established in India. |
| March 2012 | Acquired U.S.-based flour milling company Miller Milling Company, LLC. |
| October 2012 | Established Nisshin Seifun Premix Inc. |
| November 2012 | Opened the Nisshin Seifun (Flour Milling) Museum in Tatebayashi, Gunma. |
| December 2012 | Acquired shares of Tokatsu Foods Co., Ltd. (an affiliate accounted for by the equity method) |
| February 2013 | Acquired a flour milling business in New Zealand, which was subsequently launched as Champion Flour Milling Ltd. |
| April 2013 | Began full-scale business at PT. Indonesia Nisshin Technomic in Indonesia. |
| June 2013 | Established Vietnam Nisshin Seifun Co., Ltd. in Vietnam; operations commenced in October 2014. |
| February 2014 | The Fukuoka Plant of Nisshin Flour Milling Inc. came on-line. |
| May 2014 | Miller Milling Company, LLC acquired four flour milling plants in the U.S. |
| June 2014 | Established Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S. in Turkey as a joint venture with Marubeni Corporation and Nuh'un Ankara Makarnasi Sanayi Ve Ticaret A.S.; operations commenced in May 2015. |
| May 2015 | The Chita Plant of Nisshin Flour Milling Inc. expanded its flour milling facilities (Mill C). |
| May 2015 | The Kobe Frozen Foods Plant of Ma•Ma-Macaroni Co., Ltd., commenced operations. |
| January 2016 | Acquired shares of Joyous Foods Co., Ltd., and made it a consolidated subsidiary. |
| March 2018 | Nisshin-STC Flour Milling Co., Ltd. acquired a flour milling plant in Thailand. |
| June 2018 | Established Vietnam Nisshin Technomic Co., Ltd. in Vietnam. Operations commenced in January 2020. |
| January 2019 | Line expansion at the Saginaw Plant of Miller Milling Company, LLC. |
| April 2019 | Acquired Australian flour milling company Allied Pinnacle Pty Ltd. |
| July 2019 | Converted equity-method affiliate Tokatsu Foods Co., Ltd. into a wholly owned subsidiary following acquisition of additional shares. |
| March 2020 | Transferred the pet food sales business of Nisshin PetFood Inc. |

## (3) Business Overview

The Nisshin Seifun Group consists of 72 subsidiaries and 10 affiliates accounted for by the equity method. The following is a description of the businesses of the Group and the relationships among the subsidiaries and affiliates within their respective business segments. Business groupings are the same as those described in "Notes to the Consolidated Financial Statements [Segment Information, etc.]" of "(1) Consolidated Financial Statements, etc."

Additionally, the Group has changed its reporting segments from the fiscal year ended March 31, 2020. For details, refer to [5] Financial Accounts, (1) Consolidated Financial Statements, etc., 1. Notes to the Consolidated Financial Statements [Segment Information, etc.].

Nisshin Seifun Group is a specified listed company stipulated in Article 49, Paragraph 2 of Cabinet Office Regulations pertaining to regulations regarding the trade of marketable securities. Accordingly, standards for determining the relative insignificance of material facts with respect to insider trading regulations are decided based on consolidated figures.

### 1. Flour Milling Segment

Nisshin Flour Milling Inc., a consolidated subsidiary, produces wheat flour and bran, a by-product, and sells them through sales agents. Fresh Food Service Co., Ltd., a consolidated subsidiary, primarily sells frozen foods and their ingredients and operates restaurants serving food using wheat flour-based commercial ingredients. It purchases wheat flour and other ingredients from Nisshin Flour Milling Inc. Yamajo Shoji Co., Ltd., a consolidated subsidiary, and Ishikawa Co., Ltd., an affiliate accounted for by the equity method, are Nisshin Flour Milling Inc. sales agents. Ishikawa Co., Ltd. also sells packaging materials to Nisshin Flour Milling Inc.

Miller Milling Company, LLC in the United States, Rogers Foods Ltd. in Canada, Nisshin-STC Flour Milling Co., Ltd. in Thailand and Champion Flour Milling Ltd. in New Zealand, all of which are consolidated subsidiaries, produce wheat flour and sell it in the North American, Asian and Oceanian markets, respectively. Acquired in April 2019, Australia-based Allied Pinnacle Pty Ltd., a consolidated subsidiary, produces wheat flour, prepared mix and bakery-related ingredients and sells them in Oceanian and Asian markets.

### 2. Processed Food Segment

Nisshin Foods Inc., a consolidated subsidiary, produces and sells prepared mix and other processed food products. It sells wheat flour for household use purchased from Nisshin Flour Milling Inc., pasta, pasta sauces and frozen foods from production subsidiaries, and other processed foods procured from companies outside the Nisshin Seifun Group. Nisshin Seifun Premix Inc., a consolidated subsidiary, produces and sells prepared mix. Ma•Ma-Macaroni Co., Ltd., a consolidated subsidiary, produces pasta and frozen foods which it sells through Nisshin Foods Inc.

Thai Nisshin Technomic Co., Ltd., a consolidated subsidiary in Thailand, and Vietnam Nisshin Technomic Co., Ltd., a consolidated subsidiary in Vietnam, manufacture prepared mix and sell it in Southeast Asia. Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., a consolidated subsidiary in China, manufactures prepared mix and sells it in mainland China. PT. Indonesia Nisshin Technomic, a consolidated subsidiary in Indonesia sells prepared mix in Southeast Asia. Medallion Foods, Inc., a consolidated subsidiary in the United States, and Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S., a consolidated subsidiary in Turkey, produce pasta, Thai Nisshin Seifun Co., Ltd., a consolidated subsidiary in Thailand, produces pasta sauce and frozen food and Vietnam Nisshin Seifun Co., Ltd., a consolidated subsidiary, produces pasta sauce. Nisshin Foods Inc. is the primary importer and seller of these products in Japan.

Oriental Yeast Co., Ltd., a consolidated subsidiary, manufactures and sells biochemical products and food ingredients for bread, etc. , as well as operating a life science business.

Nisshin Pharma Inc., a consolidated subsidiary, manufactures and sells healthcare foods and pharmaceuticals.

### 3. Prepared Dishes and Other Prepared Foods Segment

Tokatsu Foods Co., Ltd., a consolidated subsidiary, in which the Group acquired additional shares in July 2019, produces and sells cooked foods, including bento lunch boxes, prepared foods and others. Joyous Foods Co., Ltd., a consolidated subsidiary, produces and sells processed noodles. Initio Foods Inc., a consolidated subsidiary, produces and sells prepared foods and also directly operates concessions in department stores.

### 4. Others Segment

Nisshin Petfood Inc., a consolidated subsidiary, manufactures and sells pet foods.

Nisshin Engineering Inc., a consolidated subsidiary, undertakes design, contracted construction and management of production and processing facilities for grain, food products, and chemical products. In addition, it manufactures and sells powder-processing machines and engages in powder-processing, as well as engaging in contracted construction for some Nisshin Seifun Group companies.

NBC Meshtec Inc., a consolidated subsidiary, manufactures and sells mesh cloths and forming filters.

Marubeni Nisshin Feed Co., Ltd., an affiliate accounted for by the equity method, manufactures and sells compound feed.

Japan Logistic Systems Corp., an affiliate accounted for by the equity method, is engaged in overland freight shipping and storage. It ships and stores some of the Group's products. Nisshin Grain Silo Inc. and Hanshin Silo Co., Ltd., both consolidated subsidiaries as well as Chiba Kyodo Silo Co., Ltd., an affiliate accounted for by the equity method, are engaged in handling and storage operations for grain. Shinwa Development Co., Ltd., a consolidated subsidiary, operates sports facilities.

*1 In April 2019, the Company acquired all shares of PFG Topco1 Pty Ltd., the parent company of Australia-based flour milling company Allied Pinnacle Pty Ltd., making it a subsidiary.

*2 In July 2019, the Company acquired additional shares of former affiliate Tokatsu Foods Co., Ltd., making it a subsidiary.

*3 Nisshin PetFood Inc. established a new company to which its sales business was transferred, followed by the subsequent transfer of all shares in said company to Petline Co., Ltd. on March 31, 2020.

The following diagram illustrates the structure of the Nisshin Seifun Group.

**Nisshin Seifun Group Structure**

Nisshin Seifun Group Inc. (Holding company) → Customers

| | Domestic | Overseas |
|---|---|---|
| Flour Milling Segment | ⊙ Nisshin Flour Milling Inc.<br>⊙ Fresh Food Service Co., Ltd.<br>⊙ Yamajo Shoji Co., Ltd.<br>○ Ishikawa Co., Ltd. | ⊙ Miller Milling Company, LLC<br>⊙ Allied Pinnacle Pty Ltd.<br>⊙ Champion Flour Milling Ltd.<br>⊙ Rogers Foods Ltd.<br>⊙ Nisshin-STC Flour Milling Co., Ltd.<br>⊙ NSTC Trading Co., Ltd. |
| Processed Food Segment | (Processed food business)<br>⊙ Nisshin Foods Inc.<br>⊙ Nisshin Seifun Premix Inc.<br>⊙ Ma•Ma-Macaroni Co., Ltd. | ⊙ Thai Nisshin Technomic Co., Ltd.<br>⊙ Shin Nisshin Seifun Foods (Qingdao) Co., Ltd.<br>⊙ PT. Indonesia Nisshin Technomic<br>⊙ Vietnam Nisshin Technomic Co., Ltd.<br>⊙ Medallion Foods, Inc.<br>⊙ Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S.<br>⊙ Thai Nisshin Seifun Co., Ltd.<br>⊙ Vietnam Nisshin Seifun Co., Ltd. |
| | (Yeast and biotechnology business)<br>⊙ Oriental Yeast Co., Ltd.<br>⊙ Pany Delica Co., Ltd.<br>⊙ OYC Foods Net Co., Ltd.<br>⊙ Nihon Bioresearch Inc.<br>⊙ Kitayama Labes Co., Ltd.<br>⊙ Oriental Bio Service Inc.<br>⊙ KBT Oriental Co., Ltd. | ⊙ OYC Americas, Inc.<br>⊙ OYC EU B.V.<br>⊙ Oriental Yeast India Pvt. Ltd.<br>⊙ Nisshin Seifun OYC (Shanghai) Co., Ltd. |
| | (Healthcare foods business)<br>⊙ Nisshin Pharma Inc. | |
| Prepared Dishes and Other Prepared Foods Segment | ⊙ Tokatsu Foods Co., Ltd.<br>⊙ PORT DELICA TOKATSU Co., Ltd.<br>⊙ GREEN DELICA Co., Ltd.<br>⊙ NOMURAFOODS Co., Ltd.<br>⊙ Joyous Foods Co., Ltd.<br>⊙ Initio Foods Inc. | |
| Others Segment | (Pet food business)<br>⊙ Nisshin Petfood Inc. | |
| | (Engineering business)<br>⊙ Nisshin Engineering Inc. | |
| | (Mesh cloths business)<br>⊙ NBC Meshtec Inc.<br>⊙ NBC Metalmesh Inc. | ⊙ PT. NBC Indonesia<br>⊙ NBC Meshtec Americas Inc.<br>⊙ NBC (Shanghai) Mesh Co., Ltd.<br>⊙ NBC Meshtec (Thailand) Co., Ltd. |
| | ○ Marubeni Nisshin Feed Co., Ltd. | |
| | ○ Japan Logistic Systems Corp.<br>⊙ Nisshin Grain Silo Inc.<br>⊙ Hanshin Silo Co., Ltd.<br>○ Chiba Kyodo Silo Co., Ltd.<br>⊙ Shinwa Development Co., Ltd. | |

○ Jinzhu (Yantai) Food Research and Development Co., Ltd.

⊙ Consolidated subsidiaries
○ Subsidiaries and affiliates accounted for by the equity method

## (4) Subsidiaries and Affiliates

| Name | Location | Paid-in capital (millions of yen) | Main businesses | Share of voting rights (indirect ownership) (%) | Details of relationship | |
|---|---|---|---|---|---|---|
| | | | | | Concurrent directors | Comments |
| **Consolidated subsidiaries** | | | | | | |
| Nisshin Flour Milling Inc. | Chiyoda-ku, Tokyo | 14,917 | Production and sales of wheat flour | 100.0 | Present | The Company provides a partial loan for working capital, etc. and rents commercial land, buildings and office space |
| Miller Milling Company, LLC | Minnesota, U.S. | 86 | Production and sales of wheat flour | 100.0 (100.0) | Present | None |
| Allied Pinnacle Pty Ltd. | New South Wales, Australia | 9,689 | Production and sales of wheat flour, prepared mix and bakery-related ingredients | 100.0 (100.0) | Present | None |
| Champion Flour Milling Ltd. | Auckland, New Zealand | 3,491 | Production and sales of wheat flour | 100.0 (75.0) | Present | None |
| Nisshin Foods Inc. | Chiyoda-ku, Tokyo | 5,006 | Sales of pasta, wheat flour for household use, frozen foods, other products<br>Production and sales of prepared mix | 100.0 | Present | The Company provides a partial loan for working capital, etc. and rents commercial land and office space |
| Nisshin Seifun Premix Inc. | Chuo-ku, Tokyo | 400 | Production and sales of prepared mix | 100.0 (100.0) | Present | The Company rents commercial land and office space |
| Ma•Ma-Macaroni Co., Ltd. | Utsunomiya, Tochigi | 350 | Production and sales of pasta and frozen foods | 68.8 (53.8) | Present | None |
| Oriental Yeast Co., Ltd. | Itabashi-ku, Tokyo | 2,617 | Production and sales of food ingredients for bread, etc., biochemical products and other products; life science business | 100.0 | Present | The Company provides partial loan for working capital, etc. |
| Nisshin Pharma Inc. | Chiyoda-ku, Tokyo | 2,689 | Production and sales of healthcare foods and pharmaceuticals, etc. | 100.0 | Present | The Company provides a partial loan for working capital, etc. and rents office space |
| Tokatsu Foods Co., Ltd. | Kohoku-ku, Yokohama, Kanagawa | 100 | Production and sales of cooked food, including bento lunch boxes and prepared foods | 100.0 | Present | None |
| Joyous Foods Co., Ltd. | Kamisato-machi, Kodama-gun, Saitama | 50 | Production and sales of processed noodles, etc. | 85.1 (20.0) | Present | None |
| Initio Foods Inc. | Chiyoda-ku, Tokyo | 487 | Production and sales of prepared and frozen foods; direct operation of concessions in department stores | 100.0 (63.0) | Present | The Company provides partial loan for working capital and rents office space |
| Nisshin Petfood Inc. | Chiyoda-ku, Tokyo | 1,315 | Production and sales of pet foods | 100.0 | Present | The Company rents buildings and office space |
| Nisshin Engineering Inc. | Chuo-ku, Tokyo | 107 | Design, contracted construction and management of production facilities and other facilities, sales of powder-processing machines | 100.0 | Present | The Company rents office space |
| NBC Meshtec Inc. | Hino, Tokyo | 1,992 | Production and sales of mesh cloths and forming filters | 100.0 | Present | The Company provides a partial loan for working capital, etc. |
| 57 other consolidated subsidiaries | | | | | | |
| **Affiliates accounted for by the equity method** | | | | | | |
| Marubeni Nisshin Feed Co., Ltd. | Chuo-ku, Tokyo | 5,500 | Production and sales of compound feed | 40.0 | Present | The Company rents commercial land and buildings |
| Japan Logistic Systems Corp. | Shinagawa-ku, Tokyo | 3,145 | Overland freight shipping and storage | 25.6 (20.6) | Present | None |
| 8 other companies | | | | | | |

Notes:

1. Nisshin Flour Milling, Inc., PFG Topco1 Pty Ltd., PFG Topco Pty Ltd., PFG Mezzco Pty Ltd., PFG Holdco Pty Ltd., PFG Bidco Pty Ltd., Allied Pinnacle Pty Ltd., PBM Holdings Pty Ltd., Allied Pinnacle Australia Pty Ltd., Champion Flour Milling Ltd., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., NBC Meshtec Inc., Nisshin-STC Flour Milling Co., Ltd., Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S., Oriental Yeast India Pvt. Ltd. and PT. NBC Indonesia are specified subsidiaries of Nisshin Seifun Group Inc. PFG Topco1 Pty Ltd., PFG Topco Pty Ltd., PFG Mezzco Pty Ltd., PFG Holdco Pty Ltd., PFG Bidco Pty Ltd., PBM Holdings Pty Ltd., Allied Pinnacle Australia Pty Ltd., Nisshin-STC Flour Milling Co., Ltd., Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S., Oriental Yeast India Pvt. Ltd. and PT. NBC Indonesia are included in other consolidated subsidiaries.
2. Japan Logistic Systems Corp. also submits separate regulatory filings.
3. Figures in parentheses in the percentage of voting rights column indicate shares attributable to indirect ownership.

4. Financial data for subsidiaries accounting for more than 10% of consolidated net sales (excluding any sales transactions between consolidated subsidiaries) are shown in the table below.

(Millions of yen)

| Company name | Net sales | Ordinary profit | Profit | Net assets | Total assets |
|---|---|---|---|---|---|
| Nisshin Flour Milling, Inc. | 175,002 | 8,984 | 6,438 | 79,187 | 194,554 |
| Nisshin Foods Inc. | 120,018 | 6,209 | 4,496 | 30,233 | 59,364 |

## (5) Employees

### 1. Consolidated level

(As of March 31, 2020)

| Business segment | Number of employees | |
|---|---|---|
| Flour Milling | 2,574 | [163] |
| Processed Food | 3,532 | [708] |
| Prepared Dishes and Other Prepared Foods | 1,547 | [8,895] |
| Others | 911 | [351] |
| Corporate (across the Group divisions) | 398 | [83] |
| Total | 8,962 | [10,200] |

Note:
Numbers refer to full-time employees only. Additional figures for the average numbers of part-time staff employed during the fiscal year are provided in square brackets.

Prepared Dishes and Other Prepared Foods, previously categorized under Processed Food, has been established as a standalone business segment. 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.

### 2. Non-consolidated level

(As of March 31, 2020)

| Number of employees | Average age (years) | Average length of service (years) | Average annual pay (yen) |
|---|---|---|---|
| 342 [49] | 42.3 | 16.3 | 8,737,743 |

Notes:
1. Numbers refer to full-time employees only. An additional figure for the average number of part-time staff employed during the fiscal year is provided in square brackets.
2. Average annual pay includes bonuses and any non-standard wages.
3. Employees of Nisshin Seifun Group Inc. are entirely included in Corporate (across the Group divisions).

### 3. Labor unions

Nisshin Seifun Group workers are members of in-house unions, including the Nisshin Flour Milling Workers' Union.

There are no matters to report regarding labor-management relations.

# [2] Review of Operations and Financial Position

## (1) Management Policies, Management Environment and Issues to be Addressed

All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group as of the date of filing this Securities Report in Japanese (August 28, 2020).

### 1. Basic management policies

The Nisshin Seifun Group espouses two corporate philosophies: “the basis of business is built on trust” and to be “in tune with the changing climate.” In combination with the principle “to contribute to a healthy and fruitful life for all,” these philosophies have formed the foundation for the Group to achieve continued growth and expansion of its businesses. In addition, the Group has adopted “Delivering Good Health and Reliability” as its corporate slogan. This expresses the commitment that every Nisshin Seifun Group member firm should strive to deliver products and services that contribute positively to health and build consumer trust.

Based on this philosophy, the Group specifies long-term maximization of corporate value as the key business goal. Group management prioritizes the investment of resources in core operations and businesses with growth potential.

The Group also promotes internal reform while fulfilling its corporate social responsibilities in terms of enhancing its internal control systems, legal and regulatory compliance, food safety, environmental protection and social contribution. The Nisshin Seifun Group is fully committed to gaining the support of all stakeholders, including shareholders, customers, business partners, employees and local communities.

### 2. Medium- to long-term management strategies, target management indicators

“NNI-120 II,” the Group’s current medium-term management plan, is scheduled to conclude in the fiscal year ending March 31, 2021, and targets net sales of ¥750 billion, operating profit of ¥30 billion, and earnings per share (EPS) of ¥80. With plan completion as a milestone, the Group has set out its long-term vision, “NNI ‘Compass for the Future’ —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change,” and will press ahead with New Nisshin Innovation activities that seek to make its grand design for the future a reality.

As for the long-term vision, we will build a system that demonstrates the Group’s “group-wide capabilities” toward our goal of becoming “a globally-operating company that assists ‘healthy lifestyles’ and plays a critical role in building ‘the food infrastructure’ of the future.” At the same time, we take this opportunity to reemphasize “customer-oriented policy,” promote growth strategies based on the pillars of “remodeling existing businesses” and “enhancing the Group business portfolio,” and further reinforce management functions that support the aforesaid initiatives.

Furthermore, we will focus on enhancing the stable distribution of profits from a long-term perspective to shareholders who share with us “the values created through generations since the establishment of the Company.” 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 demand for funds for strategic investments.

The Group will execute these strategies developed to realize the long-term vision so as to achieve further growth in earnings per share (EPS) through efforts in both profit growth and capital policy planning. We also strive to improve our return on equity (ROE) and ensure ROE exceeds capital cost, while striking a balance between capital efficiency and financial stability.

We will further strengthen the link between “the realization of corporate philosophy” and “the maximization of corporate value” by pursuing management in a manner that develops a strong link between our business strategies and contributions to environment (E) and society (S), which are associated with business sustainability, while enhancing governance (G), which serves as a discipline to improve corporate value. We are challenging ourselves to develop a corporate group that enjoys ongoing active support from all stakeholders.

### 3. Management environment and issues to be addressed

The food industry in Japan and worldwide is grappling with a business environment severely impacted by foundational threats to socioeconomic order due to the global novel coronavirus pandemic, as well as exchange rate, grain and resource price volatility, among other concerns. The result is an unprecedented and mounting degree of uncertainty shrouding the industry’s future. In Japan, the trend toward liberalization is expected to gain momentum, reflecting ongoing progress in international trade negotiations.

The management environment, issues to be addressed and related responses are all likely to change in line with the business impact of the novel coronavirus.

Under these circumstances, the Nisshin Seifun Group recognizes that continuing to fulfill its mission of securing stable supplies of safe and reliable wheat flour and other staple foods, and delivering safe and reliable products in each business, is more important than ever before. Similarly, we are equally committed to ensuring the safety of the employees who support this mission. While placing highest priority on responding to sudden changes in the business environment due to the novel coronavirus pandemic and measures to combat it, we aim to achieve our long-term vision by further utilizing our group-wide capabilities by strengthening cooperation among our operating companies in Japan as well as overseas. We are creating sustainable growth by tackling head on changes in the business environment caused by social issues and technological innovation. At the same time, by creating a cycle of added value that benefits society as a whole, we are contributing to making a more sustainable society possible.

**(1) Domestic business strategies**

Regarding the flour milling business, we will develop products that accurately capture customer needs and promote value-added services that offer total solutions to customers, further strengthening customer relationships. In this way, we will continue our efforts to stably supply safe and reliable products.

In the processed food business, we are taking measures to boost brand loyalty by launching new products to respond to the needs of consumers, guided by the keywords of “easy-to-prepare and convenient,” “authentic” and “healthy,” coupled with aggressive sales promotion measures. Additionally, we will optimize our business portfolio through efforts to further expand in the growth fields of the frozen food product business.

In the prepared dishes and other prepared foods business, we marked the start of a new business structure following the conversion of Tokatsu Foods Co., Ltd., a leader in the supply of a comprehensive range of prepared dishes to the Japanese market, into a consolidated subsidiary in July 2019. Under this new structure, steps are underway to move to a sophisticated business model that enables both the pursuit of great flavor and outstanding efficiency in a viable manner.

In the yeast, biotechnology, healthcare foods, engineering and mesh cloths businesses, our plan is to seek growth by promoting product and technology developments that will culminate in groups of businesses with real presence in their respective industries. Furthermore, in March 2020, we transferred the business of the Company’s consolidated subsidiary Nisshin PetFood Inc. to Petline Co., Ltd. In line with our long-term vision. This move sought to preserve brands and other value cultivated over many years in the pet food business, while helping to spur further development of the industry as a whole.

Finally, we will appropriately address the labor shortage problem in Japan by using robotics and AI, as well as by improving business processes using automation and other new technologies.

**(2) Overseas business strategies**

In the flour milling business, we are committed to achieving further growth in local markets via sales expansion measures that leverage the Group’s strengths in flour milling technology and proposal capabilities. In April 2019, the Company purchased Allied Pinnacle Pty Ltd., which is the leading company in Australia’s wheat flour market (excluding flour used in starch production and other industrial applications). In this way, we are continuing to aggressively pursue strategic investments to expand our business foundations outside of Japan.

In the processed food business, we envisage further expansion of the commercial prepared mix business, given projected growth in the Asian market. In January 2020, construction completed and operations commenced at the new plant for commercial prepared mix at Vietnam Nisshin Technomic Co., Ltd. In terms of production, along with bolstering cost competitiveness, by utilizing our global optimal production system as a base, we are leveraging the production technology and expertise in high-level quality control cultivated by the Group over many years to pursue additional business expansion in pasta, pasta sauces and frozen foods.

In the yeast and biotechnology businesses, in a bid to enter the Indian market, where demand for yeast for bread making is rising, Oriental Yeast India Pvt. Ltd. is making progress in constructing a yeast plant. Our goal is to promote business expansion by supplying the local market with high-quality products. Due to the interruption of construction work from the impact of the novel coronavirus pandemic, the operational timetable for the plant, which had been scheduled for this past summer, is now pending.

Moreover, in the flour milling, processed food, and bakery-related businesses in particular, we will move with speed to promote business expansion in new domains, either through the Company’s own proprietary efforts or through M&A and alliance opportunities.

**(3) R&D strategies and cost strategies**

The Group adopts the perspective of its customers in the development of new products, and is engaged in the creation of basic and core technologies in new domains. High value-added products that, from a customer perspective, are novel and unique will be developed continuously. In research, we will clarify our priority research domains in order to promote the commercialization and practical application of research results. At the same time, we will establish research themes closely aligned with business strategies to increase efficiency and speed. Furthermore, we will also respond to the labor shortage problem by, among other actions, investigating further gains in efficiency through automation technology utilization.

As a response to the significant fluctuations expected to continue in the raw material and energy markets, the Nisshin Seifun Group will work to reduce procurement and production costs, while building an operational foundation that properly addresses changing costs.

### (4) Measures addressing systemic changes in wheat policy, and others

The Group expects reduced border import control mechanisms for wheat and wheat-related products as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11 Agreement), the Japan-EU EPA and the trade agreement between Japan and the U.S. come into effect, all of which will begin to pull down the markup (gain collected by government upon import) on wheat produced in the U.S., Canada and Australia, and for competition with imported products from related countries to intensify. As the trend toward free trade further accelerates, the Group will take appropriate steps to stay abreast of upcoming changes as they emerge, while continuing to develop a robust corporate structure domestically and abroad that will enable it to prevail against the global competition.

### (5) Corporate social responsibility (CSR)

The Nisshin Seifun Group has fulfilled its corporate social responsibilities (CSR) as a corporate citizen in all its business activities and retains its status as a corporate entity that plays an increasingly essential role in society. To this end, the Group established a Social Committee to put its "Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines" into practice and to promote initiatives to facilitate the implementation.

Where enhancing governance is concerned, as a company with an audit & supervisory committee-based company structure, we are developing and maintaining a sound and effective corporate governance system. In parallel, with respect to compliance, the Group complies with relevant laws and regulations, social norms and corporate internal rules and regulations, and strives to develop and expand its businesses while being engaged in fair and open competition. For internal control, the Group is doing more than what is required by the Financial Instruments and Exchange Act through maintenance of its internal control systems group-wide. These systems are monitored by a dedicated department to maintain their integrity and seek further improvements.

Furthermore, we have identified a set of "Major CSR Issues (Materiality)" focused particularly on the provision of safe and healthy food staples and responses to climate change, and have positioned these as one of management's highest priorities. As a related specialist department, we established the CSR Promotion Office as a means to promote Group-wide CSR initiatives.

Regarding the provision of safe and healthy food staples, to ensure the delivery to customers of safe and reliable products, we are strengthening our hand in the areas of food safety and food defense. The CR (Consumer Relations) Office, which is charged with the responsibilities of identifying consumer mindsets and social trends while providing timely and appropriate direction as to what actions need to be taken, will actively collect relevant consumer administrative information as well as consumer opinion and their needs. Furthermore, to secure the stable supply of safe and reliable wheat flour and other staple foods, we are striving to enhance our disaster, infectious disease and other preparations through our business continuity planning (BCP).

In terms of response to climate change, we have established target reductions for completion by fiscal 2030 in Group carbon dioxide emissions, aiming to reduce our environmental footprint through installation of equipment with outstanding energy-saving functionality at our plants and joint deliveries with other companies, among other actions. In product development as well, we are working to develop environmentally conscious products that consider energy and plastic reduction and minimization through to the food preparation stage, as well as improvements in recyclability.

Furthermore, the Group, as a member of society, is widely involved in activities contributing to society. We are engaged in supporting reconstruction of the earthquake-affected areas, and making regional contributions through the Nisshin Seifun (Flour Milling) Museum as a regional tourism resource and an educational asset.

In these ways, the Group will continue to fulfill its corporate social responsibilities.

## (2) Business and Other Risks

Among matters pertaining to the review of operations and financial position and financial accounts found in this securities report, the following are principal risks recognized by the management as having a potentially material impact on operating performance.

The Group has formulated “The Nisshin Seifun Group Risk Management Rules” and “The Nisshin Seifun Group Crisis Control Rules,” and ensures an appropriate response to risks, while strengthening routine risk management activities designed to prevent and control risk. The Group has established a Risk Management Committee, chaired by the Company president and comprising the presidents of each respective operating company as members, that moves to recognize and promote response measures to principal risks facing the Group as a whole. In these and various other ways, the Group strives to mitigate risks stemming from its business operations. Additionally, the Group has established a Planning Subcommittee, Disaster Subcommittee and Overseas Safety Countermeasures Subcommittee as subcommittees organized under the Risk Management Committee. By putting in a place a system for investigating and promulgating concrete measures for issues that arise, the Group strives for appropriate risk management, fulfilling its mission to ensure business continuity and the stable supply of products.

Furthermore, economic activity in Japan and worldwide has been severely affected by the pandemic spread of the novel coronavirus. To ensure the continued stable supply of food staples and to maintain employee safety, the Group has positioned the response to abrupt changes in the business environment accompanying measures to combat the novel coronavirus as its highest priority. Nevertheless, pending circumstances surrounding the spread of infection, the stagnation in economic activity could deepen, leading to further retreat in demand, supply chain disruptions and negative effects for the Group’s production activities. Consequently, the Group recognizes that these effects may harbor potentially serious risks with respect to its business development efforts. In terms of Group measures to counter the novel coronavirus infections, including at overseas subsidiaries, we have established a “Novel Coronavirus Pandemic Countermeasures Headquarters,” led by the Company president, and conduct an extensive range of countermeasures. In addition to health and hygiene measures such as body temperature checks upon arrival to work, handwashing and sanitizing, and mask wearing, the Group has enacted both telecommuting and the use of Web-based meeting platforms.

All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group as of the date of filing this Securities Report in Japanese (August 28, 2020).

### 1. Progress of international trade negotiations and wheat policy reform

In step with progress made on international trade negotiations, the trend toward free trade is accelerating, as illustrated most clearly by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11 Agreement), the Japan-EU EPA and the Japan-United States Trade Agreement on Goods, etc. Going forward, changes in demand for wheat and related products in Japan and more intense competition, together with reduced border import control mechanisms, are expected to impact wheat flour-related industries, including the Company’s flour milling and processed food businesses.

In addition, following a review by the government of its wheat policy, etc., our flour milling and processed food businesses remain subject to possible risks generated by: changes to the status quo of the Japanese government’s trade strategy, including the management procedures (purchase, stockpiling and sale, etc.) of wheat; domestic flour and flour-related secondary processing market disruptions; and the realignment of related industries.

To respond to risks associated with this growth in free trade, changes in government wheat policy and other concerns, the Group is building an even more robust corporate structure going forward. Along with putting a global production framework in place, measures include pursuing low-cost operations through utilization of new technologies, adapting to changes in customer needs, and further accelerating overseas business expansion.

### 2. Product safety

Growing concerns over food safety put increasing pressure on the food industry to ensure the safety of the food it supplies. The Nisshin Seifun Group, for its part, continuously implements measures regarding product safety at its own plants and those of subcontractors involved in outsourced production. Nevertheless, events beyond the scope of the Company’s projection due to external and other factors could lead to product recalls or the discovery of defective items.

To respond to risks of this kind regarding foods safety, the Group has set “quality assurance from the consumer’s perspective” as a baseline. From this basic principle, we reinforce education and guidance of employees involved in all operations spanning development through to production, distribution and sales, as well as safety review measures for new ingredients and new products, and enhance food defense measures. Similarly, the Group pursues measures to maintain and improve its quality assurance system for products. Such measures include acquiring certification under ISO, FSSC and other international standards pertaining to food safety management systems, along with ongoing evaluation of effectiveness, coupled with ensuring that food management at subcontractors responsible for outsourced production conforms to the same strict guidelines as the Group’s own plants.

### 3. Disasters, accidents and infectious diseases

The Nisshin Seifun Group strives to maintain and ensure the safety of its plants and other facilities in order to stably supply safe and reliable products. Nevertheless, the occurrence of large-scale natural disasters, such earthquakes, storms and floods, accidents such as fires and explosions, and the spread of new infectious diseases could result in damages and otherwise hinder the ability of the Group to provide products to its clients.

To respond to these disaster and accident-related risks, the Group carries out seismic reinforcement of its principal plants and flood countermeasures to mitigate human injury and damage to plant facilities in the event of an earthquake, flood or other natural disaster. In parallel, the Group is bolstering the creation of systems for preventing fires, explosions and other accidents (including through implementation of facility and safety audits, and embedding of rules regarding facility safety), has a business continuity plan (BCP) in the event of a large-scale earthquake, and a timeline and other readiness measures in place for addressing storm and flood damage. In preparation for outbreaks of new infectious diseases, the duration and resolution of which are difficult to predict, the Group has in place both a business continuity plan (BCP) and specific measures for preventing the spread of such diseases. With respect to countermeasures for large-scale natural disasters, the Group will revise these measures following verification of revisions to the Japanese government's own disaster-related assumptions in light of the increasingly massive scale of such disasters in recent years.

### 4. Alliances with other companies and realization of corporate acquisition benefits

The Nisshin Seifun Group forms alliances with other domestic and global companies and conducts corporate acquisitions as part of efforts to enhance its business portfolio and maximize its long-term corporate value. The inability to progress as initially planned with respect to alliances or businesses post acquisition could result in the failure to realize expected benefits. Furthermore, with respect to goodwill accompanying corporate acquisitions and other intangible assets, the failure to realize anticipated investment returns, due to low profitability stemming from the absence of expected cash flows from such assets, could result in substantial impairment losses. Such occurrence could have an adverse impact on the Group's operating results and other areas of performance.

The Group intends to continue to move forward with enhancing its business portfolio. To this end, the Group remains committed to a range of measures with respect to alliances with other companies and corporate acquisitions. These measures include conducting prior investigation of any such projects based on the Group's own proprietary guidelines and formation of appropriate M&A team structures in order to mitigate risk, along with clear business succession or launch immediately following alliance establishment or acquisitions, and robust PMI activities.

### 5. Overseas business

The Nisshin Seifun Group aggressively promotes the global development of its operations most notably in Asia, North America and Oceania, with overseas sales today accounting for over 20% of the Group's net sales. The Group is also building a globally optimized production framework in order to strengthen cost competitiveness, and is working to expand this overseas business base further in the future. Outside of Japan, however, the Group is subject to various factors that could negatively affect business performance or hamper business continuation efforts. These factors include, but are not limited to, the constraint of and stoppage of business activities due to unpredictable changes in political and economic circumstances, changes in laws and regulations, the emergence of lawsuits, the outbreak of terrorist incidents or civil unrest, and epidemics or pandemics of new infectious diseases.

To mitigate risks associated with overseas business, the Group works through the Overseas Safety Countermeasures Subcommittee under the subcommittee structure of the Group-wide Risk Management Committee, alongside consultation with outside experts, to conduct appropriate management and support of business operations given the local operating environment, coupled with a training structure specifically for employees assigned outside of Japan.

### 6. Foreign exchange movements

In each of its businesses, most notably processed food, the Nisshin Seifun Group procures a portion of the raw ingredients and products from outside of Japan. These procurement costs are subject to rise due to variance in foreign exchange. In overseas businesses, both income and financial condition may be negatively impacted by variation in the yen exchange rate. In the flour milling business, the price of bran – a byproduct of the milling process – could be affected by the price of imported bran, which is subject to foreign exchange movement.

To respond to these risks associated with variance in foreign exchange, the Group has established a Group-wide Foreign Exchange Committee, along with other measures to minimize the role of foreign exchange volatility in performance. These measures include the establishment of rules regarding foreign exchange contracts, as well as information sharing and deliberation of countermeasures regarding foreign exchange.

### 7. Procurement of raw materials

The Nisshin Seifun Group strives to ensure the sustainable procurement of safe and cost competitive raw materials in all of its businesses. Nevertheless, the Group may fail to realize reductions in cost due to a range of factors that could trigger rapid growth in procurement costs, including market price volatility for raw materials, wage and logistics costs, and rising prices for packaging materials and other raw materials. In addition, the Group’s business performance could be adversely affected if a significant rise in the cost of purchasing raw materials and products due to an increase in imported wheat prices and other reasons was not offset by revisions in the selling prices of wheat flour, processed foods and other products. Moreover, in the event of failure to respond appropriately to social issues pertaining to procurement, notably issues involving the environment or human rights, this could lead to a loss of trust in the Group as a company, which could diminish the Group’s corporate brand and competitiveness.

To cope with risks associated with the procurement of raw materials, the Group promotes low-cost operations sustainable with respect to procurement and production costs, in conjunction with steps to maintain appropriate product pricing through the launch of new products tailored to market changes, strategies for realizing higher added value, and other means. In order to procure safe raw materials in a stable and sustainable manner, the Group, in collaboration with suppliers, conducts responsible procurement activities founded on fair and ethical transactions, including throughout the supply chain.

**8. Information and systems**

The Nisshin Seifun Group utilizes mission critical systems and an array of other systems in a bid to optimize operational efficiency. However, the occurrence of systems management problems, the unforeseen intrusion of viruses and acts of cyberterrorism, or the unauthorized access of information held by the Group could interrupt its ability to respond to customers. Similarly, business activities could be adversely impacted by the incurrence of expenses due to the leakage of operationally sensitive data or personal information outside of the Group, and a subsequent decline in public trust.

To mitigate risks pertaining to information security, the Group is developing an appropriate IT management structure built on the intensive pursuit of information security activities (including educational training) based on a set of basic rules regarding information security, while working vigorously to gather security-related information, putting increasingly sophisticated measures in place to combat computer viruses, and maintaining redundancy for mission critical servers.

**9. Environmental management**

The Company continues to make assiduous efforts to improve the environmental profile of the Nisshin Seifun Group’s business activities in terms of environmental management systems, energy efficiency and waste reduction. Nevertheless, changes or enhancements beyond the scope of Group projections in legal regulations pertaining to the environment could result in expenses required to address such issues. Additionally, failure of the Group to properly respond to global environmental issues such as food waste, waste plastic and climate change could adversely affect business activities, not only by limiting its ability to contribute to the conservation of global resources and the environment, but also due to subsequent diminishment of the Group’s corporate brand.

Guided by “The Nisshin Seifun Group’s Basic Environmental Policy,” the Group promotes a range of environmental protection activities, among them Group-wide ISO14001 certification, environmental management system upgrade and enhancement, the establishment of medium-term environmental targets through fiscal 2030 (focused on reductions in CO2 emissions and effective resource utilization), and the promotion of related measures to achieve those targets. At the same time, the Group has positioned efforts to reuse and curb the creation of food waste, the promotion of eco-conscious design and other moves to “efficiently handle product and packaging waste,” alongside reductions in CO2 emissions from business activities and similar actions to “prepare for climate change and water resource issues” as priority CSR issues for the Nisshin Seifun Group. In these ways, the Group is taking steps to improve its long-term corporate value and enhance enterprise competitiveness, while contributing to the emergence of a sustainable society.

**10. Human resource retention**

The Nisshin Seifun Group is taking steps to promote model change in existing businesses and enhance its business portfolio, with the goal of bolstering business competitiveness. Retaining and training the diverse human resources vital to this effort is essential. However, in the event that human resources critical to the Group’s businesses cannot be retained due to a decline in the working population, employment outlook volatility or related concerns, this could cause the Group’s competitiveness to decline over the long term.

To cope with risks related to human resource retention, the Group bolsters its recruitment activities, has a robust education and training program, and strives to ensure that working environments are healthy and worthwhile, and enable every employee with their diverse values to realize their full potential, all while adhering to proper labor management. In parallel, the Group is pursuing adoption of a variety of technologies, including automation, greater robotics utilization and AI, in a bid to enhance productivity.

**11. Response to new technologies**

In each of its businesses, the Group must keep pace with dramatic market changes, and respond accurately to the evolution and transformation of various technologies. Failure to do so could lead to a decline in the Group’s product development and production technology capabilities, which could make its baseline technologies obsolete. This situation, in turn, could prevent the Group from developing appealing new products that meet client needs. The resulting decline in shipments and diminishment in corporate brand could have an adverse impact on operating results.

To mitigate these and other risks concerning failure to respond promptly to new technologies, the Group works continuously to bolster its technological capabilities to pursue product development reflective of market demand by maximizing its comprehensive internal and external capabilities. Efforts include pushing the evolution of technologies using Group-wide projects and the training of required technicians, leveraging Group synergies for expansion of key technology fields, and promoting the introduction of technologies from joint research from industry-government-academia partnerships and other outside sources.

Beyond the aforementioned risks, the Group must confront a variety of other risks in the course of its business activities, including shipment volatility in mainstay products due to changes in the economic climate and the industry environment, as well as price drop risk. Additional risks that may adversely impact the Group’s operating results include risks from legal and regulatory changes and lawsuits in Japan and other countries, risks associated with trademark rights, patent rights and other intellectual property rights, and risks from changes in the operating environment of business partners (including manufacturing subcontractors). In all cases, the Group takes appropriate steps to avoid or minimize any pertinent risks.

In its push to become “a globally operating company that assists ‘healthy lifestyles’ and plays a critical role in building ‘the food infrastructure’ of the future,” the Group pursues both economic and social value, striving in unison with the goal of improving its corporate value. To realize this, the Group must address a range of social issues, among them changes in population demographics, global warming and industrial waste pollution, food resource depletion, and environmental and human rights concerns, including throughout the supply chain. However, failure by the Group to respond appropriately to the changing needs and demands of stakeholders with respect to these social issues throughout all of its business activities, including product development, could result in a loss of trust in the Group as an enterprise, leading to declines in its corporate brand and competitiveness that could adversely affect operating performance.

To mitigate these risks related to social issues, the Nisshin Seifun Group has identified and organized a set of urgent areas to address, and defined these as “CSR Priorities.” Integrating management and business strategy to address these key issues will lead to improvements in the Group’s long-term corporate value and strengthen competitiveness, as the Group strives to contribute meaningfully to the emergence of a sustainable society.

CSR Priorities

(1) Provide safe and healthy food and responsible consumer information

(2) Enable secure and sustainable raw material procurement

(3) Efficiently handle product and packaging waste

(4) Prepare for climate change and water resource issues

(5) Provide work environments that are healthy and fulfilling

## (3) Management's Analysis of Financial Position, Performance and Cash Flows

The following is a summary and analysis by management of the Group's financial position, performance and cash flows (hereinafter, "business performance") for the fiscal year ended March 31, 2020. All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group as of the date of filing this Securities Report in Japanese (August 28, 2020).

### 1. Significant accounting estimates and assumptions

The Consolidated Financial Statements of the Nisshin Seifun Group are prepared in conformance with accounting standards that are generally accepted in Japan.

In preparing the Consolidated Financial Statements, the Nisshin Seifun Group makes necessary estimates and assumptions that have a material impact on the reported values of assets and liabilities as of the balance-sheet date, the disclosure of contingent liabilities, and the reported values of income and expenditure. While the Company makes such estimates and assumptions based on various factors deemed rational based on the analysis of historical performance and business conditions, the uncertainties inherent in the estimation process mean that actual performance can differ from forecasts and assumptions.

For details of assumptions regarding the impact of the novel coronavirus in the creation of accounting estimates, refer to [5] Financial Accounts, (1) Consolidated Financial Statements, etc., 1. Consolidated Financial Statements [Notes to the Consolidated Financial Statements] [Additional Information].

#### (1) Inventories

Inventories are calculated based on cost or the net selling value, whichever is lower, in accordance with the "Accounting Standard for Measurement of Inventories." Similarly, the book value is written down for excess inventories or inventories stockpiled due to changes in demand. Additional downgrades may become necessary depending on market volatility or trends in demand.

#### (2) Allowance for doubtful accounts

The Nisshin Seifun Group provides for possible credit losses stemming from monetary receivables. The necessary allowance for doubtful accounts posted is based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific dubious accounts. In cases in which the client's fiscal condition worsens, resulting in diminished capacity for repayment, additional allowances may be necessary.

#### (3) Impairment of investment securities

Regarding investment securities held by the Group, securities with a readily determinable market value are stated at fair value. Securities with no readily determinable market value are stated at cost. For securities with readily determinable market value, the Group applies impairment measures whenever fair value falls more than 50% below cost. In cases when fair value falls between 30% to 50%, impairment measures are applied as warranted following assessment of the business performance, etc. of the company issuing the securities. For securities with no readily determinable market value, impairment measures are applied whenever the actual value falls significantly lower than cost, with the exception of cases in which recoverability is deemed likely.

Due to prior application of the necessary impairment measures, the Group currently has no investment securities in need of impairment. Nevertheless, impairment measures may become necessary should losses not reflected in current book value or cases of unrecoverable book value emerge, due to future worsening in market conditions or slumping performance of companies in which the Group is invested.

#### (4) Corporate mergers

The Group calculates the acquisition cost of companies or businesses acquired through corporate merger at fair value. The acquisition cost is allocated to relevant assets or liabilities, based fundamentally on the fair value as of the date of merger of assets or liabilities distinguishable as such received at that date. In cases in which the acquisition cost exceeds the net value of assets or liabilities distinguishable as such as of the date of merger, any excess is accounted for as goodwill.

In most cases, calculation of the fair value of acquired assets, particularly intangible assets, requires significant determination by management. The Group, for its part, utilizes the results of independent third-party evaluations, calculating fair value based on past information available, along with future outlooks and assumptions. While management considers these determinations and evaluations to be rational, the outcome of changes in uncertain economic conditions in the future could cause actual results to differ.

#### (5) Impairment of non-current assets

For cases in which the book value of non-current assets, including goodwill, is deemed unrecoverable, the Group reduces the value of the assets to a recoverable value. For assets and asset groups in which signs of impairment emerge, the Group estimates the future pre-discounted cash flow from the asset or asset group, then determines whether impairment losses should be recognized. In cases in which the overall amount of the future pre-discounted cash flow is less than the book value, impairment measures are deemed necessary, and the book value of the asset or asset group is reduced to a recoverable value. Recoverable value is either the usage value or the net selling value, whichever is higher, based on future cash flow calculated from the results of evaluations conducted by independent third parties. In determining future cash flow, the current value is discounted using a discount rate that reflects the fair value of the relevant currency and any inherent risks pertaining to the assets.

Management is responsible for determining signs of impairment or recognition of impairment losses, as well as evaluation of estimates of recoverable value, and considers such determinations and evaluations to be rational. The Nisshin Seifun Group currently has no non-current assets that require impairment measures. Nevertheless, impairment measures could become necessary in the event that the recoverable value of non-current assets falls below the book value due to changes in the future corporate environment, among other factors. No events requiring the revision of these estimates had occurred as of the date of submission of this report.

**(6) Deferred tax assets**

For deferred tax assets, the Group posts any amount considered recoverable, following thorough examination of recoverability, based on estimates of future taxable income and tax-related planning. However, in cases in which volatility in estimates of recoverable deferred tax assets emerges, profit levels could fluctuate due to the dissolving or additional posting of deferred tax assets.

**(7) Net defined benefit liability**

The Group calculates retirement benefit expenses and obligations pertaining to its lump-sum retirement benefit plan and its defined-benefit corporate pension plan for already retired pension recipients based on established preconditions for actuarial calculation. These preconditions include discount rates, future pension levels, retirement rates, mortality rates based on the most recent statistical data, and the expected long-term earning rate for plan assets under management. The discount rate is based on the market yield of corporate bonds etc. most recently receiving rates equivalent to “AA” or higher from multiple credit rating agencies at the end of the term. The long-term earning rate for plan assets under management is decided primarily based on the management policy for such assets and actual past asset management performance. In the event that actual performance differs from preconditions, or in cases in which preconditions are changed, this could have an effect on the recognized expenses and posted obligations in some future period.

## 2. Financial Position, Review of Financial Performance and Management’s Recognitions, Analysis and Opinions

### (1) Review of financial performance and analysis

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)

| | Year ended March 31, 2019 | Year ended March 31, 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% |

Financial performance, recognitions and analysis by business segment from the perspective of management are described below.

Net Sales and Operating Profit – Year Ended March 31, 2020

(Millions of yen)

| | Net sales | | Operating profit | |
|---|---|---|---|---|
| | Results | Difference | Results | Difference |
| Flour Milling Segment | 306,745 | 60,802 | 9,326 | 146 |
| Processed Food Segment | 217,959 | 2,922 | 12,895 | 45 |
| Prepared Dishes and Other Prepared Foods Segment | 129,967 | 86,222 | 1,736 | 1,164 |
| Others Segment | 57,507 | (3,109) | 4,698 | 610 |
| Adjustment | – | – | 194 | (31) |
| Consolidated total | 712,180 | 146,836 | 28,852 | 1,936 |

Notes:

1. Net sales reported after elimination of intersegment transactions.
2. Operating profit adjustment refers to intersegment transaction eliminations.

1) Flour Milling Segment

(Millions of yen)

| | Year ended March 31, 2019 | Year ended March 31, 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)

| | Year ended March 31, 2019 | Year ended March 31, 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)

| | Year ended March 31, 2019 | Year ended March 31, 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 novel 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)

| | Year ended March 31, 2019 | Year ended March 31, 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 Petline 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) Overview and Analysis of Financial Position for the Year Ended March 31, 2020

(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) Factors with Important Effects on Group Business Performance

Factors with important effects on the Group’s business performance are listed under “2. Business and Other Risks.”

### 3. Analysis of Cash Flow Status, Capital Financing and Liquidity

#### (1) Cash flows

(Millions of yen)

| | Year ended March 31, 2019 | Year ended March 31, 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 change 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) Capital financing and liquidity

Net interest-bearing debt (excluding lease obligations) at the end of March 2020 was ¥53.3 billion. Based on the operating cash flow and the balance of cash and cash equivalents, the Nisshin Seifun Group regards the current level of internal liquidity as ample for financing.

Under the Group's long-term vision, "NNI 'Compass for the Future' —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change," we will take assertive steps to ramp up capital investments, M&A activity, human capital training, technology development and other areas for sustainable growth. At the same time, the Group 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." Specifically, 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 demand for funds for strategic investments. For plans regarding upcoming major capital expenditures, refer to [3] Facilities and Capital Expenditures, (3) Facility Construction and Disposal Plans, (1) "Construction of major facilities, etc."

While seeking the right balance between improving capital efficiency and financial stability, the Group will secure the needed capital for these activities from both internal and external funding sources. To secure funds internally, the Group previously introduced a cash management system (CMS), under which the funds of consolidated subsidiaries in Japan are managed on an integrated basis, coupled with current measures to extensively minimize assets. As for the external sources, the Group will procure interest-bearing debt and other funding by taking advantage of its sound financial position.

## 4. Status of implementation of the "NNI-120 II" medium-term management plan and analysis and consideration of its content from management's perspective

### (1) "NNI-120 II" medium-term management plan performance targets and capital policies

In the fiscal year ended March 31, 2016, the Group formulated "NNI-120 II" as a medium-term management plan with clearly defined targets running through to the end of the March 31, 2021 fiscal year. Together with a focus on restructuring the earnings foundation in core businesses, the plan calls for independent business growth, including that of acquired businesses, coupled with new strategic investments (M&A, capital expenditures) and other measures, as the Group aims for solid profit growth. Performance targets for the fiscal year ending March 31, 2021 are detailed below.

<Performance Targets for Year Ending March 31, 2021>

| | | | |
|---|---|---|---|
| ・ Net sales | ¥750.0 billon | (Compared to March 31, 2015 fiscal year: ¥526.1 billion) | * Average annual growth rate: 6% |
| ・ Operating profit | ¥30.0 billion | (Compared to March 31, 2015 fiscal year: ¥20.4 billion) | * Average annual growth rate: 7% |
| ・ EPS | ¥80 | (Compared to March 31, 2015 fiscal year: ¥53) | * For EPS (earnings per share), aiming for annual growth rate of 8% enabled by profit growth and capital policies |

Similarly, while seeking the right balance between improving capital efficiency and financial stability, the Group promotes strategic investments for future growth and formulated capital policies, outlined below, with a much more proactive stance than ever before regarding shareholder returns.

<Capital Policies>

- Set a payout ratio of at least 40% on a consolidated basis, and seek to continuously increase the amount of dividends.
- Flexibly repurchase own shares.

### (2) Status of target achievement for the "NNI-120 II" medium-term management plan

In terms of performance targets for the fiscal year ending March 31, 2021 stipulated in the plan, the Group for the fiscal year ended March 31, 2020 reported an annual growth rate of 6.2% versus the comparison year for net sales (performance target: annual growth rate of 6%), 7.1% for operating profit (performance target: 7%), and 7.2% (performance target: 8%) for earnings per share (EPS). While progress was made in surpassing goals set for net sales and operating profit, earnings per share (EPS) was lower than targeted.

Where capital policies are concerned, the annual dividend for the fiscal year ended March 31, 2020 was ¥34 per share, with a payout ratio of 45.1%. The Group continues to raise the dividend paid, guided by one of the basic policies of the medium-term management plan of a payout ratio of at least 40%.

## 5. Status of Production, Orders Received and Sales Performance

a. Production

Production values by segment during the fiscal year ended March 31, 2020 are as follows.

(Millions of yen)

| Segment name | Year ended March 31, 2019 | Year ended March 31, 2020 | Change (%) |
|---|---|---|---|
| Flour Milling | 237,386 | 293,368 | 23.6 |
| Processed Food | 110,670 | 112,428 | 1.6 |
| Prepared Dishes and Other Prepared Foods | 33,392 | 120,423 | 260.6 |
| Others | 25,724 | 25,458 | (1.0) |
| Total | 407,174 | 551,678 | 35.5 |

Notes:

1. The above financial amounts use average sales prices during the fiscal year under review. Intersegment transactions have been eliminated.
2. Figures do not include consumption taxes.
3. The Company changed its reportable segments from the fiscal year ended March 31, 2020. Production values for the previous fiscal year have been prepared to match segment classifications in light of this change.

b. Orders received

The Company does not produce a significant volume based on orders and this item is therefore omitted.

c. Sales

Sales values by segment during the fiscal year ended March 31, 2020 are as follows.

(Millions of yen)

| Segment name | Year ended March 31, 2019 | Year ended March 31, 2020 | Change (%) |
|---|---|---|---|
| Flour Milling | 245,943 | 306,745 | 24.7 |
| Processed Food | 215,037 | 217,959 | 1.4 |
| Prepared Dishes and Other Prepared Foods | 43,745 | 129,967 | 197.1 |
| Others | 60,616 | 57,507 | (5.1) |
| Total | 565,343 | 712,180 | 26.0 |

Notes:

1. Intersegment transactions have been eliminated.
2. Transactions with major business partners and the ratio of corresponding sales to total sales are shown in the table below.

(Millions of yen)

| Business partner | Year ended March 31, 2019 | | Year ended March 31, 2020 | |
|---|---|---|---|---|
| | Value | Proportion (%) | Value | Proportion (%) |
| Mitsubishi Corp. | 63,426 | 11.2 | – | – |
| FamilyMart Co., Ltd. | – | – | 93,867 | 13.2 |

Sales values are not shown for FamilyMart Co., Ltd. in the fiscal year ended March 31, 2019 and Mitsubishi Corporation in the fiscal year ended March 31, 2020, as such sales accounted for less than 10 hundredths of the Company's total sales performance.

3. Figures do not include consumption taxes.
4. The Company changed its reportable segments from the fiscal year ended March 31, 2020. Sales values for the previous fiscal year have been prepared to match segment classifications in light of this change.

The status of changes in the prices of major raw materials and the selling prices of major products are described in "(2) Financial Position, Review of Financial Performance and Management's Recognitions, Analysis and Opinions."

## (4) Legal and Contractual Matters

There are no applicable matters to be reported.

## (5) Research and Development

The Nisshin Seifun Group (the Company and its consolidated subsidiaries) operates various research and development (R&D) facilities. As part of the Company's organizational structure, the Research Center for Basic Science Research and Development focuses primarily on the research of basic technologies. The Research Center for Production and Technology focuses mainly on the development of production technology and nanotechnology for adoption in each of the Group's business operations. Consolidated subsidiaries operate separate R&D organizations with specialized functions tailored to each business field. These subsidiaries are: Nisshin Flour Milling Inc. and Allied Pinnacle Pty Ltd. (in the Flour Milling Segment); Nisshin Foods Inc., Oriental Yeast Co., Ltd., and Nisshin Pharma Inc. (in the Processed Food Segment); Nisshin Petfood Inc., Nisshin Engineering Inc., and NBC Meshtec Inc. (in the Others Segment).

R&D program goals vary widely. All Group R&D organizations seek to identify prospective ingredients for new products and undertake basic research to create new technology. They also create new products to meet market needs and preferences and develop food processing technologies while improving existing products, automating production systems, and developing and applying powder and granular technologies. The Nisshin Seifun Group also actively seeks to further cooperation among Group research centers, and with other research institutions, to enhance specialist research expertise and promote adoption of the latest technical innovations. Through these efforts, the Group aggressively seeks to conduct highly effective R&D activities that generate new business opportunities.

Consolidated R&D expenditures totaled ¥6,538 million in the fiscal year ended March 31, 2020.

This figure also includes ¥930 million in research spending that cannot be attributed to any particular segment.

The following is an overview of the main R&D programs and results in the fiscal year under review.

### 1. Flour Milling Segment

Research in this segment is centered on the New Product Development Center and the Cereal Science Research Center of Tsukuba. These centers collaborate with the Company's Research Center for Basic Science Research and Development and the Research Center for Production and Technology to conduct R&D focused on the development of new flour-processing technologies, and grain science and grain flour-processing technologies focused on wheat and wheat flour. In terms of major achievements, we researched production techniques for extracting optimal flavor depth, resulting in development of new stone-ground wheat flour. We also carried out development activity in wheat flour, prepared mix and bakery-related ingredients at Allied Pinnacle Pty Ltd.

R&D expenditures attributable to the Flour Milling Segment totaled ¥889 million.

### 2. Processed Food Segment

Led by Nisshin Foods Inc.'s Processed Foods Division, and in collaboration with the Company's Research Center for Basic Science Research and Development and the Research Center for Production and Technology, R&D in this segment is focused on developing new processed foods across all temperature ranges, including prepared mix products, dried noodles, pastas, microwavable retort pouch foods, frozen foods, and other foods. Major achievements include the development of a total of seven officially labeled functional food products, including household-use hotcake mix, pasta sauces and frozen food items. We positioned these products as the *Karada Ni, Oishii Koto*. (Delicious Goodness, For Your Body.) officially labeled functional food series. The foods division of Oriental Yeast Co., Ltd. engaged in the R&D of baking yeasts and other ingredients for bakery products, as well as agents for improving quality and preservation through its Laboratory of Yeast & Fermentation and four flour-based food product development centers. The biotechnology division, meanwhile, conducted R&D through the Nagahama Institute for Biochemical Science and the CS Development division of the Nagahama Plant on regenerative medicine-related products, among others. Nisshin Pharma Inc.'s Health Care Research Center concentrated mainly on developing various health foods and the development of functional food ingredients through alliances with government and academic institutions. Among major achievements was the development of two officially labeled functional food products, including *Nyosanchi Ga Ki Ni Naru Kata No Anserine*, a product infused with anserine, a chemical known for its function in lowering uric acid levels.

R&D expenditures attributable to the Processed Food Segment totaled ¥3,579 million.

### 3. Prepared Dishes and Other Prepared Foods Segment

In R&D for prepared dishes and other prepared foods, research and development of cooking and processing technology and microbe control technology take place at the Company's Research Center for Basic Science Research and Development. Meanwhile, R&D for labor-saving automation and robotics technologies are conducted at the Research Center for Production and Technology. R&D work occurs in collaboration with Tokatsu Foods Co., Ltd., Initio Foods Inc. and Joyous Foods Co., Ltd., with the aim of achieving fast commercialization.

R&D expenditures attributable to the Prepared Dishes and Other Prepared Foods Segment totaled ¥388 million.

## 4. Others Segment

Nisshin Petfood Inc. conducts R&D at its Nasu Research Center that addresses the pet's health functioning and preferences, and saw the release of nine new products from the JP Style brand of functional pet food supporting health maintenance for pet dogs and cats. In cooperation with the Company's Research Center for Production and Technology, Nisshin Engineering Inc.'s Powder-Processing Business Department conducts R&D programs on various types of machinery for powder grinding and classification and technologies for producing nano-particles using thermal plasma. In addition, NBC Meshtec Inc. conducts R&D efforts to develop new products and materials for screen-printing and industrial use.

R&D expenditures attributable to the Others Segment totaled ¥750 million.

# [3] Facilities and Capital Expenditures

## (1) Capital Expenditures

The Nisshin Seifun Group (the Company and its consolidated subsidiaries) makes capital investment with the aim of raising production capacity and ensuring product safety. The following is a breakdown of capital expenditures for the fiscal year ended March 31, 2020, based on actual expenditures.

| | Year ended March 31, 2020 (millions of yen) | Year-on-year change (%) |
|---|---|---|
| Flour Milling | 7,600 | (13.1) |
| Processed Food | 9,790 | 25.2 |
| Prepared Dishes and Other Prepared Foods | 2,987 | 412.0 |
| Others | 1,652 | 40.4 |
| Subtotal | 22,031 | 20.2 |
| Elimination/common-use | (111) | – |
| Total | 21,919 | 20.2 |

Capital investments in the Flour Milling Segment were principally made to increase production capacity and enhance product safety.

Capital investments in the Processed Food Segment were focused primarily on construction of a yeast plant at Oriental Yeast India Pvt. Ltd., as well as increasing production capacity and enhancing product safety.

Capital investments in the Prepared Dishes and Other Prepared Foods Segment were focused primarily on augmenting production capacity and production-related rationalization and labor-saving efforts.

Capital investments in the Others Segment were principally made to increase production capacity.

During the fiscal year ended March 31, 2020, the Company posted impairment losses totaling ¥2,221 million. The breakdown of impairment losses is as stated in [5] Financial Accounts, (1) Consolidated Financial Statements, etc., 1. Consolidated Financial Statements [Notes to the Consolidated Financial Statements] [Consolidated Statements of Income].

## (2) Principal Facilities

The main facilities of the Nisshin Seifun Group (the Company and its consolidated subsidiaries) are listed in the tables below.

### 1. Nisshin Seifun Group Inc. and domestic consolidated subsidiaries

(As of March 31, 2020)

| Company name | Site name (location) | Business segment | Facility type/ purpose | Book value (millions of yen) | | | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and structures | Machinery, equipment and vehicles | Land (thousand $m^2$) | Right-of-use assets | Other | Total | |
| Nisshin Flour Milling Inc. | Tsurumi Plant (Kawasaki-ku, Kawasaki) | Flour Milling | Wheat flour production | 4,638 | 2,198 | 5,594 (81) | – | 255 | 12,686 | 121 [3] |
| Nisshin Flour Milling Inc. | Fukuoka Plant (Chuo-ku, Fukuoka) | Flour Milling | Wheat flour production | 3,151 | 1,455 | 3,454 (25) | – | 96 | 8,157 | 45 [1] |
| Nisshin Flour Milling Inc. | Higashinada Plant (Higashinada-ku, Kobe) | Flour Milling | Wheat flour production | 4,219 | 1,309 | 1,803 (30) | – | 201 | 7,533 | 92 [1] |
| Nisshin Flour Milling Inc. | Chiba Plant (Mihama-ku, Chiba) | Flour Milling | Wheat flour production | 1,801 | 1,016 | 294 (43) | – | 79 | 3,192 | 76 [1] |
| Nisshin Flour Milling Inc. | Chita Plant (Chita) | Flour Milling | Wheat flour production | 3,185 | 1,609 | 68 (33) | – | 233 | 5,097 | 56 [0] |
| Nisshin Foods Inc. | Tatebayashi Plant (Tatebayashi) | Processed Food | Prepared mix production | 890 | 631 | 245 (27) | – | 67 | 1,834 | 42 [39] |
| Ma•Ma-Macaroni Co., Ltd. | Utsunomiya Plant (Utsunomiya) | Processed Food | Pasta production | 759 | 1,689 | 27 (23) | – | 147 | 2,622 | 57 [222] |
| Ma•Ma-Macaroni Co., Ltd. | Kobe Plant (Higashinada-ku, Kobe) | Processed Food | Production of frozen foods | 1,225 | 559 | 393 (16) | – | 43 | 2,222 | 27 [113] |
| Oriental Yeast Co., Ltd. | Osaka Plant (Suita) | Processed Food | Production of yeast and other items | 1,151 | 1,171 | (Note 4) 167 (22) [5] | – | 223 | 2,713 | 100 [23] |
| Oriental Yeast Co., Ltd. | Biwa Plant (Nagahama, Shiga) | Processed Food | Production of flour paste, *kansui* powder, baking powders and other items | 912 | 352 | 709 (36) | – | 35 | 2,009 | 45 [23] |
| Tokatsu Foods Co., Ltd. | Kashiwa Plant (Kashiwa, Chiba) | Prepared Dishes and Other Prepared Foods | Production of cooked food, including bento lunch boxes and prepared foods | 3,916 | 432 | – (5) | – | 955 | 5,304 | 57 [588] |
| PORT DELICA TOKATSU Co., Ltd. | Higashiosaka Plant (Higashiosaka) | Prepared Dishes and Other Prepared Foods | Production of cooked food, including bento lunch boxes and prepared foods | 594 | 156 | 1,100 (8) | – | 174 | 2,025 | 44 [297] |
| Joyous Foods Co., Ltd. | Kodama Plant (Kamisatomachi, Kodama-gun, Saitama) | Prepared Dishes and Other Prepared Foods | Production of processed noodles | 751 | 896 | 1,060 (85) | – | 222 | 2,930 | 49 [324] |

| Company name | Site name (location) | Business segment | Facility type/ purpose | Book value (millions of yen) | | | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and structures | Machinery, equipment and vehicles | Land (thousand $m^2$) | Right-of-use assets | Other | Total | |
| Joyous Foods Co., Ltd. | Kyoto Plant (Kumiyamacho, Kuse-gun, Kyoto) | Prepared Dishes and Other Prepared Foods | Production of processed noodles | 710 | 928 | 779 (16) | – | 28 | 2,447 | 49 [411] |
| NBC Meshtec Inc. | Yamanashi Tsuru Plant (Tsuru) | Others | Production of mesh cloths and forming filters | 866 | 896 | 447 (35) | – | 194 | 2,404 | 242 [95] |
| Nisshin Seifun Group Inc. | Head Office and Institutes and Laboratories (Chiyoda-ku, Tokyo, Fujimino, Saitama and others) | | Office, and research and development | 3,255 | 655 | 10,011 (40) | – | 1,148 | 15,069 | 326 [55] |

## 2. Overseas subsidiaries

(As of March 31, 2020)

| Company name | Site name (location) | Business segment | Facility type/ purpose | Book value (millions of yen) | | | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and structures | Machinery, equipment and vehicles | Land (thousand $m^2$) | Right-of-use assets | Other | Total | |
| Miller Milling Company, LLC | Winchester Plant (U.S.) | Flour Milling | Wheat flour production | 1,673 | 2,408 | 438 (80) | – | 280 | 4,800 | 45 [2] |
| Miller Milling Company, LLC | Fresno Plant (U.S.) | Flour Milling | Wheat flour production | 360 | 1,536 | 231 (130) | – | 73 | 2,202 | 35 [3] |
| Miller Milling Company, LLC | Los Angeles Plant (U.S.) | Flour Milling | Wheat flour production | 1,337 | 744 | 742 (23) | – | 40 | 2,864 | 39 [3] |
| Miller Milling Company, LLC | Oakland Plant (U.S.) | Flour Milling | Wheat flour production | 854 | 1,444 | 1,412 (51) | – | 29 | 3,741 | 42 [1] |
| Miller Milling Company, LLC | Saginaw Plant (U.S.) | Flour Milling | Wheat flour production | 3,885 | 4,138 | 74 (26) | – | 47 | 8,146 | 37 [8] |
| Allied Pinnacle Pty Ltd. | Altona Plant (Australia) | Flour Milling | Bakery ingredient production | 4 | 2,870 | – (19) | 2,240 | 310 | 5,426 | 237 [1] |
| Allied Pinnacle Pty Ltd. | Kensington Plant (Australia) | Flour Milling | Wheat flour production | 20 | 81 | – (11) | 1,860 | 213 | 2,175 | 59 [1] |
| Allied Pinnacle Pty Ltd. | Kingsgrove Plant (Australia) | Flour Milling | Prepared mix production | 129 | 183 | – (22) | 5,131 | 57 | 5,502 | 63 [0] |
| Allied Pinnacle Pty Ltd. | Picton Plant (Australia) | Flour Milling | Wheat flour production | – | 74 | – (1,103) | 4,614 | 222 | 4,910 | 41 [1] |
| Allied Pinnacle Pty Ltd. | Tennyson Plant (Australia) | Flour Milling | Wheat flour production | 135 | 177 | – (25) | 3,538 | 56 | 3,907 | 81 [2] |
| Allied Pinnacle Pty Ltd. | Tullamarine Plant (Australia) | Flour Milling | Bakery ingredient production | 3 | 494 | – (9) | 1,792 | 345 | 2,635 | 82 [27] |
| Champion Flour Milling Ltd. | Christchurch Plant (New Zealand) | Flour Milling | Wheat flour production | 434 | 350 | 498 (15) | 16 | 247 | 1,547 | 51 [3] |
| Champion Flour Milling Ltd. | Maunganui Plant (New Zealand) | Flour Milling | Wheat flour production | 320 | 551 | (Note 4) – [14] | 565 | 28 | 1,465 | 56 [2] |

| Company name | Site name (location) | Business segment | Facility type/ purpose | Book value (millions of yen) | | | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and structures | Machinery, equipment and vehicles | Land (thousand $m^2$) | Right-of-use assets | Other | Total | |
| Rogers Foods Ltd. | Chilliwack Plant (Canada) | Flour Milling | Wheat flour production | 1,930 | 1,591 | 26 (41) | – | 7 | 3,555 | 63 [0] |
| Nisshin-STC Flour Milling Co., Ltd. | Phra Pradaeng Plant (Thailand) | Flour Milling | Wheat flour production | 631 | 485 | 259 (15) | – | 65 | 1,440 | 119 [0] |

Notes:

1. Book values in the “Other” column refer to the total for tools, furniture and fixtures, construction in progress and lease assets.
2. There were no principal facilities that were not in operation as of March 31, 2020.
3. Numbers of employees in square brackets refer to part-time workers.
4. The Company leases some or all of its machinery, equipment, vehicles, land and buildings from parties other than consolidated companies. The area of land leased is presented separately within square brackets.

## (3) Facility Construction and Disposal Plans

Capital expenditure plans by the Nisshin Seifun Group (the Company and its consolidated subsidiaries) primarily aim to raise production capacity and ensure product safety, etc.

As of March 31, 2020, funds which are planned to be allocated for the construction of facilities (actual expenditure) amounted to ¥14,000 million. Plans call for this entire sum to be mainly financed internally from cash flows.

Plans for construction or disposal of major facilities at the end of the fiscal year ended March 31, 2020 are listed below.

### 1. Construction of major facilities, etc.

| Company name | Location | Business segment | Facility type/ purpose | Planned investment amount | | Funds procurement method | Scheduled commencement / completion | | Increased capacity after completion |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Total amount (millions of yen) | Amount already paid (millions of yen) | | Commencement | Completion | |
| Oriental Yeast India Pvt. Ltd. | Maharashtra, India | Processed Food | Yeast manufacture | 15,700 | 9,539 | Internal cash flow | July 2017 | TBD(Note 1) | 100 tons per day |

Note:

1. Although originally slated to complete in summer 2020, the current timeline for completion is undetermined due to the interruption of construction caused by the novel coronavirus pandemic.

### 2. Disposal of major facilities, etc.

No applicable matters to report.

# [4] Other Matters Related to Nisshin Seifun Group Inc.

## (1) Share-Related Matters

### 1. Total number of shares, etc.

### (1) Total number of shares authorized to be issued

| Share type | Total number of shares authorized to be issued (shares) |
|---|---|
| Common stock | 932,856,000 |
| Total | 932,856,000 |

### (2) Total number of shares issued and outstanding

| Share type | Shares issued and outstanding on March 31, 2020 | Shares issued and outstanding at date of filing (August 28, 2020) | Exchanges on which stock is listed / Certified associations of financial instruments dealers to which the Company is affiliated | Comments |
|---|---|---|---|---|
| Common stock | 304,357,891 | 304,357,891 | Tokyo Stock Exchange (First Section) | Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit (MTU). |
| Total | 304,357,891 | 304,357,891 | – | – |

## 2. Subscription rights to shares, etc.

### (1) Stock option scheme

**<Subscription rights to shares granted on August 20, 2013>**

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the ordinary resolution at the General Meeting of Shareholders: June 26, 2013<br>Date of the resolution of the Board of Directors: July 30, 2013 |
| Number and description of persons granted the subscription rights to shares | 14 directors of the Company |
| Number of the subscription rights to shares granted (Note 1) | 3 [0] (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 3,630 [0]<br>(Notes 3, 7) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,224,520 per subscription right to shares<br>(Notes 4, 7) |
| Exercise period (Note 1) | August 21, 2015 – August 3, 2020 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,012<br>Capital increase per share: ¥506<br>(Note 7) |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). Changes in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
2. The number of shares corresponding to each subscription right to shares shall equal 1,210.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.

(3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.

(4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.

(1) Merger, only if the Company ceases to exist.
The surviving company in the merger or a company established as a result of merger

(2) Corporate demerger through absorption
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger

(3) Corporate demerger through establishment
A company newly established as a result of corporate demerger

(4) Stock exchange
A company that acquires all of the Company's shares issued and outstanding

(5) Stock transfer
A company established as a result of stock transfer

7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the special resolution at the General Meeting of Shareholders: June 26, 2013<br>Date of the resolution of the Board of Directors: July 30, 2013 |
| Number and description of persons granted the subscription rights to shares | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 45 persons |
| Number of the subscription rights to shares granted (Note 1) | 7 [5] (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 8,470 [6,050]<br>(Notes 3, 7) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,224,520 per subscription right to shares<br>(Notes 4, 7) |
| Exercise period (Note 1) | August 21, 2015 – August 3, 2020 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,012<br>Capital increase per share: ¥506<br>(Note 7) |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). Changes in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
2. The number of shares corresponding to each subscription right to shares shall equal 1,210.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\begin{matrix}\text{Post-}\\\text{adjustment}\\\text{exercise}\\\text{price}\end{matrix} = \begin{matrix}\text{Pre-}\\\text{adjustment}\\\text{exercise}\\\text{price}\end{matrix} \times \frac{\begin{matrix}\text{Number of}\\\text{shares already}\\\text{issued}\end{matrix} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
   (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
   (1) Merger, only if the Company ceases to exist.
       The surviving company in the merger or a company established as a result of merger
   (2) Corporate demerger through absorption
       A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
   (3) Corporate demerger through establishment
       A company newly established as a result of corporate demerger
   (4) Stock exchange
       A company that acquires all of the Company's shares issued and outstanding
   (5) Stock transfer
       A company established as a result of stock transfer
7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

**<Subscription rights to shares granted on August 19, 2014>**

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the ordinary resolution at the General Meeting of Shareholders: June 26, 2014<br>Date of the resolution of the Board of Directors: July 29, 2014 |
| Number and description of persons granted the subscription rights to shares | 14 directors of the Company |
| Number of the subscription rights to shares granted (Note 1) | 34 [31] (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 37,400 [34,100]<br>(Notes 3, 7) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,274,900 per subscription right to shares<br>(Notes 4, 7) |
| Exercise period (Note 1) | August 20, 2016 – August 2, 2021 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,159<br>Capital increase per share: ¥580<br>(Note 7) |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). Changes in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
2. The number of shares corresponding to each subscription right to shares shall equal 1,100.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
   (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
   (1) Merger, only if the Company ceases to exist.
   The surviving company in the merger or a company established as a result of merger
   (2) Corporate demerger through absorption
   A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
   (3) Corporate demerger through establishment
   A company newly established as a result of corporate demerger
   (4) Stock exchange
   A company that acquires all of the Company's shares issued and outstanding
   (5) Stock transfer
   A company established as a result of stock transfer
7. On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the special resolution at the General Meeting of Shareholders: June 26, 2014<br>Date of the resolution of the Board of Directors: July 29, 2014 |
| Number and description of persons granted the subscription rights to shares | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 44 persons |
| Number of the subscription rights to shares granted (Note 1) | 64 [54] (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 70,400 [59,400]<br>(Notes 3, 7) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,274,900 per subscription right to shares<br>(Notes 4, 7) |
| Exercise period (Note 1) | August 20, 2016 – August 2, 2021 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,159<br>Capital increase per share: ¥580<br>(Note 7) |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). Changes in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
2. The number of shares corresponding to each subscription right to shares shall equal 1,100.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

   In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

   "Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

   Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.
5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
   (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
   (1) Merger, only if the Company ceases to exist.
   The surviving company in the merger or a company established as a result of merger
   (2) Corporate demerger through absorption
   A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
   (3) Corporate demerger through establishment
   A company newly established as a result of corporate demerger
   (4) Stock exchange
   A company that acquires all of the Company's shares issued and outstanding
   (5) Stock transfer
   A company established as a result of stock transfer
7. On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

**<Subscription rights to shares granted on August 19, 2015>**

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the ordinary resolution at the General Meeting of Shareholders: June 25, 2015<br>Date of the resolution of the Board of Directors: July 30, 2015 |
| Number and description of persons granted the subscription rights to shares | 14 directors of the Company |
| Number of the subscription rights to shares granted (Note 1) | 72 [68] (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 72,000 [68,000]<br>(Note 3) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,748,000 per subscription right to shares<br>(Note 4) |
| Exercise period (Note 1) | August 20, 2017 – August 1, 2022 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,748<br>Capital increase per share: ¥874 |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). Changes in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
2. The number of shares corresponding to each subscription right to shares shall equal 1,000.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
   (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position

at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
   (1) Merger, only if the Company ceases to exist.
   The surviving company in the merger or a company established as a result of merger
   (2) Corporate demerger through absorption
   A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
   (3) Corporate demerger through establishment
   A company newly established as a result of corporate demerger
   (4) Stock exchange
   A company that acquires all of the Company’s shares issued and outstanding
   (5) Stock transfer
   A company established as a result of stock transfer

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the special resolution at the General Meeting of Shareholders: June 25, 2015<br>Date of the resolution of the Board of Directors: July 30, 2015 |
| Number and description of persons granted the subscription rights to shares | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 45 persons |
| Number of the subscription rights to shares granted (Note 1) | 145 [135] (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 145,000 [135,000]<br>(Note 3) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,748,000 per subscription right to shares<br>(Note 4) |
| Exercise period (Note 1) | August 20, 2017 – August 1, 2022 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,748<br><br>Capital increase per share: ¥874 |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). Changes in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
2. The number of shares corresponding to each subscription right to shares shall equal 1,000.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

   In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

   "Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

   Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.
5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
   (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position

at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
   (1) Merger, only if the Company ceases to exist.
   The surviving company in the merger or a company established as a result of merger
   (2) Corporate demerger through absorption
   A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
   (3) Corporate demerger through establishment
   A company newly established as a result of corporate demerger
   (4) Stock exchange
   A company that acquires all of the Company's shares issued and outstanding
   (5) Stock transfer
   A company established as a result of stock transfer

**<Subscription rights to shares granted on August 15, 2016>**

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the ordinary resolution at the General Meeting of Shareholders: June 28, 2016<br>Date of the resolution of the Board of Directors: July 26, 2016 |
| Number and description of persons granted the subscription rights to shares | 14 directors of the Company |
| Number of the subscription rights to shares granted (Note 1) | 96 (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 96,000<br>(Note 3) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,753,000 per subscription right to shares<br>(Note 4) |
| Exercise period (Note 1) | August 16, 2018 – August 1, 2023 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,753<br>Capital increase per share: ¥877 |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020), any further description as of one month prior to submission has been omitted.
2. The number of shares corresponding to each subscription right to shares shall equal 1,000.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
   (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position

at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
   (1) Merger, only if the Company ceases to exist.
   The surviving company in the merger or a company established as a result of merger
   (2) Corporate demerger through absorption
   A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
   (3) Corporate demerger through establishment
   A company newly established as a result of corporate demerger
   (4) Stock exchange
   A company that acquires all of the Company's shares issued and outstanding
   (5) Stock transfer
   A company established as a result of stock transfer

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

| | |
|---|---|
| Dates of authorizing resolutions | Date of the special resolution at the General Meeting of Shareholders: June 28, 2016<br>Date of the resolution of the Board of Directors: July 26, 2016 |
| Number and description of persons granted the subscription rights to shares | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 47 persons |
| Number of the subscription rights to shares granted (Note 1) | 202 (Note 2) |
| Type, description and number of shares with new subscription rights (Note 1) | Common stock 202,000<br>(Note 3) |
| Amount payable on the exercise of the subscription rights to shares (Note 1) | ¥1,753,000 per subscription right to shares<br>(Note 4) |
| Exercise period (Note 1) | August 16, 2018 – August 1, 2023 |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,753<br>Capital increase per share: ¥877 |
| Exercise conditions of the subscription rights to shares (Note 1) | (Note 5) |
| Transfer conditions of the subscription rights to shares (Note 1) | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer. |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1) | (Note 6) |

Notes:

1. Description denotes content as of the end of the fiscal year under review (March 31, 2020). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (July 31, 2020), any further description as of one month prior to submission has been omitted.
2. The number of shares corresponding to each subscription right to shares shall equal 1,000.
3. Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
4. In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

   In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\begin{array}{c}\text{Post-}\\\text{adjustment}\\\text{exercise}\\\text{price}\end{array} = \begin{array}{c}\text{Pre-}\\\text{adjustment}\\\text{exercise}\\\text{price}\end{array} \times \frac{\begin{array}{c}\text{Number of}\\\text{shares already}\\\text{issued}\end{array} + \dfrac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

   "Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

   Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.
5. (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time that the subscription right to shares is exercised. However, the holders that are no longer a director or an executive officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
   (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position

at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
   (1) Merger, only if the Company ceases to exist.
   The surviving company in the merger or a company established as a result of merger
   (2) Corporate demerger through absorption
   A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
   (3) Corporate demerger through establishment
   A company newly established as a result of corporate demerger
   (4) Stock exchange
   A company that acquires all of the Company's shares issued and outstanding
   (5) Stock transfer
   A company established as a result of stock transfer

## (2) Description of the rights plan

There are no applicable matters to be reported.

## (3) Status of other new subscription rights to shares, etc.

There are no applicable matters to be reported.

### 3. Exercise of bonds, etc., with subscription rights to shares with an amended exercise price

There are no applicable matters to be reported.

### 4. Changes in shares issued and outstanding and in capital

| Date | Change in shares issued and outstanding (thousands) | Total number of shares issued and outstanding after change (thousands) | Change in paid-in capital (millions of yen) | Paid-in capital balance (millions of yen) | Change in legal capital surplus (millions of yen) | Legal capital surplus balance (millions of yen) |
|---|---|---|---|---|---|---|
| October 1, 2014 | 27,668 | 304,357 | – | 17,117 | – | 9,500 |

Note:

On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock.

### 5. Ownership and share distribution

(As of March 31, 2020)

| Category | Shareholders and ownership status (N.B. Minimum trading unit [MTU] = 100 shares) | | | | | | | | Sub-MTU share holdings (shares) |
|---|---|---|---|---|---|---|---|---|---|
| | Government (national and local) entities | Financial institutions | Financial instruments dealers | Other institutions | Foreign institutions, etc. | | Individuals and other shareholders | Total | |
| | | | | | Non-individual | Individuals | | | |
| Numbers of shareholders (persons) | – | 104 | 33 | 355 | 517 | 14 | 22,426 | 23,449 | – |
| Numbers of shares held (MTUs) | – | 1,397,664 | 43,218 | 690,934 | 443,744 | 119 | 463,914 | 3,039,593 | 398,591 |
| Ratio to total shares (%) | – | 45.98 | 1.42 | 22.73 | 14.60 | 0.01 | 15.26 | 100.00 | – |

Notes:

1. Treasury shares holdings of 6,960,249 shares consist of 69,602 MTUs listed under “Individuals and other shareholders” and 49 shares listed under “Sub-MTU share holdings.” All of these treasury shares are listed in the shareholder register. As of March 31, 2020, total beneficial ownership of treasury shares was equivalent to 6,959,902 shares. The treasury shares do not include 38,400 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.
2. Shares nominally held under the name of Japan Securities Depository Center, Inc. account for 24 MTUs in the column marked “Other institutions” and 27 shares in the column marked “Sub-MTU share holdings.”

## 6. Major shareholders

(As of March 31, 2020)

| Name | Address | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (excluding treasury shares) (%) |
|---|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo | 33,169 | 11.15 |
| Nippon Life Insurance Company | 5-12, Imabashi 3-chome, Chuo-ku, Osaka | 19,387 | 6.51 |
| Yamazaki Baking Co., Ltd. | 10-1, Iwamotocho 3-chome, Chiyoda-ku, Tokyo | 16,988 | 5.71 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 8-11, Harumi 1-chome, Chuo-ku, Tokyo | 16,709 | 5.61 |
| Mizuho Bank, Ltd. | 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo | 10,447 | 3.51 |
| Mitsubishi Corporation | 3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 6,648 | 2.23 |
| Marubeni Corporation | 7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo | 6,284 | 2.11 |
| Sumitomo Corporation | 3-2, Otemachi 2-chome, Chiyoda-ku, Tokyo | 6,091 | 2.04 |
| Sumitomo Mitsui Banking Corporation | 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 5,585 | 1.87 |
| The Norinchukin Bank | 13-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo | 5,432 | 1.82 |
| Total | – | 126,745 | 42.61 |

Notes:

1. In addition to the above, the Company holds 6,960,000 treasury shares.
2. The Large Shareholding Report (Report of Changes) made available to the public on October 21, 2016, contained the information listed below regarding shares held by Mizuho Bank, Ltd. and two joint shareholder companies as of October 14, 2016. However, because the Company was unable to verify the actual number of shares held as of the end of the fiscal year under review (March 31, 2020), these companies were omitted from the list of major shareholders.
   The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (%) |
|---|---|---|---|
| Mizuho Bank, Ltd. | 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo | 11,310 | 3.72 |
| Mizuho Trust & Banking Co., Ltd. | 2-1, Yaesu 1-chome, Chuo-ku, Tokyo | 350 | 0.12 |
| Asset Management One Co., Ltd. | 8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 11,188 | 3.68 |
| Total | – | 22,849 | 7.51 |

3. The Large Shareholding Report (Report of Changes) made available to the public on April 13, 2018, contained the information listed below regarding shares held by MUFG Bank, Ltd. and two joint shareholder companies as of April 9, 2018. However, because the Company was unable to verify the actual number of shares held as of the end of the fiscal year under review (March 31, 2020), these companies were omitted from the list of major shareholders.
   The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (%) |
|---|---|---|---|
| MUFG Bank, Ltd. | 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 3,849 | 1.26 |
| Mitsubishi UFJ Trust and Banking Corporation | 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 8,454 | 2.78 |
| Mitsubishi UFJ Kokusai Asset Management Co., Ltd. | 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo | 3,478 | 1.14 |
| Total | – | 15,783 | 5.19 |

4. The Large Shareholding Report (Report of Changes) made available to the public on December 21, 2018, contained the information listed below regarding shares held by Sumitomo Mitsui Trust Bank, Limited and two joint shareholder companies as of December 14, 2018. However, because the Company was unable to verify the actual number of shares held as of the end of the fiscal year under review (March 31, 2020), these companies were omitted from the list of major shareholders.
The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (%) |
|---|---|---|---|
| Sumitomo Mitsui Trust Bank, Limited | 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 2,419 | 0.79 |
| Sumitomo Mitsui Trust Asset Management Co., Ltd. | 1-1, Shibakoen 1-chome, Minato-ku, Tokyo | 6,080 | 2.00 |
| Nikko Asset Management Co., Ltd. | 7-1, Akasaka 9-chome, Minato-ku, Tokyo | 7,825 | 2.57 |
| Total | – | 16,325 | 5.36 |

5. The Large Shareholding Report made available to the public on February 6, 2019, contained the information listed below regarding shares held by BlackRock Japan Co., Ltd. and seven joint shareholder companies as of January 31, 2019. However, because the Company was unable to verify the actual number of shares held as of the end of the fiscal year under review (March 31, 2020), these companies were omitted from the list of major shareholders.
The content of the aforementioned Large Shareholding Report was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (%) |
|---|---|---|---|
| BlackRock Japan Co., Ltd. | 8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 5,203 | 1.71 |
| BlackRock Fund Managers Limited | 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom | 370 | 0.12 |
| BlackRock (Luxembourg) S.A. | 35a Avenue, JF Kennedy, L-1855, Luxembourg | 488 | 0.16 |
| BlackRock Life Limited | 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom | 325 | 0.11 |
| BlackRock Asset Management Ireland Limited | 1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin 4, D04 YW83, Ireland | 967 | 0.32 |
| BlackRock Fund Advisors | 400 Howard Street, San Francisco, California, United States | 3,110 | 1.02 |
| BlackRock Institutional Trust Company, N.A. | 400 Howard Street, San Francisco, California, United States | 3,593 | 1.18 |
| BlackRock Investment Management (UK) Limited | 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom | 1,167 | 0.38 |
| Total | – | 15,227 | 5.00 |

6. The Large Shareholding Report (Report of Changes) made available to the public on April 5, 2019, contained the information listed below regarding shares held by Nomura International plc and its joint shareholder company Nomura Asset Management Co., Ltd. as of March 29, 2019. However, because the Company was unable to verify the actual number of shares held as of the end of the fiscal year under review (March 31, 2020), these companies were omitted from the list of major shareholders.
The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (%) |
|---|---|---|---|
| Nomura International plc | 1 Angel Lane, London EC4R 3AB, United Kingdom | 2,896 | 0.95 |
| Nomura Asset Management Co., Ltd. | 12-1, Nihonbashi 1-chome, Chuo-ku, Tokyo | 16,060 | 5.28 |
| Total | – | 18,956 | 6.23 |

## 7. Voting rights

### (1) Distribution within shares issued and outstanding

(As of March 31, 2020)

| Category | Number of shares | Number of voting rights | Comments |
|---|---|---|---|
| Shares with no voting rights | – | – | – |
| Shares with restricted voting rights (treasury shares, etc.) | – | – | – |
| Shares with restricted voting rights (other) | – | – | – |
| Shares with full voting rights (treasury shares, etc.) | (Treasury shares)<br>Common stock 6,959,900 | – | Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit. |
| | (Mutually held shares)<br>Common stock 271,200 | – | As above |
| Shares with full voting rights (other) | Common stock 296,728,200 | 2,967,282 | As above |
| Sub-MTU (minimum trading unit) share holdings | Common stock 398,591 | – | – |
| Total number of shares issued and outstanding | 304,357,891 | – | – |
| Total voting rights of all shareholders | – | 2,967,282 | – |

Notes:

1. "Shares with full voting rights (other)" above includes 2,400 shares (24 voting rights) nominally held under the name of Japan Securities Depository Center, Inc. (JASDEC), 300 shares (3 voting rights) listed under Company ownership in the register of shareholders but without any beneficial owner, and 38,400 shares (384 voting rights) held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.
2. "Number of shares" for "Sub-MTU share holdings" above includes, in addition to 27 shares nominally held under the name of Japan Securities Depository Center, Inc. (JASDEC), and 47 shares listed under Company ownership in the register of shareholders but without any beneficial owner, treasury shares owned by the Company and mutually held shares shown below.

**Treasury shares**

| | |
|---|---|
| Nisshin Seifun Group Inc. | 2 shares |

**Mutually held shares**

| | |
|---|---|
| Japan Logistic Systems Corp. | 55 shares |
| Chiba Kyodo Silo Co., Ltd. | 45 shares |

### (2) Treasury shares

(As of March 31, 2020)

| Shareholders' name | Shareholders' address | Number of shares held under own name | Number of shares held under other name | Total number of shares held | Shareholding as proportion of total shares outstanding (%) |
|---|---|---|---|---|---|
| **Treasury shares** | | | | | |
| Nisshin Seifun Group Inc. | 25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo | 6,959,900 | – | 6,959,900 | 2.28 |
| **Mutually held shares** | | | | | |
| Ishikawa Co., Ltd. | 2-10, Shimagami-cho 1-chome, Hyogo-ku, Kobe | 168,900 | – | 168,900 | 0.05 |
| Chiba Kyodo Silo Co., Ltd. | 16, Shinminato, Mihama-ku, Chiba | 95,700 | – | 95,700 | 0.03 |
| Japan Logistic Systems Corp. | 19-17, Ebara 1-chome, Shinagawa-ku, Tokyo | 6,600 | – | 6,600 | 0.00 |
| Total | – | 7,231,100 | – | 7,231,100 | 2.37 |

Note:
"Treasury shares" above does not include 300 shares listed under Company ownership in the register of shareholders but without any beneficial owner, and 38,400 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

## 8. Director and Employee Shareholding System

On May 12, 2017, the Board of Directors passed a resolution to adopt a new stock-based remuneration plan (hereinafter, "the new plan") available to the Company's directors and executive officers, and the directors of principal subsidiaries. On June 28, 2017, the 173rd Ordinary General Meeting of Shareholders passed a resolution authorizing the adoption of this new plan for the Company's directors. In conjunction with the Company's transition to a company structure with an audit & supervisory committee, the 175th Ordinary General Meeting of Shareholders held on June 26, 2019, passed a resolution that re-established the remuneration framework for Directors (excluding Audit & Supervisory Committee Members) associated with the new plan. The Board passed a resolution to retain this system at a meeting held on May 14, 2020. The adoption of this system for the Directors of principal subsidiaries is decided by the Ordinary General Meeting of Shareholders of the respective subsidiaries; resolutions to retain the system are decided by the Board of Directors of the respective subsidiaries.

### (1) Overview of the New Plan

Eligibility for the new plan is limited to Directors (excluding Audit & Supervisory Committee Members) and Executive Officers of the Company, and Directors of major subsidiaries (hereinafter, "eligible Directors and others"). The number of Company shares granted is calculated based on a set formula derived from the stock remuneration base amount set out according to the positions and other factors of the eligible directors and others. The Company shares are acquired through a trust (hereinafter, "the trust") established by the Company, using the amount of money that the Company and its principal subsidiaries will contribute, and are vested with eligible directors and others through the trust.

For Company shares delivered annually to the eligible directors and others through this new plan, a transfer restriction period (i.e., period prohibiting the transfer, establishment of security interests and other treatment) is to be established based on share delivery regulations for 3 years from the date of delivery. For eligible directors and others, this restriction will heighten their desire to contribute to improvement in corporate value over the medium to long term, while raising management awareness from the viewpoint of shareholders through shared interest in profit with shareholders.

### (2) Trust Contract

- Trust type: Specified, individually operated trust of money other than money trust
- Trust purpose: Incentive benefit for eligible directors and others
- Settlor: Nisshin Seifun Group Inc.
- Trustee: Mitsubishi UFJ Trust and Banking Corporation<br>(Joint trustee: The Master Trust Bank of Japan, Ltd.)
- Beneficiaries: Individuals qualifying as beneficiaries among eligible directors and others
- Trust administrator: Third party with no conflict of interest with the Company or its principal subsidiaries (certified public accountant)
- Trust contract date: May 16, 2017
- Date of agreement to extend trust period: May 19, 2020

- Trust period after extension: From August 1, 2020 to July 31, 2023 (forecast)
- Launch date for plan: July 1, 2017
- Handling of voting rights: Not exercisable
- Type of shares for acquisition: Common shares of the Company
- Monetary value of trust: Additional contribution of approx. ¥510 million accompanying agreement to extend trust period on May 19, 2020 (Funds and dividends remaining in trust prior to trust period extensions are separately allocated as trust remuneration or expenses)
- Share acquisition period: Amounts below are the maximum purchasable amount of Company shares for each period
  - Year ending March 31, 2021: approx. ¥130 million
    From July 1, 2020 to July 2, 2020
  - Year ending March 31, 2022: approx. ¥190 million (forecast)
    From July 1, 2021 (forecast) to July 20, 2021 (forecast)
  - Year ending March 31, 2023: approx. ¥190 million (forecast)
    From July 1, 2022 (forecast) to July 20, 2022 (forecast)
- Share purchase method: Purchase via stock market
- Rights holder: Nisshin Seifun Group Inc.
- Residual assets: Residual assets receivable by the Company, as the rights holder, are to be within the scope of funds used for trust preparation, after deduction of funds for the purchase of shares from trust funds.

**(3) Upper Limit of Total Number of Shares Scheduled for Acquisition by Eligible Directors and Others**

The total number of Company shares granted to eligible directors and others as the share granting portion based on this new plan is 800,000 shares for consecutive three-year period.

**(4) Scope of Individuals Eligible for Beneficiary Rights and Other Rights under This New Plan**

Individuals from among eligible directors and others who meet qualifying beneficiary criteria

## (2) Acquisitions of Treasury Shares

**[Type of shares, etc.]**

Acquisitions of common stock according to Article 155, Paragraph 7 of the Companies Act

**1. Stock acquisitions by resolution of the Ordinary General Meeting of Shareholders**

There are no applicable matters to be reported.

**2. Stock acquisitions by resolution of the Board of Directors**

There are no applicable matters to be reported.

**3. Stock acquisitions not based on resolutions of the Ordinary General Meeting of Shareholders or the Board of Directors**

| Item | Number of shares | Total value (yen) |
|---|---|---|
| Treasury shares acquired in the year ended March 31, 2020 | 1,092 | 2,370,208 |
| Treasury shares acquired during the term | 239 | 382,972 |

Note:

The treasury shares acquired during the term does not include shares acquired by purchasing sub-MTU (minimum trading unit) shares during the period from August 1, 2020, to the date of filing the original Japanese version of this report.

**4. Disposals or holdings of acquired treasury shares**

| Item | Year ended March 31, 2020 | | During the term | |
|---|---|---|---|---|
| | Number of shares | Total value of disposals (yen) | Number of shares | Total value of disposals (yen) |
| Shares of acquired treasury shares that went on offer | – | – | – | – |
| Treasury shares retired | – | – | – | – |
| Shares of acquired treasury shares involved in transfers accompanying merger, share exchange or corporate demerger | – | – | – | – |
| Other<br>(Exercise of subscription rights to shares)<br>(Sale upon request of sub-MTU share holdings) | <br>172,180<br>299 | <br>222,141,460<br>643,933 | <br>18,850<br>80 | <br>23,313,800<br>127,937 |
| Shares of treasury shares held | 6,959,902 | – | 6,941,211 | – |

Notes:

1. The number of treasury shares retired during the term reflects neither the exercise of the subscription rights to shares between August 1, 2020 and the filing of this report, nor the sale upon request of sub-MTU share holdings.
2. The number of treasury shares held during the term reflects neither the exercise of the subscription rights to shares between August 1, 2020 and the filing of this report, nor the purchase or sale upon request of sub-MTU share holdings.
3. The number of treasury shares held for the year ended March 31, 2020 and during the term does not include shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

## (3) Dividend Policy

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 continuous payment of dividends based on a targeted payout ratio of at least 40% on a consolidated basis.

In principle, the Company intends to pay dividends twice a year: interim and fiscal year-end. The Company's Articles of Incorporation prescribe that matters related to the payment of dividends may be decided by the Board of Directors, as well as the General Meeting of Shareholders according to the provision of Article 459, Paragraph 1 of the Companies Act, unless otherwise stipulated by law, and that the payment of interim dividends as provided for by Article 454, Paragraph 5 of the Companies Act may be effected by a resolution of the Board of Directors, with the date of record for such dividends being September 30. For the fiscal year ended March 31, 2020, the year-end dividend was decided by resolution of the Board of Directors (meeting date: May 14, 2020).

As a further return of profits to shareholders, the Company paid a full-year dividend of ¥34 per share, an increase of ¥2 from the previous fiscal year. Since there was no adjustment made to the dividend per share following a stock split in the fiscal year ended March 31, 2014, effectively increasing dividends for the year, there has effectively been an actual increase in dividends for seven consecutive terms. As a result, the payout ratio was 45.1% on a consolidated basis, with a rate of dividends to net assets of 2.5% on a consolidated basis.

Under the Group's long-term vision, "NNI 'Compass for the Future' —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change," we will take assertive steps to ramp up capital investments, M&A activity, human resource training, technology development and other areas for sustainable growth. At the same time, the Group will move to strengthen stable returns from a long-term perspective to shareholders who share with us "the values created through generations since the establishment of the Company." 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 demand for funds for strategic investments.

Note:
Payment of dividends for which the date of record falls during the fiscal year ended March 31, 2020 is as follows.

| Authorizing resolution | Total dividends (millions of yen) | Dividend per share (yen) |
|---|---|---|
| Resolution of the Board of Directors made on October 29, 2019 | 5,054 | 17 |
| Resolution of the Board of Directors made on May 14, 2020 | 5,055 | 17 |

## (4) Corporate Governance and Other Matters

### 1. Corporate governance

This section provides an overview of corporate governance at the Company and the Nisshin Seifun Group. All data are accurate as of the date of filing the original Japanese version of this report (August 28, 2020).

#### (1) Corporate governance systems

<Basic policy on corporate governance>

The Nisshin Seifun Group espouses two corporate philosophies, “the basis of business is built on trust” and to be “in tune with the changing climate.” Underpinned by a corporate principle of “to contribute to a healthy and fruitful life for all,” the Group’s mission is to stably supply safe and reliable food centering on wheat flour. Based on this corporate philosophy, the Company aims to realize sustainable growth and maximize long-term corporate value. Hence, the Company’s basic policy on corporate governance focuses on building a functional management system and maintaining accountability and transparency. The policy also emphasizes that the Company respects the position of all stakeholders, including shareholders, and promotes management that is highly transparent and carries out agile and appropriate decision-making. Under this philosophy, the Company fulfills its duties to a wide range of stakeholders, including shareholders who have entrusted us with management of the Company. In addition, the Company has defined its “basic policy on corporate governance” to realize effective governance that will lead to sustainable growth and medium- to long-term creation of corporate value.

<Description of the Company’s corporate governance systems and reasons for adopting such systems>

The Nisshin Seifun Group is a company with an Audit & Supervisory Committee-based governance structure. The rationale for adoption of this model is detailed below.

- Along with selecting a company structure with an audit & supervisory committee, whereby Directors who are Audit & Supervisory Committee Members retain decision-making authority on the Board of Directors, the percentage of Outside Directors has been increased to strengthen the supervisory functions of the Board of Directors with respect to business execution and related matters.
- The Audit & Supervisory Committee, of which Outside Directors comprise over half of its members, is responsible for auditing the appropriateness and propriety of business execution, resulting in even greater management transparency; meanwhile, placing the Internal Audit Department under the direct authority of the Audit & Supervisory Committee is designed to promote more robust audits.
- The authority of Executive Directors has been refined and the speed of management decision-making increased, with the aim of improving flexibility in business execution.

These changes seek to further enhance the Company’s sustainable growth and its medium- to long-term corporate value. Other matters regarding corporate governance are detailed below.

1) Reasons for adopting a holding company structure

The Company evaluates and supervises operating subsidiaries from the standpoint of a shareholder, and has adopted a holding company structure with the objective of executing Group management that ensures strategic utilization of management resources and effective governance. In the execution of Company operations, there is clear management accountability and the Company uses a system that promotes timely and appropriate decision-making.

2) Management system

The Company has the Board of Directors as a body for making important managerial decisions and supervising operational execution. Six Outside Directors are appointed to provide opinions to management from a highly independent third-party perspective. Refer to (2) below for more details regarding the composition of the Board of Directors. Company president Nobuki Kemmoku serves as chair of the Board of Directors.

The Company adopts an Executive Officer system to expedite the execution of business operations. In addition, the Company has the Group Management Meeting, which mainly consists of Executive Officers who discuss and exchange opinions as to important matters regarding the management of the Nisshin Seifun Group and the group companies. The Group Management Meeting is comprised of Company president Nobuki Kemmoku; Vice President and Executive Officer Michinori Takizawa; Senior Managing Director and Executive Officer Akira Mori; Managing Directors and Executive Officers Satoshi Odaka, Masashi Koike, Naoto Masujima, Koichi Iwasaki and Yasuo Ito; full-time Audit & Supervisory Committee Member Shoh Ohuchi; and others appointed by the Company president, Nobuki Kemmoku, who serves as chair for the meeting. The Group Management Meeting meets twice a month, in principle, and whenever the need arises.

3) Auditing system

The Company’s Audit & Supervisory Committee consists of Outside Directors who are Audit & Supervisory Committee Members (Mr. Tetsuo Kawawa, Mr. Satoshi Ito and Ms. Mieko Tomita) and an Internal Director who is a full-time Audit & Supervisory Committee Member (Shoh Ohuchi). Full-time Audit & Supervisory Committee Member Shoh Ohuchi serves as chair of the committee.

The Company's subsidiaries in Japan have appointed auditors; the full-time member of the Audit & Supervisory Committee holds a concurrent appointment as an audit and supervisory committee member of the Company's principal subsidiaries, and carries out audits of Nisshin Seifun Group companies.

In terms of personnel and systems to support the Group's auditing structure, a secretariat has been established to support auditing by the Audit & Supervisory Committee Members. In addition, the Company appoints several employees with extensive practical business experience at the Company and have held posts above a certain level to specialist positions for auditing Group companies.

Full-time Audit & Supervisory Committee Member Shoh Ohuchi has experience in accounting and finance work. For the part-time Outside Directors and Audit & Supervisory Committee Members, Satoshi Ito holds qualifications as a certified public accountant, while Tetsuo Kawawa and Mieko Tomita both hold qualifications as attorneys.

As a division for conducting internal audits, the Company has the Internal Audit Department, under the direct authority of the Audit & Supervisory Committee, coupled with expert personnel in charge of audits covering specialized areas such as facilities, safety, environmental protection and quality assurance. This structure is responsible for internal audits of the Nisshin Seifun Group companies.

The Company and its major subsidiaries have an independent auditing contract with Deloitte Touche Tohmatsu LLC, which conducts audits as stipulated in the Companies Act and the Financial Instruments and Exchange Act under that contract.

4) Committee structure voluntarily established in relation to the corporate governance system

The Company has an Outside Directors' Council. This Council comprises all Outside Directors (including Outside Directors who are Audit & Supervisory Committee Members), and is used as a forum for members to share information. The Council also discusses and offers advice on the appointment of Representative Directors and outside officers, in response to consultations from the Board of Directors, and remuneration policy for senior management (including Executive Directors, Executive Officers and presidents of major operating companies). Council membership consists of Mr. Kazuhiko Fushiya, Mr. Akio Mimura, Mr. Motoo Nagai, Mr. Tetsuo Kawawa, Mr. Satoshi Ito and Ms. Mieko Tomita, with Mr. Fushiya serving as chair. Furthermore, the Company has established a Corporate Value Committee. Refer to (8) below for more information. The membership of the Corporate Value Committee comprises all Outside Directors, with Mr. Kazuhiko Fushiya serving as chair.

5) Reasons for adopting the corporate governance systems

The rationale for the Company's selection of an "Audit & Supervisory Committee"-based governance structure is as described above. To maximize the effect of the holding company structure, the Company's Board of Directors comprises (i) directors who exclusively belong to the holding company and are responsible for functions that unify the overall Group; (ii) Directors who concurrently hold the position of managing major operating companies, being familiar with the market environment and having experienced management skills for those businesses; iii) Outside Directors who possess an independent, third-party viewpoint, and iv) Directors with decision-making authority on the Board of Directors who are also Audit & Supervisory Committee Members responsible for auditing the appropriateness and propriety of business execution. We believe that this structure is suitable for promoting management that respects the standpoint of each stakeholder group, including shareholders, maintains a high degree of transparency, and carries out timely and appropriate decision-making. The Company appoints Outside Directors, who offer opinions at Board of Directors meetings based on extensive experience and broad knowledge. Their opinions are delivered from the same viewpoint as the Company's shareholders and the general society surrounding the Company, and such opinions are extremely important for examining the management of the Company.

<Outline of limited liability contract>

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company holds a limited liability contract with Directors (excluding Executive Directors) to the effect that the maximum amount of liability as stipulated in Article 423, Paragraph 1 of the Companies Act shall be the sum of the amounts stipulated in each item of Article 425, Paragraph 1 of the Companies Act, as long as they perform their duties in good faith and without gross negligence.

<Basic policy on internal control systems and status>

The internal control systems of the Company establish the hierarchical command structure and clarify authority and responsibility while putting in place management control of department heads or managers in operational departments, internal checks between departments (i.e. operations division and accounting division), as well as the following systems.

1) Systems to ensure the duties of directors and employees of the Company and its subsidiaries are performed in compliance with law and the Articles of Incorporation

(a) The Nisshin Seifun Group has formulated the Nisshin Seifun Group Corporate Code of Conduct and Employee

Action Guidelines. The presidents and directors of the Company and its subsidiaries recognize their duty to comply with said Code and Guidelines, and shall take the lead in following said rules and publicizing them to the people concerned. Said presidents and directors shall also endeavor to grasp internal and external opinion at all times, and adjust their internal systems accordingly to enhance their effectiveness, while promoting corporate ethics throughout their companies.

(b) The Audit & Supervisory Committee of the Company and its subsidiaries shall audit the performance of duties by each director, and oversee and verify whether directors construct and operate systems for internal control in an appropriate manner.

(c) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee of the Company, shall lead the enhancement and operation of the Nisshin Seifun Group's internal control systems.

As an independent organization, the Internal Audit Department shall evaluate the internal control systems of the Nisshin Seifun Group and perform internal audits of the Group's business operations.

(d) The Company's Social Committee shall address all Nisshin Seifun Group's corporate social responsibility (CSR) issues by discussing a comprehensive range of CSR issues, including corporate ethics and compliance, promoting practical CSR measures, providing education on CSR throughout the Group and ensuring recognition of and compliance with laws, the Articles of Incorporation and social norms.

(e) The Nisshin Seifun Group shall not bow to unreasonable demands of antisocial forces that could threaten the order and safety of civil society and shall take organized countermeasures in collaboration with specialized institutions.

(f) The Company shall operate and maintain the Compliance Hotline, which was established as a measure for Nisshin Seifun Group employees, etc., to directly report any acts of non-compliance so that such acts can be early detected and dealt with.

2) Rules and systems for managing the danger of loss to the Company and its subsidiaries

(a) In the Nisshin Seifun Group, issues concerning business operations, approval and reporting procedures shall be determined according to their level of importance, impact, etc., and evaluation of such issues, including risk assessment thereof, shall be made in advance.

(b) In the Nisshin Seifun Group, in line with the Nisshin Seifun Group Risk Management Rules, in parallel with evaluation and review of risks, the Company's Risk Management Committee shall supervise the overall risk management efforts of the Nisshin Seifun Group by confirming and providing guidance to ensure that subsidiaries have appropriate control over the risks that subsidiaries recognize, analyze, and evaluate, and that no risks are left unnoticed.

(c) In the Nisshin Seifun Group, in line with the Nisshin Seifun Group Crisis Control Rules, any emergence of crises or fear thereof shall be reported by employees, etc. to a specified contact within the Nisshin Seifun Group to ensure the early detection and handling of the danger of loss.

Should crises occur, the Company shall immediately set up countermeasures headquarters to handle them in an appropriate manner to minimize damages.

(d) The Audit & Supervisory Committee of the Company and its subsidiaries shall take the necessary measures, such as advice and recommendation, whenever they recognize the possibility that each director may bring about a significant loss or serious accidents.

3) Systems for ensuring that duties of directors of the Company and its subsidiaries are performed efficiently

(a) For the Company and its subsidiaries, the range of responsibility and authority is clarified, for example, by identifying matters to be resolved by and reported to the Board of Directors and matters of request for approval of presidents, Directors and Executive Officers in charge of respective business divisions. This enables directors to perform their duties in a prompt and appropriate manner.

(b) The Nisshin Seifun Group clarifies its business strategies and their potential direction, according to which each subsidiary formulates its profit plans on a yearly basis. The term of office of directors (excluding Directors who are Audit & Supervisory Committee Members) shall be one year to clarify their responsibilities. The Board of Directors reviews business performance on a monthly basis, and discusses and implements measures to improve performance.

4) Systems for ensuring that proper business operations are conducted within the group of companies that consists of the Company and its subsidiaries

(a) The Nisshin Seifun Group has adopted a holding company structure under Nisshin Seifun Group Inc., whereby the Company, as the holding company constantly oversees and evaluates the actions of subsidiaries with the best interests of the shareholders in mind.

(b) For important issues concerning the business operations of subsidiaries, standardized criteria determine the matters to be submitted for discussion or report to the Company's Board of Directors.

(c) The Nisshin Seifun Group "Corporate Code of Conduct and Employee Action Guidelines" stipulate and specify the Corporate Principle, the Basic Management Policy, the Basic Attitude toward Stakeholders, and the Corporate Code of Conduct and Employee Action Guidelines, and awareness of these throughout the Group is promoted.

(d) The procedures and methods for creation of the Group's financial reports, including the consolidated financial statements, are stipulated to eliminate wrongful acts and errors and ensure the reliability of consolidated financial statements and other financial reporting from the Nisshin Seifun Group.

(e) The Audit & Supervisory Committee of the Company and its subsidiaries hold regular meetings of Nisshin Seifun Group Audit & Supervisory Liaison Committee to exchange opinions on audit cases, etc., and share issues to be addressed.

(f) The Company provides special audits, such as of facilities, safety, environment and quality assurance for the Nisshin Seifun Group.

(g) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee of the Company, shall lead the enhancement and operation of the Nisshin Seifun Group's internal control systems.

As an independent organization, the Internal Audit Department shall evaluate the internal control systems of the Nisshin Seifun Group and perform internal audits of the Group's business operations.

(h) The subsidiaries of the Nisshin Seifun Group have their own Internal Control Committee, headed by the president, which leads efforts to enhance and operate their internal control systems.

5) Systems for ensuring the preservation and management of information in relation to the performance of the duties of the directors of the Company

The minutes of Board of Directors' meetings, request for managerial decision, and other documents and information relating to the directors' performance of their duties shall be preserved and managed appropriately as confidential information in accordance with the relevant regulations.

6) Provisions concerning the individuals assisting the Audit & Supervisory Committee Members in performing their duties, their independence from directors (excluding Directors who are Audit & Supervisory Committee Members), and ensuring the efficacy of directions given to such individuals by the Audit & Supervisory Committee Members

(a) An Audit & Supervisory Committee Secretariat has been established to assist the Audit & Supervisory Committee in performing its duties. The secretariat assists the Audit & Supervisory Committee in performing audits under the direction of the committee. Personnel changes concerning the members of the Audit & Supervisory Committee Secretariat require the consent of the Audit & Supervisory Committee.

(b) Directors (excluding Directors who are Audit & Supervisory Committee Members) pay close attention to ensuring that no unreasonable constraints exist that could potentially hinder the independence of the Audit & Supervisory Committee Secretariat in the performance of its duties.

7) Systems for reporting to the Audit & Supervisory Committee of the Company by the directors (excluding Directors who are Audit & Supervisory Committee Members) and employees of the Company, the directors, auditors and employees of subsidiaries, and individuals who receive reports from these individuals

(a) The Audit & Supervisory Committee Members of the Company attend the meetings of the Board of Directors and other important meetings, including meetings of the Group Management Meeting, the Credit Management Committee and the Normative Ethics Committee, and state their opinions as appropriate.

(b) The Audit & Supervisory Committee of the Company may ask for reporting from the independent accounting auditors, the directors, the Internal Audit Department and others, whenever such necessity arises.

(c) When Directors of the Company or its subsidiaries recognize anything that could cause remarkable damage or serious accidents to their respective companies, they shall immediately report that to their respective Audit & Supervisory Boards or auditors, with subsequent reporting by the respective Audit & Supervisory Board Members to the Company's Audit & Supervisory Committee.

(d) The results of audits conducted by subsidiaries' Audit & Supervisory Board Members shall also be reported to the Company's Audit & Supervisory Committee.

(e) The results of internal control system evaluations and internal audits conducted by the Company's Internal Audit Department are also reported to the Company's Audit & Supervisory Committee.

(f) The results of specialized audits, equipment and safety audits, environmental audits, and quality assurance audits, are also reported to the Company's Audit & Supervisory Committee.

(g) Any information obtained through the Compliance Hotline is reported immediately to the Company's Audit & Supervisory Committee.

(h) Documents for taking over the duties of the executive managers of the Company's divisions and the presidents of its subsidiaries are submitted to the Company's Audit & Supervisory Committee.

(i) All circular requisitions of the Company and its subsidiaries are transmitted to all of the Audit & Supervisory Committee Members or auditors of each respective company.

8) System for ensuring individuals reporting to the Company's Audit & Supervisory Committee can do so without fear

of reprisal for doing so

Individuals reporting any of the previously addressed items, including those reporting via the Compliance Hotline, will face no reprisals, through personnel systems or in any other way, for such reporting.

9) Provisions regarding policies guiding procedures for the prepayment or reimbursement of expenses incurred by the Company's Audit & Supervisory Committee Members in the execution of their duties and other expenses incurred in the execution of such duties or fulfillment of related responsibilities

Anticipated expenses incurred by the Audit & Supervisory Committee Members in the execution of their duties are budgeted; expenses incurred beyond those budgeted, excluding such expenses deemed unnecessary for execution of the duties of the Audit & Supervisory Committee Members, shall be dealt with immediately by the Company pursuant to Article 399.2, Paragraph 4 of the Companies Act.

10) Other systems for ensuring that the audits by Audit & Supervisory Committee of the Company are conducted efficiently

The Audit & Supervisory Committee holds regular meetings with representative directors, and exchange opinions on prospective challenges and risks for the Company, as well as the status of the environment for audits by the Audit & Supervisory Committee and other important auditing issues.

<Basic policy and status of efforts for elimination of antisocial forces>

The Nisshin Seifun Group shall not bow to unreasonable demands of antisocial forces that could threaten the order and safety of civil society and shall take organized countermeasures in collaboration with specialized institutions. The Group's detailed efforts to achieve this are as follows.

(a) The Nisshin Seifun Group Corporate Code of Conduct calls for strict compliance with all relevant laws and social norms, while the Employee Action Guidelines call upon employees to maintain a resolute attitude to reject unreasonable demands from antisocial forces.

(b) Within the Nisshin Seifun Group Inc., an office for control of countermeasures against unreasonable demands and a person responsible for the rejection of such demands are provided to collect information about antisocial forces and to take organized countermeasures in collaboration with specialized institutions. In addition, educational opportunities on ethics and compliance are provided to have the organized countermeasures effectively in place throughout the Group.

(c) Within the Nisshin Seifun Group Inc., a Normative Ethics Committee, comprised of members from Group companies, and Social Norms Committees at key subsidiaries, have been established. The committees thoroughly review each case to ensure a resolute attitude to reject unreasonable requests from antisocial forces, and to confirm that no illegal payoffs or other such actions occur.

<Status of risk management systems>

As mentioned in "Basic policy on internal control systems and status" above, the Group has risk management systems as follows.

To ensure that the Company fulfills its social responsibilities, the Nisshin Seifun Group has formulated the Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines. The Company undertakes Group-wide training and other educational activities to ensure that all employees understand and abide by this code of conduct. Environmental and other specialist audits are undertaken as a further check of the code's effectiveness. The Company has also established a Compliance Hotline System that allows employees to communicate directly with external legal counsel or internal departments regarding any compliance-related matters.

Separately, the Nisshin Seifun Group has established the Nisshin Seifun Group Risk Management Rules and the Crisis Control Rules to prevent crisis occurrence and ensure that appropriate actions are taken in the event of any such emergency, as well as to give clear definitions of risk management and crisis. The Company has also set up the Risk Management Committee as a center for overseeing the efforts of risk management throughout the Nisshin Seifun Group. All Nisshin Seifun Group employees are obliged to report any crisis to the Company's call center so that the information can be relayed swiftly to senior management. The system aims to ensure that any damage caused is minimal due to prompt initial action.

### (2) The number of Directors

The Company's Articles of Incorporation prescribe that the number of the Company's Directors be not more than 14, of which not more than 4 are Audit & Supervisory Committee Members.

### (3) Requirements for a resolution on the appointment of Directors

The Company's Articles of Incorporation prescribe that a resolution on the appointment of Directors who are Audit & Supervisory Committee Members and other Directors (categorized separately) be adopted by a majority of the voting rights of shareholders attending the General Meeting of Shareholders who collectively hold one-third or more of all voting rights. Cumulative voting shall not be applied to pass a resolution on the appointment of Directors.

**(4) The bodies that make a decision on the payment of dividends, etc.**

To enable the Company to maintain a dynamic capital stance, the Company's Articles of Incorporation prescribe that matters specified in all items of Article 459, Paragraph 1 of the Companies Act, including those related to the payment of dividends, may be decided by the Board of Directors, as well as the General Meeting of Shareholders, unless otherwise stipulated by law.

**(5) The body that makes a decision on the payment of interim dividends**

To enable the expeditious return of profits to shareholders, the Company's Articles of Incorporation prescribe that the payment of interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act, for which the date of record is September 30 each year, may be enabled by a resolution of the Board of Directors.

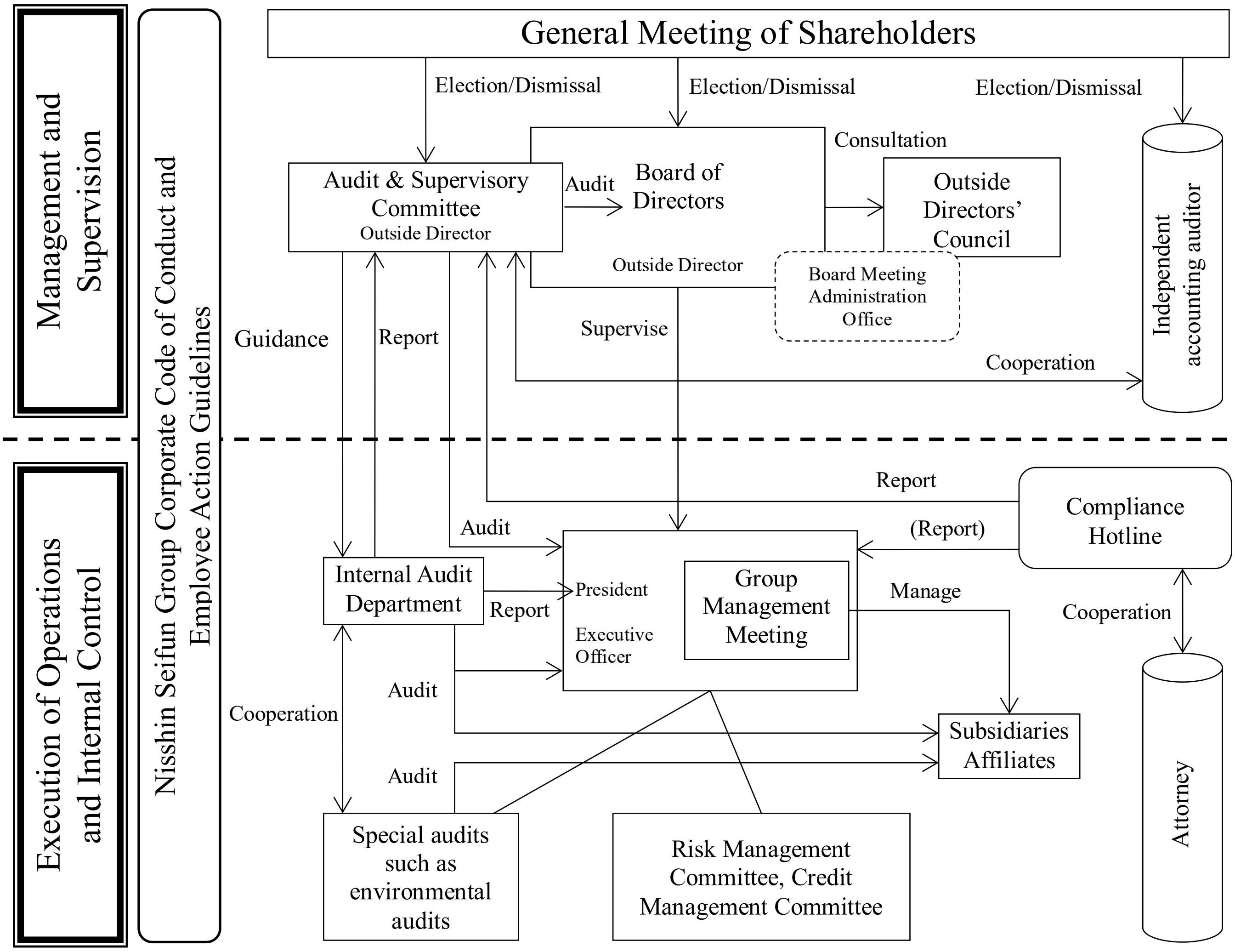
**(6) Requirements for a special resolution by the General Meeting of Shareholders**

To ensure the integrity of deliberation on matters for special resolution at the General Meeting of Shareholders as defined in Article 309, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation prescribe that such special resolution be adopted by two-thirds or more of the voting rights of shareholders attending the General Meeting of Shareholders who collectively hold one-third or more of all voting rights.

**(7) Exemption from liabilities for Directors**

To ensure that the Directors and Audit & Supervisory Committee Members perform their expected roles in an appropriate manner by limiting the liabilities they assume to a reasonable range, the Company's Articles of Incorporation prescribe that Directors (including former ones) and Audit & Supervisory Committee Members (including former ones) may be exempt from the liabilities for damages as defined in Article 423, Paragraph 1 of the Companies Act to a statutorily acceptable degree by a resolution of the Board of Directors in accordance with Article 426, Paragraph 1 of said Act.

The diagram below sets out the structure of the Nisshin Seifun Group for management/supervision, execution of operations, and internal control.




**(8) Basic policies regarding control of the corporation**

I. Brief description of the basic policies

As a provider of food, the Company believes that its chief responsibility, as well as a source of generating corporate value and one of its fundamentals, is to contribute to providing safe food on a continuous basis, namely by ensuring high levels of safety and the quality of its products, along with the stable supply of wheat flour and other foods staples for the people. To continue to secure and improve the Company's corporate value, which is girded by this responsibility, and the common interests of the shareholders, it is essential to ensure high levels of safety and product quality, as well as stable supply, among other duties. If any person, failing to understand this, buys up the Company's shares and acts in ways contrary to a sustainable and systematic medium- to long-term business policy, such actions would cause damage to the Company's corporate value and the common interests of the shareholders. Moreover, there are other forms of stock purchase that might do harm to the Company's corporate value and the common interests of the shareholders.

In order to properly manage the above issues, the Company believes that the advanced disclosure of sufficient information must be made, such as: the management policies and business plans envisioned by a potential purchaser of the Company's shares; the possible impact of the proposed acquisition on the Company's shareholders, the management of the Nisshin Seifun Group and all of the Group's stakeholders; and the purchaser's views regarding corporate social responsibility, including the matters of ensuring the stable supply of wheat flour and other dietary staples of the people and food safety. Also, a reasonable length of time to review such proposal and ample capacity to negotiate with such purchaser must also be ensured.

II. Measures that contribute to the effective utilization of the Company's assets, structuring of the appropriate form of the business group and the realization of other basic policies on control of the corporation

As a pure holding company, the Company is responsible for proposing management strategies for the Group, the efficient distribution of management resources and the auditing and monitoring of business activities. By optimizing the markets of each operating company, the Company has guaranteed a high level of safety and quality for products, as well as ensuring a steady supply. Moreover, through the mutual strengthening of corporate value between operating companies, the corporate value of the Group as a whole has been improved.

Under the above system, the Group aims to maintain and improve a high level of technological capability, including the manufacturing technology and development and analysis capabilities required to support product safety and quality. The Group will implement ongoing and systematic capital expenditure from a long term perspective. At the same time, the Group will focus on employee training that can ensure and improve levels of specialist skills, the introduction of ongoing auditing and instruction systems related to product quality and facilities, internal controls, and the construction and ongoing implementation of compliance systems. We will also work hard to build and maintain trust relationships with the Company's stakeholders, including our customers and local society.

III. Measures to prevent a decision on the Company's financial and business policies from being controlled by a party who is deemed inappropriate according to the basic policies

With the aim of securing and improving the corporate value of the Company and the common interests of the shareholders, the Company has adopted a plan to take certain measures using a gratis allotment of subscription rights to shares (hereinafter "the Plan"), in line with Article 45 of its Articles of Incorporation and the "Renewal of the Resolution to Approve Gratis Allotments of Subscription Rights to Shares for Securing and Improving Corporate Value of the Company and the Common Interests of the Shareholders," which was approved by the 174th Ordinary General Meeting of Shareholders held on June 27, 2018. The outline of the Plan is as follows.

1) The Board of Directors shall ask any party who attempts a Specified Acquisition to present a written Acquisition Proposal to ask for a resolution of the Board of Directors not to take countermeasures including the gratis allotment of the Subscription Rights to Shares defined in Paragraph 6 below (hereinafter "the Confirmation Resolution") against that proposal. In order to implement prompt operation of the Plan, the Board of Directors may establish a reply deadline and request the provision of additional information in respect to any parties making a proposal in connection with a Specified Acquisition. Even in this case, the reply deadline shall be set with a maximum limit of 60 business days starting from the day on which the provision of information was requested of the Proposed Acquirer by the Board of Directors and the Corporate Value Committee shall commence its deliberation and discussion upon expiry of such reply deadline. "Specified Acquisition" means: a) an act of purchasing the Company's share certificates, etc., that would result in the holdings of 20% or more of the Company's share certificates, etc. (including similar acts as specified by the Board of Directors); or b) an act of commencing a tender offer that would result in the holdings of 20% or more of the Company's share certificates, etc. "Acquisition Proposal" means a document that contains the Company's management policies and business plans after said acquisition, evidence used to calculate prices, proof of acquisition funds, any possible impact on the Company's stakeholders and information related to Items 4) i. or v. that is reasonably demanded by the Company.
2) Upon receiving the Acquisition Proposal, the Board of Directors shall promptly submit it to the Corporate Value Committee, which is composed only of the Outside Directors of the Company.
3) The Corporate Value Committee shall investigate said Acquisition Proposal and discuss whether or not to pass a resolution (hereinafter referred to as a "Recommendation Resolution") recommending that the Board of Directors passes a Confirmation Resolution in regard to said Acquisition Proposal. The Recommendation Resolution shall be passed by a majority of all members, and the results of said Recommendation Resolution shall be disclosed. The period for such deliberation and discussion by the Corporate Value Committee shall be a maximum of 60 business days (or a maximum of 90 business days for Acquisition Proposals other than those that specify only cash in Japanese currency as the consideration and set no upper limit to the number of shares to be purchased) upon the receipt of the Acquisition Proposal from the Board of Directors. Only when reasonable grounds exist, the period for the deliberation and discussion may be extended to a maximum of 30 business days. However, in this case, the grounds for the extension and the intended extension period will be disclosed.
4) Deliberations and discussion regarding the Recommendation Resolution by the Corporate Value Committee shall be made by faithfully forming an accurate judgment as to whether the Acquisition Proposal can satisfy the Company's purposes of securing and improving corporate value and the common interests of the shareholders. The Corporate Value Committee must issue a Recommendation Resolution for Acquisition Proposals that meet all of the below requirements and that secure and improve the corporate value of the Company and the common interests of shareholders.
    i. The acquisition does not fall under any of the following types of action:
        a. Buyout of the Company's shares to demand that the Company or its related party purchase said shares at an inflated price;
        b. Management that provides a benefit to the Proposed Acquirer (including its group companies or other related parties, same applies below) to the detriment of the Company, such as temporary control of the Company's management enabling transfer of the Company's material assets;

c. Diversion of the Company's assets to secure or repay debts of the Proposed Acquirer;

d. Actions that unjustly harm fundamentals essential to generation of the Company's medium- to long-term corporate value, such as temporary control of the Company's management to decrease the assets, funds, etc. that are required for the Company's business expansion, product development, etc., for future years; and other types of action causing harm to the cooperative relationships of the Company's stakeholders, including the Company's shareholders, business partners, customers and employees.

ii. The scheme and content of the deal proposed by the Acquisition Proposal comply with the relevant laws and regulations.

iii. The scheme and content of the deal proposed by the Acquisition Proposal do not threaten to have the effect of compelling shareholders to sell their shares.

iv. The true information necessary for deliberations on the Acquisition Proposal is provided in the appropriate timing, such as upon request of the Company, and sincere responses are made in other ways, by complying with the procedures specified by the Plan.

v. The period for the Company to deliberate the Acquisition Proposal is secured (including deliberation and presentation of its alternative proposals to the Company's shareholders). This period is specified as a maximum of 60 business days upon the receipt of the Acquisition Proposal or a maximum of 90 business days for Acquisition Proposals other than those that specify only cash in the Japanese currency as consideration and set no upper limit to the number of shares to be purchased. Furthermore, if there are reasonable grounds to exceed these respective periods, a maximum of 30 business days will additionally be allowed.

5) A Confirmation Resolution of the Company's Board of Directors shall be made according to the Recommendation Resolution of the Corporate Value Committee. In case the Corporate Value Committee issues the Recommendation Resolution, the Board of Directors must make the Confirmation Resolution promptly, unless there are particular reasons that are clearly against the Directors' duty of care. Countermeasures, such as a Gratis Allotment of Subscription Rights to Shares, cannot be taken against the Acquisition Proposal for which the Confirmation Resolution is made.

6) In the event that the Specified Acquirer—which is defined as a person or company that executed the Specified Acquisition and failed to obtain the Confirmation Resolution by the time such acquisition was executed—appears, the Board of Directors shall disclose the identifying of the appearance of the Specified Acquirer and issue a resolution that identifies and determines the necessary conditions for effecting a gratis allotment of Subscription Rights to Shares, including the record and effective dates for such allotment, and execute the gratis allotment of Subscription Rights to Shares after publicly announcing details of matters that have been determined. "Subscription Rights to Shares" is defined as the subscription rights to shares whose exercise is restricted for the Specified Acquirer and its related parties, which are collectively defined as the Specified Acquirer.

   In such a case that it is revealed that the ratio of holdings of the Company's share certificates, etc., by the Specified Acquirer falls below 20% by the date that is specified elsewhere by the Board of Directors and which should be earlier than three business days prior to the record date for the gratis allotment, the Board of Directors can defer the effect of a gratis allotment of Subscription Rights to Shares.

7) In the case that a gratis allotment of Subscription Rights to Shares is effected, the Company shall implement the gratis allotment of Subscription Rights to Shares to all shareholders, except the Company, as of the record date for the gratis allotment at a ratio of one Subscription Right to Share for every one share of the Company's common stock held, and the number of shares to be issued per one Subscription Right to Share will not exceed two and be determined elsewhere by the Board of Directors. The value of assets invested to exercise one Subscription Right to Share shall be ¥1 multiplied by the number of shares to be issued per one Subscription Right to Share.

8) Exercisable Subscription Rights to Shares can be acquired by the Company. For the Subscription Rights to Shares held by shareholders other than the Specified Acquirer, this is accomplished in exchange for common shares of the Company of a number equal to the integral part of the number of said Subscription Rights to Shares multiplied by the number of shares to be issued per Subscription Right to Share. For other Subscription Rights to Shares, this is accomplished in exchange for Subscription Rights to Shares with restriction on transfer (restriction on the exercise of the rights by the Specified Acquirer) of the same number as the Subscription Rights to Shares that are acquired by the Company.

IV. Judgment of the Board of Directors and its reasons

The Plan complies with the basic policies described in Item (1) above, and it is carefully devised as follows to ensure its reasonability. Therefore, the Plan protects the corporate value of the Company and the common interests of the shareholders and does not pursue the personal interests of the Company's management.

1) The Plan received prior approval of the shareholders at the 174th Ordinary General Meeting of Shareholders on June 27, 2018, pursuant to the provision of Article 45 of the Company's Articles of Incorporation.

2) The term of office of the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) is one year and the timing of reelection is concurrent among all Directors. In addition, the resolution on dismissal of Directors has the same weight as that of an ordinary resolution at a General Meeting of

Shareholders. Therefore, the Plan can be abolished by a resolution of the Board of Directors through the election or dismissal of Directors by an ordinary resolution at a single General Meeting of Shareholders.

3) To secure the neutrality of judgment relating to the Plan, the Corporate Value Committee, composed only of Outside Directors of the Company, shall deliberate the Acquisition Proposal, under legal obligations as the Directors of the Company, to determine if the proposal meets the purposes of securing and improving the Company's corporate value and the common interests of the shareholders. It is also required that the Board of Directors makes a Confirmation Resolution upon receipt of a Recommendation Resolution to that effect from the Corporate Value Committee, unless there are particular reasons that are clearly against the Directors' duty of care.
4) To enhance the objectivity of judgment relating to the Plan, the Corporate Value Committee must issue a Recommendation Resolution in certain cases, as specified in Paragraph (3) above.
5) Subject to approval at the General Meeting of Shareholders, the Plan can be revised every year by a resolution of the Board of Directors. This allows the Plan to adjust itself to the development of the related laws and regulations and various other business environments surrounding the Company.
6) The validity of an Approval Resolution at the General Meeting of Shareholders is three years from the date of the General Meeting of Shareholders. Upon the passage of three years, the Board of Directors will present a Plan that reflects any revisions, including reflections on its supplementary conditions, for approval by the shareholders.
7) The Plan satisfies all of the requirements for legality (to avoid suspension of the issuance of Subscription Rights to Shares, etc.) and rationality (to gain the understanding of shareholders, investors and other stakeholders) specified in the "Securing and/or Improving Corporate Value and Common Interests of Shareholders: Takeover Defense Guidelines" released on May 27, 2005, by the Ministry of Economy, Trade and Industry and the Ministry of Justice. Moreover, the Plan is in accordance with the recommendations of the June 30, 2008 report of the Ministry of Economy, Trade and Industry's Corporate Value Study Group entitled "Takeover Defense Measures in Light of Recent Environmental Changes."

## 2. Directors and Audit & Supervisory Committee Members

### (1) Directors and Audit & Supervisory Committee Members

[Male: 13, Female: 1 (percentage of female officers 7.1%)]

| Title and position | Name | Date of birth | Career | | Term of office | Share holding (hundreds) |
|---|---|---|---|---|---|---|
| Representative Director and President | Nobuki Kemmoku | February 13, 1961 | Apr. 1984 | Joined the Company | Note 3 | 575 |
| | | | Sep. 2011 | Managing Director, Nisshin Flour Milling Inc. | | |
| | | | Jun. 2012 | Executive Officer | | |
| | | | Jun. 2013 | Director | | |
| | | | Jun. 2013 | Senior Managing Director, Nisshin Flour Milling Inc. | | |
| | | | Apr. 2015 | Director and President, Nisshin Flour Milling Inc. | | |
| | | | Jun. 2015 | Managing Director | | |
| | | | Apr. 2017 | Director and President (to the present) | | |
| | | | Apr. 2017 | Director and Chairman, Nisshin Flour Milling Inc. (to the present) | | |
| Representative Director, Vice President and Executive Officer<br>In charge of General Administration Division | Michinori Takizawa | March 27, 1954 | Apr. 1976 | Joined the Company | Note 3 | 590 |
| | | | Jul. 2001 | General Manager, Legal Affairs Group (General Administration Division) | | |
| | | | Jun. 2005 | Executive Officer and General Manager, Legal Affairs Group (General Administration Division) | | |
| | | | Jun. 2006 | Executive Officer and General Manager (Legal Department of General Administration Division) | | |
| | | | Jun. 2009 | Executive Officer and General Manager (Internal Control Department) | | |
| | | | Jul. 2011 | Executive Officer and Division Executive (Corporate Planning Division) | | |
| | | | Jun. 2012 | Director and Division Executive (Corporate Planning Division) | | |
| | | | Jun. 2013 | Managing Director and Division Executive (General Administration Division) | | |
| | | | Jun. 2015 | Senior Managing Director and Division Executive (General Administration Division) | | |
| | | | Apr. 2017 | Director, Vice President and Division Executive (General Administration Division) | | |
| | | | Jun. 2017 | Director and Vice President (In charge of General Administration Division) | | |
| | | | Jun. 2019 | Director, Vice President and Executive Officer (In charge of General Administration Division) (to the present) | | |
| Director, Senior Managing Executive Officer<br>In charge of Corporate Planning Division and Finance and Accounting Division | Akira Mori | December 16, 1956 | Apr. 1979 | Joined the Company | Note 3 | 368 |
| | | | Jun. 2010 | General Manager (Finance Department of Finance and Accounting Division) | | |
| | | | Jun. 2012 | Executive Officer and General Manager (Finance Department of Finance and Accounting Division) | | |
| | | | Jun. 2013 | Director and Division Executive (Corporate Planning Division) | | |
| | | | Jun. 2015 | Managing Director and Division Executive (Corporate Planning Division) | | |
| | | | Apr. 2017 | Managing Director and Division Executive (Finance and Accounting Division) | | |
| | | | Jun. 2019 | Director, Managing Executive Officer and Division Executive (Finance and Accounting Division) | | |
| | | | Jun. 2020 | Director, Senior Managing Executive Officer (In charge of Corporate Planning Division and Finance and Accounting Division) (to the present) | | |

| Title and position | Name | Date of birth | Career | | Term of office | Share holding (hundreds) |
|---|---|---|---|---|---|---|
| Director, Managing Executive Officer and Division Executive, Business Development Division | Koichi Iwasaki | September 12, 1956 | Apr. 1980<br>Jun. 2007<br>Jun. 2010<br>Jun. 2010<br>Jun. 2012<br>Jun. 2012<br>Jun. 2014<br>Jun. 2015<br>Jun. 2017<br>Jun. 2017<br>Jun. 2019<br>Jul. 2019 | Joined the Company<br>Director and Division Executive (Sales Division), Nisshin Foods Inc.<br>Executive Officer<br>Managing Director and Division Executive (Sales Division), Nisshin Foods Inc.<br>Director<br>Director and President, Nisshin Foods Inc.<br>Managing Director<br>Director, Tokatsu Foods Co., Ltd.<br>Executive Officer<br>Director and Vice Chairman, Tokatsu Foods Co., Ltd.<br>Director, Managing Executive Officer and Division Executive (Business Development Division) (to the present)<br>Director and Chairman, Tokatsu Foods Co., Ltd. (to the present) | Note 3 | 545 |
| Director, Managing Executive Officer and Division Executive, Technology and Engineering Division | Satoshi Odaka | November 18, 1958 | Apr. 1983<br>Jun. 2007<br>Apr. 2012<br>Jun. 2012<br>Jun. 2015<br>Jun. 2019<br>Jun. 2020 | Joined the Company<br>General Manager (Technology and Engineering Department of Technology and Engineering Division)<br>Director and Division Executive (Production Division), Nisshin Flour Milling Inc.<br>Executive Officer<br>Director and Division Executive (Technology and Engineering Division)<br>Managing Executive Officer and Division Executive (Technology and Engineering Division)<br>Director, Managing Executive Officer and Division Executive (Technology and Engineering Division) (to the present) | Note 3 | 258 |
| Director and Managing Executive Officer | Takao Yamada | September 27, 1960 | Apr. 1983<br>Jun. 2011<br>Jun. 2012<br>Jun. 2013<br>Jun. 2013<br>Apr. 2015<br>Apr. 2017<br>Jun. 2019 | Joined the Company<br>Director and General Manager (Tokyo Sales Department), Nisshin Flour Milling Inc.<br>Executive Officer<br>Director<br>Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc.<br>Senior Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc.<br>Director and President, Nisshin Flour Milling Inc. (to the present)<br>Director and Managing Executive Officer (to the present) | Note 3 | 277 |
| Director and Managing Executive Officer | Yuji Koike | January 16, 1960 | Apr. 1983<br>Jun. 2014<br>Jun. 2014<br>Jun. 2017<br>Jun. 2017<br>Jun. 2019 | Joined the Company<br>Executive Officer<br>Director and President, Nisshin Petfood Inc.<br>Director<br>Director and President, Nisshin Foods Inc. (to the present)<br>Director and Managing Executive Officer (to the present) | Note 3 | 265 |

| Title and position | Name | Date of birth | Career | | Term of office | Share holding (hundreds) |
|---|---|---|---|---|---|---|
| Director | Akio Mimura | November 2, 1940 | Apr. 1963<br>Jun. 1993<br>Apr. 1997<br>Apr. 2000<br><br>Apr. 2003<br><br>Jun. 2006<br>Apr. 2008<br><br>Jun. 2009<br>Oct. 2012<br><br>Jun. 2013<br><br>Nov. 2013<br><br>Jun. 2018<br><br>Apr. 2019 | Joined Fuji Iron & Steel Co., Ltd.<br>Director, Nippon Steel Corporation<br>Managing Director, Nippon Steel Corporation<br>Representative Director and Executive Vice President, Nippon Steel Corporation<br>Representative Director and President, Nippon Steel Corporation<br>Audit & Supervisory Board Member<br>Representative Director and Chairman, Nippon Steel Corporation<br>Director (to the present)<br>Director and Senior Advisor, Nippon Steel & Sumitomo Metal Corporation<br>Senior Advisor, Nippon Steel & Sumitomo Metal Corporation<br>Senior Advisor and Honorary Chairman, Nippon Steel & Sumitomo Metal Corporation<br>Senior Advisor and Honorary Chairman, Nippon Steel & Sumitomo Metal Corporation<br>Senior Advisor and Honorary Chairman, Nippon Steel Corporation (to the present) | Note 3 | 439 |
| Director | Kazuhiko Fushiya | January 26, 1944 | Apr. 1967<br>Jul. 1999<br>Jul. 2001<br><br>Jul. 2002<br>Jan. 2006<br>Feb. 2008<br><br>Jan. 2009<br>Jun. 2009<br>Jun. 2015 | Joined the Ministry of Finance<br>Commissioner, National Tax Agency<br>Deputy Governor, National Life Finance Corporation<br>Assistant Chief Cabinet Secretary<br>Commissioner, Board of Audit of Japan<br>Commissioner (President), Board of Audit of Japan<br>Retired<br>Audit & Supervisory Board Member<br>Director (to the present) | Note 3 | 38 |
| Director | Motoo Nagai | March 4, 1954 | Apr. 1977<br>Apr. 2005<br>Apr. 2007<br><br>Apr. 2011<br><br>Jun. 2011<br><br><br>Apr. 2014<br>Jun. 2014<br><br>Jun. 2015<br>Jun. 2019 | Joined Industrial Bank of Japan, Limited (IBJ)<br>Executive Officer, Mizuho Corporate Bank, Ltd.<br>Managing Executive Officer, Mizuho Corporate Bank, Ltd.<br>Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.<br>Deputy President (Representative Director) and Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.<br>Commissioner, Mizuho Trust & Banking Co., Ltd.<br>Retired as Commissioner, Mizuho Trust & Banking Co., Ltd.<br>Audit & Supervisory Board Member<br>Director (to the present) | Note 3 | 2 |
| Director (Full-time Audit & Supervisory Committee Member) | Shoh Ohuchi | February 13, 1961 | Apr. 1983<br>Jun. 2014<br><br>Jun. 2015<br><br>Jun. 2018<br>Jun. 2019 | Joined the Company<br>General Manager (Finance Department of Finance and Accounting Division)<br>Executive Officer and General Manager (Finance Department of Finance and Accounting Division)<br>Audit & Supervisory Board Member<br>Director (Full-time Audit & Supervisory Committee Member) (to the present) | Note 4 | 197 |

| Title and position | Name | Date of birth | Career | | Term of office | Share holding (hundreds) |
|---|---|---|---|---|---|---|
| Director (Audit & Supervisory Committee Member) | Tetsuo Kawawa | June 15, 1947 | Apr. 1975 | Qualified as an attorney | Note 4 | – |
| | | | Apr. 1996 | Managing Partner, Kawawa Law Offices (to the present) | | |
| | | | Aug. 2002 | Member of Legislative Council of the Ministry of Justice (Modernization of Company Act) | | |
| | | | Sep. 2002 | Specially designated member of the Judicial System Research Board, Japan Federation of Bar Associations | | |
| | | | Jun. 2007 | Audit & Supervisory Board Member | | |
| | | | Jun. 2019 | Director (Audit & Supervisory Committee Member) (to the present) | | |
| Director (Audit & Supervisory Committee Member) | Satoshi Ito | July 25, 1942 | Jan. 1967 | Joined Arthur Andersen & Co., Japan Branch | Note 4 | – |
| | | | Dec. 1970 | Qualified as a Certified Public Accountant | | |
| | | | Sep. 1978 | Partner, Arthur Andersen & Co. | | |
| | | | Oct. 1993 | Representative Partner, Asahi & Co. (currently KPMG AZSA LLC) | | |
| | | | Aug. 2001 | Proprietor, Ito Certified Public Accountant Offices (to the present) | | |
| | | | Apr. 2002 | Specially Appointed Professor, Institute of Accounting Research, Chuo University | | |
| | | | Mar. 2007 | Retired as a Specially Appointed Professor, Institute of Accounting Research, Chuo University | | |
| | | | Jun. 2010 | Audit & Supervisory Board Member | | |
| | | | Jun. 2019 | Director (Audit & Supervisory Committee Member) (to the present) | | |
| Director (Audit & Supervisory Committee Member) | Mieko Tomita | August 15, 1954 | Apr. 1980 | Qualified as an attorney | Note 4 | – |
| | | | Apr. 1980 | Joined Nishi and Iseki Law Office (Currently Nishi & Partners Attorneys and Counselors at Law) | | |
| | | | Apr. 2001 | Civil Conciliation Commissioner, Tokyo District Court (to the present) | | |
| | | | Apr. 2017 | Senior Partner, Nishi & Partners Attorneys and Counselors at Law (to the present) | | |
| | | | Jun. 2019 | Director (Audit & Supervisory Committee Member) (to the present) | | |
| Total | | | | | | 3,558 |

Notes:

1. Directors Akio Mimura, Kazuhiko Fushiya and Motoo Nagai are Outside Directors.
2. Directors Tetsuo Kawawa, Satoshi Ito and Mieko Tomita are Outside Directors who are Audit & Supervisory Committee Members.
3. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 25, 2020, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2021.
4. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 26, 2019, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2021.

5. The Company adopts an Executive Officer system to expedite the execution of business operations. The list of Executive Officers, excluding those serving concurrently as Director and Executive Officer, is detailed below.

| Title and position | Name |
|---|---|
| Managing Executive Officer and Division Executive, Corporate Planning Division | Masashi Koike |
| Managing Executive Officer and Division Executive, General Administration Division | Naoto Masujima |
| Managing Executive Officer and Division Executive (R&D and Quality Assurance Division) | Yasuo Ito |
| Managing Executive Officer Director and President, Oriental Yeast Co., Ltd. | Masashi Nakagawa |
| Managing Executive Officer Director and President, Nisshin Pharma Inc. | Kiyoshi Sato |
| Managing Executive Officer Managing Director, Nisshin Flour Milling Inc. | Kenji Takihara |
| Managing Executive Officer Managing Director, Nisshin Foods Inc. | Takahiko Iwahashi |
| Executive Officer, Deputy Division Executive (Technology and Engineering Division) and General Manager (Production and Technology Development Department of Business Development Division) | Tadashi Fuyuki |
| Executive Officer and Division Executive, Finance and Accounting Division | Eiichi Suzuki |
| Executive Officer, General Manager (Human Resources and Labor Relations Planning Office of General Administration Division) and General Manager (Labor Relations Department of General Administration Division) | Hironori Kurosu |
| Executive Officer and General Manager R&D and Quality Assurance Division, R&D Promotion Department | Tsuguhiko Yoshida |
| Executive Officer Managing Director, Nisshin Flour Milling Inc. | Shigeru Kotani |
| Executive Officer Managing Director, Nisshin Foods Inc. | Koji Shintani |
| Executive Officer Managing Director, Nisshin Flour Milling Inc. | Kazuyoshi Watanabe |
| Executive Officer Director, Nisshin Flour Milling Inc. | Satoshi Sekiguchi |

### (2) Status of Outside Directors

The Company has six Outside Directors, of whom three are Audit & Supervisory Committee Members.

There are no conflicts of interest of a personal, financial or trading nature that could affect general shareholders between the Outside Directors and the Company.

Outside Directors Akio Mimura, Kazuhiko Fushiya and Motoo Nagai provide appropriate advice on and supervise the Company's execution of business operations from an independent standpoint.

Outside Directors who are Audit & Supervisory Committee Members Tetsuo Kawawa, Satoshi Ito and Mieko Tomita perform audits and supervision of the Company's management from an independent, objective standpoint.

In light of the Company's aims of achieving sustainable growth and improving medium- to long-term corporate value, Akio Mimura was regarded as appropriate for the position of Outside Director because his extensive experience and insight as a corporate manager were believed to enable him to provide appropriate advice on and supervision of the Company's execution of business operations. Similarly, Kazuhiko Fushiya was regarded as appropriate for the position of Outside Director because he held important positions in the Ministry of Finance and has accumulated extensive experience and possesses highly professional expertise, which will enable him to provide appropriate advice on and supervision of the Company's execution of business operations. Motoo Nagai was regarded as appropriate for the position of Outside Director because he possesses a wealth of experience and broad-based insight gained through management of financial institutions, enabling him to offer and conduct appropriate advice and supervision of the Company's execution of business operations, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

Outside Director Tetsuo Kawawa, who is also an Audit & Supervisory Committee Member, possesses a wealth of experience and insight as an attorney, enabling him to conduct appropriate audits from a legal compliance perspective as an Audit & Supervisory Committee Member and Outside Director, and thus is considered to qualify as an Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operational execution from an objective standpoint. Outside Director Satoshi Ito, who is also an Audit & Supervisory Committee Member, was considered appropriate for the position due to the ability to draw on his extensive auditing experience as a Certified Public Accountant and high-level expertise in finance and accounting, and thus is considered to qualify as an Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operational execution from an objective standpoint. Outside Director Mieko Tomita, who is also an Audit & Supervisory Committee Member, was considered appropriate for the position due to a wealth of knowledge and experience as an attorney, and based on her knowledge and experience, she is considered to qualify as an Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operational execution from an objective standpoint.

The Board Meeting Administration Office acts as liaison for the Outside Directors, including those who are Audit & Supervisory Committee Members. Care is taken over the timing of the distribution of reports and reference materials for Board of Directors meetings, and overall explanations are provided in advance for agenda items. Where necessary, divisions with responsibility related to agenda items provide explanations in advance. Based on such preparative arrangements, the Outside Directors, including those who are Audit & Supervisory Committee Members, attend meetings of the Board of Directors and, as appropriate, express their opinions and ask questions about the matters reported and resolved at the meetings. Outside Directors who are Audit & Supervisory Committee Members are assisted by an Audit & Supervisory Committee Secretariat established to assist the committee in the performance of its duties. The secretariat prepares reports and reference materials for Audit & Supervisory Committee meetings, and in cases where explanations regarding agenda items are necessary, these are provided by full-time Audit & Supervisory Committee Members or the secretariat.

### (3) Supervision and audits by Outside Directors and mutual collaboration between internal audits, Audit & Supervisory Committee audits and independent audits, and relationship to internal control systems

Outside Directors who are Audit & Supervisory Committee Members receive reports on the auditing situation from full-time Audit & Supervisory Committee Members, as well as reports on implementation of internal audits from the Internal Audit Department. Audit & Supervisory Committee Members also regularly attend liaison meetings with the independent auditor.

Furthermore, pursuant to criteria concerning independence as defined by the Tokyo Stock Exchange, the Company has stipulated the following "Criteria regarding the independence of Outside Directors and Outside Audit & Supervisory Committee Members" detailed below.

<Criteria regarding the independence of Outside Directors and Outside Audit & Supervisory Committee Members>

To be regarded as independent, Outside Directors of the Company must not be associated with any of the criteria stipulated below.

1) The party regards the Company as a major business partner or executive thereof, or the party is one of the Company's major business partners or an executive thereof (excluding individuals highlighted in 2) below).
   * "Party regards the Company as a major business partner" refers to parties who, in the most recent fiscal year,

received payments from the Company totaling 2% of annual consolidated net sales (including functional equivalents to net sales, same herein) or ¥100 million, whichever is larger.

* "Party is one of the Company's major business partners" refers to parties who, in the most recent fiscal year, made payments to the Company totaling at least 2% of the Company's annual consolidated net sales (in the case of financial institutions from which the Company has obtained loans, this applies only to those institutions on which the Company is so reliant for its fund procurement that they are considered indispensable and irreplaceable).

2) Consultants, accounting specialists and legal specialists who receive significant monetary sums or other assets beyond remuneration as Directors or Audit & Supervisory Committee Members from the Company (this includes parties associated with organizations that receive the aforementioned assets, such as corporations, unions and professional offices).

* "Significant monetary sums or other assets" refer to monetary sums or assets (excluding remuneration for Directors and Audit & Supervisory Committee Members) that, in the most recent fiscal year, accounted for at least 10% or at least ¥10 million, whichever is larger, of the party's annual net sales.

3) Any party to which any of items 1) or 2) recently applies.

* Cases for which "any of items 1) or 2) recently applies" refer to cases in which any of the reasons stated in 1) or 2) can be viewed to substantively apply currently to a given party; this suggests that at the time that the agenda for the General Meeting of Shareholders was decided by the Company's Board of Directors, any one of items 1) or 2) applied to a party put forward as an independent candidate standing for election as an Outside Director.

4) Any party to which either of item (a) or (b) below applies within 10 years prior to appointment.

(a) Directors from the Company's parent company, whether executive or non-executive

(b) Executives from the Company's sibling companies

5) Parents or other close relatives of parties to whom any of the following (a) through (e) apply (excluding non-vital parties).

(a) Parties fitting items 1) through 4) above

(b) Executives from the Company's subsidiaries

(c) Directors from the Company's parent company, whether executive or non-executive

(d) Executives from the Company's sibling companies

(e) Parties to whom (b) recently apply, or parties who recently were an executive of the Company

* Whether the term "non-vital" applies is determined by criteria stipulated in Article 74, Paragraph 4, Section 6 (x) of the Ordinance for Enforcement of the Companies Act; specifically, for parties to whom 1) above applies, this refers to parties of the director or general manager class of each company or partner; for parties to whom 2) above applies, this refers to certified public accounts affiliated with each relevant independent corporate auditing firm, or attorneys affiliated with each relevant law office (including so-called "associates").

* The term "close relatives" refers to parental-level relatives. The term "close relatives" is not applicable to parties for whom such familial relationships have been dissolved as a result of divorce or other official means.

## 3. Status of Audits

### (1) Status of Audits by the Audit & Supervisory Committee

1) Organization and Personnel of the Audit & Supervisory Committee

The Company has organized an Audit & Supervisory Committee consisting of four Audit & Supervisory Committee Members (three Outside Directors and one internal Director) who conduct audits of Directors in the performance of their duties in accordance with the Audit Standards and the Audit Plan.

The internal Director serves as the full-time Audit & Supervisory Committee Member. The Audit & Supervisory Committee Secretariat has been established to assist the Audit & Supervisory Committee in performance of its duties. Additionally, the Company appoints several employees with extensive practical business experience at the Company and have held posts above a certain level to specialist positions for auditing Group companies.

Audit & Supervisory Committee Member Shoh Ohuchi has experience in accounting and finance work. Audit & Supervisory Committee Member Satoshi Ito has the qualification of Certified Public Accountant (CPA).

2) Status of Activity by the Audit & Supervisory Committee

[Meeting Frequency and Attendance]

During the fiscal year ended March 31, 2020, up through the transition to an Audit & Supervisory Committee-based governance structure on June 26, 2019, the Audit & Supervisory Board met twice; following the transition, the Audit & Supervisory Committee met 10 times. Attendance for individual auditors and Audit & Supervisory Committee Members is detailed below.

• Prior to Transition to Audit & Supervisory Committee

(April 1, 2019 through to conclusion of 175th Ordinary General Meeting of Shareholders on June 26, 2019)

| Position | Name | Audit & Supervisory Board Meeting Attendance |
|---|---|---|
| Auditor (full-time) | Yukihiro Kumazawa | Attended both meetings |
| Auditor (full-time) | Shoh Ohuchi | Attended both meetings |
| Auditor | Tetsuo Kawawa | Attended both meetings |
| Auditor | Satoshi Ito | Attended both meetings |
| Auditor | Motoo Nagai | Attended both meetings |

• After Transition to Audit & Supervisory Committee

(Conclusion of 175th Ordinary General Meeting of Shareholders on June 26, 2019 through to March 31, 2020)

| Position | Name | Audit & Supervisory Committee Meeting Attendance |
|---|---|---|
| Audit & Supervisory Committee Member (full-time) | Shoh Ohuchi | Attended all 10 meetings |
| Audit & Supervisory Committee Member | Tetsuo Kawawa | Attended all 10 meetings |
| Audit & Supervisory Committee Member | Satoshi Ito | Attended all 10 meetings |
| Audit & Supervisory Committee Member | Mieko Tomita | Attended nine of 10 meetings |

[Drafting of Audit Policies and Audit Plan]

Following a review of prior-year audit effectiveness, the Audit & Supervisory Committee drafts audit policies and the Audit Plan for the fiscal year under review, paying close attention to changes in the management environment, while identifying risks associated with key audit-related measures.

[Basic Audit Activities]

In addition to attending meetings of the Board of Directors, in accordance with the Audit Standards and Audit Plan, the Audit & Supervisory Committee Members meet regularly with the Company's Representative Directors and hold listening sessions with Executive Directors to audit the executive performance of Directors. The full-time Audit & Supervisory Committee Member attends the Group Management Meeting and other important meetings, offering his or her opinion as appropriate. Audit & Supervisory Committee Members who serve concurrently as Outside Directors attend the Outside Directors' Council and other important meetings.

[Corporate Group Audit Activities]

Auditors for the Company's principal subsidiaries conduct audits based on a prescribed audit plan. Furthermore, the Company's full-time Audit & Supervisory Committee Member regularly holds meetings of the Nisshin Seifun Group Audit & Supervisory Liaison Committee with auditors of subsidiaries to exchange opinions regarding audit-related cases in striving to share awareness of problems and improve audit quality throughout the Group. There audit and meeting results are subsequently shared with the Audit & Supervisory Committee.

[Major Audit Investigations]

In performing audits, the Audit & Supervisory Committee examines the effectiveness and propriety of the execution of duties by divisions responsible for business execution, while investigating the existence of any major violations from the standpoint of legal compliance and examining the suitability of internal control system readiness and operational status. The Audit & Supervisory Committee is also responsible for examining accuracy and reliability in financial reporting and information disclosure, deciding the content of opinions, when relevant, regarding personnel and remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members), and examining the suitability of the audit methodology and results from, as well as the selection and reappointment of, the independent accounting auditor.

[Hearing of Report from Independent Accounting Auditor]

To verify reliance on external audits, as well as audit reliability and suitability, the Audit & Supervisory Committee holds regular liaison meetings, attended by all Audit & Supervisory Committee Members and auditors from subsidiaries, to hear reports from and exchange information with the independent accounting auditor, from the beginning stages of the audit plan to quarterly review reports and fiscal year financial audit report. Furthermore, the full-time Audit & Supervisory Committee Member monitors progress of the audit process carried out by the independent accounting auditor, working to ascertain the nature of matters discovered during the course of audits and other important matters in a timely fashion. All key audit matters (KAM) are discussed with the independent accounting auditor.

[Reporting to Board of Directors]

The Audit & Supervisory Committee periodically reports audit results to the Board of Directors.

**(2) Status of internal audits**

1) Internal Audit Department organization, personnel and procedures

As a division for conducting internal audits, the Internal Audit Department has a staff of 20 people, coupled with 24 expert personnel in charge of audits covering specialized areas such as facilities, safety, environmental protection and quality assurance. These individuals are responsible for overseeing internal audits to ensure the appropriateness of operations by the Nisshin Seifun Group companies.

2) Collaboration between Audit & Supervisory Committee, Internal Audit Department and the independent auditor

As a body under the direct authority of the Audit & Supervisory Committee, the Internal Audit Department reports as needed on auditing results to the Audit & Supervisory Committee. Meanwhile, members of the audit and supervisory boards and specialized auditing staff of principal Group subsidiaries report auditing results to Audit & Supervisory Committee and Internal Audit Department. Through this process, each of these parties works to enhance mutual cooperation. The full-time Audit & Supervisory Committee Member, together with members of the audit and supervisory boards of principal subsidiaries and the Internal Audit Department, regularly hold meetings of the Nisshin Seifun Group Audit & Supervisory Committee Members' Liaison Committee. At these meetings, opinions are exchanged on auditing case studies, and efforts are focused on sharing awareness of problems and raising the quality of auditing across the Group as a whole.

The Company and its major subsidiaries have an independent auditing contract with Deloitte Touche Tohmatsu LLC, which conducts audits as stipulated in the Companies Act and the Financial Instruments and Exchange Act under that contract. Audit & Supervisory Committee Members and the Internal Audit Department hold regular liaison meetings with the Company's contracted independent auditor, Deloitte Touche Tohmatsu LLC, and receive reports and explanations on the audit plan and the results of audits. They also strive to maintain adequate cooperation with the independent auditor, including through the exchange of necessary information.

**(3) Status of Independent Audits**

1) Name of independent auditor, the continuous audit period, and names of certified public accountants conducting audits, composition of assistants

The Company and its major subsidiaries have an independent auditing contract with Deloitte Touche Tohmatsu LLC, which conducts audits as stipulated in the Companies Act and the Financial Instruments and Exchange Act under that contract. The continuous audit period is three years. The Certified Public Accountants who lead the independent audit of the accounts for the Company are Yoshio Sato, Atsushi Numata and Shinji Dobata. The support staff for the auditing team (including audits of consolidated subsidiaries) consists of 16 CPAs and 30 others.

2) Reasons for appointment of independent auditor (including selection policies and conditions for termination of services)

a) Policies for decisions to terminate or not reappoint independent auditor

The Audit & Supervisory Committee will dismiss the independent auditor in the event that any of the reasons stipulated in each item of Article 340, Paragraph 1 of the Companies Act are deemed applicable to the independent auditor and such action is considered necessary, subject to the unanimous consent of the Audit & Supervisory Committee Members.

In addition, the Audit & Supervisory Committee will decide the details of a proposal for the dismissal or non-reappointment of the independent auditor to be submitted to the General Meeting of Shareholders, as stipulated in Article 399, Paragraph 2, Section 3, Item 2 of the Companies Act, in the event that any of the reasons stipulated in Article 340 of the Companies Act, or any concomitant reasons, are deemed applicable to the independent auditor and such action is considered necessary. Furthermore, the Audit & Supervisory Committee may also decide the details of a proposal for the non-reappointment of the independent auditor to be submitted to the General Meeting of Shareholders, as stipulated in Article 399, Paragraph 2, Section 3, Item 2 of the Companies Act, in the event that the non-reappointment of the independent auditor is considered appropriate in overall consideration of various factors, including the audit quality provided and the status of execution of duties by the independent auditor.

b) Reasons for appointment of independent auditor

The Audit & Supervisory Committee, in line with its standards for selection and evaluation of independent accounting auditors, conducted a comprehensive examination of candidates in terms of their independence, quality control structure and global accounting framework. Accordingly, the Company retained the services of Deloitte Touche Tohmatsu LLC as independent accounting auditor.

3) Summary and details of evaluation of independent auditor conducted by Audit & Supervisory Committee

The Audit & Supervisory Committee conducted an evaluation of the independent auditor in May 2020. Following a comprehensive examination in terms of independence, quality control and global accounting framework, the evaluation found the audits performed by the independent auditor to be appropriate.

4) Details of Compensation for Audits

a) Payments made to the Certified Public Accountants and others involved in the audits of the Company and its consolidated subsidiaries

| Category | Year ended March 31, 2019 | | Year ended March 31, 2020 | |
|---|---|---|---|---|
| | Payments for certified auditing services (millions of yen) | Payments for services other than certified auditing (millions of yen) | Payments for certified auditing services (millions of yen) | Payments for services other than certified auditing (millions of yen) |
| The Company | 59 | 8 | 64 | 14 |
| Consolidated subsidiaries | 121 | 2 | 152 | 3 |
| Total | 180 | 10 | 216 | 17 |

Non-audit services performed for the Company and its consolidated subsidiaries consist mainly of advice and guidance regarding accounting and internal control systems.

b) Payments made to those in the same network with the Certified Public Accountants and others involved in the audits (excluding (a))

| Category | Year ended March 31, 2019 | | Year ended March 31, 2020 | |
|---|---|---|---|---|
| | Payments for certified auditing services (millions of yen) | Payments for services other than certified auditing (millions of yen) | Payments for certified auditing services (millions of yen) | Payments for services other than certified auditing (millions of yen) |
| The Company | – | 7 | – | 7 |
| Consolidated subsidiaries | 87 | 152 | 151 | 83 |
| Total | 87 | 160 | 151 | 90 |

Non-audit services performed for the Company and its consolidated subsidiaries consist mainly of tax-related services.

c) Policy for determining the audit fee

There is no applicable policy, but the audit fee is basically determined according to the scale of the companies audited and the number of days required for the audit, etc.

d) Reasons for the Audit & Supervisory Committee's approval on compensation to the independent auditor

The Audit & Supervisory Committee has given its approval as prescribed under Article 399, Paragraphs 1 and 3 of the Companies Act, as the compensation to the independent auditor was considered reasonable based on the verification and review of the relevant matters including details of the audit plan in the fiscal year under review, the status of execution of duties by the independent auditor and the basis of calculating the estimated compensation.

## 4. Remuneration of executives

1) The amounts of remuneration for executives and matters regarding policy for the method of determining such amounts

1) The Company's policy for remuneration of Directors was established with reference to three key factors, functioning to (1) retain talented human resources, (2) offer remuneration at levels appropriate to the Company's size and business domains, and (3) to provide a healthy incentive to improve the Company's medium- to long-term corporate value. A fixed proportion of remuneration consists of variable remuneration reflecting business performance, thus taking into consideration both level of contribution to the Group and level of contribution to medium- to long-term basic Group strategies.

Reflecting this intent, in order that remuneration for the Company's internal Directors (excluding Audit & Supervisory Committee Members) functions as a healthy incentive for sustainable growth, it is the Company's policy that remuneration should comprise a combination of the following components: (i) fixed remuneration based on seniority role or position (basic remuneration); (ii) variable remuneration reflecting contribution to past business performance (bonus); and (iii) stock-based remuneration reflecting future business performance with the objective of promoting management that focuses on shareholder value.

2) By a resolution at the 173rd Ordinary General Meeting of Shareholders held on June 28, 2017, the Company set the maximum annual amounts of remuneration for Directors (consisting of a fixed basic portion according to his/her position and a variable performance-based portion) at ¥400 million (applicable to 15 Directors for the most recent fiscal year, including seven who retired during the most recent fiscal year). Also, by a resolution at the 162nd Ordinary General Meeting of Shareholders held on June 28, 2006, the Company set the maximum annual amounts of remuneration for Audit & Supervisory Board Members at ¥90 million (applicable to five Audit & Supervisory Board members for the most recent fiscal year).

Furthermore, regarding the stock-based remuneration plan (also referred to as "the stock-based portion of remuneration" or "the plan" below) for the Company's Directors and Executive Officers, and Directors of principal subsidiaries, by a resolution at the 173rd Ordinary General Meeting of Shareholders held on June 28, 2017, the total number of the Company's shares granted to Directors of the Company as the stock-based portion of remuneration is capped at 350,000 shares for any consecutive three fiscal years. Additionally, based on the plan, the total amount of the Company's contribution to the trust for these shares and the total amount of the monetary benefit portion payable is capped at ¥300 million for every consecutive three fiscal-year period for the portion of the Company's salary pool for Directors (applicable to 15 Directors for the most recent fiscal year, including seven who retired during the most recent fiscal year).

At the 175th Ordinary General Meeting of Shareholders held on June 26, 2019, the Company transitioned to a company structure with an audit & supervisory committee. At the same meeting, the Company by resolution set the maximum annual amount of remuneration for Directors (excluding Audit & Supervisory Committee Members), consisting of fixed remuneration (basic remuneration) and variable remuneration (bonus) at ¥400 million (of this, maximum annual amount of ¥60 million for Outside Directors; applicable to 10 Directors, excluding those who are also Audit & Supervisory Committee Members (including three Outside Directors) at the conclusion of the 175th Ordinary General Meeting of Shareholders). The maximum annual amount of remuneration for Directors who are also Audit & Supervisory Committee Members was set by resolution at ¥90 million (applicable to four Directors who are Audit & Supervisory Committee Members at the conclusion of the 175th Ordinary General Meeting of Shareholders). At the 175th Ordinary General Meeting of Shareholders, the Company by resolution again established a remuneration framework for the stock-based remuneration plan applicable to the Company's Directors (excluding those who are Audit & Advisory Committee Members), which applied to 10 Directors (including three Outside Directors) at the conclusion of the meeting. The cap for the total number of the Company's shares granted for any consecutive three fiscal-year period (the first three-year period of which runs from the conclusion of the 173rd Ordinary General Meeting of Shareholders to the conclusion of the Ordinary General Meeting of Shareholders in June 2020) and the total amount of the Company's contribution to the trust for these shares and the total amount of the monetary benefit portion payable based on the plan are identical to those set by resolution at the 173rd meeting.

3) Regarding the proportional composition of remuneration, as a corporate group involved in food, the Company believes that it is the responsibility of the Group as a whole, and also a source and a foundation of corporate value, to guarantee a high level of safety and quality in our products, and to consistently ensure the stable supply of food, including wheat flour and other staple foods for the people. Based on a fundamental approach to offer an appropriate remuneration mix commensurate with this line of business, the Company's basic policy sets the starting line for the remuneration components – (1) fixed remuneration (basic remuneration), (2) variable remuneration (bonus), and (3) stock-based remuneration – is 70:15:15, with the amount and ratio of (2) and (3) variable based on business performance.

The Company believes that while Outside Directors (excluding Audit & Supervisory Committee Members) are asked to function in a supervisory role with respect to management, it is also important to offer an appropriate set of incentives to improve the Company's medium- to long-term corporate value. Remuneration thus consists of fixed remuneration (basic remuneration) and stock-based remuneration. Remuneration for Directors who are also Audit & Supervisory Committee Members consists of fixed remuneration (basic remuneration) only.

4) Regarding remuneration for each Director (excluding Audit & Supervisory Committee Members), to ensure

objectivity and propriety in the amount of remuneration, the remuneration standards for each management class are determined after referencing the results of surveys by external institutions pertaining to remuneration standards by management class for publicly listed companies in Japan with market capitalization comparable to that of the Company. These remuneration standards take into account factors such as the responsibilities specific to the management class and the significance of its impact on Group management. Furthermore, to enhance both the independence and objectivity of the remuneration decision-making process, the approach regarding remuneration for Directors, including the proportional composition of remuneration, is discussed by the Outside Directors' Council, a body comprised of independent Outside Directors.

Based on these policies and discussions, further deliberations are conducted by the Board of Directors, with the remuneration for each Director determined by a resolution based primarily on a decision by the board president (President Nobuki Kemmoku). Decisions by the president are based on the aforementioned remuneration standards. Remuneration for Directors who are Audit & Supervisory Committee Members is decided in accordance with remuneration standards for Audit & Supervisory Committee Members by the full-time Audit & Supervisory Committee Member (Mr. Shoh Ohuchi), after discussions with Directors who are Audit & Supervisory Committee Members.

5) For variable remuneration (bonus), consolidated ordinary profit is used as a key indicator of Company business performance, thereby encouraging management that aims to improve upon prior-year performance. The amount paid, and the net increase or decrease from the previous year, is determined by the year-on-year percent change in consolidated ordinary profit. For the fiscal year under review, consolidated ordinary profit was ¥31.4 billion (down 2.0% year on year).

6) For details on stock-based remuneration, refer to "[4] Other Matters Related to Nisshin Seifun Group Inc., (1) Share-Related Matters, 8. Director and Employee Shareholding System."

2) Total amounts of remuneration by category of executives, category of remuneration and number of eligible executives

| Category of executives | Total amounts of remuneration (millions of yen) | Total amounts by category of remuneration (millions of yen) | | | Number of eligible executives |
|---|---|---|---|---|---|
| | | Fixed remuneration (Basic remuneration) | Variable remuneration (Bonuses) | Stock-based remuneration | |
| Directors (excluding Audit & Supervisory Committee Members) (excluding Outside Directors) | 265 | 185 | 47 | 32 | 14 |
| Directors (Audit & Supervisory Committee Members) (excluding Outside Directors) | 12 | 12 | – | – | 1 |
| Audit & Supervisory Committee Members (excluding Outside Audit & Supervisory Committee Members) | 6 | 6 | – | – | 2 |
| Outside Directors, Outside Audit & Supervisory Committee Members | 58 | 55 | – | 3 | 6 |

In line with adoption of the stock-based remuneration plan, no new shares with subscription rights have been issued as stock options from 2017.

3) The total amounts of remuneration paid to individual executives of the Company

This information is not disclosed because there were no individual executives who received remuneration of ¥100 million or more.

## 5. Status of stocks held

### (1) Classification standards and approach to stocks for investment

Stocks for investment held solely for pure investment are held for the purpose of gaining profits from fluctuations in the value of all such stocks or from stock-related dividends. Stocks for investment held for purposes other than pure investment are held for the purpose of facilitating or strengthening business partnerships and joint ventures, and for developing or strengthening long-term, stable trading relationships.

### (2) Stocks for investment held for purposes other than pure investment

a. Ownership policy, method for examining ownership rationale, and details of examination of propriety of holding stocks from individual issuers by the Board of Directors

(Ownership policy)

Holding for specific policy purposes occurs in cases in which the recognized rationale is that ownership will contribute to improvement in medium- to long-term corporate value, from the perspective of facilitating or strengthening business partnerships and joint ventures, and developing or strengthening long-term, stable trading relationships.

(Method for examining ownership rationale and details of examination by the Board of Directors)

For individual stocks, after confirming the appropriateness of the purpose of ownership, as well as trading situation, earnings and financial situation, shareholder returns, and creditworthiness, the Board of Directors conducts a comparison of anticipated benefit of ownership with risk and capital cost, so that it can verify the rationality of holding such shares each year from a medium- to long-term perspective. Following verification, the Board of Directors devises steps to minimize the ownership of stocks failing to meet its rationale for ownership.

b. Number of issuers and carrying value

| | Number of issuers (Issuer) | Carrying value (millions of yen) |
|---|---|---|
| Unlisted stocks | 8 | 25 |
| Stocks other than unlisted stocks | 32 | 77,469 |

(Issuers experiencing increased ownership during the fiscal year under review)

| | Number of issuers (Issuer) | Total acquisition cost for increase in number of shares (millions of yen) | Reason for increase in number of shares |
|---|---|---|---|
| Unlisted stocks | – | – | – |
| Stocks other than unlisted stocks | 1 | 1 | Purchase to maintain and strengthen trading relationships involving sales of merchandise and products Purchase to maintain and strengthen trading relationships |

(Issuers experiencing decreased ownership during the fiscal year under review)

| | Number of issuers (Issuer) | Total sale cost for decrease in number of shares (millions of yen) |
|---|---|---|
| Unlisted stocks | 1 | – |
| Stocks other than unlisted stocks | 3 | 219 |

Note:

The decrease in unlisted stocks is attributable to the corporate liquidation of the issuer of the stock.

c. Information regarding specific stocks for investment, number of shares deemed as shareholding for each issuer and carrying value

Specific stocks for investment

| Issuer | Fiscal year ended March 31, 2020<br>Number of shares held<br>Carrying value (millions of yen) | Fiscal year ended March 31, 2019<br>Number of shares held<br>Carrying value (millions of yen) | Purpose for ownership, quantitative effect of ownership (Note 1) and reason for increase in number of shares | Company shares owned? (Note 3) |
|---|---|---|---|---|
| Yamazaki Baking Co., Ltd. | 11,062,343 | 11,062,343 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 21,209 | 20,293 | | |
| NISSIN FOODS HOLDINGS CO., LTD. | 1,264,982 | 1,264,982 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 10,483 | 9,646 | | |
| Mitsubishi Corporation | 3,038,474 | 3,038,474 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 7,360 | 9,596 | | |
| Nichirei Corporation | 2,719,750 | 2,719,750 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 7,293 | 7,468 | | |
| Sumitomo Corporation | 4,180,244 | 4,180,244 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 5,518 | 6,600 | | |
| Kikkoman Corporation | 660,486 | 660,486 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 2,979 | 3,619 | | |
| SHIMIZU CORPORATION | 2,947,000 | 2,947,000 | There is a contract relationship of construction and maintenance transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen such business transactions. | Yes |
| | 2,479 | 2,870 | | |
| Hosokawa Micron Corporation | 500,000 | 500,000 | This stock ownership is designed to solidify the business alliance concerning the powder-processing machine and plant engineering businesses between the Group and the issuer. | No |
| | 2,211 | 2,436 | | |
| Eurogerm S.A. | 634,580 | 634,580 | This stock ownership is designed to solidify the business alliance concerning bread improvers and others in Asia between the Group and the issuer. | No |
| | 2,074 | 2,747 | | |
| Sumitomo Mitsui Financial Group, Inc. | 674,394 | 674,394 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 1,957 | 2,657 | | |
| Marubeni Corporation | 3,135,511 | 3,135,511 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 1,865 | 2,458 | | |
| Mitsubishi UFJ Financial Group, Inc. | 3,727,150 | 4,127,150 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 1,635 | 2,341 | | |

| Issuer | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2019 | Purpose for ownership, quantitative effect of ownership (Note 1) and reason for increase in number of shares | Company shares owned? (Note 3) |
|---|---|---|---|---|
| | Number of shares held | Number of shares held | | |
| | Carrying value (millions of yen) | Carrying value (millions of yen) | | |
| Nippon Express Co., Ltd. | 320,800 | 320,800 | There is a relationship of logistics transactions between the Group and the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 1,598 | 2,008 | | |
| Toppan Printing Co., Ltd. | 947,500 | 947,500 | There is a relationship of purchasing transactions for packaging materials and other products between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 1,570 | 1,600 | | |
| KYORIN Holdings, Inc. | 754,000 | 754,000 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 1,522 | 1,658 | | |
| Kewpie Corporation | 689,100 | 689,100 | The Group and the issuer have a relationship of purchasing materials and others, and this stock ownership is designed to maintain and strengthen such business relationship. | Yes |
| | 1,386 | 1,796 | | |
| Nisshinbo Holdings Inc. | 1,139,800 | 1,139,800 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 827 | 1,083 | | |
| Hakuhodo DY Holdings Inc. | 734,600 | 734,600 | This ownership is designed to effectively engage in advertising and promotion activities of the Group through the issuer. | Yes |
| | 808 | 1,286 | | |
| Sumitomo Mitsui Trust Holdings, Inc. | 192,033 | 192,033 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 607 | 797 | | |
| The Gunma Bank, Ltd. | 1,507,620 | 1,507,620 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 461 | 696 | | |
| Mizuho Financial Group, Inc. | 2,946,513 | 2,946,513 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 375 | 510 | | |
| Dentsu Group Inc. | 130,400 | 130,400 | This ownership is designed to effectively engage in advertising and promotion activities of the Group through the issuer. | Yes |
| | 301 | 605 | | |
| Tokio Marine Holdings, Inc. | 59,770 | 59,770 | There is a relationship of insurance transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 297 | 320 | | |
| The Nisshin OilliO Group, Ltd. | 50,820 | 50,820 | The Group and the issuer have a relationship of purchasing materials and others, and this stock ownership is designed to maintain and strengthen such business relationship. | Yes |
| | 169 | 171 | | |
| Sompo Holdings, Inc. | 43,312 | 43,312 | There is a relationship of insurance transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 143 | 175 | | |

| Issuer | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2019 | Purpose for ownership, quantitative effect of ownership (Note 1) and reason for increase in number of shares | Company shares owned? (Note 3) |
|---|---|---|---|---|
| | Number of shares held | Number of shares held | | |
| | Carrying value (millions of yen) | Carrying value (millions of yen) | | |
| YAMAE HISANO Co., Ltd. | 94,897 | 93,602 | [Purpose for ownership] The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. [Reason for increase in number of shares] To further maintain and strengthen trading relationships pertaining to the sale of merchandise and products. | Yes |
| | 125 | 109 | | |
| The Chiba Bank, Ltd. | 127,338 | 127,338 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 60 | 80 | | |
| The 77 Bank, Ltd. | 42,521 | 42,521 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 54 | 69 | | |
| Sojitz Corporation | 123,527 | 123,527 | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions. | Yes |
| | 32 | 49 | | |
| Dai-ichi Life Holdings, Inc. | 23,000 | 23,000 | There is a relationship of insurance transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 28 | 37 | | |
| MS&AD Insurance Group Holdings, Inc. | 8,241 | 8,241 | There is a relationship of insurance transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | Yes |
| | 24 | 27 | | |
| Meiji Machine Co., Ltd. | 18,354 | 18,354 | The Group purchases machinery and equipment from the issuer, and this stock ownership is designed to maintain and strengthen such business relationship. | Yes |
| | 3 | 5 | | |
| Maruhachi Warehouse Company, Limited | – | 65,800 | Investment in the issuer will enable the Group to identify logistics industry trends, and strengthen its relationship of logistics transactions. | No |
| | – | 49 | | |
| Nomura Holdings, Inc. | – | 404 | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship. | No |
| | – | 0 | | |

Notes

1. From the viewpoint of maintaining the confidentiality of transaction data, the quantitative effect of ownership for individual issuers is not shown. On January 30, 2020, the Board of Directors examined the qualitative and quantitative effect of ownership based on (2) a. (Method for examining ownership rationale and details of examination by the Board of Directors) above.
2. A "—" denotes no ownership of the issuer's stock.
3. For cases in which stock is held in a holding company, the Company's stock ownership is shown based on the portion of ownership in the holding company's principal subsidiary.

### (3) Stocks for investment held solely for pure investment

There are no applicable matters to be reported.

# [5] Financial Accounts

## 1. Basis of presentation for consolidated and non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No. 28, 1976).

(2) The non-consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Regulation No. 59, 1963) (hereinafter, "Regulations on Financial Statements.")

As a company designated for the submission of financial statements prepared in accordance with special provision, the Company prepares its financial statements pursuant to Article 127 of the Regulations on Financial Statements.

## 2. Independent auditing of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company arranged for the auditing firm Deloitte Touche Tohmatsu LLC to conduct independent audits of the consolidated and non-consolidated financial statements of the Company for the fiscal year under review (April 1, 2019 to March 31, 2020; the 176th fiscal term).

## 3. Particular efforts to secure the appropriateness of the consolidated financial statements and other financial reports

The Company conducts efforts to secure the appropriateness of the consolidated financial statements and other financial reports. Specifically, the Company endeavors to acquire information that would ensure a good understanding of the corporate accounting standards and keep itself updated on any changes in the accounting standards by participating in the Financial Accounting Standards Foundation and educational opportunities provided by said Foundation, accounting firms and other institutions, as well as subscribing to accounting journals. In addition, the president of each consolidated subsidiary shall sign and seal a written oath to declare the appropriateness of the subsidiary's non-consolidated financial reports that constitute basic information for the preparation of the Company's consolidated financial statements after it is duly confirmed by the subsidiary's managers of the accounting and other related departments, and submit it to the president of the Company. As to such financial reports prepared within the Company, the responsible accounting managers and managers of other related departments shall sign and seal a written oath to declare their appropriateness upon due confirmation thereof, and submit it to the president of the Company.

# (1) Consolidated Financial Statements, etc.

## 1. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

| | | Year ended March 31, 2019 (As of March 31, 2019) | | Year ended March 31, 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 | Note 1 | 73,348 | Note 1 | 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 | Notes 2, 3 | 58,308 | Notes 2, 3, 5 | 69,597 |
| Machinery, equipment and vehicles, net | Notes 2, 3 | 41,393 | Notes 2, 3 | 48,769 |
| Land | | 42,611 | Note 5 | 45,791 |
| Construction in progress | | 10,030 | | 13,682 |
| Right-of-use assets | | – | Note 2 | 23,285 |
| Other, net | Note 2 | 3,974 | Note 2 | 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 | Note 4 | 149,659 | Note 4 | 135,739 |
| Net defined benefit asset | | 277 | | 308 |
| Deferred tax assets | | 6,064 | | 9,059 |
| Other | Note 4 | 3,924 | Note 4 | 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)

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 54,936 | 53,730 |
| Short-term loans payable | 9,535 | Note 5 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)

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) | |
|---|---|---|---|---|
| Net sales | | 565,343 | | 712,180 |
| Cost of sales | Notes 1, 2, 3 | 401,584 | Notes 1, 2, 3 | 512,356 |
| Gross profit | | 163,759 | | 199,824 |
| Selling, general and administrative expenses | Notes 3, 4 | 136,842 | Notes 3, 4 | 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 | Note 5 | 201 | Note 5 | 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 | Note 6 | 457 | Note 6 | 599 |
| Impairment loss | Note 7 | 72 | Note 7 | 5,224 |
| Business restructuring expenses | | – | Note 8 | 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)

| | | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | | Year ended March 31, 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 | Note 1 | (6,543) | Note 1 | (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

Year ended March 31, 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 |

Year ended March 31, 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)

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Net cash provided by (used in) 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 dividend 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 |
| Net cash provided by (used in) 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 | – | Note 2 (77,189) |
| Other, net | (1,016) | (145) |
| Net cash provided by (used in) investing activities | (19,184) | (96,844) |
| Net cash provided by (used in) 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 change 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 | Note 1 107,374 | Note 1 56,550 |

**[Notes to the Consolidated Financial Statements]**
**[Basis of Presentation of Consolidated Financial Statements]**

1. Scope of consolidation
   (1) Consolidated subsidiaries: 72 companies
   - Names of principal subsidiaries: Nisshin Flour Milling Inc., Miller Milling Company, LLC, Allied Pinnacle Pty Ltd., Champion Flour Milling Ltd., Nisshin Foods Inc., Nisshin Seifun Premix Inc., Ma•Ma-Macaroni Co., Ltd., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd., Initio Foods Inc., Nisshin Petfood Inc., Nisshin Engineering Inc., NBC Meshtec Inc.
   - Of the remaining subsidiaries, Nisshin Managerial Technology Center Co., Ltd. and other three companies are not consolidated. The assets, net sales, profit/loss and retained earnings of each non-consolidated subsidiary are small, and the aggregate effect on the consolidated financial statements is immaterial.

   (2) Changes in the scope of consolidation
   - From the fiscal year ended March 31, 2020, PFG Topco1 Pty Ltd. and its subsidiaries (Allied Pinnacle Pty Ltd. and 19 other companies) were newly included within the scope of consolidation following the Company’s acquisition of PFG Topco1 Pty Ltd. Former equity-method affiliate Tokatsu Foods Co., Ltd. and its three subsidiaries were included within the scope of consolidation following the purchase of additional shares of Tokatsu Foods Co., Ltd. by the Company.

2. Scope of the equity method
   (1) Subsidiaries and affiliates accounted for by the equity method: 10 (1 non-consolidated subsidiary and 9 affiliates)
   - Names of principal subsidiaries and affiliates accounted for by the equity method: Marubeni Nisshin Feed Co., Ltd., Japan Logistic Systems Corp.
   - The contributions to consolidated profit/loss, consolidated retained earnings and other consolidated financial statements of three non-consolidated subsidiaries and three affiliates not accounted for by the equity method are negligible and immaterial in the aggregate.

   (2) The financial statements for the accounting period of the company concerned are used in the cases of those subsidiaries and affiliates accounted for by the equity method whose accounting period differs from the consolidated accounting period.

3. Accounting periods of consolidated subsidiaries
   Of the Company’s consolidated subsidiaries, Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. and two other companies have accounting periods that differ from the consolidated accounting period. Consequently, financial statements used are based on provisional financial results tabulated as of the end date of the consolidated accounting period.

4. Significant accounting principles
   (1) Valuation standards and methodology for material assets
   a. Securities
      Held-to-maturity debt securities are stated at amortized cost.
      Other securities
      Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders’ equity and the cost of any securities sold being computed by the moving average method).
      Securities with no readily determinable market value are stated at cost, with cost being determined by the moving average method.
   b. Derivatives
      Derivative financial instruments are stated at fair market value.
   c. Inventories
      Wheat flour and bran are stated at cost, with cost being determined mainly by the retail cost method, with balance sheet values reflecting write-downs for decreased profitability; other products are stated at cost, with cost being determined mainly by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability.
      Raw materials are stated at cost, with cost being determined by the first-in, first-out method, and balance sheet values reflecting write-downs for decreased profitability.

(2) Depreciation and amortization methods for material depreciable assets

a. Property, plant and equipment (excluding lease assets and right-of-use assets)

The Company and domestic consolidated subsidiaries mainly apply the declining balance method.

However, for buildings acquired on or after April 1, 1998 (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016, they apply the straight-line method.

Foreign consolidated subsidiaries mainly apply the straight-line method.

b. Intangible assets (excluding lease assets)

Amortization is computed by the straight-line method.

Software used in-house is depreciated over its estimated useful life (within five years) based on the straight-line method.

c. Lease assets

Lease assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

d. Right-of-use assets

Right-of-use assets are depreciated using the straight-line method with zero residual values.

(3) Basis of material allowances

a. Allowance for doubtful accounts

The Company and domestic consolidated subsidiaries provide for possible credit losses stemming from monetary receivables. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific dubious accounts. Specific claims are generally deemed irrecoverable in the case of foreign consolidated subsidiaries.

b. Provision for repairs

In advance of expenses pertaining to regular maintenance and repair of plant and equipment, certain consolidated subsidiaries post the estimated amount of such expense anticipated at the end of the fiscal year under review.

(4) Accounting treatment of retirement benefits

Regarding its retirement benefit asset and liability, in order to maintain retirement benefits for employees leaving the Company and already retired pension recipients, the Company subtracts retirement benefit asset from its retirement benefit obligation, based on estimates as of the end of the fiscal year under review.

a. Imputation method for retirement benefit estimates

In calculating retirement benefit liability, the method for imputing the applicable period until the end of the fiscal year under review for the estimated retirement benefit is determined by the benefit calculation standard.

b. Treatment method for actuarial differences and expenses related to prior service cost

Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the fiscal year-end.

Actuarial differences are amortized on a straight-line basis from the following fiscal year over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the consolidated fiscal year-end.

(5) Significant hedging transactions

a. Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any monetary claims, obligations or similar items denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.

b. Hedging methods: Derivative transactions (including forward exchange contracts and currency purchase put/call options)

Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies.

c. The Company employs derivative financial instruments only for the aforementioned transactions purely to manage fluctuations in foreign currency exchange rates.

d. Hedging evaluation

Since hedging methods and the target of each hedging transaction share the same conditions that apply at the start of hedging activities and throughout subsequent periods, the Company's hedging approach enables exchange rate fluctuations to be offset completely. Hence, the Company considers its hedging method to be highly effective.

(6) Goodwill amortization and amortization periods

Goodwill is amortized using the straight-line method over a period of mainly 10 years beginning with the day on which it is realized. However, when the amount of goodwill is immaterial, it is amortized in total in the year it is realized.

(7) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

(8) Accounting treatment of consumption tax

All accounting transactions are booked exclusive of any national or local consumption taxes.

**[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.

This change had a negligible effect for the fiscal year ended March 31, 2020.

**[Accounting Standards Not Yet Applied, etc.]**

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition, and in May 2014 published “Revenue from Contracts with Customers” (IFRS 15 at IASB, Topic 606 at FASB). Given that IFRS 15 will be applied to fiscal years with dates on or after January 1, 2018 and Topic 606 will be applied to fiscal years with dates after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them along with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to add alternative accounting treatments without losing comparability if there is an item that should be taken into account in practices, etc. that have been conducted in Japan.

(2) Planned date of application

To be applied at the beginning of the fiscal year ending March 31, 2022.

(3) Effect of application of the accounting standards, etc.

The monetary effect on consolidated financial statements is currently under review.

**[Changes in Disclosure]**

[Consolidated Balance Sheets]

“Lease obligations,” included within “Other” under “Non-current liabilities” in the fiscal year ended March 31, 2019, exceeded one-one hundredth of total liabilities and net assets. Accordingly, the Company opted to report lease obligations as an independent line item from the fiscal year ended March 31, 2020. Consolidated financial statements for the prior fiscal year have been restated to reflect this change in disclosure.

As a result, ¥1,536 million disclosed within “Other” under “Non-current liabilities” in the Consolidated Balance Sheets in the previous fiscal year has been restated as “Lease obligations” of ¥760 million and “Other” of ¥775 million.

[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 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 prior 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.”

**[Additional Information]**

1. Stock-based remuneration plan

The Company has adopted a stock-based remuneration plan (hereinafter, “the plan”) available to the Company’s directors and executive officers, and the directors of principal subsidiaries (hereinafter, “eligible directors and others”).

For Company shares delivered annually to the eligible directors and others through this plan, a transfer restriction period has been established based on share delivery regulations for 3 years from the date of delivery. For eligible directors and others, this restriction will heighten their desire to contribute to improvement in corporate value over the medium to long term, while raising management awareness from the viewpoint of shareholders through shared interest in profit with shareholders.

In terms of accounting treatment, this plan is subject to “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc.” (PITF No. 30, March 26, 2015).

(1) Transaction overview

As part of this plan, the Company’s own shares granted to eligible directors and others are purchased via a trust established by the Company (hereinafter, “the trust”), using as funding money contributed by the Company and its principal subsidiaries, with shares subsequently vested with eligible directors and others through the trust. For eligible directors and others, the number of Company shares granted is calculated based on a set formula derived from the stock remuneration base amount set out according to the positions and other factors of the eligible directors and others. Both the number of shares granted and the amount of money required from the standpoint of tax settlement are provided as benefits on an annual basis.

(2) Company shares remaining in the trust

Depending on the carrying value of the trust (excluding money for attendant expenses), Company shares remaining in the trust are posted as part of “Treasury shares” under “Net assets.” As of March 31, 2018, the carrying value of such treasury shares was ¥7 million, accounting for 4,000 shares. As of March 31, 2019, the carrying value of such treasury shares was ¥46 million, accounting for 21,900 shares.

2. Assumption of the impact of the novel coronavirus in development of accounting estimates

The pandemic spread of the novel coronavirus has altered the circumstances of clients and the market environment in countries and regions worldwide, causing a subsequent change in demand. While reasonable predictions of the scale of growth of the disease and the timeline for its retreat are difficult to formulate, based on the information available, the Company is developing estimates for accounting purposes that include those for impairment of non-current assets and the recoverability of deferred tax assets. These estimates are based on assumptions that project a gradual turn toward recovery over time despite ripple effects on demand for each product caused by a repeated pattern of temporary growth and retreat of the virus.

Due to the many unknown and indeterminate factors embedded in the impact of the novel coronavirus on economic activity, changes in the above assumptions could have an effect on the Group’s financial position and operating results for the upcoming consolidated fiscal year.

**[Consolidated Balance Sheets]**

1. Components of inventories are as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Merchandise and finished goods | ¥24,681 million | ¥29,024 million |
| Work in process | ¥5,479 million | ¥4,441 million |
| Raw materials and supplies | ¥43,188 million | ¥46,387 million |

2. Accumulated depreciation of property, plant and equipment

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| | ¥284,258 million | ¥320,544 million |

3. Reduction entry of property, plant and equipment purchased with government subsidy and others

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Accumulated reduction entry of property, plant and equipment | ¥351 million | ¥351 million |

4. Amounts corresponding to non-consolidated subsidiaries and affiliates are as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Investment securities | ¥26,962 million | ¥20,332 million |
| Others | ¥163 million | ¥162 million |
| [Investments in joint ventures included in the above] | [¥163 million] | [¥162 million] |

5. Collateral assets

The breakdown of collateral assets is as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Buildings and structures | – | ¥3,785 million |
| Land | – | ¥3,278 million |
| Total | – | ¥7,064 million |

The breakdown of collateral liabilities is as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Short-term loans payable | – | ¥5,300 million |

**[Consolidated Statements of Income]**

1. Provision for loss on construction contracts included in cost of sales

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| | ¥12 million | ¥13 million |

2. The value of inventories at the fiscal year-end represents the value after written down of the book value according to a decrease in profitability, and the following loss on revaluation of inventories is included in the cost of sales.

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| | ¥425 million | ¥399 million |

3. R&D expenditures included in general and administrative expenses and manufacturing costs

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| | ¥6,168 million | ¥6,538 million |

4. Major components of selling, general and administrative expenses are as follows.

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Sales freight expenses | ¥35,968 million | ¥51,263 million |
| Sales promotion expenses | ¥40,707 million | ¥41,209 million |
| Salaries | ¥14,627 million | ¥18,858 million |
| Bonuses and allowance | ¥11,089 million | ¥12,513 million |
| Retirement benefit expenses | ¥1,309 million | ¥1,371 million |

5. Gain on sales of non-current assets
   Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) and Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
   This figure mainly reflects gains on the sale of land.

6. Loss on retirement of non-current assets
   Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) and Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
   This figure mainly reflects losses on the disposal of machinery and equipment.

7. Impairment losses

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

While impairment losses were posted, the figure has been omitted due to their immaterial impact.

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.

| Location | Application | Type |
| --- | --- | --- |
| United States | — (Flour Milling) | Goodwill |
| | Business assets (Flour Milling) | Buildings and structures; machinery, equipment and vehicles; others |
| City of Tsuru (Yamanashi Pref.), others | Business assets (Others) | Buildings and structures; machinery, equipment and vehicles |
| City of Kawasaki (Kanagawa Pref.) | Business assets (Others) | Buildings and structures; machinery, equipment and vehicles; others |

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%).

8. 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.

**[Consolidated Statements of Comprehensive Income]**

1. Amount for reclassification adjustment pertaining to other comprehensive income and tax effect

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Valuation difference on available-for-sale securities | | |
| Gain in the current period | ¥(8,409) million | ¥(7,826) million |
| Reclassification adjustment | ¥(1,315) million | ¥(202) million |
| Before tax effect adjustment | ¥(9,725) million | ¥(8,029) million |
| Tax effect | ¥2,954 million | ¥2,408 million |
| Valuation difference on available-for-sale securities | ¥(6,770) million | ¥(5,620) million |
| Deferred gains or losses on hedges | | |
| Gain (Loss) in the current period | ¥134 million | ¥525 million |
| Reclassification adjustment | ¥2 million | ¥(52) million |
| Before tax effect adjustment | ¥137 million | ¥472 million |
| Tax effect | ¥(41) million | ¥(145) million |
| Deferred gains or losses on hedges | ¥95 million | ¥327 million |
| Foreign currency translation adjustment | | |
| Gain in the current period | ¥172 million | ¥(16,529) million |
| Remeasurements of defined benefit plans | | |
| Gain in the current period | ¥(5) million | ¥(764) million |
| Reclassification adjustment | ¥63 million | ¥161 million |
| Before tax effect adjustment | ¥57 million | ¥(602) million |
| Tax effect | ¥(12) million | ¥185 million |
| Remeasurements of defined benefit plans | ¥44 million | ¥(417) million |
| Share of other comprehensive income of affiliates accounted for by the equity method | | |
| Gain in the current period | ¥(85) million | ¥(84) million |
| Total other comprehensive income | (6,543) million | (22,323) million |

**[Consolidated Statements of Changes in Net Assets]**

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

1. Type and number of issued shares and treasury shares

(Thousands of shares)

| | Number of shares at the beginning of the year | Increase in shares during the year | Decrease in shares during the year | Number of shares at the end of the year |
|---|---|---|---|---|
| Issued shares<br>Common stock | 304,357 | – | – | 304,357 |
| Treasury shares<br>Common stock | 7,426 | 85 | 277 | 7,234 |

Notes:

1. Portion of the increase in common stock accounted for by treasury shares:
   84 thousand shares, as a result of share delivery trust
   1 thousand shares, as result of repurchasing sub-MTU (minimum trading unit) shares
2. Portion of the decrease in common stock accounted for by treasury shares:
   0 thousand shares, as a result of sale of sub-MTU (minimum trading unit) shares
   67 thousand shares, as a result of share delivery trust
   210 thousand shares, as result of exercise of stock options
3. The treasury shares as of March 31, 2019 include 21,000 Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

2. Subscription rights to shares and treasury subscription rights to shares

| Category | Composition of the subscription rights to shares | Type of shares to be issued | Number of shares to be issued | | | | Balance at the end of the year (millions of yen) |
|---|---|---|---|---|---|---|---|
| | | | At the beginning of the year | Increase during the year | Decrease during the year | At the end of the year | |
| Nisshin Seifun Group, Inc. (parent company) | Subscription rights to shares as stock options | – | | | | | 167 |
| Total | | – | | | | | 167 |

3. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 27, 2018.

- Dividends on common stock:
  - i) Total dividends to be paid ¥4,455 million
  - ii) Dividend per share ¥15
  - iii) Record date March 31, 2018
  - iv) Effective date June 28, 2018

(Note) “Total dividends to be paid” includes dividends of ¥0 million for Company shares held by the Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

The following resolution was made at the meeting of the Board of Directors held on October 29, 2018.

- Dividends on common stock:
  - i) Total dividends to be paid ¥4,754 million
  - ii) Dividend per share ¥16
  - iii) Record date September 30, 2018
  - iv) Effective date December 7, 2018

(Note) “Total dividends to be paid” includes dividends of ¥1 million for Company shares held by the Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

(2) Dividends for which the record date came during the year ended March 31, 2019, but for which the effective date will come after said period

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 26, 2019.

- Dividends on common stock:

| | | |
|---|---|---|
| i) | Total dividends to be paid | ¥4,755 million |
| ii) | Source of dividends | Retained earnings |
| iii) | Dividend per share | ¥16 |
| iv) | Record date | March 31, 2019 |
| v) | Effective date | June 27, 2019 |

(Note) "Total dividends to be paid" includes dividends of ¥0 million for Company shares held by the Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

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

1. Type and number of issued shares and treasury shares

(Thousands of shares)

| | Number of shares at the beginning of the year | Increase in shares during the year | Decrease in shares during the year | Number of shares at the end of the year |
|---|---|---|---|---|
| Issued shares<br>Common stock | 304,357 | – | – | 304,357 |
| Treasury shares<br>Common stock | 7,234 | 76 | 231 | 7,079 |

Notes:

1. Portion of the increase in common stock accounted for by treasury shares:
   75 thousand shares, as a result of share delivery trust
   1 thousand shares, as result of repurchasing sub-MTU (minimum trading unit) shares
2. Portion of the decrease in common stock accounted for by treasury shares:
   0 thousand shares, as a result of sale of sub-MTU (minimum trading unit) shares
   59 thousand shares, as a result of share delivery trust
   172 thousand shares, as result of exercise of stock options
3. The treasury shares as of March 31, 2020 include 38,000 Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

2. Subscription rights to shares and treasury subscription rights to shares

| Category | Composition of the subscription rights to shares | Type of shares to be issued | Number of shares to be issued | | | | Balance at the end of the year (millions of yen) |
|---|---|---|---|---|---|---|---|
| | | | At the beginning of the year | Increase during the year | Decrease during the year | At the end of the year | |
| Nisshin Seifun Group, Inc. (parent company) | Subscription rights to shares as stock options | – | | | | | 137 |
| Total | | – | | | | | 137 |

3. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 26, 2019.

- Dividends on common stock:

| | | |
|---|---|---|
| i) | Total dividends to be paid | ¥4,755 million |
| ii) | Dividend per share | ¥16 |
| iii) | Record date | March 31, 2019 |
| iv) | Effective date | June 27, 2019 |

(Note) "Total dividends to be paid" includes dividends of ¥0 million for Company shares held by the Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

The following resolution was made at the meeting of the Board of Directors held on October 29, 2019.

- Dividends on common stock:

| | | |
|---|---|---|
| i) | Total dividends to be paid | ¥5,054 million |
| ii) | Dividend per share | ¥17 |
| iii) | Record date | September 30, 2019 |
| iv) | Effective date | December 6, 2019 |

(Note) "Total dividends to be paid" includes dividends of ¥1 million for Company shares held by the Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

(2) Dividends for which the record date came during the year ended March 31, 2020, but for which the effective date will come after said period

The following resolution was made at the meeting of the Board of Directors held on May 14, 2020.

- Dividends on common stock:

| | | |
|---|---|---|
| i) | Total dividends to be paid | ¥5,055 million |
| ii) | Source of dividends | Retained earnings |
| iii) | Dividend per share | ¥17 |
| iv) | Record date | March 31, 2020 |
| v) | Effective date | June 26, 2020 |

(Note) "Total dividends to be paid" includes dividends of ¥0 million for Company shares held by the Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

**[Consolidated Statements of Cash Flows]**

1. The reconciliation between year-end balance of cash and cash equivalents and amounts stated in the consolidated balance sheets

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Cash and deposits | ¥101,974 million | ¥49,710 million |
| Securities | ¥7,336 million | ¥7,523 million |
| Total | ¥109,310 million | ¥57,233 million |
| Time deposits with maturities of more than three months | ¥(916) million | – |
| Debt securities with maturities of more than three months | ¥(1,019) million | ¥(683) million |
| Cash and cash equivalents at end of period | ¥107,374 million | ¥56,550 million |

2. Breakdown of principal assets and liabilities of new subsidiary acquired through purchase of shares

(1) In the fiscal year ended March 31, 2020, the Company purchased PFG Topco1 Pty Ltd. The following is a breakdown of the assets and liabilities of the newly consolidated PFG Topco1 Pty Ltd. and its subsidiaries (Allied Pinnacle Pty Ltd. and 19 other companies) at the start date of consolidation, as well as the relationship between share acquisition cost and acquisition-related expenses (net cost).

| | |
|---|---|
| Current assets | ¥34,243 million |
| Non-current assets | ¥59,275 million |
| Goodwill | ¥41,101 million |
| Current liabilities | ¥(15,483) million |
| Non-current liabilities | ¥(72,326) million |
| Share acquisition cost | ¥46,810 million |
| Loan repayment accompanying acquisition | ¥29,835 million |
| Cash and cash equivalents | ¥(1,590) million |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | ¥75,055 million |

(2) In the fiscal year ended March 31, 2020, the Company purchased from other existing shareholders 51% of the shares of common stock of the Company's affiliate Tokatsu Foods Co., Ltd. The following is a breakdown of the assets and liabilities of the newly consolidated Tokatsu Foods Co., Ltd. and its three subsidiaries at the start date of consolidation, as well as the relationship between share acquisition cost and acquisition-related expenses (net cost).

| | |
|---|---|
| Current assets | ¥26,066 million |
| Non-current assets | ¥29,197 million |
| Goodwill | ¥11,808 million |
| Current liabilities | ¥(26,328) million |
| Non-current liabilities | ¥(11,176) million |
| Subtotal | ¥29,568 million |
| Equity-method appraisal value prior to controlling interest | ¥(7,215) million |
| Gain on step acquisitions | ¥(7,272) million |
| Share acquisition cost | ¥15,080 million |
| Cash and cash equivalents | ¥(12,946) million |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | ¥2,133 million |

**[Leases]**

1. Finance leases (for the lessee)

   Finance leases other than those that transfer ownership

   (1) Details of the lease assets

   a. Property, plant and equipment: comprised mainly of production equipment (machinery, equipment and vehicles) in the Prepared Dishes and Other Prepared Foods Segment.

   b. Intangible assets: software

   (2) Depreciation and amortization of the lease assets

   Depreciation and amortization of the lease assets is as described in “4. Significant accounting policies (2) Depreciation and amortization methods for material depreciable assets” under the Basis of Presentation of Consolidated Financial Statements.

2. Operating leases

   Future minimum lease commitments under non-cancelable operating leases

   (Lessee)

(Millions of yen)

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Due within one year | 195 | 456 |
| Due after one year | 130 | 2,930 |
| Total | 325 | 3,386 |

(Lessor)

(Millions of yen)

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Due within one year | 45 | 204 |
| Due after one year | 202 | 3,960 |
| Total | 247 | 4,165 |

3. IFRS lease transactions

   (1) Details of the right-of-use assets

   Comprised mainly of rights to use of land, buildings and structures.

   (2) Depreciation and amortization of the right-of-use assets

   Depreciation and amortization of the right-of-use assets is as described in “4. Significant accounting policies (2) Depreciation and amortization methods for material depreciable assets” under the Basis of Presentation of Consolidated Financial Statements.

**[Financial Instruments]**

1. Status of financial instruments

   (1) Policies on financial instruments

   The Group observes a fund management policy that cash reserves for future strategic investments and temporary surplus funds shall be managed in the form of time deposits with a fixed yield of interest and securities, and it shall not manage these funds to gain marginal gains in trades or for speculative purposes. As for fund procurement, the Group complies with the policy of financing with the most appropriate means, such as bank borrowings for short-term financial requirements, and bank borrowings, the issuance of corporate bonds and an increase in capital for long-term financial requirements, while taking into account market conditions and other factors.

   With regard to investment securities, it is the Company's policy to hold such shares in cases where the Company recognizes the rationality of holding shares and the contribution to the medium- to long-term corporate value of shareholdings from the perspective of making the pursuit of joint businesses and/or business alliances smoother and strengthening such relationships, and building and strengthening long-term, stable trading relationships.

   The Group utilizes derivative financial instruments to hedge its exposure to various risks described below and abides by a policy of not using them separately to gain marginal gains in trades or for speculative purposes.

   (2) Description of financial instruments, related risks and risk management system

   Cash and deposits is mainly managed as term deposits, and securities are mainly operated in the form of bonds. Both cash and securities are exposed to the credit risk of the relevant depository or issuer and the fluctuation risk of market prices. These risks are intended to be minimized and diversified using internal regulations at the respective Group companies by limiting such items as the target assets of fund management, the depository or the issuer, the period for management and the upper limit for management at each depository or issuer.

   Notes and accounts receivable – trade, as operating receivables, are exposed to the credit risk of the respective customers. To cope with this risk, the Group conducts maturity management and balance management by counterparty in accordance with the internal regulations at the respective Group companies and has established a system for periodically measuring the creditworthiness of major counterparties to quickly determine and mitigate any concerns on the collection of claims that might be caused by deteriorated financial conditions at a counterparty.

   Investment securities, which primarily consist of the shares relating to business or capital alliance relationships with the counterparties, are exposed to the risk of market price fluctuations. The Group has established a system of periodically measuring their market value, and, for shares held for specific policy purposes, confirming the appropriateness of the purpose of the shareholding, as well as trading situation, earnings and financial situation, shareholder return, and creditworthiness, coupled with a comparison of anticipated benefit of the shareholding with risk and capital cost, so that the Board of Directors can verify the rationality of holding such shares each year.

   Most notes and accounts payable – trade, as operating payables, have a maturity for payment within one year. Short-term loans payable are procured mainly for use as operating capital. While these instruments are exposed to liquidity risk, the Group largely manages them by making each Group company prepare a cash-flow projection.

   Long-term loans payable and bonds function mainly to procure necessary capital for business investment and other purposes, and have fixed interest rates.

   As for derivative transactions, the Group uses forward foreign exchange contracts, currency options and the like to hedge against the adverse impact of future fluctuations in foreign currency exchange rates on specific foreign currency denominated assets and liabilities including notes and accounts receivable – trade and notes and accounts payable – trade. Meanwhile, some foreign consolidated subsidiaries use commodity futures and other financial instruments targeting wheat to hedge against the risk of future fluctuations in the market for wheat and other risks. These derivative transactions often entail a general market risk due to the fluctuation of rates. To reduce the exposure to market risk, derivative transactions beyond the targeted, real demand are forbidden by the internal regulations of each Group company, and the regulations set forth a certain percentage of allowable derivative transactions against the total relevant underlying trading amounts. Currency options are limited only to buying put/call options (long position) in accordance with the respective internal regulations. These transactions are traded by the Finance and Accounting Division of the Company mainly based on the instructions given by the governing department of the operating company that might suffer from the exchange-rate fluctuation risk. At several consolidated subsidiaries, they are traded by the department in charge of financial affairs at each company mainly based on the instructions given by the governing department. In managing the derivative transactions, the aforementioned Finance and Accounting Division of the Company or the department in charge of financial affairs at each company receives a notice of position balances on derivative transactions every month from the correspondent bank, checks how these balances agree with performance figures and reports the monitored results to the Division Executive of the Finance and Accounting Division of the Company or the director of the department in charge of financial affairs at each company and the responsible director of the governing department. The Group believes that the risk that the counterparty to its derivative transactions could default is almost insignificant as the Group enters into derivative transactions only with financial institutions of high caliber.

   (3) Supplemental explanation on the fair value of financial instruments, etc.

The fair value of financial instruments includes the value reasonably calculated for those without market price, in addition to the value based on the market price. As several variable factors are incorporated in calculating the fair value, the resulting amount may vary depending on the different preconditions employed. The contract amounts, etc., regarding derivative transactions in “2. Fair value of financial instruments, etc.” are not necessarily indicative of the market risk with regard to derivative transactions.

2. Fair value of financial instruments, etc.

Carrying values in the consolidated balance sheets, fair values and the unrealized gains (losses) are presented as follows. Assets and liabilities, for which it is deemed difficult to measure the fair value, are not included in the following table. (Refer to Note 2.)

Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| | Carrying value | Fair value | Unrealized gains (losses) |
|---|---|---|---|
| (1) Cash and deposits | 101,974 | 101,974 | – |
| (2) Notes and accounts receivable – trade | 76,245 | 76,245 | – |
| (3) Securities and investment securities | | | |
| Other securities | 126,063 | 126,063 | – |
| Total assets | 304,283 | 304,283 | – |
| (1) Notes and accounts payable – trade | 54,936 | 54,936 | – |
| (2) Short-term loans payable | 8,557 | 8,557 | |
| (3) Bonds | – | – | |
| (4) Long-term loans payable | 7,749 | 7,495 | (253) |
| Total liabilities | 71,243 | 70,990 | (253) |
| Derivative transactions* | | | |
| 1) Transactions for which hedge accounting has not been adopted | (290) | (290) | – |
| 2) Transactions for which hedge accounting has been adopted | (570) | (570) | – |
| Total derivative transactions | (861) | (861) | – |

* Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| | Carrying value | Fair value | Unrealized gains (losses) |
|---|---|---|---|
| (1) Cash and deposits | 49,710 | 49,710 | – |
| (2) Notes and accounts receivable – trade | 92,236 | 92,236 | – |
| (3) Securities and investment securities | | | |
| Other securities | 118,304 | 118,304 | – |
| Total assets | 260,251 | 260,251 | – |
| (1) Notes and accounts payable – trade | 53,730 | 53,730 | – |
| (2) Short-term loans payable | 13,490 | 13,490 | – |
| (3) Bonds | 20,000 | 19,690 | (309) |
| (4) Long-term loans payable | 19,814 | 19,669 | (144) |
| Total liabilities | 107,035 | 106,581 | (453) |
| Derivative transactions* | | | |
| 1) Transactions for which hedge accounting has not been adopted | 133 | 133 | – |
| 2) Transactions for which hedge accounting has been adopted | (98) | (98) | – |
| Total derivative transactions | 35 | 35 | – |

* Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Note 1: Calculation method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable – trade

As these assets are settled within a short time, the fair value thereof is almost equal to the carrying value. Accordingly, the calculation of the fair value of these assets is based on the carrying value concerned.

(3) Securities and investment securities

The calculation of the fair value of stocks is based on the prices traded at the stock exchange. The calculation of the fair value of bonds is based on the prices traded at the stock exchange or the prices presented by the correspondent financial institution. Refer to the Notes to [Securities] with regard to the notable matters regarding securities held by holding purpose.

Liabilities

(1) Notes and accounts payable – trade and (2) Short-term loans payable

As these liabilities are settled within a short time, the fair value is almost equal to the carrying value. Accordingly, the calculation of the fair value of these liabilities is based on the carrying value concerned.

(3) Bonds and (4) Long-term loans payable

The calculation is based on the current value, which is calculated using future cash flow discounted by the interest rate based on government bond yield or other appropriate indicator plus credit spread.

Derivative transactions

Refer to the Notes to [Derivative Transactions].

Note 2: Carrying value of financial instruments for which it is deemed difficult to measure the fair value

(Millions of yen)

| Classification | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Unlisted stocks | 28,165 | 22,086 |

The above unlisted stocks have no market prices and relevant future cash flows cannot be easily estimated and may require excessive estimation cost, and it is therefore deemed difficult to measure their fair value. Accordingly, they are not included in (3) Securities and investment securities.

Note 3: Redemption schedule for monetary receivables and securities with maturity dates after the consolidated closing date (March 31)

Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| | Due within one year | Due after one year but within five years |
|---|---|---|
| Cash and deposits | 101,974 | – |
| Notes and accounts receivable – trade | 76,245 | – |
| Securities and investment securities | | |
| Other securities with maturity dates (government bonds) | 7,353 | – |
| Total | 185,573 | – |

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| | Due within one year | Due after one year but within five years |
|---|---|---|
| Cash and deposits | 49,710 | – |
| Notes and accounts receivable – trade | 92,236 | – |
| Securities and investment securities | | |
| Other securities with maturity dates (government bonds) | 7,531 | – |
| Total | 149,478 | – |

Note 4: Repayment schedule for short-term loans payable, bonds and long-term loans payable after the consolidated closing date (March 31)

Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| | Due within one year | Due after one year but within two years | Due after two years but within three years | Due after three years but within four years | Due after four years but within five years | Due after five years |
|---|---|---|---|---|---|---|
| Short-term loans payable | 8,557 | – | – | – | – | – |
| Bonds | – | – | – | – | – | – |
| Long-term loans payable | 977 | 1,325 | 1,174 | 1,180 | 1,186 | 1,905 |
| Total | 9,535 | 1,325 | 1,174 | 1,180 | 1,186 | 1,905 |

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| | Due within one year | Due after one year but within two years | Due after two years but within three years | Due after three years but within four years | Due after four years but within five years | Due after five years |
|---|---|---|---|---|---|---|
| Short-term loans payable | 13,490 | – | – | – | – | – |
| Bonds | – | – | – | – | – | 20,000 |
| Long-term loans payable | 4,587 | 1,136 | 1,141 | 1,147 | 934 | 10,867 |
| Total | 18,078 | 1,136 | 1,141 | 1,147 | 934 | 30,867 |

## [Securities]

1. Securities classified as other securities

Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| | Item | Carrying value | Acquisition cost | Unrealized gains (losses) |
|---|---|---|---|---|
| Securities whose carrying value exceeds their acquisition cost | (1) Equity securities | 117,104 | 27,209 | 89,895 |
| | (2) Bonds: | | | |
| | a. Government and municipal bonds | 1,569 | 1,569 | 0 |
| | b. Corporate bonds | – | – | – |
| | c. Other | – | – | – |
| | (3) Other | – | – | – |
| | Subtotal | 118,674 | 28,778 | 89,895 |
| Securities whose carrying value does not exceed their acquisition cost | (1) Equity securities | 1,622 | 1,669 | (47) |
| | (2) Bonds: | | | |
| | a. Government and municipal bonds | 5,766 | 5,768 | (1) |
| | b. Corporate bonds | – | – | – |
| | c. Other | – | – | – |
| | (3) Other | – | – | – |
| | Subtotal | 7,389 | 7,438 | (48) |
| Total | | 126,063 | 36,216 | 89,846 |

Note:
The above “other securities” do not include unlisted stocks with a carrying value of ¥3,969 million because they have no market prices and may require excessive cost to estimate their future cash flows, and it is therefore regarded as extremely difficult to identify their current fair value.

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| | Item | Carrying value | Acquisition cost | Unrealized gains (losses) |
|---|---|---|---|---|
| Securities whose carrying value exceeds their acquisition cost | (1) Equity securities | 109,498 | 27,177 | 82,320 |
| | (2) Bonds: | | | |
| | a. Government and municipal bonds | 7,157 | 7,156 | 1 |
| | b. Corporate bonds | – | – | – |
| | c. Other | – | – | – |
| | (3) Other | – | – | – |
| | Subtotal | 116,656 | 34,334 | 82,322 |
| Securities whose carrying value does not exceed their acquisition cost | (1) Equity securities | 1,281 | 1,733 | (451) |
| | (2) Bonds: | | | |
| | a. Government and municipal bonds | 366 | 366 | (0) |
| | b. Corporate bonds | – | – | – |
| | c. Other | – | – | – |
| | (3) Other | – | – | – |
| | Subtotal | 1,648 | 2,099 | (451) |
| Total | | 118,304 | 36,433 | 81,870 |

Note:
The above “other securities” do not include unlisted stocks with a carrying value of ¥4,626 million because they have no market prices and may require excessive cost to estimate their future cash flows, and it is therefore regarded as extremely difficult to identify their current fair value.

2. Sale of securities classified as other securities

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

(Millions of yen)

| Type | Proceeds from sales | Total gain on sales | Total loss on sales |
|---|---|---|---|
| Equity securities | 1,708 | 1,379 | – |

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

(Millions of yen)

| Type | Proceeds from sales | Total gain on sales | Total loss on sales |
|---|---|---|---|
| Equity securities | 291 | 212 | – |

**[Derivative Transactions]**

1. Derivative transactions for which hedge accounting is not adopted
   (1) Currency-related
   Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| Classification | Type of transactions | | Contract amounts | Portion due after one year | Fair value | Unrealized gains (losses) |
|---|---|---|---|---|---|---|
| Market transactions | Currency futures: | | | | | |
| | Buy: | Canadian dollar | 1,079 | – | (2) | (2) |
| Non-market transactions | Forward foreign exchange contracts: | | | | | |
| | Sell: | U.S. dollar | 182 | – | (0) | (0) |
| | | Euro | 33 | – | 0 | 0 |
| | Buy: | U.S. dollar | 911 | – | (15) | (15) |
| | | Euro | 58 | – | (0) | (0) |
| | | Yen | 1 | – | 0 | 0 |
| | | British pound | 6 | – | 0 | 0 |
| Total | | | 2,274 | – | (19) | (19) |

Note:
Calculation of fair value is based on the closing prices of the relevant futures markets and the prices and other information presented by associated financial institutions and others.

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| Classification | Type of transactions | | Contract amounts | Portion due after one year | Fair value | Unrealized gains (losses) |
|---|---|---|---|---|---|---|
| Market transactions | Currency futures: | | | | | |
| | Buy: | Canadian dollar | 991 | – | (49) | (49) |
| Non-market transactions | Forward foreign exchange contracts: | | | | | |
| | Sell: | U.S. dollar | 198 | – | 0 | 0 |
| | | Euro | 26 | – | 0 | 0 |
| | Buy: | U.S. dollar | 762 | – | 47 | 47 |
| | | Euro | 51 | – | 1 | 1 |
| | | Yen | 2 | – | 0 | 0 |
| | | British pound | 11 | – | (0) | (0) |
| Total | | | 2,044 | – | 0 | 0 |

Note:
Calculation of fair value is based on the closing prices of the relevant futures markets and the prices and other information presented by associated financial institutions and others.

(2) Commodity-related

Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| Classification | Type of transactions | Contract amounts | Portion due after one year | Fair value | Unrealized gains (losses) |
|---|---|---|---|---|---|
| Market transactions | Commodity futures: | | | | |
| | Sell: Wheat | 2,934 | – | 153 | 153 |
| | Buy: Wheat | 6,018 | – | (424) | (424) |
| Total | | 8,952 | – | (271) | (271) |

Note:
Calculation of fair value is based on the closing prices of the relevant futures markets.

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| Classification | Type of transactions | Contract amounts | Portion due after one year | Fair value | Unrealized gains (losses) |
|---|---|---|---|---|---|
| Market transactions | Commodity futures: | | | | |
| | Sell: Wheat | 4,076 | 6 | (86) | (86) |
| | Buy: Wheat | 4,585 | 134 | 219 | 219 |
| Total | | 8,661 | 141 | 133 | 133 |

Note:
Calculation of fair value is based on the closing prices of the relevant futures markets.

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related

Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| Method of hedge accounting | Type of transactions | | Major hedged items | Contract amounts | Portion due after one year | Fair value |
|---|---|---|---|---|---|---|
| Deferral hedge accounting | Forward foreign exchange contracts: | | Anticipated foreign currency transactions | | | |
| | Sell: | U.S. dollar | | 1,535 | – | (14) |
| | Forward foreign exchange contracts: | | Anticipated foreign currency transactions | | | |
| | Buy: | U.S. dollar | | 3,710 | – | 26 |
| | | Thai baht | | 948 | – | 18 |
| | | Euro | | 537 | – | (10) |
| | | Indian rupee | | 2,709 | – | (122) |
| | | Australian dollar | | 46,836 | | (468) |
| Appropriation treatment | Forward foreign exchange contracts: | | Accounts receivable | | | |
| | Sell: | U.S. dollar | | 195 | – | – |
| | Forward foreign exchange contracts: | | Accounts payable | | | |
| | Buy: | U.S. dollar | | 17 | – | – |
| | | Euro | | 1 | – | – |
| Total | | | | 56,490 | – | (570) |

Notes:

1. Calculation of fair value is based on the prices and other information presented by associated financial institutions and others.
2. Because forward foreign exchange contracts subject to appropriation are handled as a unit with accounts receivable and accounts payable to be hedged, the fair value of those is included in the fair value of the relevant accounts receivable and accounts payable.

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| Method of hedge accounting | Type of transactions | | Major hedged items | Contract amounts | Portion due after one year | Fair value |
|---|---|---|---|---|---|---|
| Deferral hedge accounting | Forward foreign exchange contracts: | | Anticipated foreign currency transactions | | | |
| | Sell: | U.S. dollar | | 1,796 | – | (39) |
| | Forward foreign exchange contracts: | | Anticipated foreign currency transactions | | | |
| | Buy: | U.S. dollar | | 4,496 | – | 55 |
| | | Thai baht | | 2,294 | – | (114) |
| | | Euro | | 513 | – | (1) |
| | | Australian dollar | | 878 | | 1 |
| Appropriation treatment | Forward foreign exchange contracts: | | Accounts receivable | | | |
| | Sell: | U.S. dollar | | 336 | – | – |
| | Forward foreign exchange contracts: | | Accounts payable | | | |
| | Buy: | U.S. dollar | | 12 | – | – |
| Total | | | | 10,327 | – | (98) |

Notes:

1. Calculation of fair value is based on the prices and other information presented by associated financial institutions and others.
2. Because forward foreign exchange contracts subject to appropriation are handled as a unit with accounts receivable and accounts payable to be hedged, the fair value of those is included in the fair value of the relevant accounts receivable and accounts payable.

**[Retirement Benefits]**

1. Outline of retirement benefit plans

The Company and its consolidated subsidiaries provide a lump-sum retirement benefit plan (unfunded plan) and a defined-contribution pension plan to meet the retirement benefits of their employees. In addition, the Company and certain consolidated subsidiaries provide for a defined-benefit corporate pension plan (funded plan) limited to already retired pension recipients. Certain consolidated subsidiaries belong to multi-employer defined-benefit pension plans. Certain subsidiaries adopt a simplified method for calculating the retirement benefit obligation. Moreover, employees leaving the Company may in some cases receive an additional severance payment beyond that computed on the basis of the actuarial retirement benefit calculated using the relevant accounting standard.

2. Defined benefit plan (including multi-employer plans)

(1) Adjustment of balance of retirement benefit obligation at beginning and end of the year

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Retirement benefit obligation at beginning of year | ¥26,015 million | ¥25,426 million |
| Service cost | ¥1,247 million | ¥1,337 million |
| Interest expense | ¥181 million | ¥178 million |
| Actuarial loss | ¥5 million | ¥740 million |
| Retirement benefits payable | ¥(2,030) million | ¥(2,053) million |
| Increase from new consolidation | – | ¥48 million |
| Increase (decrease) from change in accounting period | ¥5 million | ¥52 million |
| Transfer from accrued expenses | – | ¥296 million |
| Decrease from transfer of business | – | ¥(138) million |
| Other | ¥1 million | ¥14 million |
| Retirement benefit obligation at end of the year | ¥25,426 million | ¥25,903 million |

(2) Adjustment of balance of pension assets at beginning and end of the year

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Pension assets at beginning of year | ¥5,470 million | ¥4,534 million |
| Expected return on plan assets | ¥40 million | ¥36 million |
| Actuarial gain | – | ¥(23) million |
| Retirement benefits payable | ¥(1,034) million | ¥(838) million |
| Employer contribution | ¥56 million | ¥59 million |
| Pension assets at end of year | ¥4,534 million | ¥3,768 million |

Note:
Plan assets mainly pertain to a defined-benefit corporate pension plan limited to already retired pension recipients.

(3) Adjustment of balance of retirement benefit obligation and pension assets at end of year and net defined benefit liability and assets posted on the consolidated balance sheet

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Retirement benefit obligation for funded plans | ¥4,349 million | ¥3,522 million |
| Pension assets | ¥(4,534) million | ¥(3,768) million |
| | ¥(184) million | ¥(246) million |
| Retirement benefit obligation for unfunded plans | ¥21,076 million | ¥22,381 million |
| Net obligation and assets posted on consolidated balance sheet | ¥20,892 million | ¥22,135 million |
| | | |
| Net defined benefit liability | ¥21,169 million | ¥22,443 million |
| Net defined benefit assets | ¥(277) million | ¥(308) million |
| Net liability and assets posted on consolidated balance sheet | ¥20,892 million | ¥22,135 million |

(4) Retirement benefit expenses and detailed breakdown

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Service cost | ¥1,247 million | ¥1,337 million |
| Interest expense | ¥181 million | ¥178 million |
| Expected return on plan assets | ¥(40) million | ¥(36) million |
| Amortization of actuarial loss | ¥308 million | ¥370 million |
| Amortization of prior service cost | ¥(245) million | ¥(209) million |
| Retirement benefit expenses related to defined-contribution pension plan | ¥1,451 million | ¥1,640 million |

Note:
The retirement benefit expenses incurred by the consolidated subsidiaries that adopt a simplified method of calculation are posted under service cost.

(5) Adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) posted as adjustments related to retirement benefits is as follows.

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Prior service cost | ¥(245) million | ¥(209) million |
| Actuarial gain | ¥303 million | ¥(393) million |
| Total | ¥57 million | ¥(602) million |

(6) Cumulative adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) posted as cumulative adjustments related to retirement benefits is as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Unrecognized prior service cost | ¥(835) million | ¥(626) million |
| Unrecognized actuarial loss | ¥1,953 million | ¥2,345 million |
| Total | ¥1,117 million | ¥1,718 million |

(7) Items related to pension assets

a. Breakdown of principal pension assets

The main categories by percentage of total pension assets are as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Regular accounts | 50% | 51% |
| Bonds | 43% | 41% |
| Other | 7% | 8% |
| Total | 100% | 100% |

b. Method for setting long-term expected rate of return

The current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise the pool of pension assets are considered when determining the long-term expected rate of return on pension assets.

(8) Basic items for calculating actuarial differences

Basics for calculating principal actuarial differences for the fiscal year under review

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Discount rate | Mainly 0.9% | Mainly 0.9% |
| Long-term expected rate of return on plan assets | Mainly 1.0% | Mainly 1.0% |

3. Defined contribution plan

The defined contribution of the Company and its consolidated subsidiaries was ¥942 million for the year ended March 31, 2019 and ¥1,563 million for the year ended March 31, 2020.

**[Stock Options]**

1. The account and the amount of expenses concerning stock options

(Millions of yen)

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Selling, general and administrative expenses | 13 | – |

2. The amount recorded as profit owing to the non-exercise of rights resulting in forfeiture

(Millions of yen)

| Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|
| 0 | 2 |

3. Description and changes in the size of stock options

(1) Description of stock options

| | 2012 Plan | 2013 Plan | 2014 Plan |
|---|---|---|---|
| Category and number of grantees | 15 directors and 9 executive officers (Note 1) of the Company and 35 directors of consolidated subsidiaries | 14 directors and 10 executive officers (Note 1) of the Company and 35 directors of consolidated subsidiaries | 14 directors and 10 executive officers (Note 1) of the Company and 34 directors of consolidated subsidiaries |
| Number of shares granted by stock type | 388,410 shares of common stock (Note 2) | 373,890 shares of common stock (Note 2) | 337,700 shares of common stock (Note 3) |
| Grant date | August 16, 2012 | August 20, 2013 | August 19, 2014 |
| Conditions for vesting | Not stated | Not stated | Not stated |
| Service period | Not specified | Not specified | Not specified |
| Exercisable period | August 17, 2014 – August 1, 2019 | August 21, 2015 – August 3, 2020 | August 20, 2016 – August 2, 2021 |

| | 2015 Plan | 2016 Plan |
|---|---|---|
| Category and number of grantees | 14 directors and 10 executive officers (Note 1) of the Company and 35 directors of consolidated subsidiaries | 14 directors and 11 executive officers (Note 1) of the Company and 36 directors of consolidated subsidiaries |
| Number of shares granted by stock type | 326,000 shares of common stock | 339,000 shares of common stock |
| Grant date | August 19, 2015 | August 15, 2016 |
| Conditions for vesting | Not stated | Not stated |
| Service period | Not specified | Not specified |
| Exercisable period | August 20, 2017 – August 1, 2022 | August 16, 2018 – August 1, 2023 |

Notes:

1. These executive officers of the Company include those who concurrently serve as directors of consolidated subsidiaries.
2. The Company undertook a 1.1-for-1 common stock split on October 1, 2013. The Company also conducted a 1.1-for-1 stock split of shares of common stock on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.
3. The Company undertook a 1.1-for-1 common stock split on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the fiscal year ended March 31, 2019. The number of stock options is translated into the number of shares.

1. Number of stock options

| | 2012 Plan (Note 1) | 2013 Plan (Note 1) | 2014 Plan (Note 2) | 2015 Plan | 2016 Plan |
|---|---|---|---|---|---|
| Non-vested (shares): | | | | | |
| Outstanding at the end of the previous year | – | – | – | – | – |
| Granted during the year | – | – | – | – | – |
| Forfeited during the year | – | – | – | – | – |
| Vested during the year | – | – | – | – | – |
| Outstanding at the end of the year | – | – | – | – | – |
| Vested (shares): | | | | | |
| Outstanding at the end of the previous year | 20,570 | 55,660 | 163,900 | 250,000 | 329,000 |
| Vested during the year | – | – | – | – | – |
| Exercised during the year | 14,520 | 43,560 | 56,100 | 27,000 | 31,000 |
| Forfeited during the year | 6,050 | – | – | 6,000 | – |
| Outstanding at the end of the year | – | 12,100 | 107,800 | 217,000 | 298,000 |

Notes:

1. The Company undertook a 1.1-for-1 common stock split on October 1, 2013, followed by another 1.1-for-1 common stock split on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.
2. The Company undertook a 1.1-for-1 common stock split on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.

2. Per share prices

| | 2012 Plan (Note 1) | 2013 Plan (Note 1) | 2014 Plan (Note 2) | 2015 Plan | 2016 Plan |
|---|---|---|---|---|---|
| Exercise price (yen) | 792 | 1,012 | 1,159 | 1,748 | 1,753 |
| Average stock price upon exercise (yen) | 2,281 | 2,113 | 2,040 | 1,978 | 1,947 |
| Fair value per share at grant date (yen) | 152 | 101 | 122 | 266 | 220 |

Notes:

1. The Company undertook a 1.1-for-1 common stock split on October 1, 2013, followed by another 1.1-for-1 common stock split on October 1, 2014. These figures concerning per share prices in the above table reflect this stock split.
2. The Company undertook a 1.1-for-1 common stock split on October 1, 2014. These figures concerning per share prices in the above table reflect this stock split.

4. Method for estimating the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of stock options vested only reflects the number of options that have actually expired.

## [Tax Effect Accounting]

1. The principal components of deferred tax assets and deferred tax liabilities are as follows.

(Millions of yen)

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Deferred tax assets: | | |
| Net defined benefit liability | 6,282 | 6,582 |
| Investment securities, etc. | 1,333 | 2,964 |
| Impairment loss | 547 | 2,157 |
| Provision for bonuses | 1,449 | 1,636 |
| Intangible assets | 1,329 | 1,327 |
| Accrued sales incentives | 1,064 | 1,186 |
| Unrealized gains (losses) on non-current assets | 965 | 881 |
| Net operating loss carry forwards | 897 | 795 |
| Lease transaction-related adjustments on tax return | – | 633 |
| Inventories | 470 | 544 |
| Depreciation and amortization | 197 | 452 |
| Accrued enterprise tax | 443 | 421 |
| Provision for repairs | 446 | 407 |
| Other | 2,285 | 2,625 |
| Gross deferred tax assets | 17,714 | 22,616 |
| Valuation allowance | (2,783) | (4,737) |
| Deferred tax assets, net | 14,931 | 17,878 |
| Deferred tax liabilities: | | |
| Valuation difference on available-for-sale securities | 27,175 | 24,766 |
| Intangible assets | – | 6,508 |
| Reserve for advanced depreciation of non-current assets | 1,869 | 1,827 |
| Short-fall of depreciation and amortization | 1,670 | 1,528 |
| Retained earnings of associates | 1,045 | 1,391 |
| Securities returned from employee retirement benefits trust | 964 | 964 |
| Other | 805 | 888 |
| Deferred tax liabilities, net | 33,530 | 37,874 |
| Net deferred tax liabilities | 18,599 | 19,995 |

2. The reconciliation between the statutory effective tax rate and the actual effective tax rate when there is a major difference between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Statutory effective tax rate | 30.6% | 30.6% |
| (Adjustments) | | |
| Non-taxable permanent differences such as dividend income | (0.6)% | (0.7)% |
| Non-deductible permanent differences such as entertainment expenses | 0.7% | 0.7% |
| Income tax deductions | (1.5)% | (1.2)% |
| Equity in earnings of affiliates | (1.5)% | (1.6)% |
| Amortization of goodwill | 0.2% | 4.5% |
| Equal division of municipal tax | 0.6% | 0.6% |
| Difference in tax rate for consolidated subsidiaries | (0.9)% | 0.4% |
| Retained earnings of associates | 0.0% | 1.0% |
| Stock acquisition cost | 1.0% | 0.1% |
| Gain on step acquisitions | – | (6.7)% |
| Related to transfer of business | – | 1.2% |
| Other | 0.2% | 0.0% |
| Actual effective tax rate after adoption of tax effect accounting | 28.8% | 28.9% |

**[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 purchase 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 acquisition

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 acquisition

In May 2018, the Nisshin Seifun Group formulated a long-term vision entitled "NNI 'Compass for the Future' — Toward a New Stage—Maximizing Group-wide Capabilities and Effecting Business Model Change." 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 bread, 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 acquisition

April 1, 2019

d. Legal form of acquisition

Share acquisition at cash value

e. Post-acquisition 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 consideration

| | | | |
|---|---|---|---|
| Consideration 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, amortization method and amortization period

a. Amount of subsequent goodwill

¥41,101 million

b. Reasons for goodwill incurred

Goodwill is incurred from reasonable estimate of expected excess earnings power in the future arising from further business development.

c. Amortization method and amortization period

Amortized uniformly over 10 years

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

| | |
|---|---|
| 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:

a. "Amount of subsequent goodwill" in (6) above not included in assets and liabilities.

(8) Allocated amount, description of type and weighted average amortization 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 amortization period

13.5 years

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

No effect reported since the acquisition 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 acquisition

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 acquisition

The Company has positioned the prepared dishes and other prepared foods business as a growth field, and is taking steps to develop it as one of the Group's core operations. In December 2012, the Company entered into 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-oriented frozen prepared foods business. Prior to the acquisition, 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 acquisition

July 4, 2019

d. Legal form of acquisition

Share acquisition at cash value

e. Post-acquisition name

Tokatsu Foods Co., Ltd.

f. Percentage of voting rights acquired

| | |
|---|---|
| 1. Shares held prior to acquisition | 55,725 shares<br>(No. of voting rights: 55,725)<br>(Percentage of voting rights: 49%) |
| 2. Shares acquired | 58,000 shares<br>(No. of voting rights: 58,000) |
| 3. Shares held following acquisition | 113,725 shares<br>(No. of voting rights: 113,725)<br>(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 consideration

| | |
|---|---|
| Market value of shares held prior to acquisition as of the acquisition 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) Difference between acquisition cost and 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, amortization method and amortization period
a. Amount of subsequent goodwill
¥11,808 million
b. Reasons for goodwill incurred
Goodwill is incurred from reasonable estimate of expected excess earnings power in the future arising from further business development.
c. Amortization method and amortization period
Amortized uniformly over 10 years

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

| | |
|---|---|
| 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:
a. "Amount of subsequent goodwill" in (7) above not included in assets and liabilities.

(9) Allocated amount, description of type and amortization 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. Amortization period
12 years

(10) Estimation and method of calculation of effect on Consolidated Statements of Income for fiscal 2020 if acquisition 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 acquisition 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 acquisition is calculated as if such assets occurred at the beginning of the fiscal year. This note has not been audited.

**[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 the same as those discussed under "Basis of Presentation of Consolidated Financial Statements." Segment income 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.

[Related information]

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

1. Information by geographic segment

(1) Net sales

(Millions of yen)

| Japan | U.S. | Other regions | Total |
|---|---|---|---|
| 461,604 | 67,189 | 36,549 | 565,343 |

Note:

Net sales are classified based on customer location.

(2) Property, plant and equipment

(Millions of yen)

| Japan | U.S. | Other regions | Total |
|---|---|---|---|
| 110,629 | 24,405 | 21,282 | 156,317 |

2. Information by major customer

(Millions of yen)

| Name of customer | Net sales | Related segment name |
|---|---|---|
| Mitsubishi Corporation | 63,426 | Flour milling, Processed food, Others |

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

1. Information by geographic segment

(1) Net sales

(Millions of yen)

| Japan | Other regions | Total |
|---|---|---|
| 545,992 | 166,188 | 712,180 |

Note:
Net sales are classified based on customer location.

(2) Property, plant and equipment

(Millions of yen)

| Japan | U.S. | Oceania | Other regions | Total |
|---|---|---|---|---|
| 131,549 | 22,679 | 32,603 | 21,654 | 208,487 |

2. Information by major customer

(Millions of yen)

| Name of customer | Net sales | Related segment name |
|---|---|---|
| FamilyMart Co., Ltd. | 93,867 | Prepared dishes and other prepared foods |

[Impairment loss of non-current assets by reportable segment]

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

(Millions of yen)

| | Flour Milling | Processed Food | Others | Total |
|---|---|---|---|---|
| Impairment loss | – | 72 | – | 72 |

Note:
Impairment losses pertaining to business-use assets are posted.

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

(Millions of yen)

| | Flour Milling | Processed Food | Others | Total |
|---|---|---|---|---|
| Impairment loss | 3,869 | – | 1,354 | 5,224 |

Note:
Impairment losses pertaining to business-use assets and goodwill are posted.

[Amortization of goodwill and unamortized balance by reportable segment]

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

(Millions of yen)

| | Flour Milling | Processed Food | Prepared Dishes and Other Prepared Foods | Total |
|---|---|---|---|---|
| Amortization for the year under review | 1,126 | 26 | 170 | 1,324 |
| Balance at the end of the year under review | 4,580 | 293 | 142 | 5,016 |

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

(Millions of yen)

| | Flour Milling | Processed Food | Prepared Dishes and Other Prepared Foods | Total |
|---|---|---|---|---|
| Amortization for the year under review | 4,580 | 64 | 1,028 | 5,672 |
| Balance at the end of the year under review | 31,591 | 229 | 10,923 | 42,743 |

[Business transactions with related parties]

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

1. Business transactions with related parties

   Business transactions between the Company and related parties

   Officers and major shareholders of the Company (only in the case of individuals), etc.

| Category | Name of company, etc. or individual | Location | Paid-in capital or investment (millions of yen) | Businesses/position | Share of voting rights (shares owned) (%) | Relationship with related parties | Nature of transactions | Transaction value (millions of yen) | Item | Year-end balance (millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Officers and their close relatives | Yuji Koike | — | — | Director and Managing Executive Officer of the Company | (shares owned) direct ownership 0.0 | — | Exercise of subscription rights to shares (Note 1) | 10 | — | — |
| Officers and their close relatives | Akio Mimura | — | — | Director of the Company | (shares owned) direct ownership 0.0 | — | Exercise of subscription rights to shares (Note 1) | 10 | — | — |

Notes:

1. The figure posted represents rights exercised during the fiscal year under review for stock options granted based on resolutions of the General Meeting of Shareholders held on June 26, 2014 and June 25, 2015, respectively. For the "Transaction value" the figure posted represents the number of shares granted from the exercise of rights for stock options during the fiscal year under review times the exercise price.

2. Notes concerning the parent company and significant affiliates

   There are no applicable matters to be reported.

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

1. Business transactions with related parties

   Business transactions between the Company and related parties

   There are no applicable matters to be reported.

2. Notes concerning the parent company and significant affiliates

   There are no applicable matters to be reported.

## [Per Share Information]

(Yen)

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

2. The basis of calculation for net assets per share

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 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):<br>Subscription rights to shares<br>Non-controlling interests | <br>167<br>14,743 | <br>137<br>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 |

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

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 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 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):<br>Subscription rights to shares | <br>306,092 | <br>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.

**[Material Subsequent Events]**

There are no applicable matters to be reported.

## (5) Supplementary Consolidated Data

[Debentures]

| Company | Type | Issue date | Balance at the beginning of the year [April 1, 2019] (Millions of yen) | Balance at the end of the year [March 31, 2020] (Millions of yen) | Interest rate (%) | Collateral | Redemption date |
|---|---|---|---|---|---|---|---|
| Nisshin Seifun Group Inc. | 1st series unsecured bonds | July 16, 2019 | – | 10,000 | 0.20 | None | July 13, 2029 |
| Nisshin Seifun Group Inc. | 2nd series unsecured bonds | July 16, 2019 | – | 10,000 | 0.56 | None | July 15, 2039 |
| Total | – | – | – | 20,000 | – | – | – |

Note:

Amounts for redemption scheduled within five years of March 31, 2020 are as follows.

(Millions of yen)

| Within 1 year | Within 1–2 years | Within 2–3 years | Within 3–4 years | Within 4–5 years |
|---|---|---|---|---|
| – | – | – | – | – |

[Borrowings]

| Category | Balance at the beginning of the year [April 1, 2019] (millions of yen) | Balance at the end of the year [March 31, 2020] (millions of yen) | Average interest rate (%) | Repayment dates |
|---|---|---|---|---|
| Short-term loans payable | 8,557 | 13,490 | 1.1026 | – |
| Current portion of long-term loans payable | 977 | 4,587 | 1.2705 | – |
| Current portion of lease obligation | 342 | 1,869 | 2.2955 | – |
| Long-term loans payable (excluding current portion) | 6,771 | 15,226 | 1.3976 | 2021 – 2034 |
| Lease obligation (excluding current portion) | 760 | 30,989 | 7.3016 | 2021 – 2051 |
| Other interest-bearing liabilities | – | – | – | – |
| Total | 17,410 | 66,164 | – | – |

Notes:

1. Components of long-term loans payable (excluding current portion) and lease obligation (excluding current portion) with repayments scheduled within five years after March 31, 2020 are detailed in the table below.

(Millions of yen)

| | Within 1–2 years | Within 2–3 years | Within 3–4 years | Within 4–5 years |
|---|---|---|---|---|
| Long-term loans payable | 1,136 | 1,141 | 1,147 | 934 |
| Lease obligation | 1,697 | 1,376 | 1,148 | 616 |

2. Average interest rates are computed as the weighted average interest rate on debt outstanding at the fiscal year-end. Average interest rates for lease obligations are not included in computation since the lease obligations stated on the consolidated balance sheets of the Company and certain consolidated subsidiaries represent the amounts that do not deduct interest equivalents from total lease payments.
3. The Group (Nisshin Seifun Group Inc. and its consolidated subsidiaries) has entered into commitment line agreement with its principal financial institutions in order to ensure efficient procurement of working capital.

The total amount of commitment line agreements ¥38,442 million

Balance outstanding as of March 31, 2020 ¥5,665 million

Credit facility fees for year ended March 31, 2020 ¥28 million (Amount included in “Other” category within non-operating expenses)

[Asset Retirement Obligations]

The balance of asset retirement obligations at the beginning and at the end of the fiscal year ended March 31, 2020 was less than 1/100th of the balance of liabilities and net assets at the beginning and at the end of the fiscal year ended March 31, 2020. Consequently, pursuant to Article 92-2 of the Regulations for Consolidated Financial Statements, this information has been omitted.

## 2. Others

Quarterly financial information for the year ended March 31, 2020

(Millions of yen)

| (Cumulative period) | First Quarter | Second Quarter | Third Quarter | Year ended March 31, 2020 |
|---|---|---|---|---|
| Net sales | 157,819 | 346,518 | 536,666 | 712,180 |
| Profit before income taxes | 7,255 | 18,267 | 28,521 | 33,296 |
| Profit attributable to owners of parent | 4,429 | 13,519 | 19,951 | 22,407 |
| Earnings per share (yen) | 14.91 | 45.50 | 67.14 | 75.40 |

| (Fiscal period) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Earnings per share (yen) | 14.91 | 30.59 | 21.64 | 8.26 |

## (2) Non-consolidated Financial Statements, etc.

### 1. Non-consolidated Financial Statements

### (1) Non-consolidated Balance Sheets

(Millions of yen)

| | | Year ended March 31, 2019 (As of March 31, 2019) | | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and deposits | | 82,583 | | 20,983 |
| Accounts receivable – trade | Note 1 | 252 | Note 1 | 253 |
| Prepaid expenses | | 215 | | 205 |
| Income taxes receivable | | 2,757 | | 1,939 |
| Other | Note 1 | 910 | Note 1 | 904 |
| Total current assets | | 86,720 | | 24,286 |
| Non-current assets | | | | |
| Property, plant and equipment | | | | |
| Buildings, net | | 5,964 | | 5,719 |
| Structures, net | | 445 | | 414 |
| Machinery and equipment, net | | 598 | | 649 |
| Vehicles, net | | 11 | | 8 |
| Tools, furniture and fixtures, net | | 434 | | 509 |
| Land | | 16,188 | | 16,186 |
| Lease assets, net | | 506 | | 641 |
| Construction in progress | | 60 | | 7 |
| Total property, plant and equipment | | 24,209 | | 24,136 |
| Intangible assets | | | | |
| Leasehold right | | 80 | | 18 |
| Software | | 219 | | 286 |
| Lease assets | | 36 | | 233 |
| Other | | 59 | | 58 |
| Total intangible assets | | 395 | | 596 |
| Investments and other assets | | | | |
| Investment securities | | 85,905 | | 77,495 |
| Shares of subsidiaries and associates | | 132,800 | | 165,262 |
| Investments in capital | | 326 | | 326 |
| Investments in capital of subsidiaries and associates | | 1,093 | | 1,093 |
| Long-term loans receivable from subsidiaries and associates | | 39,756 | | 92,064 |
| Other | | 449 | | 560 |
| Allowance for doubtful accounts | | (25) | | (25) |
| Total investments and other assets | | 260,308 | | 336,777 |
| Total non-current assets | | 284,912 | | 361,511 |
| Total assets | | 371,633 | | 385,798 |

(Millions of yen)

| | Year ended March 31, 2019 (As of March 31, 2019) | | Year ended March 31, 2020 (As of March 31, 2020) | |
|---|---|---|---|---|
| Liabilities | | | | |
| Current liabilities | | | | |
| Lease obligations | | 153 | | 183 |
| Accounts payable – other | Note 1 | 351 | Note 1 | 166 |
| Accrued expenses | Note 1 | 1,942 | Note 1 | 1,912 |
| Deposits received | Note 1 | 44,558 | Note 1 | 38,572 |
| Provision for directors' bonuses | | 78 | | 47 |
| Other | | 166 | | 47 |
| Total current liabilities | | 47,250 | | 40,929 |
| Non-current liabilities | | | | |
| Bonds | | – | | 20,000 |
| Long-term loans payable | | 1 | | 10,000 |
| Lease obligations | | 335 | | 472 |
| Deferred tax liabilities | | 20,453 | | 17,875 |
| Provision for retirement benefits | | 3,288 | | 3,123 |
| Other | | 284 | | 319 |
| Total non-current liabilities | | 24,362 | | 51,790 |
| Total liabilities | | 71,613 | | 92,719 |
| Net assets | | | | |
| Shareholders' equity | | | | |
| Capital stock | | 17,117 | | 17,117 |
| Capital surplus | | | | |
| Legal capital surplus | | 9,500 | | 9,500 |
| Other capital surplus | | 226 | | 202 |
| Total capital surpluses | | 9,726 | | 9,702 |
| Retained earnings | | | | |
| Legal retained earnings | | 4,379 | | 4,379 |
| Other retained earnings | | | | |
| Reserve for dividends | | 2,000 | | 2,000 |
| Reserve for advanced depreciation of non-current assets | | 2,632 | | 2,598 |
| General reserve | | 170,770 | | 170,770 |
| Retained earnings brought forward | | 58,965 | | 57,649 |
| Total retained earnings | | 238,747 | | 237,397 |
| Treasury shares | | (11,395) | | (11,164) |
| Total shareholders' equity | | 254,196 | | 253,053 |
| Valuation and translation adjustment | | | | |
| Valuation difference on available-for-sale securities | | 45,741 | | 39,888 |
| Deferred gains or losses on hedges | | (86) | | – |
| Total valuation and translation adjustment | | 45,655 | | 39,888 |
| Subscription rights to shares | | 167 | | 137 |
| Total net assets | | 300,019 | | 293,079 |
| Total liabilities and net assets | | 371,633 | | 385,798 |

## (2) Non-consolidated Statements of Income

(Millions of yen)

| | | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|---|---|
| Operating revenue | Note 1 | 25,077 | Note 1 | 20,068 |
| Operating expenses | Notes 1, 2 | 13,599 | Notes 1, 2 | 14,714 |
| Operating profit | | 11,478 | | 5,353 |
| Non-operating income | | | | |
| Interest income | Note 1 | 410 | Note 1 | 1,111 |
| Dividend income | | 1,994 | | 2,113 |
| Other | Note 1 | 37 | Note 1 | 98 |
| Total non-operating income | | 2,442 | | 3,322 |
| Non-operating expenses | | | | |
| Interest expenses | Note 1 | 20 | Note 1 | 293 |
| Interest on bonds | | – | | 53 |
| Bond issuance costs | | – | | 111 |
| Other | | 26 | | 27 |
| Total non-operating expenses | | 46 | | 486 |
| Ordinary profit | | 13,874 | | 8,190 |
| Extraordinary income | | | | |
| Gain on sales of investment securities | | 1,281 | | 184 |
| Gain on sales of non-current assets | | 201 | | 79 |
| Total extraordinary income | | 1,483 | | 264 |
| Extraordinary losses | | | | |
| Loss on retirement of non-current assets | | 31 | | 32 |
| Total extraordinary losses | | 31 | | 32 |
| Profit before income taxes | | 15,326 | | 8,422 |
| Income taxes – current | | 259 | | 56 |
| Income taxes – deferred | | 79 | | (94) |
| Total income taxes | | 339 | | (37) |
| Profit | | 14,987 | | 8,460 |

## (3) Non-consolidated Statements of Changes in Net Assets

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

(Millions of yen)

| | Shareholders' equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | |
| | | | | | | Other retained earnings | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surpluses | Legal retained earnings | Reserve for dividends | Reserve for advanced depreciation of non-current assets | General reserve |
| Balance at the beginning of current period | 17,117 | 9,500 | 264 | 9,764 | 4,379 | 2,000 | 2,562 | 170,770 |
| Changes of items during the period | | | | | | | | |
| Provision of reserve for advanced depreciation of non-current assets | | | | | | | 110 | |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | | | (40) | |
| Dividends from surplus | | | | | | | | |
| Profit | | | | | | | | |
| Purchase of treasury shares | | | | | | | | |
| Disposal of treasury shares | | | (37) | (37) | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes of items during the period | – | – | (37) | (37) | – | – | 69 | – |
| Balance at the end of current period | 17,117 | 9,500 | 226 | 9,726 | 4,379 | 2,000 | 2,632 | 170,770 |

| | Shareholders' equity | | | | Valuation and translation adjustment | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Retained earnings | | | | | | | | |
| | Other retained earnings | | | | | | | | |
| | Retained earnings brought forward | Total retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustment | Subscription rights to shares | Total net assets |
| Balance at the beginning of current period | 53,257 | 232,970 | (11,688) | 248,164 | 51,363 | (96) | 51,266 | 189 | 299,620 |
| Changes of items during the period | | | | | | | | | |
| Provision of reserve for advanced depreciation of non-current assets | (110) | – | | – | | | | | – |
| Reversal of reserve for advanced depreciation of non-current assets | 40 | – | | – | | | | | – |
| Dividends from surplus | (9,209) | (9,209) | | (9,209) | | | | | (9,209) |
| Profit | 14,987 | 14,987 | | 14,987 | | | | | 14,987 |
| Purchase of treasury shares | | | (190) | (190) | | | | | (190) |
| Disposal of treasury shares | | | 483 | 445 | | | | | 445 |
| Net changes of items other than shareholders' equity | | | | | (5,621) | 10 | (5,611) | (21) | (5,632) |
| Total changes of items during the period | 5,707 | 5,777 | 292 | 6,032 | (5,621) | 10 | (5,611) | (21) | 399 |
| Balance at the end of current period | 58,965 | 238,747 | (11,395) | 254,196 | 45,741 | (86) | 45,655 | 167 | 300,019 |

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

(Millions of yen)

| | Shareholders' equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | |
| | | | | | | Other retained earnings | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surpluses | Legal retained earnings | Reserve for dividends | Reserve for advanced depreciation of non-current assets | General reserve |
| Balance at the beginning of current period | 17,117 | 9,500 | 226 | 9,726 | 4,379 | 2,000 | 2,632 | 170,770 |
| Changes of items during the period | | | | | | | | |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | | | (34) | |
| Dividends from surplus | | | | | | | | |
| Profit | | | | | | | | |
| Purchase of treasury shares | | | | | | | | |
| Disposal of treasury shares | | | (24) | (24) | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes of items during the period | – | – | (24) | (24) | – | – | (34) | – |
| Balance at the end of current period | 17,117 | 9,500 | 202 | 9,702 | 4,379 | 2,000 | 2,598 | 170,770 |

| | Shareholders' equity | | | | Valuation and translation adjustment | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Retained earnings | | | | | | | | |
| | Other retained earnings | | | | | | | | |
| | Retained earnings brought forward | Total retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustment | Subscription rights to shares | Total net assets |
| Balance at the beginning of current period | 58,965 | 238,747 | (11,395) | 254,196 | 45,741 | (86) | 45,655 | 167 | 300,019 |
| Changes of items during the period | | | | | | | | | |
| Reversal of reserve for advanced depreciation of non-current assets | 34 | – | | – | | | | | – |
| Dividends from surplus | (9,810) | (9,810) | | (9,810) | | | | | (9,810) |
| Profit | 8,460 | 8,460 | | 8,460 | | | | | 8,460 |
| Purchase of treasury shares | | | (190) | (190) | | | | | (190) |
| Disposal of treasury shares | | | 421 | 397 | | | | | 397 |
| Net changes of items other than shareholders' equity | | | | | (5,853) | 86 | (5,767) | (29) | (5,797) |
| Total changes of items during the period | (1,315) | (1,349) | 231 | (1,143) | (5,853) | 86 | (5,767) | (29) | (6,940) |
| Balance at the end of current period | 57,649 | 237,397 | (11,164) | 253,053 | 39,888 | – | 39,888 | 137 | 293,079 |

**[Notes to the Non-consolidated Financial Statements]**
**[Significant Accounting Policies]**

1. Valuation standards and methodology for securities
   (1) Held-to-maturity debt securities are stated at amortized cost.
   (2) Equity in subsidiaries and affiliates is stated at cost, with cost being determined by the moving average method.
   (3) Other securities:
   Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).
   Securities with no readily determinable market value are stated at cost, with cost being determined by the moving average method.

2. Valuation standards and methodology for derivatives
   Derivative financial instruments are stated at fair market value.

3. Depreciation and amortization methods for non-current assets
   (1) Depreciation on property, plant and equipment (excluding lease assets) is computed principally by the declining balance method. However, for buildings acquired on or after April 1, 1998 (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016, they apply the straight-line method.
   (2) Amortization of intangible assets (excluding lease assets) is computed by the straight-line method.
   Software used in-house is depreciated over its estimated useful life (within five years) based on the straight-line method.
   (3) Lease assets
   Lease assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

4. Basis of material allowances
   (1) Allowance for doubtful accounts
   The Company provides for possible credit losses stemming from monetary claims and other receivables. Estimates of irrecoverable amounts are determined by considering historical loan-loss ratios for general receivables and on a consideration of recoverable amounts on a case-by-case basis in instances of suspected bad debt or other dubious accounts.
   (2) Provision for directors' bonuses
   Provision is made for directors' bonuses based on the estimated amounts of payment at the end of the fiscal year.
   (3) Provision for retirement benefits
   The Company provides for employees and already retired pension recipients based on the estimated amounts of projected benefit obligation and the market value of the pension plan assets at the fiscal year-end.
   a. Imputation method for retirement benefit estimates
   In calculating retirement benefit liability, the method for imputing the applicable period until the end of the fiscal year under review for the estimated retirement benefit is determined by the benefit calculation standard.
   b. Treatment method for actuarial differences and expenses related to prior service cost
   Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (15 years) expected to receive pension benefits as of the fiscal year-end.
   Actuarial differences are amortized on a straight-line basis from the following fiscal year over a period equaling the average remaining service period of employees (15 years) expected to receive pension benefits as of the fiscal year-end.
   In the event that the amount of pension assets as of March 31, 2018 exceeds retirement benefit liabilities after deduction of actuarial differences, this amount will be included in "Other" under "Investments and other assets" as a prepaid pension cost.

5. Hedging transactions
   (1) Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any monetary claims, obligations or similar items denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.
   (2) Hedging methods: Derivative transactions (including forward exchange contracts and currency purchase put/call options)

   Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies.
   (3) The Company employs derivative financial instruments only for the aforementioned transactions purely to manage fluctuations in foreign currency exchange rates.
   (4) Hedging evaluation

   Since hedging methods and the target of each hedging transaction share the same conditions that apply at the start of hedging activities and throughout subsequent periods, the Company's hedging approach enables exchange rate fluctuations to be offset completely. Hence, the Company considers its hedging method to be highly effective.

6. Accounting treatment of retirement benefits

   The accounting method for unrecognized actuarial losses related to retirement benefits and unsettled unrecognized prior service cost differs from the accounting method applied to these items in the consolidated financial statements.

7. Accounting treatment of consumption tax

   All accounting transactions are booked exclusive of any national or local consumption taxes.

**[Changes in Disclosure]**

1. Non-consolidated Balance Sheets

   In the fiscal year ended March 31, 2019, "Long-term loans payable," was included within "Other" under "Non-current liabilities." Due to growth in monetary importance, the Company has opted to report this as an independent line item from the fiscal year ended March 31, 2020. Financial statements for the prior fiscal year have been restated to reflect this change in disclosure.

   As a result, ¥285 million disclosed within "Other" under "Non-current liabilities" in the Balance Sheets in the previous fiscal year has been restated as "Long-term loans payable" of ¥1 million and "Other" of ¥284 million.

2. Non-consolidated Statements of Income

   In the fiscal year ended March 31, 2019, "Commitment fee" was listed as an independent line item under "Non-operating expenses." However, due to its diminished monetary importance, this item is disclosed as part of "Other" under "Non-operating expenses" for the fiscal year ended March 31, 2020. Financial statements for the prior fiscal year have been restated to reflect this change in disclosure.

   As a result, ¥24 million disclosed as "Commitment fee" and ¥2 million disclosed as "Other" under "Non-operating expenses" in the Statements of Income in the previous fiscal year has been restated as "Other" of ¥26 million.

**[Additional Information]**

[Stock-based remuneration plan]

The same information can be found under "Notes to the Consolidated Financial Statements [Additional Information]," and is thus omitted here.

**[Non-consolidated Balance Sheets]**

1. Monetary claims and obligations to affiliates

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Short-term claims | ¥590 million | ¥887 million |
| Short-term obligations | ¥44,198 million | ¥38,242 million |

**[Non-consolidated Statements of Income]**

1. Transaction balance with affiliates

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Transaction balance from operating transactions | | |
| Operating revenue | ¥24,989 million | ¥19,958 million |
| Operating expenses | ¥793 million | ¥785 million |
| Transaction balance from non-operating transactions | ¥464 million | ¥1,210 million |

2. Major components of operating expenses are as follows.
   All of the operating expenses are categorized as general and administrative expenses.

| | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Salaries | ¥1,995 million | ¥2,115 million |
| Bonuses and allowance | ¥1,718 million | ¥1,970 million |
| Retirement benefit expenses | ¥139 million | ¥22 million |
| Research study expenses | ¥2,533 million | ¥2,536 million |
| Advertising expenses | ¥2,124 million | ¥2,348 million |
| Depreciation and amortization | ¥685 million | ¥754 million |
| Other | ¥4,401 million | ¥4,965 million |

**[Securities]**

Equity securities in subsidiaries and affiliates

Year ended March 31, 2019 (As of March 31, 2019)

(Millions of yen)

| Type | Carrying value | Fair value | Unrealized gains (losses) |
|---|---|---|---|
| Equity securities in subsidiaries | – | – | – |
| Equity securities in affiliates | 200 | 213 | 12 |
| Total | 200 | 213 | 12 |

Year ended March 31, 2020 (As of March 31, 2020)

(Millions of yen)

| Type | Carrying value | Fair value | Unrealized gains (losses) |
|---|---|---|---|
| Equity securities in subsidiaries | – | – | – |
| Equity securities in affiliates | 200 | 255 | 54 |
| Total | 200 | 255 | 54 |

Note: Carrying value of equity securities in subsidiaries and affiliates for which the fair value is not readily determinable

(Millions of yen)

| Type | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Equity securities in subsidiaries | 122,871 | 159,229 |
| Equity securities in affiliates | 9,728 | 5,831 |

These equity securities are not included in "Equity securities in subsidiaries and affiliates" above because they do not have market price and considerable cost would be required to estimate their future cash flows; therefore, their fair value is regarded to be not readily determinable.

**[Tax Effect Accounting]**

1. The principal components of deferred tax assets and deferred tax liabilities are as follows.

(Millions of yen)

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Deferred tax assets: | | |
| Provision for retirement benefits | 989 | 930 |
| Investment securities, etc. | 510 | 509 |
| Provision for bonuses | 179 | 182 |
| Other | 349 | 466 |
| Gross deferred tax assets | 2,029 | 2,089 |
| Valuation allowance | (600) | (619) |
| Deferred tax assets, net | 1,428 | 1,469 |
| Deferred tax liabilities: | | |
| Valuation difference on available-for-sale securities | 19,756 | 17,234 |
| Reserve for advanced depreciation of non-current assets | 1,160 | 1,145 |
| Securities returned from employee retirement benefits trust | 964 | 964 |
| Deferred tax liabilities, net | 21,881 | 19,344 |
| Net deferred tax liabilities | 20,453 | 17,875 |

2. The reconciliation between the statutory effective tax rate and the actual effective tax rate when there is a major difference between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is as follows.

| | Year ended March 31, 2019 (As of March 31, 2019) | Year ended March 31, 2020 (As of March 31, 2020) |
|---|---|---|
| Statutory effective tax rate | 30.6% | 30.6% |
| (Adjustments) | | |
| Dividend income and other items excluded from gross revenue | (28.5)% | (32.2)% |
| Entertainment expenses and other items not qualifying for deduction | 0.4% | 0.8% |
| Valuation allowance | 0.0% | 0.2% |
| Other | (0.3)% | 0.1% |
| Actual effective tax rate after adoption of tax effect accounting | 2.2% | (0.5)% |

**[Material Subsequent Events]**

There are no applicable matters to be reported.

### (4) Supplementary Data

[Property, plant and equipment]

(Millions of yen)

| Category | Asset type | Balance at the beginning of the year | Increase during the year | Decrease during the year | Depreciation and amortization during the year | Balance at the end of the year | Accumulated depreciation and amortization at the end of the year |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | Buildings | 5,964 | 84 | 5 | 323 | 5,719 | 12,531 |
| | Structures | 445 | 12 | 1 | 42 | 414 | 1,275 |
| | Machinery and equipment | 598 | 217 | 9 | 157 | 649 | 1,482 |
| | Vehicles | 11 | 0 | – | 3 | 8 | 15 |
| | Tools, furniture and fixtures | 434 | 332 | 9 | 247 | 509 | 2,839 |
| | Land | 16,188 | 1 | 2 | – | 16,186 | – |
| | Lease assets | 506 | 326 | – | 191 | 641 | 273 |
| | Construction in progress | 60 | 773 | 826 | – | 7 | – |
| | Total | 24,209 | 1,748 | 854 | 966 | 24,136 | 18,415 |
| Intangible assets | Leasehold rights | 80 | – | 61 | – | 18 | – |
| | Software | 219 | 125 | – | 58 | 286 | – |
| | Lease assets | 36 | 276 | – | 79 | 233 | – |
| | Other | 59 | – | – | 0 | 58 | – |
| | Total | 395 | 402 | 61 | 139 | 596 | – |

Note:
Depreciation and amortization expenses of ¥350 million related to the Research Center for Basic Science Research and Development, QE Center and Research Center for Production and Technology are included in research study expenses.

[Other reserves]

(Millions of yen)

| Category | Balance at the beginning of the year | Increase during the year | Decrease during the year | Balance at the end of the year |
|---|---|---|---|---|
| Allowance for doubtful accounts | 25 | – | – | 25 |
| Provision for directors' bonuses | 78 | 47 | 78 | 47 |

### 2. [Major assets and liabilities]

Consolidated financial statements have been prepared, thus major assets and liabilities are omitted here.

### 3. Others

There are no applicable matters to be reported.

## [6] Stock-related Administration

| | |
|---|---|
| Fiscal year | From April 1 to March 31 |
| Ordinary General Meeting of Shareholders | June |
| Record date (final dividend) | March 31 |
| Record date (interim dividend) | September 30<br>March 31 |
| Minimum trading unit (MTU) | 100 shares |
| Purchase and sale of sub-MTU share holdings | |
| Handling office (main) | (Special account)<br>Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo JAPAN |
| Custodian of shareholder register | (Special account)<br>Sumitomo Mitsui Trust Bank, Limited<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo JAPAN |
| Handling locations | – |
| Share purchase/ sale commissions | Commission rates for purchase or sale of sub-MTU shares vary depending on the value per MTU (see below).<br><br>For MTU values of ¥1,000,000 or less 1.150%<br>For MTU values above ¥1,000,000 up to ¥5,000,000 0.900%<br>For MTU values above ¥5,000,000 up to ¥10,000,000 0.700%<br>For MTU values above ¥10,000,000 up to ¥30,000,000 0.575%<br>For MTU values above ¥30,000,000 up to ¥50,000,000 0.375%<br>(Commissions are rounded down to the nearest ¥1).<br><br>The minimum value per MTU is set at ¥2,500. |
| Method of public notice | Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nikkei newspaper.<br>The electronic public notice is presented on the Company's Web site at https://www.nisshin.com. |
| Shareholder privileges | All shareholders of record as of March 31 with holdings of at least 500 shares are entitled to receive complimentary supplies of Nisshin Seifun Group products. |

Note:
According to the Company's Articles of Incorporation, sub-MTU shareholders do not have any rights except for those listed in Article 189, Paragraph 2 of the Companies Act, the right of claim, the right to be allotted the shares and/or subscription rights to shares offered according to the number of shares held and the right to ask for sale of sub-MTU shares (top-up purchase) as stipulated in Article 166, Paragraph 1 of the Companies Act.

# [7] Corporate Reference Data

## (1) Information on the Parent Company of Nisshin Seifun Group Inc.

Nisshin Seifun Group Inc. has no parent company as stipulated in Article 24-7, Paragraph 1, of the Financial Instruments and Exchange Act.

## (2) Other Reference Data

The following publications were issued by the Company (in Japanese) between the start of the fiscal year under review and the submittal of the Japanese version of this Securities Report.

| | | | | |
|---|---|---|---|---|
| (1) | Securities Report (including supplementary documentation) and Confirmation Letters | For the 175th fiscal term | Covering the period:<br>April 1, 2018 to March 31, 2019 | Submitted to Director, Kanto Local Finance Bureau:<br>June 26, 2019 |
| (2) | Amendment to Securities Report and Confirmation Letters | For the 175th fiscal term | Covering the period:<br>April 1, 2018 to March 31, 2019 | Submitted to Director, Kanto Local Finance Bureau:<br>March 27, 2020 |
| (3) | Internal Control Report (including supplementary documentation) | | | Submitted to Director, Kanto Local Finance Bureau:<br>June 26, 2019 |
| (4) | Quarterly Reports and Confirmation Letters | For the first quarter of the 176th fiscal term | Covering the period:<br>April 1, 2019 to June 30, 2019 | Submitted to Director, Kanto Local Finance Bureau:<br>August 6, 2019 |
| | | For the second quarter of the 176th fiscal term | Covering the period:<br>July 1, 2019 to September 30, 2019 | Submitted to Director, Kanto Local Finance Bureau:<br>November 6, 2019 |
| | | For the third quarter of the 176th fiscal term | Covering the period:<br>October 1, 2019 to December 31, 2019 | Submitted to Director, Kanto Local Finance Bureau:<br>February 5, 2020 |
| (5) | Shelf Registration Statement (share certificates, debenture bonds, etc.) and supplementary documentation | | | Submitted to Director, Kanto Local Finance Bureau:<br>June 7, 2019<br>June 25, 2020 |
| (6) | Revised shelf registration documentation | | | Submitted to Director, Kanto Local Finance Bureau:<br>July 9, 2019 |
| (7) | Amendments to Shelf Registration Statement | | | Submitted to Director, Kanto Local Finance Bureau:<br>June 28, 2019<br>March 27, 2020<br>June 30, 2020<br>June 30, 2020 |
| (8) | Extraordinary Report | According to the provision of Article 19, Paragraph 2, Item 9-2, “Outcome of the Exercise of Voting Rights at General Meetings of Shareholders” of the Cabinet Office Regulations, regarding the disclosure of corporate information | | Submitted to Director, Kanto Local Finance Bureau:<br>June 30, 2020 |

## *Part B: Information on Corporate Guarantor for Nisshin Seifun Group Inc.*

There are no applicable matters to be reported.