179th Fiscal Term (April 1, 2022 to March 31, 2023)

Securities Report

Nisshin Seifun Group Inc.

Contents

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Part A: Company Information

[1] Company Overview

(1) Principal Business Performance Indicators

1. Consolidated business performance indicators

Fiscal term		175th	176th	177th	178th	179th
Years ended March 31		2019	2020	2021	2022	2023
Net sales	(millions of yen)	565,343	712,180	679,495	679,736	798,681
Ordinary profit	(millions of yen)	32,062	31,434	29,886	32,626	33,051
Profit (loss) attributable to owners of parent	(millions of yen)	22,268	22,407	19,011	17,509	(10,381)
Comprehensive income	(millions of yen)	17,043	1,347	49,252	28,892	(12,365)
Net assets	(millions of yen)	418,848	409,042	444,774	460,643	438,499
Total assets	(millions of yen)	594,754	666,215	687,415	723,073	713,874
Net assets per share	(yen)	1,359.49	1,328.71	1,456.37	1,510.35	1,425.24
Earnings (loss) per share	(yen)	74.98	75.40	63.95	58.88	(34.91)
Fully diluted earnings per share	(yen)	74.90	75.35	63.94	58.88	–
Equity ratio	(%)	67.9	59.3	63.0	62.1	59.4
Return on equity	(%)	5.5	5.6	4.6	4.0	(2.4)
Price-earnings ratio (p/e)	(times)	33.88	23.90	28.93	28.97	–
Cash flows from operating activities	(millions of yen)	39,873	38,420	49,506	41,833	23,422
Cash flows from investing activities	(millions of yen)	(19,184)	(96,844)	(17,105)	(15,517)	487
Cash flows from financing activities	(millions of yen)	(10,567)	8,337	(31,264)	(17,850)	(10,625)
Cash and cash equivalents at end of year	(millions of yen)	107,374	56,550	59,152	68,728	82,971
Number of employees [average number of part-time employees]	(persons)	6,760 [2,622]	8,962 [10,200]	8,951 [10,258]	8,918 [9,794]	9,420 [10,075]

Notes:

1. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant implementation guidance has been applied from the start of the 178th fiscal term. Principal business performance indicators for the 178th fiscal term and onwards reflect the application of this accounting standard.
2. Fully diluted earnings per share is not reported for the 179th fiscal term due to the net loss per share and the absence of any shares experiencing dilution effects.
3. The price-earnings ratio is not reported for the 179th fiscal term due to the loss attributed to owners of parent for the year.

2. Non-consolidated business performance indicators

Fiscal term		175th	176th	177th	178th	179th
Years ended March 31		2019	2020	2021	2022	2023
Net sales	(millions of yen)	25,077	20,068	24,335	29,445	26,891
Ordinary profit	(millions of yen)	13,874	8,190	13,320	16,772	15,088
Profit	(millions of yen)	14,987	8,460	13,030	16,831	15,453
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)	300,019	293,079	304,725	308,172	306,325
Total assets	(millions of yen)	371,633	385,798	402,329	380,464	381,348
Net assets per share	(yen)	1,008.91	985.14	1,024.05	1,035.63	1,029.66
Total dividends per share (interim dividend amount)	(yen)	32.00 (16.00)	34.00 (17.00)	37.00 (17.00)	39.00 (19.00)	40.00 (19.00)
Earnings per share	(yen)	50.44	28.46	43.82	56.59	51.96
Fully diluted earnings per share	(yen)	50.39	28.44	43.81	56.59	–
Equity ratio	(%)	80.7	75.9	75.7	81.0	80.3
Return on equity	(%)	5.0	2.9	4.4	5.5	5.0
Price-earnings ratio (p/e)	(times)	50.36	63.32	42.22	30.15	29.85
Dividend payout ratio	(%)	63.4	119.5	84.4	68.9	77.0
Number of employees [average number of part-time employees]	(persons)	337 [44]	342 [49]	355 [55]	372 [60]	346 [66]
Total shareholder return	(%)	122.0	88.6	92.6	87.6	82.2
(Benchmark: TOPIX Total Return Index)	(%)	(95.0)	(86.0)	(122.2)	(124.6)	(131.8)
Share-price highs	(yen)	2,573	2,677	1,950	1,953	1,768
Share-price lows	(yen)	2,078	1,461	1,518	1,547	1,414

Notes:

1. Stock price highs and lows are prices for the Company’s shares listed on the Tokyo Stock Exchange Prime Market after April 4, 2022. Before that date, they are prices on the First Section of the Tokyo Stock Exchange.
2. “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant implementation guidance has been applied from the start of the 178th fiscal term. Principal business performance indicators for the 178th fiscal term and onwards reflect the application of this accounting standard.
3. Fully diluted earnings per share is not reported for the 179th fiscal term due to the absence of any shares experiencing dilution effects.

(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.
March 2021	Pet food business concluded following termination of production by Nisshin Petfood Inc.
January 2022	Nisshin Foods Inc. changed the company name to Nisshin Seifun Welna Inc.
July 2022	Established Nisshin Seifun Delica Frontier Inc. as an intermediate holding company responsible for the Prepared Dishes and Other Prepared Foods Segment.
August 2022	Began full-scale operation of a yeast plant at Oriental Yeast India Pvt. Ltd., an India-based subsidiary of Oriental Yeast Co., Ltd.
January 2023	Acquired shares of Kumamoto Flour Milling Co., Ltd., and made it a consolidated subsidiary.

(3) Business Overview

The Nisshin Seifun Group consists of 68 subsidiaries and 9 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."

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. and Kumamoto Flour Milling Co., Ltd., both of which are consolidated subsidiaries, produce and sell wheat flour, bran, a by-product, and other products. 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. 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 Seifun Welna 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 Seifun Welna 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 Seifun Welna 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 drug discovery research support business.

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

3. Prepared Dishes and Other Prepared Foods Segment

Tokatsu Foods Co., Ltd., a consolidated subsidiary, 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 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.

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

Nisshin Seifun Group Structure

Nisshin Seifun Group Inc. (Holding company)

Flour Milling Segment

Domestic	Overseas
⊙ Nisshin Flour Milling Inc. ⊙ Kumamoto Flour Milling Co., Ltd. ⊙ Sankyo Delica Co., Ltd. ⊙ Shirokuma Trading Co., Ltd. ⊙ Kirishima Bakery Co., Ltd. ⊙ Kumamoto Flour Milling Logistics Co., Ltd. ⊙ Fresh Food Service Co., Ltd. ⊙ Yamajo Shoji Co., Ltd. ○ Ishikawa Co., Ltd.	⊙ Miller Milling Company, LLC ⊙ Allied Pinnacle Pty Ltd. ⊙ Champion Flour Milling Ltd. ⊙ Rogers Foods Ltd. ⊙ Nisshin-STC Flour Milling Co., Ltd. ⊙ NSTC Trading Co., Ltd.

Processed Food Segment

Domestic	Overseas
(Processed food business) ⊙ Nisshin Seifun Welna Inc. ⊙ Nisshin Seifun Premix Inc. ⊙ Ma•Ma-Macaroni Co., Ltd.	⊙ Thai Nisshin Technomic Co., Ltd. ⊙ Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. ⊙ PT. Indonesia Nisshin Technomic ⊙ Vietnam Nisshin Technomic Co., Ltd. ⊙ Medallion Foods, Inc. ⊙ Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S. ⊙ Thai Nisshin Seifun Co., Ltd. ⊙ Vietnam Nisshin Seifun Co., Ltd.
(Yeast and biotechnology business) ⊙ Oriental Yeast Co., Ltd. ⊙ Pany Delica Co., Ltd. ⊙ OYC Foods Net Co., Ltd. ⊙ Nihon Bioresearch Inc. ⊙ Kitayama Labes Co., Ltd. ⊙ Oriental Bio Service Inc. ⊙ KBT Oriental Co., Ltd.	⊙ OYC Americas, Inc. ⊙ OYC EU B.V. ⊙ Oriental Yeast India Pvt. Ltd. ⊙ Nisshin Seifun OYC (Shanghai) Co., Ltd.
(Healthcare foods business) ⊙ Nisshin Pharma Inc.	

Prepared Dishes and Other Prepared Foods Segment

Domestic	Overseas
⊙ Nisshin Seifun Delica Frontier Inc. ⊙ Tokatsu Foods Co., Ltd. ⊙ PORT DELICA TOKATSU Co., Ltd. ⊙ GREEN DELICA Co., Ltd. ⊙ NOMURAFOODS Co., Ltd. ⊙ Joyous Foods Co., Ltd. ⊙ Initio Foods Inc.	

Others Segment

Domestic	Overseas
(Engineering business) ⊙ Nisshin Engineering Inc.	
(Mesh cloths business) ⊙ NBC Meshtec Inc. ⊙ NBC Metalmesh Inc.	⊙ PT. NBC Indonesia ⊙ NBC Meshtec Americas Inc. ⊙ NBC (Shanghai) Mesh Co., Ltd. ⊙ NBC Meshtec (Thailand) Co., Ltd.
○ Marubeni Nisshin Feed Co., Ltd.	
○ Japan Logistic Systems Corp. ⊙ Nisshin Grain Silo Inc. ⊙ Hanshin Silo Co., Ltd. ○ Chiba Kyodo Silo Co., Ltd. ⊙ Shinwa Development Co., Ltd.	

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

Customers

⊙ 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
Kumamoto Flour Milling Co., Ltd.	Kumamoto, Kumamoto	493	Production and sales of wheat flour, buckwheat flour and rice flour	85.0 (85.0)	None	None
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
Nisshin Seifun Welna Inc.	Chiyoda-ku, Tokyo	5,006	Sales of pasta, wheat flour for household use, frozen foods, other products 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	69.4 (54.4)	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; drug discovery research support 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 raw materials for pharmaceuticals, etc.	100.0	Present	The Company provides a partial loan for working capital, etc. and rents office space
Nisshin Seifun Delica Frontier Inc.	Chiyoda-ku, Tokyo	100	Business activity support and management for Prepared Dishes and Other Prepared Foods Segment subsidiaries	100.0	Present	The Company provides a partial loan for working capital 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 (100.0)	Present	None
Joyous Foods Co., Ltd.	Kamisato-machi, Kodama-gun, Saitama	50	Production and sales of processed noodles, etc.	85.1 (85.1)	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 (100.0)	Present	The Company provides partial loan for working capital and rents 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.
53 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
7 other companies						

Notes:

1. Nisshin Flour Milling, Inc., PFG Topco1 Pty Ltd., Allied Pinnacle Pty Ltd., PBM Holdings Pty Ltd., Allied Pinnacle Australia Pty Ltd., Champion Flour Milling Ltd., Nisshin Seifun Welna 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., Vietnam Nisshin Technomic Co., Ltd., Oriental Yeast India Pvt. Ltd. and PT. NBC Indonesia are specified subsidiaries of Nisshin Seifun Group Inc. PFG Topco1 Pty Ltd., PBM Holdings Pty Ltd., Allied Pinnacle Australia Pty Ltd., Champion Flour Milling Ltd., Nisshin-STC Flour Milling Co., Ltd., Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S., Vietnam Nisshin Technomic Co., Ltd., 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 (loss)	Net assets	Total assets
Nisshin Flour Milling, Inc.	200,947	8,838	(36,868)	50,941	166,666
Miller Milling Company, LLC	119,307	8,155	6,150	48,713	56,264
Nisshin Seifun Welna Inc.	92,087	2,860	2,110	26,632	58,803

Figures for Miller Milling Company, LLC are consolidated with those of NSGI Holdings Inc., a holding company that owns 100% of its shares.

(5) Employees

1. Consolidated level

(As of March 31, 2023)

Business segment	Number of employees	
Flour Milling	2,958	[670]
Processed Food	3,643	[663]
Prepared Dishes and Other Prepared Foods	1,571	[8,400]
Others	856	[259]
Corporate (across the Group divisions)	392	[83]
Total	9,420	[10,075]

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.

2. Non-consolidated level

(As of March 31, 2023)

Number of employees	Average age (years)	Average length of service (years)	Average annual pay (yen)
346 [66]	41.7	15.4	8,572,300

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.

4. Percentage of women in management, male employee parental leave rate, and wage disparity by sex

(1) Nisshin Seifun Group Inc.

Fiscal year ended March 31, 2023					Additional comments
Percentage of women in management (%) (see Note 1)	Male employee parental leave rate (%) (see Note 1)	Wage disparity by sex (%) (see Note 1)			
	Regular employees	All employees	Regular employees only	Part-time/contract employees only	
15.6	100.0	68.6	74.6	43.8	(Note 2)

Notes:
1. Figures calculated pursuant to standards stipulated in Japan's Act on the Promotion of Women's Active Engagement in Professional Life (Act. No. 64, 2015)
2. For regular employees, wage disparities by sex are primarily attributable to differences in the sex composition of management and occupational classes. For part-time/contract employees, wage differences are largely attributable to the sex composition of contract employees returning to serve in the equivalent of management roles following mandatory retirement. The Company is enacting a variety of initiatives to further extend opportunities for active professional engagement by women, including strengthening recruitment efforts, providing support for work-life balance, and dispatching employees to in-house and external training opportunities.

(2) Consolidated subsidiaries

Fiscal year ended March 31, 2023							Additional comments
Name	Percentage of women in management (%) (see Note 1)	Male employee parental leave rate (%) (see Note 1)		Wage disparity by sex (%) (see Note 1)			
		Regular employees		All employees	Regular employees only	Part-time/contract employees only	
Nisshin Flour Milling Inc.	7.3	87.5	(Note 1)	71.9	81.0	47.0	(Note 3)
Sankyo Delica Co., Ltd.	0.0	50.0	(Note 1)	83.8	79.1	106.0	(Note 4)
Nisshin Seifun Welna Inc.	7.2	70.0	(Note 1)	58.2	73.8	44.3	(Note 3)
Ma•Ma-Macaroni Co., Ltd.	13.3	50.0	(Note 1)	69.4	85.6	81.5	(Note 3)
Oriental Yeast Co., Ltd.	17.8	70.0	(Note 1)	81.5	83.5	70.0	(Note 3)
Tokatsu Foods Co., Ltd.	5.0	50.0	(Note 2)	63.1	87.8	91.4	(Note 3)
PORT DELICA TOKATSU Co., Ltd.	9.3	0.0	(Note 2)	81.6	73.3	107.2	(Note 4)
GREEN DELICA Co., Ltd.	4.5	100.0	(Note 2)	75.2	72.8	105.6	(Note 4)
Joyous Foods Co., Ltd.	9.1	25.0	(Note 2)	77.6	72.9	106.3	(Note 4)
Initio Foods Inc.	12.5	100.0	(Note 2)	68.1	73.6	100.0	(Note 4)
NBC Meshtec Inc.	4.9	133.3	(Note 1)	64.6	68.3	54.4	(Note 3)

Notes:

1. Figures calculated pursuant to standards stipulated in Japan's Act on the Promotion of Women's Active Engagement in Professional Life (Act. No. 64, 2015).
2. Figures for percentage of parental leave taken by male employees calculated based on Article 71, Paragraph 4-1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25, 1991), pursuant to the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76, 1991).
3. For regular employees, wage disparities by sex are primarily attributable to differences in the sex composition of management and occupational classes. For part-time/contract employees, wage differences are largely attributable to the sex composition of contract employees returning to serve in the equivalent of management roles following mandatory retirement. The companies are enacting a variety of initiatives to further extend opportunities for active professional engagement by women, including strengthening recruitment efforts, providing support for work-life balance, and dispatching employees to in-house and external training opportunities.
4. For regular employees, wage disparities by sex are primarily attributable to differences in the sex composition of management and occupational classes. The companies are enacting a variety of initiatives to further extend opportunities for active professional engagement by women, including strengthening recruitment efforts, providing support for work-life balance, and dispatching employees to in-house and external training opportunities.

[2] Review of Operations and Financial Position

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

Information regarding the Nisshin Seifun Group's management policies, management environment and issues to be addressed are discussed below.

All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group at the end of the fiscal year ended March 31, 2023.

1. Basic management policy

Since our establishment in 1900, the Group has contributed to society through business activities and continued to grow as an integral part of the food industry under the corporate principle of "contributing to a healthy and fruitful life for all" which is founded on the guiding philosophies of "the basis of business is built on trust" and to be "in tune with the changing business climate." 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.

Furthermore, we will contribute to the realization of a sustainable society while aiming to develop as a corporate group blessed with ongoing active support from each of our various stakeholders including shareholders, customers, business partners, employees, and society. We will achieve this by pursuing sustainability management in a manner that develops a strong link between our business strategies and actions for the environment (E) and society (S) while enhancing governance (G), which serves as a discipline to improve corporate value.

2. Medium- to long-term management strategies and target indicators

The Group is working toward achieving its five-year medium-term management plan, "The Nisshin Seifun Group Medium-Term Management Plan 2026" (from the fiscal year ended March 31, 2023 through the fiscal year ending March 31, 2027). The three basic policies of this management plan are: "Stimulate the Group's ability to grow by restructuring the business portfolio," "Enhance management by clarifying our business' relationships toward our stakeholders," and "Integrate ESG into management strategy, implement by adapting to social trends." We will engage in active strategic investment, and for the fiscal year ending March 31, 2027, the final year of the plan, we aim to achieve net sales of ¥900,000 million, operating profit of ¥48,000 million, earnings per share (EPS) of ¥110 as numerical targets, and ongoing EPS growth, thereby providing shareholders with appropriate total shareholder returns (TSR).

■ Overview of the "The Nisshin Seifun Group Medium-Term Management Plan 2026" (the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2027)

<Numerical targets>

	FY2027 Targets	5-year CAGR*	(Base year) FY2022 Results
Net sales	¥900.0 billion	5.8%	¥679.7 billion
Operating profit	¥48.0 billion	10.3%	¥29.4 billion
Operating profit margin	5.3%	–	4.3%
EPS	¥110	13.3%	¥59
ROE	7.0%	–	4.0%

* Compound annual growth rate

<Basic policy>

1. Stimulate the Group's Ability to Grow by Restructuring the Business Portfolio

   The Group will further restructure its business portfolio in business areas where it can leverage its strengths, such as the advanced technical capabilities and productivity developed through our over 120-year history and solid sales foundation, which is backed by the trust of its customers. We will enhance the Group's competitiveness as a whole and in each business based on the four strategies (strategy to enhance business competitiveness, R&D strategy, new business development and M&A strategy, and digital strategy).

   1) Strategy to Enhance Business Competitiveness

We will carry out business portfolio selection and concentration based on the criteria of “businesses that are or can become the top in a certain business area (in terms of competitively significant areas).”

2) R&D Strategy

We will define “food ingredients with health functions,” “processing technology for prepared dishes and other prepared foods,” “food technology” and “automation” as the focused R&D areas to create circular growth that solves social issues through our business.

3) New Business Development and M&A Strategy

We will secure a competitive advantage in existing businesses, acquire and nurture businesses that will become core businesses following flour milling, processed foods, yeast, and prepared dishes and other prepared foods, and promote new business development through M&A and collaboration with startups, etc., anticipating future innovation in new areas such as food technology and functional ingredients.

4) Digital Strategy

We will proactively adopt digital technologies to dramatically improve productivity, change existing business models, and create new business models to enhance our competitiveness. In addition, we will continuously verify and review the system structure, strengthen resistance to cyberattacks, etc., and secure and develop digital human resources.

[Key Topics in Strategy to Enhance Business Competitiveness]

a) Continuation and Expansion of the Domestic Flour Milling, Processed Food, and Yeast Businesses as Core Businesses

We will leverage the strengths cultivated in each business, increase market share by providing new value, and maintain reasonable prices. Also, we will secure a high level of profit by implementing cost reductions of a different dimension, and play a central role in the Group going forward.

b) Growth Strategy for Overseas Business (“made and sold locally” model)

Led by a basic policy of proceeding with new investments after confirming that the Group’s strengths in Japan can be utilized, we will work on the following topics with the aim of driving profit growth.

Overseas flour milling business:	Results improvement in the Australia flour milling business Initiatives to maintain and strengthen high profitability of the U.S. flour milling business and other businesses
Overseas processed food business:	Consider future investments (prepared mix products, pasta, pasta sauces, frozen foods) Promote local sales of processed foods for Japan that utilize overseas production sites
India yeast business:	Achieve profit growth through smooth launching and reaching full production capacity

c) Growth Strategies for Prepared Dishes and Other Prepared Foods Business

We plan to secure the cost competitiveness that will enable us to outperform our competitors, centered on our intermediate holding company Nisshin Seifun Delica Frontier Inc., which we established to oversee our business. Furthermore, we will aim for the expansion of sales of the Group as a whole, backed by our food-related development capabilities, including our wheat flour, prepared mix products, and pasta, through collaboration between the flour milling and the processed foods businesses.

d) Business Direction of Healthcare Foods and Biotechnology Businesses

We aim to achieve growth in healthcare foods and biotechnology businesses through synergies between personal nutrition (proposals of health foods and other products for individual use), developed by the healthcare foods business, and biomarkers (AGEs, etc.), developed by the biotechnology business.

e) Business Direction of the Engineering and Mesh Cloths Businesses

Our engineering business (powder technologies and food plant construction technologies) and mesh cloths business (mesh technology) possess high technical capabilities and knowledge on a global scale. These businesses will collaborate with external companies to achieve further business expansion and will also collaborate in the state-of-the-art electronic components market, the environmental market, and other markets where the technologies of the two businesses can be leveraged.

f) Taking on the Challenge of New Businesses

We will secure a competitive advantage in existing businesses, acquire and nurture new businesses that will become future core businesses, and promote new business development from a medium- to long term perspective through M&A and collaboration with start-ups, etc., anticipating innovation in new areas such as food technology and functional ingredients.

2. Enhance Management by Clarifying our Business’ Relationships toward our Stakeholders

We will recognize that the primary purpose of the Group’s corporate existence is the stable supply of food, including flour and flour-related products, as a staple food, and aim to be a company that respects all stakeholders and is trusted around the world.

Shareholders:	Realize an appropriate total shareholder return (TSR) by enhancing our long-term corporate value.
Customers:	Offer value that exceeds customer expectations in all aspects of products and services.
Employees:	Ensure appropriate compensation and working environment for employees and support in acquiring necessary skills.
Business partners:	Engage with business partners in fair and impartial ways and with a sense of ethics and become equal partners.
Society:	Strive to work together with society and become an eco-friendly company.

3. Integrate ESG into Management Strategy, Implement by Adapting to Social Trends

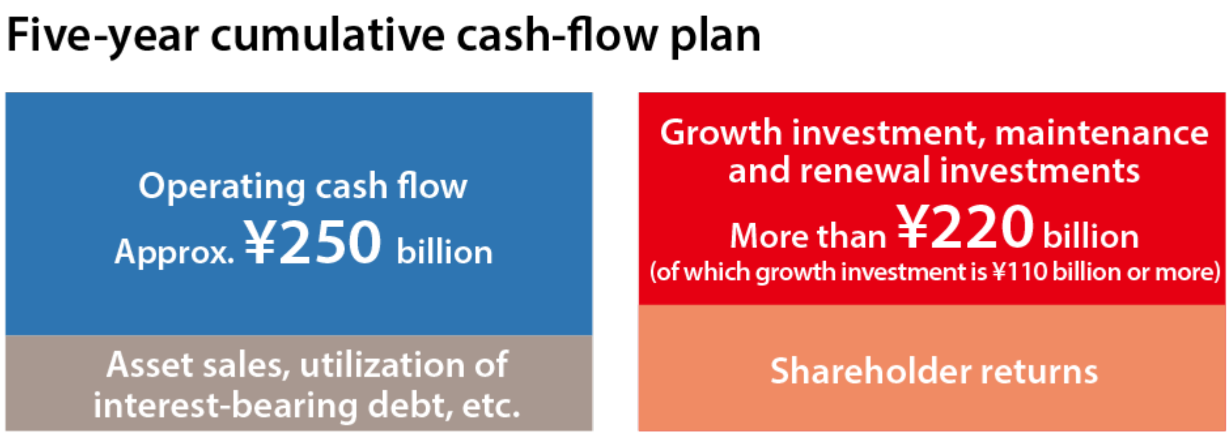
   We will seek for maximizing corporate value and proactively work for ESG issues by adapting to social trends on the responsibilities of top management of individual businesses including the Company, the holding company. Particularly, we will position E (environment) as the most important management priority in relation to global sustainability.

<Capital Policy>

We will control our capital structure appropriately while maintaining a balance between capital efficiency improvement and financial stability, taking into deep consideration our social responsibility to provide a stable supply of staple foods including wheat flour. Regarding the operating cash flow and the cash generating from the sale of cross-shareholding stocks during the five years of the medium-term management plan, we will appropriately allocate these funds to future-oriented growth investment, sustainable investment, ordinary investment in maintenance and updating, etc., and shareholder returns, etc.

The Group will follow a basic policy of stable distribution of profits from a long-term perspective, and maintain a dividend ratio of 40% or more on a consolidated basis. Although dividend levels will be determined based on business results, we will always maintain an open mind with respect to increasing dividends.

Five-year cumulative cash-flow plan



3. Management environment and issues to be addressed

In the food industries in Japan and overseas, there is ongoing global food and cost inflation, as seen in the soaring prices of grains and energy, which has a major impact on the business environment. From a medium- and long-term perspective, the business environment is forecast to change significantly due to global warming, which is closely tied to global sustainability, and heightened awareness of social issues such as human rights, along with rapid advances in technological innovations of digital technologies, food technology, etc.

Under these circumstances, the Group will fulfil its social mission to secure the stable supply of foods involving wheat flour, in order to contribute to society through business activities and continue to grow as an integral part of the food industry. In the fiscal year ending March 31, 2024, we will place top priorities on the stimulation of the Group’s ability to grow by restructuring the business portfolio, food inflation countermeasures, the recovery of the earnings by the Australia flour milling business, environmental policies, and digital strategies.

<Top Priorities for the fiscal year ending March 31, 2024>

1. Stimulate the Group's Ability to Grow by Restructuring the Business Portfolio

   The Group will work on the key topics of our strategies to enhance business competitiveness: "Continuation and expansion of the domestic flour milling, processed food, and yeast businesses as core businesses," "Expanding profits in our prepared dishes and other prepared foods business and overseas business, which are our growing businesses," and "Growing our healthcare and biotechnology business, engineering business, mesh cloths business, and new business."

   In our core businesses, we will invest as necessary to achieve profit growth. In our growth businesses, we will accelerate our investment in markets with growth potential and restructure our business portfolio.

2. Food Inflation Countermeasures

   In the fiscal year ended March 31, 2023, the Group placed a top priority on food inflation countermeasures due to the situation in Ukraine. However, from April of this year, government's price for imported wheat, the primary ingredient used by the Group, will be raised. We will therefore continue to treat food inflation countermeasures as a priority and maintain a keen sense of purposefulness as we tackle this issue.

3. Recovery of Earnings by the Australia Flour Milling Business

   With respect to the Australia flour milling business, the COVID-19 pandemic, the situation in Ukraine, and other factors have changed the market environment, resulting in our recording of an impairment loss for the second quarter of the fiscal year ended March 31, 2023. In order to restore earnings, we will solidify our core operational foundation based on our new business plan and implement four measures (continual cost reductions, sales growth in core products that leverage our strengths, selection of profitable markets, and branding), while producing effects by revising prices and improving productivity. We will work towards increasing earnings by 42 million Australian dollars (*) in the fiscal year ending March 31, 2027 compared with levels of the fiscal year ended March 31, 2022.

   (*) Roughly ¥4,000 million (1 Australian dollar = ¥95). This does not include reductions in the amortization burden for non-current assets, including goodwill, in conjunction with recording of impairment losses.

4. Environmental policies

   The Group has set a long-term target of achieving net zero toward carbon neutrality at facilities owned by the Group by the year 2050. As a milestone towards achieving that goal, we have set as a target the reduction of CO_2 emissions from facilities owned by the Group by 50% by the fiscal year ending March 31, 2031 (compared with the level of the fiscal year ended March 31, 2014). To achieve this target, we must go beyond past efforts to actively reduce CO_2 emissions. Based on our roadmap, we will install energy-saving equipment and renewable energy equipment to the maximum extent possible, and we will consider procuring energy through investment and funding in off-site (non-Group) facilities.

5. Digital strategies

   The Group has positioned digital strategies, which can play a major role in the survival of the fittest among companies in the future, as key strategies to enhance business competitiveness. We will actively introduce digital technologies, dramatically improve productivity, make changes to our existing business models, and create new business models, therefore heightening our competitiveness. We will also continually verify and revise our system structure, enhance our resistance to cyberattacks, etc., and promote the hiring and development of digital personnel.

(2) Sustainability Approach and Measures

The Group has put its “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” and “Nisshin Seifun Group CSR Principles” into practice to contribute to the realization of a sustainable society and retain its status as a corporate entity that plays an essential role in society. It has also sought to put its corporate principle, “contributing to a healthy and fruitful life for all,” into practice by creating social value through its business.

To continue to develop sustainably as a Group, we must promote sustainability management predicated on contributing to the environment and our society. From the perspectives of risks and opportunities, in 2019 we identified five “CSR priorities (materiality),” the social issues that should be primarily prioritized. The Group has positioned them as one of its top management priorities, and is implementing sustainability initiatives on a Group-wide basis. We will continue to strive to contribute to society through our business and to increase our corporate value.

All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group at the end of the fiscal year ended March 31, 2023.

(Governance)

For the Nisshin Seifun Group, important matters regarding sustainability are deliberated and resolved upon by the Board of Directors. A Social Committee has been established under the Board, which serves as a system for verifying progress on identified “CSR priorities” (materiality), including initiatives formulated in 2021 for addressing medium- to long-term targets for environmental issues, and for deliberating new issues pertaining to sustainability.

Additionally, specialized committees, namely the “Environmental Protection Committee,” “Human Rights Awareness Promotion Committee,” and “Work Style Reform Implementation Committee,” promote a Group-wide response to the individual issues of environmental protection, respect for human rights, and the preparation of working environments for employees.

(Strategy)

To promote sustainability management as the Nisshin Seifun Group, we have positioned five “CSR priorities” (materiality) collectively as one of management’s most important concerns – providing safe and healthy food, promoting the procurement of sustainable raw materials, efficiently handling product and packaging waste, addressing climate change and water resource issues, and ensuring fulfilling working environments – establishing medium- and long-term targets and promoting initiatives from the perspectives of both risk and opportunity.

With regard to increasingly important initiatives targeting business and human rights, we are conducting due diligence in human rights as part of practical implementation of the “Nisshin Seifun Group Human Rights Policy,” formulated based on the United Nations’ “Guiding Principles on Business and Human Rights.” By identifying risks relevant to human rights in each business, and investigating and putting necessary response measures into practice, we are working to prevent and minimize human rights-related risk.

(Risk management)

In terms of the impact on business of a range of risks, including those pertaining to environmental concerns such as climate change and human rights issues, the Risk Management Committee oversees risk management for the entire Group, conducting risk recognition and impact evaluation, as well as the review of risk countermeasures. Furthermore, for development strategy and investment regarding products and services that are eco-conscious and contribute to health, and are thus tied to business opportunities, the Company has the Group Management Meeting, which consists mainly of Executive Officers, to discuss important matters pertaining to Group business execution.

(Indicators and targets)

Indicators and targets are outlined in “CSR priorities” (materiality).

CSR Priorities (materiality)

1. Provide safe and healthy food and responsible consumer communication

<Key Topics>

- Ensuring food safety
- Responsible consumer communication
- Contribution to healthy diets

In order to ensure the delivery of safe and reliable products to customers, we have established a quality assurance system that places the highest priority on quality assurance from the consumer’s perspective, and we are working to continuously improve and strengthen our product safety system, by obtaining and maintaining international management system certification. We also actively collect relevant consumer administrative information, as well as consumer opinions and needs to enhance our response. Furthermore, we are sharing information with all related departments, from R&D to production and sales, and using it to create products with a customer-centric focus. We leverage the flour and flour processing technology knowledge accrued through the years to develop products made with healthy flour-related ingredients (such as whole-wheat flour and flour bran), and provide a broad range of products and services that are delicious and contribute to people's health. By doing so, we aim to supply safe and healthy food.

2. Enable secure and sustainable raw material procurement

<Key Topics>

- Ensuring stable wheat procurement
- Sustainable raw material procurement

We are striving to ensure the stable and sustainable procurement of safe raw materials while taking into consideration environmental issues and human rights throughout our supply chain in all of our businesses.

To accomplish this, based on our "Responsible Procurement Policy" and "Supplier Guidelines," we will work with our business partners to promote responsible procurement based on fair and ethical transactions. We are working to understand the origin of raw materials at home and abroad, striving to ensure food security through stable procurement of wheat and other raw materials.

3. Efficiently handle product and packaging waste

<Key Topics>

- Reducing food waste
- Reducing packaging waste

The Group is working to effectively use resources in order to establish a recycling-oriented society, and taking steps to reduce food loss throughout our supply chain and the amount of packaging materials used for our products.

Regarding food waste, for Group companies in Japan, the aim is for a reduction of 50% or more in food waste by fiscal 2031 from the raw ingredient procurement stage through to delivery to customers compared to fiscal 2017 (fiscal 2020 for Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd. and Initio Foods Inc.), coupled with efforts to mitigate waste at the production stage through improved production efficiency and the reuse of food waste as animal feed, fertilizer and other products.

4. Address climate change and water resource issues

<Key Topics>

- Climate change adaptation and mitigation
- Water resource conservation

In response to the impact of climate change, we are working toward our targets of achieving reduction of CO_2 emissions from facilities owned by the Group to net zero by 2050 and a 50% reduction of CO_2 emissions by the fiscal year ending March 31, 2031, compared with the level of the fiscal year ended March 31, 2014. To achieve these targets, we are taking active steps such as introducing energy-saving equipment, improving production efficiency, and increasing our use of renewable energy. In addition, we have prepared a CO_2 reduction roadmap for use of managing progress on and analyzing the factors behind reductions every fiscal year. We also examine the timing, scale, and effectiveness of investments across the Group, pursuing initiatives within our business strategy. Furthermore, we have introduced an internal carbon pricing (ICP) system to determine the effect of reducing CO_2 emissions in terms of their economic value as we implement reduction measures.

To address water resource issues, the Group is aiming to effectively use limited water resources through each stage of the supply chain, along with our business partners. We have set a target for the fiscal year ending March 31, 2041 of reducing the amount of water used in plants per unit of production by 30% compared with the level of the fiscal year ended March 31, 2022.

<Information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)>

In 2021, the Group endorsed the recommendations of the TCFD and participated in the TCFD Consortium. We have performed scenario analyses of the impact of climate change on the Group based on the TCFD Framework.

The four themes listed by the TCFD recommendations along with a breakdown of the Group's activities to address each one, are detailed below.

Disclosure items recommended by the TCFD	Activities by the Nisshin Seifun Group
Governance	The Nisshin Seifun Group recognizes protection of the global environment, including action on climate change, as its most critical management issue. The person responsible for all action on these risks under our management system is the Director and President of Nisshin Seifun Group Inc., the Group holding company, as the Chief Executive Officer. We have established an Environmental Protection Committee as a subsidiary organization of the Group Management Meeting, which is attended by executive officers from group companies. The Committee, which is chaired by the Executive Officer and Division Executive of the Technology and Engineering Division, is responsible for the management of environmental issues, approval of medium- to long-term environmental targets, and regular reviews and assessments of progress toward the targets. It also submits reports on important matters to the Group Management Meeting. These matters, which could have a major impact on management policies or business activities, are reviewed and discussed at meetings of the Board of Directors. In the fiscal year ended March 31, 2023, the Board of Directors resolved to adopt a CO_2 reduction roadmap and internal carbon pricing (ICP).
Strategy	We carefully discussed the impact of climate change under 1.5C° and 4C° scenarios and climate strategy. It is possible that business could be impacted significantly, both under the 1.5C° scenario due to regulatory measures, such as an increase in the carbon price, and under the 4C° scenario due to the increased frequency and intensification of damage from extreme weather events, and increasing risks relating to the sourcing of raw materials and water. In relation to short- and medium-term risks arising from the increased frequency and intensification of extreme weather events, we are implementing disaster prevention measures and the improvement of facilities to withstand storm surges and other events, based on hazard analyses and safety timelines (Disaster Prevention Action Plans) for each operation site. Medium- to long-term risks affecting the sourcing of raw materials were already reflected in business strategies as factors that could have a serious impact on our business operations. Going forward, we aim to make further progress on efforts to address climate change through collaboration with producers, research organizations, and government agencies. In 2021, we responded to transition risks, such as increases in the carbon price, and physical risks affecting the sourcing of raw materials and water, by setting medium- to long-term targets, which we are now pursuing, for the reduction of CO_2 emissions, water use, food waste, and packaging waste based on the 1.5C° and 4C° scenarios. We will continue to work proactively to strengthen the adaptive capacity and resilience of our business operations.
Risk management	As an organization committed to appropriate management of environmental issues relating to our business operations, we have established an Environmental Protection Committee, while individual group companies have appointed environmental management coordinators and established environmental management committees in response to inherent environmental issues of their activities. The Risk Management Committee, which is made up of the presidents of group companies under the chairmanship of the Director and President of Nisshin Seifun Group Inc., examines the business impact of various risk factors, including climate change. Its role is to identify risks, assess impacts, and review risk management plans. It also regularly reviews the management of risks and opportunities identified and assessed by the Risk Management Committees of group companies as part of the overall coordination of the Nisshin Seifun Group's risk management system. In fiscal 2022, we analyzed the impact of climate change on our business activities with the assistance of external experts. The analyses, which were based on scenarios in which global temperatures rise by 1.5C° and 4C°, were carried out to identify risks and opportunities in our supply chains and assess the scale of likely impacts on our business activities.

Disclosure items recommended by the TCFD	Activities by the Nisshin Seifun Group
Metrics and targets	The indicators used for climate change mitigation efforts by the Nisshin Seifun Group are Scope 1 and 2 CO_2 emissions. We have set targets calling for the reduction of these emissions by 50% by fiscal 2031 (compared with the fiscal 2014 level), and to net zero by 2050. For Scope 3, we are moving ahead in calculating emissions across the entire Group, and working with suppliers at every stage of the supply chain to reduce CO_2 emissions, including the use of joint logistics with food manufacturers in Japan.

Risks, opportunities and countermeasures for the Nisshin Seifun Group are highlighted below.

Risks, opportunities			Business impacts (examples)	Details
Item	Category	Sub-category		
Transition risks	Policies/ regulations	Increase in the carbon price	A rising carbon price would increase costs across a wide range of areas, including sourcing raw materials, manufacturing, and logistics.	• We will aim for net zero CO_2 emissions by 2050. • We will work toward that goal through measures that will include the accelerated introduction of solar power systems, a shift to renewable energy, and the development and introduction of energy-saving technologies. • We will work with our suppliers to reduce CO_2 emissions.
		Restrictions on plastic use	Shifting to sustainable packaging and containers designed to allow recycling of plastics would result in cost increases.	• We aim to reduce the use of containers made from fossil fuel-derived plastics by 25% by 2030 (compared with the level in fiscal 2020). • We will transition to environment-friendly container designs. • We will increase the use of sustainable packaging materials, such as biomass plastics.
Physical risks	Acute	Intensification of extreme weather events	Intensification of extreme weather events, such as rainstorms and storm surges, would result in increased damage to growing regions and production and storage sites.	• We will reflect climate change in enhanced business continuity planning based on hazard analyses at individual business sites. • We will strengthen buildings and facilities, etc., against storm surges. • We will enhance our preparedness for major power outages and demands for long-term power saving, including fuel stockpiling and the use of emergency generators.
		More frequent droughts	More frequent droughts in crop growing regions would make it difficult to secure reliable supplies of raw materials.	• We will secure multiple suppliers to provide alternative sources of raw materials. • We will work to reduce procurement and production costs on a continuing basis. • We will investigate the impact of climate change and natural disasters on raw material crops. • We will work with producers and research organizations to develop wheat strains with enhanced resistance to high temperatures and drought. • We will reduce food waste by 50% by 2030 (compared with the level in fiscal 2017).
	Chronic	Rising mean temperatures, changes in precipitation patterns	Rising temperatures and changing precipitation patterns would lead to lower crop yields and quality deterioration, resulting in higher raw material prices.	
		Spread of insect pests, insect-borne diseases, and infectious diseases	Insect pests and disease-carrying insects would reduce crop yields and quality and spread diseases. These factors, together with the resulting impacts on producer countries, would lead to higher raw material prices.	
		Rising sea levels	More frequent storm surges would result in increased flood damage at production site.	• We will strengthen buildings and facilities, etc., against storm surges. • We will thoroughly investigate flooding risks when building new plants.
		Increased water sourcing risks at production sites	Sourcing of water at production sites would become difficult due to water shortages, hindering operations in the affected river basins.	• We will reduce water use per unit of production in our plants by 30% by 2040 (compared with the fiscal 2022 level). • We will recycle and conserve water in our plants and work with suppliers to reduce water usage. • We will conduct evaluations of water availability when building new plants.
Oppor-tunities	Markets	Changing customer requirements	There would be increased demand for sustainable, environmentally responsible products.	• We will develop products that reduce environmental loads, such as fast-cook foods and sustainable packaging. • We will develop products that reduce food losses and waste in our supply chains.

5. Provide Working Environments that are Healthy and Fulfilling

<Key Topics>

- Cultivation of human resources
- Employee working environments and health
- Respect for diversity

Efforts to address human capital, including priority themes, are as follows.

As outlined in the “The Nisshin Seifun Group Medium-Term Management Plan 2026” formulated in fiscal 2023, along with enhancing management strategy effectiveness, the Group seeks to value all of its stakeholders in being an enterprise that earns trust worldwide. The promotion of a human resource strategy linked to management strategy is essential to realizing this goal. By addressing this strategy from three perspectives – “Enhancing personal potential,” “Enhancing organizational potential," and "Promoting diversity" – we will push ahead with forming the foundation for the Group's sustainable growth, while adapting to the changing times.

To promote Group-wide initiatives, we have established specialized committees spanning the entire Group and consisting of members drawn from each operating company. Among others, these include the Work Style Reform Implementation Committee, chaired by the Nisshin Seifun Group President, and the Human Rights Awareness Promotion Committee, chaired by the general manager of the division overseeing human resources and labor. In addition to discussions pertaining to the progress and future directions of related initiatives, the committees liaise with relevant departments to promote and manage the progress of Group-wide measures.

"Organizational and human resource development supporting sustainable growth" for the Nisshin Seifun Group is as follows.

1. Enhancing personal potential

Having personnel capable of taking the lead in tackling new challenges and changes in the enactment of management strategy is critical to the Group's sustainable growth, thus making measures to cultivate such personnel an extremely important theme. In the push to raise the Group's corporate value, in addition to ensuring robust investment in education and training Group-wide, particularly for those who will spearhead future corporate growth, we are focusing on the development of the next generation of managerial human resources responsible for guiding the Nisshin Seifun Group; digital human resources responsible for incorporating technology in addressing everything from operational efficiency to business model reform; and global human resources, who will spur further growth in overseas business, the Group's growth driver. We intend to enhance related development programs in each of these areas going forward.

Results for the Fiscal Year Ended March 31, 2023 (see Note 1)

- Investment in education and training: ¥360 million, 23.3 hours of training per person (see Note 2)
- Participants in business manager training program: 106 individuals
- Participants in training for building DX-focused human resources: 21 individuals
- Participants in global human resource development training: 17 individual

Note 1: Figures for each result, excluding education and training investment, are for Nisshin Seifun Group Inc., Nisshin Flour Milling Inc., Nisshin Seifun Welna Inc., Nisshin Seifun Premix Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Seifun Delica Frontier Inc., Nisshin Engineering Co., Ltd., NBC Meshtec Inc., Nisshin Grain Silo Inc., and Nisshin Associates Inc.

Note 2: In addition to the abovementioned companies, result figures for education and training investment are from Tokatsu Food Co., Ltd., Joyous Foods Co., Ltd. and Initio Foods Inc.

2. Enhancing organizational potential

a) Workstyle reforms

To enable a diverse array of employees to flourish, in addition to the development of individual skills, this effort requires workplaces that employees find fulfilling and where individual growth can be felt, as well as those where lively and open discussion happen. Under the Group’s workstyle reforms, through a host of measures beginning with initiatives aimed at improving psychological safety and security, employees focus on the planning and enactment of management strategy, as we work to put environments in place where contributions to business and society are clearly felt. At the same, we are striving to improve in ways that make it easier to work, with continued steps to reduce labor hours through operational efficiency and ensure working environments that make it easier to take leave. The ongoing enactment of these initiatives will be linked to further improvements in organizational capabilities.

Results (see Note 1)

Indicators	Year ended Mar. 31, 2021	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Total annual labor hours (general employees)	1,938 hours	1,965 hours	1,945 hours
Days of annual paid leave taken	14 days	14 days	15 days
Annual paid leave utilization rate	72.5%	73.9%	77.6%

b) Health management

At the Nisshin Seifun Group, we view employee health as one of our top priorities, working together with employees and companies to promote health management. Under a system headed by the President of the Nisshin Seifun Group, we have positioned “work environment,” “personal physical care” and “mental healthcare” as three pillars for achieving health management, and pursue activities that incorporate these into business planning. By clarifying health-related issues and through ongoing improvements, we aim to establish working environments that are healthy and dynamic spaces for every employee.

Indicators (see Note 3)	Mar. 31, 2022 Results	2026 Targets
Work environment		
• Work environment-related stress standard score	54.2	55.0
• Fulfilling work standard score	50.5	55.0
Personal physical care		
• Percentage of individuals maintaining suitable body weight	68.5	80.0
Mental healthcare		
• Comprehensive health risk score (see Note 4)	90	80

Note 3: Indicators (results and targets) are for Nisshin Seifun Group Inc.

Note 4: “Comprehensive health risk score” is an index in the stress check that combines the scores from “job quality,” “job volume,” “support from work supervisors,” and “support from work colleagues,” and as an indicator visualizes whether the environment is one in which an individual can work energetically or is able to work with authority. The standard score is 100, with lower scores indicative of more favorable job conditions or workplace environments.

3. Promoting diversity

In ever changing times, as the consciousness of the Group's employees transforms in multifaceted and varied ways, the importance of diversity and inclusion – respecting diverse insight and thought without regard to sex, age or national origin, and taking advantage of these in corporate activities – is growing, and we believe this contributes to the sustainable growth of the Nisshin Seifun Group. To show mutual respect for all people, and to develop a corporate culture that enables every individual to highlight their talents while feeling fulfilled in their work, we continue to pursue a variety of measures, beginning most notably with promoting the professional engagement of women and encouraging male employees to take parental leave.

Results (see Note 1)

Indicators	Year ended Mar. 31, 2021	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Percentage of women in management	9.1%	9.5%	10.3%
Rate of return to work after parental leave for female employees (Percent working 1 year after returning)	95.0%	100.0%	86.4%
Percentage of male employees taking parental leave	39.5%	65.8%	87.0%

Refer to "1. Corporate Overview, 5 Status of Employees (4) Percentage of female employees in management, male employee parental leave rate and wage disparity by sex (2) Consolidated subsidiaries" for more information regarding the percentage of women in management and male employees taking parental leave for consolidated subsidiaries.

(3) Business and Other Risks

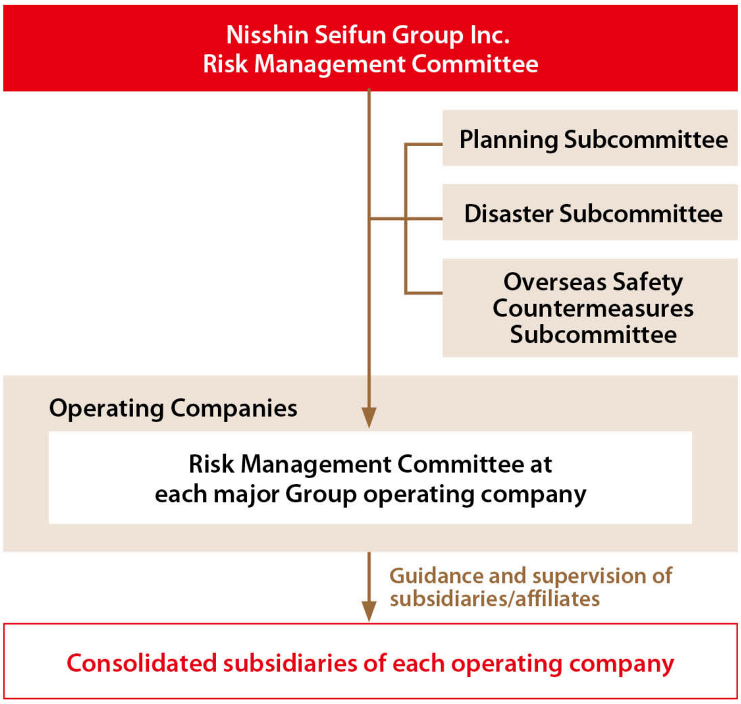
Among matters pertaining to the review of operations and financial position and financial accounts found in this securities report, the following are principal risks recognized by the management as having a potentially material impact on operating performance.

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 is responsible for risk management across the Group as a whole. Additionally, the Planning Subcommittee, Disaster Subcommittee and Overseas Safety Countermeasures Subcommittee are established as sub-bodies of the Risk Management Committee, which consider and propose specific measures for each issue.

Under this system, the role of the Risk Management Committee and its subcommittees, among other tasks, include identification of the range of risks that could emerge from Group business operations, preparation of specific countermeasures to such risks, and definitive launch of a countermeasures headquarters should serious crises materialize. This, in turn, ensures Group business continuity and fulfillment of its mission to provide the stable supply of safe and reliable products.

The aforementioned points are captured as follows in the Risk Management System diagram below.

Risk Management Structure



(Impact of the situation in Ukraine)

Since the start of large-scale military action against Ukraine on February 24, 2022, new risks have become more acute with respect to the Group’s own business. In the event that the situation worsens, there is a risk that international market prices for wheat will once again rise. Furthermore, although the Group does not import wheat from Russia or Ukraine, if protraction of the situation in Ukraine causes changes in the global supply and demand balance for wheat, there is a concern that this could trigger supply instability and further price increases, and thus also impact the Group. Additionally, amid the continuation of soaring energy prices in step with reduced exports of Russian-produced crude oil and natural gas, based on the trends that emerge, this could cause further increases in various costs, including for power and transportation, which could carry risks for the Group.

Where grain is concerned, in cases in which production is temporarily halted, grain cannot be harvested and shipped again until the next production cycle. For this reason, once the conflict has ended, Ukraine will require time before it can return to a normal shipment framework. At the Group, we are assessing the impact of this situation on each business, and exploring and providing guidance on necessary countermeasures. As we continue to closely monitor conditions going forward, we will respond rapidly and appropriately to the varied risks related to the situation in Ukraine.

For the principal risks below, a three-tiered system is used to evaluate the extent to which the identified risk may become more acute in the future, and the subsequent degree of impact should this occur. Specific ratings are determined by the aforementioned Risk Management Committee.

Significant changes and progress pertaining to business- and financial-side “Issues to be Addressed” from the previous year’s securities report, as well as newly recognized issues, are stated below.

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 (June 28, 2023).

1. Progress of international trade negotiations and wheat policy reform (Likelihood of Risk: High, Degree of Impact: Large)

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.

<Key Countermeasures>

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 the closure of small-scale plants and consolidation of production at large-scale coastal plants in Japan, pursuing low-cost operations through utilization of new technologies, adapting to changes in customer needs, and further accelerating overseas business expansion.

2. Product safety (Likelihood of Risk: Low, Degree of Impact: Large)

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.

<Key Countermeasures>

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 (Likelihood of Risk: Moderate, Degree of Impact: Large)

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.

<Key Countermeasures>

To respond to these disaster and accident-related risks, the Group is making progress in the seismic reinforcement of its principal plants and flood countermeasures to mitigate human injury and damage to plant facilities in the event of an earthquake, storm, 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. Along these lines, the Group is also devising response scenarios to possible volcanic eruptions. 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.

(The COVID-19 Pandemic)

The COVID-19 pandemic has marked roughly three and a half years since recognition by Japan of its first domestic case of infection in January 2020. The Japanese government since taken various steps to attempt to renormalize social and economic activity, including opting on March 13th of this year to leave mask wearing to individual discretion, and moving on May 8th to change the two classifications of COVID-19 infections previously found in the Infectious Diseases Law to five, the same as seasonal influenza. However, given the Group's role in the stable supply of food centered on wheat flour, we continue to recognize COVID-19 as a risk that must be paid close attention. At the Group, to continue to ensure employee safety and the stable supply of food, we have moved since establishment in January 2020 of the "Novel Coronavirus Pandemic Countermeasures Headquarters," headed by the Group President, to hold regular meetings, pursue extensive measures to prevent infection, and explore and offer guidance in understanding the implications of the virus and countermeasures for each business. Nevertheless, in light of changes in the positioning of COVID-19 with respect to the Infectious Diseases Law, the Countermeasures Headquarters was disbanded on May 8, 2023. To quickly and accurately respond to changes in the status of infections, the emergence of new variants and related concerns going forward, we maintain a structure that allows for the possible convening, if necessary, of the tentatively named "Novel Coronavirus Pandemic Countermeasures Committee." Refer to "4 Management's Analysis of Financial Position, Performance and Cash Flows" for specifics regarding the impact of the COVID-19 pandemic on the Group.

4. Alliances with other companies and realization of corporate acquisition benefits (Likelihood of Risk: Moderate, Degree of Impact: Large)

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.

<Key Countermeasures>

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. Should risks become more acute, we will work to assess and analyze risk sequence and status, and take steps to devise effective procedures, which will serve as useful expertise in conducting future alliances and acquisitions.

5. Procurement of raw materials (Likelihood of Risk: Moderate, Degree of Impact: Large)

The Nisshin Seifun Group strives to ensure the sustainable procurement of safe and cost competitive raw materials in all of its businesses, while also paying close attention to supply chain issues such as the environment and human rights. Nevertheless, the Group may find itself unable to manufacture existing products due to supply shortages and difficulties in maintaining reasonable procurement costs due to a range of factors that could trigger growth in procurement costs. These factors include, but are not limited to, the halting or interruption of raw material supplies due to events such as pandemics, natural disasters, terrorism and civil conflict; failed agricultural harvests due to abnormal weather; expansion of demand fueled by economic growth in developing countries; sharply higher prices for mainstay raw materials from emerging geopolitical risks at wheat production sites, and rising wage, delivery and logistics costs. In addition, the Group's profitability could be adversely affected if a rise in the cost of purchasing raw materials due to a substantial increase in imported wheat prices and other reasons was not offset by revisions in the selling prices of wheat flour 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.

<Key Countermeasures>

To cope with risks associated with the procurement of raw materials, the Group promotes sustainable low-cost operations with respect to procurement and production costs, while striving for stable product supplies by working to assess conditions at domestic and global raw material production sites, diversifying procurement sites and seeking out viable alternatives for raw materials. In conjunction, the Group takes 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.

Furthermore, in businesses that have struggled to keep pace with price revisions due to rising costs, particularly in the processed food business, we will move ahead steadily in closing this gap.

6. Information security and digital transformation (Likelihood of Risk: Moderate, Degree of Impact: Large)

The Nisshin Seifun Group utilizes mission critical systems and an array of other systems in a bid to optimize operational efficiency. However, system shutdowns due to 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, including with respect to payment settlement. 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. Meanwhile, delays in properly coping with digital transformation built on new information technologies could potentially degrade our capacity to address both business competitiveness accompanying changes in the market environment and business continuity, should unforeseen abnormal or anomalous conditions arise.

<Key Countermeasures>

To mitigate risks pertaining to information security, the Group is developing appropriate Group-wide security countermeasures and 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, maintaining redundancy for mission critical servers and requesting security checks by third-party organizations. Similarly, in the utilization of new information technologies, among actions being taken is business model transformation, which includes proceeding with the digitalization of operations based on ranked priorities set across the Group and digital marketing, guided by a response policy that emphasizes mobility, along with human resource development fundamental to this effort.

7. Environmental management (Likelihood of Risk: Moderate, Degree of Impact: Large)

The Group continues to make assiduous efforts through its corporate activities to reduce environmental impact, including the pursuit of greater energy efficiency and waste reduction. Nevertheless, changes or enhancements beyond the scope of Group projections in legal regulations pertaining to the environment, as well as calls from stakeholders for a more responsive environmental posture could result in unanticipated expenses required to address such issues. Additionally, failure of the Group to properly respond to global environmental issues such as climate change and water resource issues, food waste and waste plastic from product packaging 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.

<Key Countermeasures>

Recognizing global environmental protection as one of its most important management issues, the Group formulated “The Nisshin Seifun Group’s Basic Environmental Policy.” In addition to maintaining Group-wide ISO14001 certification, 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 food waste and packaging waste,” alongside reductions in CO2 emissions from business activities and similar actions to “address climate change and water resource issues” as CSR priorities (materiality) in efforts to address environmental protection and reduce its environmental impact.

In tandem with establishing in August 2021 new medium- to long-term objectives with respect to the environmental issues of climate change, food waste, packaging waste and water resources, the Group endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and clarified its intent to participate in the TCFD Consortium. Going forward, the Group will mobilize its comprehensive capabilities to address environmental issues to achieve these medium- to long-term objectives as it makes progress toward responding to both the risks and opportunities that climate change presents. Regarding CO_2 reductions, we have begun drafting a roadmap to better visualize stepwise initiatives in the runup to the reduction target year. At the same time, we have adopted internal carbon pricing (ICP) in an attempt to visualize the financial impact of CO_2 emissions and encourage capital investment and other steps that contribute to CO_2 reductions.

8. Overseas business (Likelihood of Risk: Moderate, Degree of Impact: Large)

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.

<Key Countermeasures>

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. This is coupled with a training structure specifically for employees assigned outside of Japan, together with committed efforts to ensure the safety and wellbeing of employees on the ground.

9. Foreign exchange movements (Likelihood of Risk: Moderate, Degree of Impact: Moderate)

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.

<Key Countermeasures>

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.

10. Human resource retention (Likelihood of Risk: Moderate, Degree of Impact: Moderate)

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.

<Key Countermeasures>

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. Human rights issues (Likelihood of Risk: Low, Degree of Impact: Large)

As a corporate group involved in a wide range of business domains both domestically and globally, the Nisshin Seifun Group recognizes addressing an array of human rights issues, including working conditions, child labor, the employment of minors and forced labor, as well as the protection of human rights of employees and compliance with pertinent laws and regulations, as extremely important issues. Nevertheless, there is a risk that the Group may be unable to fully create workplaces prefaced on concern for mutual respect and diversity in terms of race, nationality, sex, sexual orientation, gender identity, age or disability, as well as acceptance of different values, religious beliefs or creeds. Failure to do so could cause negative evaluations of the Group and its brand to spread, preventing individual employees from reaching their full potential and making it difficult for the Group to retain the talented human resources it needs. Over the medium to long term, this could lead to a decline in the Group's competitiveness.

<Key Countermeasures>

In 2018, the Group specified what it terms "CSR priorities" (materiality), positioning these as one of its most important management concerns, together with steps across the Group to ensure health of employees and fulfilling working environments . To address human rights issues, the Group has established specialized departments charged with raising consciousness with respect to human rights, conducting annual human rights seminars for all management and regular employees. In addition to addressing problems related to caste-based discrimination and workplace harassment, the range of themes raised at the seminars encompass promoting understanding of the LGBT community and human rights problems that arise in conducting business. Along with encouraging participants to view human rights as a much closer problem than they realize, these awareness-raising efforts promote the consideration of a human rights perspective in day-to-day operations. Furthermore, the Group has put into practice the "Nisshin Seifun Group Human Rights Policy," formulated based on the United Nation's "Guiding Principles on Business and Human Rights," and since 2021 has promoted due diligence in human rights in the Group's core operations, including the supply chain.

12. Response to new technologies (Likelihood of Risk: Moderate, Degree of Impact: Moderate)

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.

<Key Countermeasures>

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. Human resource development has become an urgent concern, especially with respect to digital technology. Accordingly, we are moving to enhance training programs for human resources who will lead the Group's digital utilization efforts.

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.

(4) 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, 2023. All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group at the end of the fiscal year ended March 31, 2023.

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.

(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 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, stocks with a readily determinable market value are stated at fair value. Stocks with no readily determinable market value are stated at cost. For stocks 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 stocks. For stocks 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 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. 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. Future cash flow, estimated based on a determination of whether an impairment loss is warranted and the calculation of usage value, is based on rational assumptions. Additionally, the discount rate used to calculate the usage value 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.

(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 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, 2023, the Japanese economy achieved a gradual turnaround as measures to prevent infection and social and economic activities gained ground despite a resurgence in COVID-19 domestically. The future, however, remains shrouded in uncertainty, with the corporate goods price index in Japan climbing to historic highs due to a range of factors, among them, soaring prices for raw materials, rising energy prices, and the devaluation of the yen in currency markets.

Under these conditions, the Group strives to fulfill its corporate mission of ensuring a stable supply of foods involving wheat flour and the delivery of safe and reliable products in each business area. At the same time, the Group responded to food inflation and cost inflation, two of its highest priority issues, through actions targeting the development and sale of reasonably priced and high-value-added products, in parallel with a move to shift cost increases into more appropriate pricing.

In October 2022, the Group formulated "The Nisshin Seifun Group Medium-Term Management Plan 2026", a plan for making social contributions through business and realizing sustained growth as a food-centered enterprise. Addressing environmental issues connected to social sustainability and utilizing digital technologies are crucial to the Group's own sustainable growth, and are becoming even more important. Given these changes in the business environment, the Group is promoting management for realizing its vision driven by three basic policies—"Stimulate the Group's ability to grow by restructuring the business portfolio," "Enhance management by clarifying our business' relationships toward our stakeholders," and "Integrate ESG into management strategy, implement by adapting to social trends."

As part of this effort, in January 2023, Nisshin Flour Milling Inc., the Group's flour milling business subsidiary, acquired 85% of shares issued and outstanding of Kumamoto Flour Milling Co., Ltd., in a move aimed at strengthening the competitiveness of the domestic flour milling business.

Meanwhile, in March 2023, the decision was reached to expand the new production line at the Saginaw Plant of Miller Milling Company, LLC, a U.S.-based subsidiary in the flour milling business, in a move that will augment production capacity at the plant by roughly 40%.

Additionally, at Nisshin Seifun Welna Inc., a subsidiary in the processed food business, the Group unveiled advertising measures designed to boost brand recognition.

With respect to performance, consolidated net sales for the fiscal year ended March 31, 2023, increased 17.5% year on year to ¥798,681 million. Factors driving growth included enactment of price revisions for wheat flour in the flour milling business in Japan in step with wheat price revisions, coupled with increased wheat market prices and foreign currency translation effects in the overseas flour milling business. In terms of profits, operating profit increased 11.6% year on year to ¥32,831 million. In addition to lower shipments of processed foods and raw materials for pharmaceuticals in the processed food segment, performance was impacted by the inability to enact product price revisions that kept pace with higher-than-anticipated increases in costs for raw materials and ingredients, as well as expenses for the launch of a yeast business in India. These effects were countered, however, by firm sales prices for bran in the flour milling business in Japan, and favorable performance in the overseas flour milling business, as well as a decrease in the amortization of goodwill accompanying an impairment loss for the Australia flour milling business. Ordinary profit was up 1.3% to ¥33,051 million, lifted by growth in operating profit despite a decline in the share of profit of entities accounted for using equity method. In the second quarter, the Group recorded an impairment loss for non-current assets, including goodwill for the Australia flour milling business. This outcome resulted from the decision to depart from the initial business plan and develop a new one following serious reexamination of business plan feasibility in Australia in light of market changes and supply chain turmoil caused by measures to combat the COVID-19 pandemic, as well as the state of high prices in the markets for natural resources and grain triggered by the situation in Ukraine. As a result, for profit attributable to owners of parent, the Group posted a loss of ¥10,381 million (compared to profit of ¥17,509 million in the previous fiscal year), despite reporting profit on the sale of shares held for cross-shareholding purposes in the third and fourth quarters.

(Year-on-year Comparison)

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Difference	Change
Net sales	679,736	798,681	118,944	17.5%
Operating profit	29,430	32,831	3,401	11.6%
Ordinary profit	32,626	33,051	424	1.3%
Profit (loss) attributable to owners of parent	17,509	(10,381)	(27,890)	–

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, 2023

(Millions of yen)

	Net sales		Operating profit	
	Results	Difference	Results	Difference
Flour Milling Segment	419,782	106,263	17,618	9,031
Processed Food Segment	187,988	5,020	6,037	(6,374)
Prepared Dishes and Other Prepared Foods Segment	147,487	9,102	3,284	142
Others Segment	43,423	(1,440)	5,746	586
Adjustment	–	–	144	15
Consolidated total	798,681	118,944	32,831	3,401

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, 2022	Year ended March 31, 2023	Difference	Change
Net sales	313,519	419,782	106,263	33.9%
Operating profit	8,587	17,618	9,031	105.2%

In the flour milling business in Japan, shipments were lower year on year due mainly to effects from a decrease in demand due to product price revisions. This outcome came despite progress on initiatives to expand sales amid an ongoing recovery in restaurant dining demand due largely to increased foot traffic following the elimination of pandemic-related behavior restrictions. In June 2022, we implemented price revisions for commercial wheat flour in response to revised government prices for five classes of imported wheat enacted in April 2022. On average, the government's price for imported wheat rose 17.3%. Commercial wheat flour prices, meanwhile, were left unchanged since then, tracking the lack of movement in government prices due to emergency price countermeasures instituted by the Japanese government in October 2022.

In the overseas flour milling business, sales were sharply higher year on year mainly due to strong shipment performance, as well as the effects of rising wheat market prices, coupled with foreign currency translation effects.

As a result, net sales of the Flour Milling Segment increased 33.9% year on year to ¥419,782 million. Operating profit climbed 105.2% to ¥17,618 million despite lower shipments, rising energy prices, and higher distribution costs in the flour milling business in Japan. This outcome reflected benefits mainly from firm sales prices for bran, a byproduct from the flour milling business in Japan, and favorable year-on-year performance improvement in the overseas flour milling business, along with a decrease in amortization of goodwill from the reporting of an impairment loss for the flour milling business in Australia.

2) Processed Food Segment

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Difference	Change
Net sales	182,968	187,988	5,020	2.7%
Operating profit	12,411	6,037	(6,374)	(51.4)%

In the processed food business, sales were higher year on year. In tandem with product price revisions enacted for products in Japan from July 2022 in line with rising costs for raw materials, we developed and launched reasonably priced products and value-added products responsive to changing consumer needs. Growth also benefited from product price revisions and foreign currency translation effects overseas.

In the yeast and biotechnology business, sales were up year on year, reflecting price revisions for yeast enacted in July and November 2022 in Japan, in response to soaring raw material prices and energy costs, coupled with the start of full-scale operations at the yeast business in India in August 2022 overseas.

In the healthcare foods business, sales were lower year on year due to lower shipments of raw materials for pharmaceuticals.

As a result, net sales of the Processed Food Segment increased 2.7% year on year to ¥187,988 million. Operating profit, however, declined 51.4% to ¥6,037 million. In addition to lower shipments of processed foods and raw materials for pharmaceuticals, performance was impacted by the inability to enact product price revisions in step with higher-than-anticipated increases in the cost of raw materials, as well as expenses incurred in the launch of the yeast business in India.

3) Prepared Dishes and Other Prepared Foods Segment

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Difference	Change
Net sales	138,384	147,487	9,102	6.6%
Operating profit	3,141	3,284	142	4.5%

In the prepared dishes and other prepared foods business, sales of value-added products were higher year on year, amid a recovery in demand particularly at convenience stores (a key business sector) as the flow of people has rebounded with the elimination of pandemic-related behavior restrictions.

As a result, net sales of the Prepared Dishes and Other Prepared Foods Segment increased 6.6% year on year to ¥147,487 million, and operating profit increased 4.5% to ¥3,284 million.

Meanwhile, Nisshin Seifun Delica Frontier Inc. was established as an intermediate holding company responsible for the Prepared Dishes and Other Prepared Foods Segment in July 2022, in a move designed to strengthen the organizational structure for shaping this growth field into a core business.

4) Others Segment

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Difference	Change
Net sales	44,864	43,423	(1,440)	(3.2)%
Operating profit	5,160	5,746	586	11.4%

In the engineering business, sales were lower year on year, reflecting a decline in large-scale projects in mainstay plant engineering operations.

In the mesh cloths business, sales rose year on year atop increased shipments of screen printing materials for solar panels.

As a result, net sales of the Others Segment decreased 3.2% year on year to ¥43,423 million, while operating profit increased 11.4% to ¥5,746 million. Profit growth came atop improved profitability from extensive construction cost management in the engineering business, coupled with effects from higher sales in the mesh cloths business.

On a side note, to better meet growing demand from the automotive industry, the decision to expand a forming filter plant at the Thailand-based subsidiary of the mesh cloths business was reached in December 2022.

(2) Overview and Analysis of Financial Position for the Year Ended March 31, 2022

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023	Difference
Current assets	280,527	330,069	49,542
Non-current assets	442,546	383,805	(58,741)
Total assets	723,073	713,874	(9,198)
Current liabilities	129,158	150,262	21,104
Non-current liabilities	133,272	125,112	(8,160)
Total liabilities	262,430	275,375	12,944
Total net assets	460,643	438,499	(22,143)
Total liabilities and net assets	723,073	713,874	(9,198)

The status of assets, liabilities and net assets on a consolidated basis at the end of the fiscal year ended March 31, 2023, was as follows.

Current assets increased ¥49,542 million from the previous fiscal year-end to ¥330,069 million, tracking growth in inventories mainly due to rising prices for raw materials. Non-current assets decreased ¥58,741 million to ¥383,805 million, primarily due to an impairment loss recognized for non-current assets pertaining to the Australia flour milling business and the sale of shares held for cross-shareholding purposes. As a result, total assets declined ¥9,198 million from the previous fiscal year-end to ¥713,874 million.

Meanwhile, current liabilities increased ¥21,104 million to ¥150,262 million, mainly reflecting an increase in notes and accounts payable – trade in line with rising prices for raw materials, coupled with an increase in short-term loans payable used as working capital. Non-current liabilities decreased ¥8,160 million to ¥125,112 million, primarily due to the reversal of deferred tax liabilities in line with the sale of shares held for cross-shareholding purposes. As a result, total liabilities increased ¥12,944 million from the previous fiscal year-end to ¥275,375 million. Net assets decreased ¥22,143 million to ¥438,499 million, mainly due to the payment of dividends, a decrease in retained earnings resulting in a loss attributable to owners of parent for the year, and a decline in valuation difference on available-for-sale securities.

(3) Factors with Important Effects on Group Business Performance

Factors with important effects on the Group's business performance are listed under "(3) Business and Other Risks."

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

(1) Cash flows

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Difference
Net cash provided by (used in) operating activities	41,833	23,422	(18,411)
Net cash provided by (used in) investing activities	(15,517)	487	16,004
Net cash provided by (used in) financing activities	(17,850)	(10,625)	7,224
Effect of exchange rate change on cash and cash equivalents	1,110	959	(150)
Net increase (decrease) in cash and cash equivalents	9,576	14,243	4,667
Cash and cash equivalents at end of period	68,728	82,971	14,243

Net cash provided by (used in) operating activities

An increase in cash and cash equivalents mainly due to profit before income taxes of ¥879 million, an impairment loss of ¥55,704 million and depreciation and amortization of ¥22,805 million exceeded a decrease in cash and cash equivalents from factors such as an increase in inventories and the payment of income taxes. This led to net cash provided by operating activities of ¥23,422 million, compared to ¥41,833 million a year earlier.

Net cash provided by (used in) investing activities

¥18,657 million used for the purchase of property, plant, and equipment and intangible assets, as well as the purchase of shares of subsidiaries resulting in change in scope of consolidation, were offset by ¥29,086 million in proceeds from sale of investment securities. Consequently, net cash provided by investing activities was ¥487 million, compared to ¥15,517 million used a year earlier.

Net cash provided by (used in) financing activities

¥11,603 million used for dividends to distribute profits to shareholders was the primary factor that led to net cash used in financing activities of ¥10,625 million, compared to ¥17,850 million a year earlier.

As a result, consolidated cash and cash equivalents at the end of the fiscal year ended March 31, 2023 were ¥82,971 million.

(2) Capital financing and liquidity

Net interest-bearing debt (including lease obligations) at the end of March 2023 was ¥86.8 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. Additionally, the impairment loss for the Australia flour milling business reported for the fiscal year under review is a non-capital loss item, and thus has no impact on capital liquidity.

Based on "The Nisshin Seifun Group Medium-Term Management Plan 2026", and with ample awareness of its social responsibility to ensure the stable supply of staple foods including wheat flour, the Group seeks to appropriately control its capital structure while finding the right balance between efforts to improve capital efficiency and financial stability. To achieve sustainable growth and growth in earnings per share (EPS), along with promoting growth investments, including environmental investment, digital investment, investment in new business development and M&As, and human resource training, with respect to shareholder returns, we are maintaining the payout ratio at 40% or more on a consolidated basis, and for increasing dividends are actively and consistently exploring options with optimal timing in mind. If surplus investment funds emerge, our approach is to consider directing these to further shareholder returns.

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."

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, including shares held for specific policy purposes. As for the external sources, the Group will procure interest-bearing debt and other funding by taking advantage of its sound financial position.

4. Numerical Targets and Capital Policy for “The Nisshin Seifun Group Medium-Term Management Plan 2026”

To fulfill its social contributions through business and realize sustained growth as a food-centered enterprise, the Group in October 2022 formulated the “Nisshin Seifun Group Medium-Term Management Plan 2026.”

< Numerical Targets and Results>

(*Average annual growth rate)	Base fiscal year (FY2022 results)	Year ended Mar. 31, 2023 (FY2023 results)	Final fiscal year (FY2027)
Net sales	¥679.7 billion	¥798.7 billion	¥900.0 billion
5-year CAGR*			5.8%
Operating profit	¥29.4 billion	¥32.8 billion	¥48.0 billion
5-year CAGR			10.3%
EPS	¥59	¥(35)	¥110
5-year CAGR			13.3%
ROE	4.0%	(2.4)%	7.0%

Refer to “(2) Financial Position, Review of Financial Performance and Management’s Recognitions, Analysis and Opinions” for more information on business results for the fiscal year under review.

< Capital Policy>

With ample awareness of its social responsibility to ensure the stable supply of staple foods including wheat flour, the Group seeks to appropriately control its capital structure while striking the right balance between efforts to improve capital efficiency and financial stability.

- Aim to achieve EPS growth and appropriate TSR.
- Maintain a consolidated payout ratio of 40% or more, and actively and consistently explore options for increasing dividends with optimal timing in mind.
- With social responsibility in mind, maintain financial stability and aim to improve capital efficiency by conducting a review of shares held for cross-shareholding purposes.

5. Status of Production, Orders Received and Sales Performance

a. Production

Production values by segment during the fiscal year ended March 31, 2023 are as follows.

(Millions of yen)

Segment name	Year ended March 31, 2022	Year ended March 31, 2023	Change (%)
Flour Milling	303,040	408,546	34.8
Processed Food	107,855	114,095	5.8
Prepared Dishes and Other Prepared Foods	130,603	139,094	6.5
Others	14,222	15,383	8.2
Total	555,720	677,120	21.8

Note:

The above financial amounts use average sales prices during the fiscal year under review. Intersegment transactions have been eliminated.

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, 2023 are as follows.

(Millions of yen)

Segment name	Year ended March 31, 2022	Year ended March 31, 2023	Change (%)
Flour Milling	313,519	419,782	33.9
Processed Food	182,968	187,988	2.7
Prepared Dishes and Other Prepared Foods	138,384	147,487	6.6
Others	44,864	43,423	(3.2)
Total	679,736	798,681	17.5

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, 2022		Year ended March 31, 2023	
	Value	Proportion (%)	Value	Proportion (%)
FamilyMart Co., Ltd.	98,473	14.5	106,447	13.3

Production and sales performance both rose dramatically during the fiscal year under review, lifted mainly by rising prices for raw materials. 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."

(5) Legal and Contractual Matters

1. Establishment of intermediate holding company via corporate separation

At a meeting of the Board of Directors on April 26, 2022, the Company reached the decision to establish an intermediate holding company through corporate separation. Shares currently held by the Company in companies responsible for the Prepared Dishes and Other Prepared Foods Segment, namely Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd. and Initio Foods Inc., were transferred to the intermediate holding company.

The details are as follows.

(1) Purpose of the Corporate Separation

The Company has positioned the prepared dishes and other prepared foods business as a growth field, and is moving to cultivate it into one of the Group's core operations. Following the conversion of Tokatsu Foods Co., Ltd. into a subsidiary in July 2019, together with Joyous Foods Co., Ltd. and Initio Foods Inc., the Company has taken steps to expand the Group's prepared dishes and other prepared foods and frozen foods businesses, taking advantage of the Group's basic research technologies and product development capabilities enabled by the presence of these three companies under its command.

Until recently, all three companies pursued business activities independently. However, given a competitive environment that is expected to become more adverse, we believe that the ability to conduct agile strategic decision-making and even more robust management, with optimizing the Group's entire prepared dishes and other prepared foods business in mind, will be essential. For these reasons, the decision was made to establish an intermediate holding company charged with overseeing the Group's prepared dishes and other prepared foods business.

Along with pursuing effective utilization of the management resources of the three companies under its purview, as well as participation in and support for management, administration and strategic proposals for each company, the intermediate holding company will spearhead the development of a competitive business structure marked by more intensive risk management and governance, with the aim of further enhancing corporate value.

(2) Corporate separation timeline

Date of decision on new establishment separation plan by Board of Directors	April 26, 2022
Date of separation (effective date)	July 1, 2022

Note:
This corporate separation meets the terms and conditions for a simple separation based on regulations stipulated by Article 805 of Japan's Companies Act.

(3) Method of corporate separation

The Company is designated as the entity that will separate, with the new firm designated as a successor company independent of the Company via simple new establishment separation. The newly established company is a 100% subsidiary of the Company.

(4) Details of share allocation

Upon corporate separation, the newly established company issued 1,000 shares of common stock, all of which are allotted to the Company. In acquiring all shares issued by the newly established company, the Company decided on the aforementioned number of shares as a number equivalent for achieving appropriate and effective management of the newly established company.

(5) Changes in capital due corporate separation

There are no changes in capital of the Company associated with this corporate separation.

(6) Rights and responsibilities assumed by the newly established company

Based on the new establishment separation plan, as of the effective date of the corporate separation, the newly established company assumed all shares held by the Company of Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd. and Initio Foods Inc. The newly established company also assumed rights and responsibilities related to support and administration operations for the business activities of other subsidiaries involved in the prepared dishes and other prepared foods business.

(7) Summary of companies involved in corporate separation

	Separating entity	Newly established company
(1) Name	Nisshin Seifun Group Inc.	Nisshin Seifun Delica Frontier Inc.
(2) Address	1-25, Kanda-Nishiki-cho, Chiyoda-ku, Tokyo, JAPAN	1-25, Kanda-Nishiki-cho, Chiyoda-ku, Tokyo, JAPAN
(3) Business lines	Holding company overseeing the Nisshin Seifun Group	Support and administration operations for business activities of subsidiaries involved in the prepared dishes and other prepared foods business
(4) Capital	¥17,117 million	¥100 million

(8) Summary of separated business

Support and administration operations for business activities of subsidiaries involved in the prepared dishes and other prepared foods business.

2. Acquisition of shares of Kumamoto Flour Milling Co., Ltd.

At a meeting of the Board of Directors on June 23, 2022, the Company's consolidated subsidiary Nisshin Flour Milling Inc. passed a resolution to acquire 85% of the shares issued and outstanding of Kumamoto Flour Milling Co., Ltd. (Kumamoto Flour Milling) from Nagasaka Corporation, pending regulatory approval, and concluded a share transfer agreement on the same date.

The aforementioned share acquisition was conducted on January 4, 2023.

For more details, refer to "[5] Financial Accounts, (1) Consolidated Financial Statements, etc., [Notes to the Consolidated Financial Statements] (Merger-related Matters)."

(6) 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 Seifun Welna Inc., Oriental Yeast Co., Ltd., and Nisshin Pharma Inc. (in the Processed Food Segment); Nisshin Seifun Delica Frontier Inc. (in the Prepared Dishes and Other Prepared Foods Segment); 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 ¥7,318 million in the fiscal year ended March 31, 2023.

This figure also includes ¥1,010 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 Nisshin Flour Milling Inc.'s Innovation & Development Division 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 developed "Amuleia," Japan's first high-fiber wheat flour, to better support the uptake through wheat flour of fiber, an under-consumed nutrient. We also sponsored the "2nd Nisshin Seifun International Grain Science Symposium," where key themes included impact on secondary processing characteristics of basic wheat components, general nutritional functionality, and future prospects in the field of cereal science; the venue also saw the reporting out of research results from the Cereal Science Research Center of Tsukuba. 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 ¥1,189 million.

2. Processed Food Segment

Led by Nisshin Seifun Welna Inc.'s Product Management 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 an array of prepared mix products, dried noodles, pastas, microwavable retort pouch foods, frozen foods, and other foods. In terms of major achievements, as part of the 2023 spring product lineup, we launched the sale of seven items in the "Ao No Dokutsu Piccolino" series of pasta sauces sold in a standing retort pouch that vents steam, allowing for easy preparation in the microwave. In parallel, we launched three "Ma-Ma Hayayude Spaghetti FineFast 2/3 Size" items sold in a more eco-friendly paper-plastic hybrid package. 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 research and development of functional food ingredients through alliances with government and academic institutions. Among major achievements was we launched the sale of "Men's Amino," a product aimed at the health needs of middle-aged and older men containing a total of six different nutrients extracted from onion-derived amino acids using the Company's proprietary technology.

R&D expenditures attributable to the Processed Food Segment totaled ¥3,862 million.

3. Prepared Dishes and Other Prepared Foods Segment

Led by the R&D Division and Production Technology Development Division of Nisshin Seifun Delica Frontier Inc., research and development of cooking and processing technology and microbe control technology take place through collaboration with the Company's Research Center for Basic Science Research and Development and the Research Center for Production and Technology, with the aim of improving quality and date of freshness, and for development of labor-saving automation and robotics technologies. 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 ¥573 million.

4. Others Segment

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, as well as chemical products.

R&D expenditures attributable to the Others Segment totaled ¥682 million.

[3] Facilities and Capital Expenditures

(1) Capital Expenditures

The Nisshin Seifun Group (the Company and its consolidated subsidiaries) makes capital expenditures 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, 2023, based on actual expenditures.

	Year ended March 31, 2023 (millions of yen)	Year-on-year change (%)
Flour Milling	8,482	(4.4)
Processed Food	7,100	19.0
Prepared Dishes and Other Prepared Foods	2,178	(15.0)
Others	1,239	(9.4)
Subtotal	19,000	1.2
Elimination/common-use	(342)	–
Total	18,657	(0.1)

Capital expenditures in the Flour Milling Segment were principally made to increase production capacity, enhance product safety, and to streamline and reduce labor related to production.

Capital expenditures in the Processed Food Segment were focused primarily on augmenting production capacity and enhancing product safety. Furthermore, construction of a yeast plant at Oriental Yeast India Pvt. Ltd. planned at the end of the previous fiscal year was completed, with operations launched in August 2022.

Capital expenditures in the Prepared Dishes and Other Prepared Foods Segment were principally made to increase production capacity and enhance product safety.

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

During the fiscal year ended March 31, 2023, the Company recognized impairment losses totaling ¥55,704 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, 2023)

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 m²)	Right-of-use assets	Other	Total	
Nisshin Flour Milling Inc.	Tsurumi Plant (Kawasaki-ku, Kawasaki)	Flour Milling	Wheat flour production	4,486	1,809	5,594 (81)	–	262	12,152	121 [4]
Nisshin Flour Milling Inc.	Higashinada Plant (Higashinada-ku, Kobe)	Flour Milling	Wheat flour production	4,386	1,572	1,803 (30)	–	208	7,971	92 [2]
Nisshin Flour Milling Inc.	Chiba Plant (Mihama-ku, Chiba)	Flour Milling	Wheat flour production	1,748	911	294 (43)	–	102	3,057	68 [3]
Nisshin Flour Milling Inc.	Chita Plant (Chita)	Flour Milling	Wheat flour production	2,775	1,209	68 (33)	–	267	4,320	56 [3]
Nisshin Flour Milling Inc.	Fukuoka Plant (Chuo-ku, Fukuoka)	Flour Milling	Wheat flour production	2,685	310	3,454 (25)	–	148	6,598	43 [1]
Kumamoto Flour Milling Co., Ltd.	Head Office and Kumamoto Plant (Nishi-ku, Kumamoto)	Flour Milling	Wheat flour production	769	642	2,310 (45)	–	65	3,788	130 [10]
Nisshin Seifun Welna Inc.	Tatebayashi Plant (Tatebayashi)	Processed Food	Prepared mix production	928	642	250 (28)	–	56	1,878	44 [36]
Ma•Ma-Macaroni Co., Ltd.	Utsunomiya Plant (Utsunomiya)	Processed Food	Pasta production	965	2,183	27 (23)	–	161	3,338	65 [205]
Oriental Yeast Co., Ltd.	Tokyo Plant (Itabashi-ku, Tokyo)	Processed Food	Production of yeast	1,028	678	0 (11)	–	436	2,143	55 [9]
Oriental Yeast Co., Ltd.	Osaka Plant (Suita)	Processed Food	Production of yeast and other items	1,147	872	(Note 4) 167 (22) [5]	–	69	2,256	78 [24]
Oriental Yeast Co., Ltd.	Biwa Plant (Nagahama, Shiga)	Processed Food	Production of flour paste, powdered brine , baking powder and other items	868	415	709 (36)	–	125	2,118	50 [20]
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	3,184	309	(Note 4) 29 (5) [5]	–	305	3,828	58 [539]
Joyous Foods Co., Ltd.	Kodama Plant (Kamisatomachi, Kodama-gun, Saitama)	Prepared Dishes and Other Prepared Foods	Production of processed noodles	764	674	1,060 (85)	–	106	2,605	80 [482]
Joyous Foods Co., Ltd.	Kyoto Plant (Kumiyamacho, Kuse-gun, Kyoto)	Prepared Dishes and Other Prepared Foods	Production of processed noodles	642	684	779 (16)	–	23	2,129	67 [500]
NBC Meshtec Inc.	Yamanashi Tsuru Plant (Tsuru)	Others	Production of mesh cloths and forming filters	765	1,056	447 (35)	–	449	2,718	223 [76]

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 m²)	Right-of-use assets	Other	Total	
Nisshin Seifun Group Inc.	Head Office and Institutes and Laboratories (Chiyoda-ku, Tokyo, Fujimino, Saitama and others)		Office, and research and development	2,981	827	10,011 (40)	–	749	14,569	330 [56]

2. Overseas subsidiaries

(As of March 31, 2023)

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 m²)	Right-of-use assets	Other	Total	
Miller Milling Company, LLC	Winchester Plant (U.S.)	Flour Milling	Wheat flour production	1,801	2,714	537 (80)	52	275	5,382	51 [0]
Miller Milling Company, LLC	Fresno Plant (U.S.)	Flour Milling	Wheat flour production	404	1,541	284 (130)	5	537	2,772	35 [6]
Miller Milling Company, LLC	Los Angeles Plant (U.S.)	Flour Milling	Wheat flour production	1,378	829	910 (23)	0	846	3,965	44 [3]
Miller Milling Company, LLC	Oakland Plant (U.S.)	Flour Milling	Wheat flour production	783	969	1,733 (51)	1	311	3,798	47 [0]
Miller Milling Company, LLC	Saginaw Plant (U.S.)	Flour Milling	Wheat flour production	4,295	4,122	91 (26)	282	815	9,607	51 [2]
Allied Pinnacle Pty Ltd.	Altona Plant (Australia)	Flour Milling	Bakery ingredient production	7	2,771	– (19)	1,626	200	4,605	190 [2]
Allied Pinnacle Pty Ltd.	Kensington Plant (Australia)	Flour Milling	Wheat flour production	28	296	– (11)	1,332	57	1,715	54 [1]
Allied Pinnacle Pty Ltd.	Kingsgrove Plant (Australia)	Flour Milling	Prepared mix production	95	312	– (22)	3,716	91	4,216	66 [1]
Allied Pinnacle Pty Ltd.	Picton Plant (Australia)	Flour Milling	Wheat flour production	0	360	– (1,103)	3,345	252	3,958	40 [0]
Allied Pinnacle Pty Ltd.	Tennyson Plant (Australia)	Flour Milling	Wheat flour production	100	276	– (25)	2,555	82	3,015	71 [5]
Allied Pinnacle Pty Ltd.	Tullamarine Plant (Australia)	Flour Milling	Bakery ingredient production	14	1,136	– (9)	1,296	246	2,693	63 [19]
Rogers Foods Ltd.	Chilliwack Plant (Canada)	Flour Milling	Wheat flour production	2,240	1,638	33 (41)	–	109	4,022	69 [0]
Nisshin-STC Flour Milling Co., Ltd.	Phra Pradaeng Plant (Thailand)	Flour Milling	Wheat flour production	729	493	303 (15)	–	37	1,563	114 [0]
Vietnam Nisshin Technomic Co., Ltd.	Head Office and Plant (Vietnam)	Processed Food	Prepared mix production	643	308	– (20)	208	2,492	3,652	130 [1]
Oriental Yeast India Pvt. Ltd.	Yeast plant (India)	Processed Food	Production of yeast	1,203	9,773	– (156)	–	37	11,014	162 [7]

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, 2023.
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 .

(3) Facility Construction and Disposal Plans

The Nisshin Seifun Group (the Company and its consolidated subsidiaries) makes capital investment with the aim of raising production capacity, ensuring product safety, and achieving production-related streamlining and labor savings.

As of March 31, 2023, funds which are planned to be allocated for the construction of facilities (actual expenditure) amounted to ¥26,000 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, 2023 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	
Nisshin Flour Milling Inc.	Kurashiki, Okayama	Flour Milling	Wheat flour production	15,500	614 (Note)	Internal cash flow	May 2023	Around May 2025	Ground raw materials (tons) 550 tons per day
Miller Milling Company, LLC Saginaw Plant	Texas, U.S.	Flour Milling	Wheat flour production	6,200	–	Internal cash flow	Early 2024	Winter 2024	Ground raw materials (tons) 600 tons per day

Note:
Various expenses incurred in start of construction.

2. Disposal of major facilities, etc.

Nisshin Flour Milling Inc.’s Okayama Plant and Sakaide Plant are scheduled for closure with the start of operations at the new plant under construction in Kurashiki, Okayama.

[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, 2023	Shares issued and outstanding at date of filing (June 28, 2023)	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 Prime Market	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 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 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)	74 (Note 2)
Type, description and number of shares with new subscription rights (Note 1)	Common stock 74,000 (Note 3)
Amount payable on the exercise of the subscription rights to shares (Note 1)	¥1,753,000 per subscription right to shares (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 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, 2023). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2023), 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 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)	127 (Note 2)
Type, description and number of shares with new subscription rights (Note 1)	Common stock 127,000 (Note 3)
Amount payable on the exercise of the subscription rights to shares (Note 1)	¥1,753,000 per subscription right to shares (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 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, 2023). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2023), 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

(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, 2023)

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)	–	90	31	426	494	61	33,920	35,022	–
Numbers of shares held (MTUs)	–	1,358,578	62,568	631,131	471,732	207	515,454	3,039,670	390,891
Ratio to total shares (%)	–	44.69	2.06	20.76	15.52	0.01	16.96	100.00	–

Notes:

1. Treasury shares holdings of 6,834,996 shares consist of 68,349 MTUs listed under “Individuals and other shareholders” and 96 shares listed under “Sub-MTU share holdings.” All of these treasury shares are listed in the shareholder register. As of March 31, 2023, total beneficial ownership of treasury shares was equivalent to 6,834,649 shares. The treasury shares do not include 64,000 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, 2023)

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	44,554	14.97
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
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	16,290	5.47
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo	10,447	3.51
The Norinchukin Bank	2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	6,932	2.33
Marubeni Corporation	4-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	6,284	2.11
National Mutual Insurance Federation of Agricultural Cooperatives	JA Kyosai Building 7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo	4,455	1.49
Nisshin Seifun Group Employee Shareholding Association	25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo	4,009	1.34
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,909	1.31
Total	–	133,259	44.78

Notes:

1. In addition to the above, the Company holds 6,834,000 treasury shares.
2. 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, 2023), 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

3. The Large Shareholding Report (Report of Changes) made available to the public on June 4, 2020, contained the information listed below regarding shares held by BlackRock Japan Co., Ltd. and five joint shareholder companies as of May 29, 2020. 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, 2023), 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 (%)
BlackRock Japan Co., Ltd.	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,697	1.21
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, United Kingdom	392	0.13
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland	931	0.31
BlackRock Fund Advisors	400 Howard Street, San Francisco, California, United States	2,672	0.88
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, California, United States	2,924	0.96
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London, United Kingdom	1,125	0.37
Total	–	11,742	3.86

4. The Large Shareholding Report (Report of Changes) made available to the public on January 8, 2021, contained the information listed below regarding shares held by Mizuho Bank, Ltd. and its joint shareholder company Asset Management One Co., Ltd. as of December 31, 2020. 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, 2023), 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	10,447	3.43
Asset Management One Co., Ltd.	8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	8,976	2.95
Total	–	19,423	6.38

5. The Large Shareholding Report (Report of Changes) made available to the public on March 22, 2022, contained the information listed below regarding shares held by MUFG Bank, Ltd. and two joint shareholder companies as of March 14, 2022. 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, 2023), 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	2,694	0.89
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,777	1.90
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	4,243	1.39
Total	–	12,715	4.18

6. The Large Shareholding Report (Report of Changes) made available to the public on December 6, 2022, contained the information listed below regarding shares held by Nomura Securities Co., Ltd. and two joint shareholder companies as of November 30, 2022. 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, 2023), 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 Securities Co., Ltd.	13-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	939	0.31
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	186	0.06
Nomura Asset Management Co., Ltd.	2-1, Toyosu 2-chome, Koto-ku, Tokyo	15,485	5.09
Total	–	16,610	5.46

7. Voting rights

(1) Distribution within shares issued and outstanding

(As of March 31, 2023)

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) Common stock 6,834,600	–	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) Common stock 271,800	–	As above
Shares with full voting rights (other)	Common stock 296,860,600	2,968,606	As above
Sub-MTU (minimum trading unit) share holdings	Common stock 390,891	–	–
Total number of shares issued and outstanding	304,357,891	–	–
Total voting rights of all shareholders	–	2,968,606	–

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 64,000 shares (640 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. In addition, Kumamoto Flour Milling Co., Ltd. sold all shares held in the Company following the end of the fiscal year under review. Accordingly, Kumamoto Flour Milling held none of the Company's shares as of the date of submission of this report (June 28, 2023).

Treasury shares

Nisshin Seifun Group Inc.	49 shares

Mutually held shares

Japan Logistic Systems Corp.	55 shares
Chiba Kyodo Silo Co., Ltd.	45 shares
Kumamoto Flour Milling Co., Ltd.	5 shares

(2) Treasury shares

(As of March 31, 2023)

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	6,834,600	–	6,834,600	2.24
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
Kumamoto Flour Milling Co., Ltd.	25-1, Hanazono 1-chome, Nishi-ku, Kumamoto	600	–	600	0.00
Total	–	7,106,400	–	7,106,400	2.33

Notes:

1. "Treasury shares" above does not include 300 shares listed under Company ownership in the register of shareholders but without any beneficial owner, and 64,000 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.
2. Kumamoto Flour Milling Co., Ltd. sold all shares held in the Company following the end of the fiscal year under review. Accordingly, Kumamoto Flour Milling held none of the Company's shares as of the date of submission of this report (June 28, 2023).

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 meetings held on May 14, 2020 and May 10, 2023. 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 (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 15, 2023
・ Trust period after extension:	From August 1, 2023 to July 31, 2026 (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. ¥514 million accompanying agreement to extend trust period on May 15, 2023 (Funds 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, 2024: approx. ¥118 million (forecast) From July 3, 2023 (forecast) to July 20, 2023 (forecast) ・ Year ending March 31, 2025: approx. ¥198 million (forecast) From July 1, 2024 (forecast) to July 20, 2024 (forecast) ・ Year ending March 31, 2026: approx. ¥198 million (forecast) From July 1, 2025 (forecast) to July 20, 2025 (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 940,000 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, 2023	1,235	1,952,145
Treasury shares acquired during the term	109	174,673

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 June 1, 2023, 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, 2023		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, share delivery or corporate demerger	–	–	–	–
Other (Exercise of subscription rights to shares) (Sale upon request of sub-MTU share holdings)	 3,000 303	 5,259,000 475,461	 – –	 – –
Shares of treasury shares held	6,834,649	–	6,834,758	–

Notes:
1. The number of treasury shares retired during the term reflects neither the exercise of the subscription rights to shares between June 1, 2023 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 June 1, 2023 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, 2023 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.

As a further return of profits to shareholders, the Company paid a dividend of ¥40 per share for the fiscal year ended March 31, 2023, up ¥1 from the previous fiscal year. This decision reflected consideration of the Company's financial condition despite the net loss attributable to owners of the parent for the year due to an impairment loss reported for the Australia flour milling business. 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 ten consecutive terms. As a result, a rate of dividends to net assets was 2.7% on a consolidated basis. The payout ratio on a consolidated basis was not calculated for the fiscal year under review due to the net loss reported.

With respect to internal reserves, based on "The Nisshin Seifun Group Medium-Term Management Plan 2026," we are leveraging them for growth investments, including environmental investment, digital investment, investment in new businesses and M&As, R&D investment and human resource training, to realize sustainable growth and EPS growth. At the same time, with respect to shareholder returns, in addition to maintaining a payout ratio of 40% or more on a consolidated basis, the Group is aggressively exploring options for raising dividends on a consistent basis with optimal timing in mind; if surplus investment funds emerge, our approach is to consider directing these to further shareholder returns.

Note:

Payment of dividends for which the date of record falls during the fiscal year ended March 31, 2023 is as follows.

Authorizing resolution	Total dividends (millions of yen)	Dividend per share (yen)
Resolution of the Board of Directors made on October 26, 2022	5,652	19
Resolution of the Ordinary General Meeting of Shareholders made on June 28, 2023	6,247	21

(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 this Securities Report in Japanese (June 28, 2023).

(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 business climate." Underpinned by a corporate principle of "contributing 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. The Board of Directors met 13 times during the fiscal year under review. Attendance information for each Director is listed below. Refer to (2) below for more details regarding the composition of the Board of Directors as of the date of submission of this report (June 28, 2023). Company president Kenji Takihara serves as chair of the Board of Directors.

Position	Name	Attendance at meetings of the Board of Directors
Director	Kenji Takihara	Attended all 10 meetings
Director	Akira Mori	Attended all 13 meetings
Director	Naoto Masujima	Attended all 13 meetings
Director	Koichi Iwasaki	Attended all 13 meetings
Director	Satoshi Odaka	Attended all 13 meetings

Position	Name	Attendance at meetings of the Board of Directors
Director	Takao Yamada	Attended all 13 meetings
Director	Yuji Koike	Attended all 13 meetings
Director	Nobuki Kemmoku	Attended all 3 meetings
Director	Kazuhiko Fushiya	Attended all 13 meetings
Director	Motoo Nagai	Attended 12 out of 13 meetings
Director	Nobuhiro Endo	Attended all 10 meetings
Director	Akio Mimura	Attended all 3 meetings
Director (Audit & Supervisory Committee Member)	Shoh Ohuchi	Attended all 13 meetings
Director (Audit & Supervisory Committee Member)	Satoshi Ito	Attended all 13 meetings
Director (Audit & Supervisory Committee Member)	Mieko Tomita	Attended 12 out of 13 meetings
Director (Audit & Supervisory Committee Member)	Takaharu Ando	Attended all 10 meetings
Director (Audit & Supervisory Committee Member)	Tetsuo Kawawa	Attended all 3 meetings

Notes:

1. Mr. Nobuki Kemmoku and Mr. Akio Mimura retired from their positions as Director at the closing of the 178th Ordinary General Meeting of Shareholders held on June 28, 2022.
2. Mr. Tetsuo Kawawa resigned from his position as Director (Audit & Supervisory Committee Member) at the closing of the 178th Ordinary General Meeting of Shareholders held on June 28, 2022.
3. Attendance information for Directors Kenji Takihara and Nobuhiro Endo, and Director (Audit & Supervisory Committee Member) Takaharu Ando only includes meetings of the Board of Directors held since their appointments on June 28, 2022 (after the 178th Ordinary General Meeting of Shareholders).

Matters resolved by and reported to the Board of Directors for the fiscal year under review are as follows.

Matters resolved: Medium-term management plan; management policy going forward; acquisitions of other companies by subsidiaries; capital investments by subsidiaries.

Matters reported: Audits; internal control system evaluation and internal audit results report; CO2 reduction roadmap and adoption of ICP; status of initiatives regarding intellectual property strategy; status of progress on digital transformation (DX).

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 as of the date of filing this Securities Report in Japanese (June 28, 2023) is comprised of Company president Kenji Takihara; Senior Managing Director and Executive Officer Naoto Masujima; Managing Directors and Executive Officers Yasuo Ito and Eiichi Suzuki; Executive Officers Shigemitsu Fujita, Kenji Sakamoto, Seiichirou Takahashi and Hiroyuki Yamada; Full-time Audit & Supervisory Committee Member Shoh Ohuchi; and others appointed by the Company president, Kenji Takihara, 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 (Ms. Mieko Tomita, Mr. Takaharu Ando and Mr. Hiroto Kaneko) 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, Mieko Tomita holds qualifications as an attorney, while Hiroto Kaneko holds qualifications as a certified public accountant.

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

(a) In a bid to improve the objectivity of functions of the Board of Directors with respect to the nomination of candidates for President and Outside Directors, as well as remuneration for management and executives, the Company has established a Nomination and Remuneration Advisory Committee. Comprised entirely of independent Outside Directors, this committee enables the exchange of information between Outside Directors, while serving as a site for deliberation and counsel regarding the nomination of Representative Directors and Outside Directors, as well as the composition of the Board of Directors (including the skill matrix), following request for advice from the Board of Directors. The committee also deliberates and provides counsel regarding approaches to remuneration for management and executives (e.g., Managing Directors, Executive Officers and Presidents of principal subsidiaries). The committee as of the date of filing this Securities Report in Japanese (June 28, 2023) consists of six members – Mr. Kazuhiko Fushiya, Mr. Motoo Nagai, Mr. Nobuhiro Endo, Ms. Mieko Tomita, Mr. Takaharu Ando and Mr. Hiroto Kaneko, with Mr. Kazuhiko Fushiya serving as chair.

(b) The Nomination and Remuneration Advisory Committee met twice during the fiscal year under review. Attendance information for each committee member is listed below. The committee primarily discussed remuneration for Directors, responses to the Corporate Governance Code, relocation of Directors, and evaluation of the effectiveness of the Board of Directors.

Position	Name	Attendance at meetings of the Nomination and Remuneration Advisory Committee
Outside Director Independent Director	Kazuhiko Fushiya	Attended all 2 meetings
Outside Director Independent Director	Motoo Nagai	Attended all 2 meetings
Outside Director Independent Director	Nobuhiro Endo	Attended all 2 meetings
Outside Director Independent Director	Satoshi Ito	Attended all 2 meetings
Outside Director Independent Director	Mieko Tomita	Attended all 2 meetings
Outside Director Independent Director	Takaharu Ando	Attended all 2 meetings

Note:
Mr. Satoshi Ito retired from his position as Outside Director and Independent Director at the conclusion of the 179th Ordinary General Meeting of Shareholders held on June 28, 2023.

Furthermore, the Company has established a Corporate Value Committee. Refer to (8) below for more information. The membership of the Corporate Value Committee comprises independent Outside Directors only, 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.

<Outline of directors and officers liability insurance contract>

The Company has entered into a directors and officers liability insurance contract with an insurance company, as provided in Article 430-3, Paragraph 1 of the Companies Act, under which damages arising from insureds' liability borne from the performance of their duties, or from claims in pursuit of that liability, shall be compensated. The insurance premiums are fully borne by the companies. The insurance policy provides for certain exclusions and deductibles, such as not covering damages caused by acts committed while aware of violations of laws and regulations, and requires the insured to pay a certain amount of the deductible. The 33 insureds under such insurance policies are Directors, Audit & Supervisory Board Members, Executive Officers, and important employees, etc. of the Company and its domestic subsidiaries.

<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" stipulates and specifies Nisshin Seifun Group's: "Corporate Philosophy"; "Primary Management Objective"; "Attitudes Toward Stakeholders" and "Corporate Code of Conduct and Employee Action Guidelines", and awareness of these is promoted throughout the Group.

(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

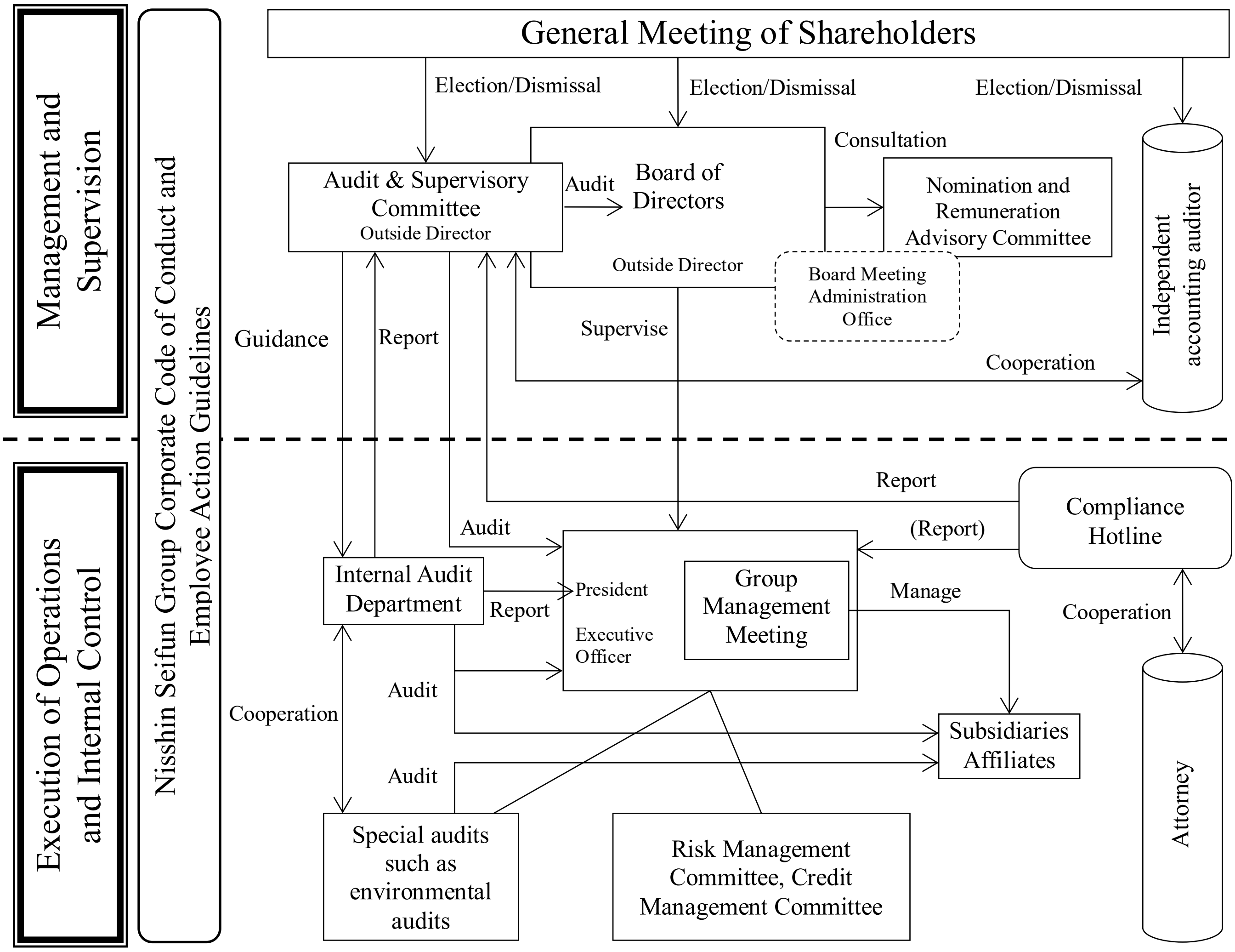
To ensure the integrity of deliberation on matters for special resolution at the General Meeting of Shareholders as defined in Article 309, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation prescribe that such special resolution be adopted by two-thirds or more of the voting rights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

1) 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 it serves. These actions, in turn, contribute to the Group’s sustainable growth and to improvement in its medium- to long-term corporate value. Wheat flour, in particular, is an ingredient used in a wide variety of products, including bread, noodles and sweets. The Group, as a leading company in this field, controls roughly 40 percent of Japan’s wheat flour market, supplying wheat flour not only for home use but to a host of food-related manufacturers. The Group’s stable supply of safe, high-quality wheat flour supports both national food culture and helps society to continue functioning properly, and we view the fulfillment of this responsibility as directly tied to the Group’s sustainable growth and medium- to long-term improvement in its corporate value. Accordingly, from the standpoint of this responsibility to society, and prefaced on stable management foundations, the Company considers its ongoing work to conduct management based on continuous and intentional policies planned from a medium- to long-term perspective, ensure the high quality and safety of its products, and implement the stable supply of these products to be indispensable to securing and improving its corporate value and the shared interests of its shareholders, and the Company believes it is uniquely positioned in this regard. 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.

2) 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.

3) 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 177th Ordinary General Meeting of Shareholders held on June 25, 2021. 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 Item (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 independent 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.

4) Judgment of the Board of Directors and its reasons

The Plan complies with the basic policies described in Paragraph 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 177th Ordinary General Meeting of Shareholders on June 25, 2021, 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 independent 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 Division Executive, Corporate Planning Division	Kenji Takihara	February 3, 1966	Apr. 1988	Joined the Company	Note 3	421
			Jun. 2013	Director, Nisshin Flour Milling Inc.		
			Jun. 2016	Executive Officer		
			Jun. 2017	Director		
			Jun. 2019	Managing Executive Officer		
			Jun. 2019	Managing Director, Nisshin Flour Milling Inc.		
			Jun. 2021	Senior Managing Director, Nisshin Flour Milling Inc.		
			Jun. 2022	Director and President		
			Jun. 2022	Director and Chairman, Nisshin Flour Milling Inc. (to the present)		
			Apr. 2023	Director and President and Division Executive (Corporate Planning Division) (to the present)		
Representative Director, Senior Managing Executive Officer In charge of General Administration Division and Human Resources and Labor Relations Division	Naoto Masujima	September 11, 1960	Apr. 1983	Joined the Company	Note 3	339
			Jun. 2014	Executive Officer, GS (Globalization) of Corporate Planning Division and General Manager (China Business Development Office of Corporate Planning Division)		
			Jun. 2015	Director, General Manager (Corporate Planning Department) and Division Executive (Overseas Business Division), Nisshin Flour Milling Inc.		
			Jun. 2016	Managing Director, General Manager (Corporate Planning Department) and Division Executive (Overseas Business Division), Nisshin Flour Milling Inc.		
			Jun. 2017	Director and Division Executive (General Administration Division)		
			Jun. 2019	Managing Executive Officer and Division Executive (General Administration Division)		
			Jun. 2021	Director, Managing Executive Officer and Division Executive (General Administration Division)		
			Jun. 2022	Director, Senior Managing Executive Officer and Division Executive (General Administration Division)		
			Jun. 2023	Director and Senior Managing Executive Officer (In charge of General Administration Division and Human Resources and Labor Relations Division) (to the present)		

Title and position	Name	Date of birth	Career		Term of office	Share holding (hundreds)
Director and Senior Managing Executive Officer	Takao Yamada	September 27, 1960	Apr. 1983 Jun. 2011 Jun. 2012 Jun. 2013 Jun. 2013 Apr. 2015 Apr. 2017 Jun. 2019 Jun. 2022	Joined the Company Director and General Manager (Tokyo Sales Department), Nisshin Flour Milling Inc. Executive Officer Director Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc. Senior Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc. Director and President, Nisshin Flour Milling Inc. (to the present) Director and Managing Executive Officer Director and Senior Managing Executive Officer (to the present)	Note 3	417
Director and Managing Executive Officer Division Executive, R&D and Quality Assurance Division	Yasuo Ito	September 16, 1958	Apr. 1982 Jun. 2010 Apr. 2012 Jun. 2012 Jun. 2013 Jun. 2016 Jun. 2016 Jun. 2017 Jun. 2020 Jun. 2023	Joined the Company Director and General Manager (Quality Assurance Department), Nisshin Flour Milling Inc. Executive Officer and Assistant Division Executive (R&D and Quality Assurance Division) Executive Officer and General Manager (Quality Assurance Department of R&D and Quality Assurance Division) Director, Nisshin Foods Inc. Executive Officer, Deputy Division Executive (R&D and Quality Assurance Division) and General Manager (Quality Assurance Department of R&D and Quality Assurance Division) Managing Director, Nisshin Foods Inc. Executive Officer and Deputy Division Executive (R&D and Quality Assurance Division) Managing Executive Officer and Division Executive (R&D and Quality Assurance Division) Director, Managing Executive Officer and Division Executive (R&D and Quality Assurance Division) (to the present)	Note 3	527
Director and Managing Executive Officer Division Executive, Finance and Accounting Division	Eiichi Suzuki	March 3, 1964	Apr. 1987 Jun. 2013 Jun. 2019 Jun. 2020 Jun. 2023	Joined the Company General Manager (Accounting Department of Finance and Accounting Division) Executive Officer and General Manager (Accounting Department of Finance and Accounting Division) Executive Officer and Division Executive (Finance and Accounting Division) Director, Managing Executive Officer and Division Executive (Finance and Accounting Division) (to the present)	Note 3	57

Title and position	Name	Date of birth	Career		Term of office	Share holding (hundreds)
Director and Managing Executive Officer	Koichi Iwasaki	September 12, 1956	Apr. 1980	Joined the Company	Note 3	678
			Jun. 2012	Director		
			Jun. 2012	Director and President, Nisshin Foods Inc.		
			Jun. 2014	Managing Director		
			Jun. 2015	Director, Tokatsu Foods Co., Ltd.		
			Jun. 2017	Executive Officer		
			Jun. 2017	Director and Vice Chairman, Tokatsu Foods Co., Ltd.		
			Jun. 2019	Director, Managing Executive Officer and Division Executive (Business Development Division)		
			Jul. 2019	Director and Chairman, Tokatsu Foods Co., Ltd. (to the present)		
			Jul. 2022	Director and Managing Executive Officer (to the present)		
			Jul. 2022	Director and President, Nisshin Seifun Delica Frontier Inc. (to the present)		
Director and Managing Executive Officer	Takahiko Iwahashi	October 6, 1964	Apr. 1987	Joined the Company	Note 3	308
			Jun. 2013	Director and General Manager (R&D Division), Nisshin Foods Inc.		
			Apr. 2014	Director and General Manger (Processed Foods Division), Nisshin Foods Inc.		
			Jun. 2015	Executive Officer		
			Jun. 2018	Managing Director and General Manager (Processed Foods Division), Nisshin Foods Inc.		
			Jun. 2019	Managing Executive Officer		
			Jun. 2020	Managing Director and General Manager (Product Management Division), Nisshin Foods Inc.		
			Jun. 2021	Senior Managing Director and General Manager (Product Management Division), Nisshin Foods Inc.		
			Jan. 2022	Senior Managing Director and General Manager (Product Management Division), Nisshin Seifun Welna Inc.		
			Jun. 2022	Senior Managing Director, Nisshin Seifun Welna Inc.		
			Apr. 2023	Director and President, Nisshin Seifun Welna Inc. (to the present)		
			Jun. 2023	Director and Managing Executive Officer (to the present)		
Director	Kazuhiko Fushiya	January 26, 1944	Apr. 1967	Joined the Ministry of Finance	Note 3	60
			Jul. 1999	Commissioner, National Tax Agency		
			Jul. 2001	Deputy Governor, National Life Finance Corporation		
			Jul. 2002	Assistant Chief Cabinet Secretary		
			Jan. 2006	Commissioner, Board of Audit of Japan		
			Feb. 2008	Commissioner (President), Board of Audit of Japan		
			Jan. 2009	Retired		
			Jun. 2009	Audit & Supervisory Board Member		
			Jun. 2015	Director (to the present)		

Title and position	Name	Date of birth	Career		Term of office	Share holding (hundreds)
Director	Motoo Nagai	March 4, 1954	Apr. 1977	Joined Industrial Bank of Japan, Limited (IBJ)	Note 3	14
			Apr. 2005	Executive Officer, Mizuho Corporate Bank, Ltd.		
			Apr. 2007	Managing Executive Officer, Mizuho Corporate Bank, Ltd.		
			Apr. 2011	Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.		
			Jun. 2011	Deputy President (Representative Director) and Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.		
			Apr. 2014	Commissioner, Mizuho Trust & Banking Co., Ltd.		
			Jun. 2014	Retired as Commissioner, Mizuho Trust & Banking Co., Ltd.		
			Jun. 2015	Audit & Supervisory Board Member		
			Jun. 2019	Director (to the present)		
Director	Nobuhiro Endo	November 8, 1953	Apr. 1981	Joined NEC Corporation	Note 3	4
			Apr. 2006	Senior Vice President and Executive General Manager (Mobile Network Operations Unit), NEC Corporation		
			Apr. 2009	Executive Vice President, NEC Corporation		
			Jun. 2009	Executive Vice President and Member of the Board, NEC Corporation		
			Apr. 2010	President (Representative Director), NEC Corporation		
			Apr. 2016	Chairman of the Board (Representative Director), NEC Corporation		
			Jun. 2019	Chairman of the Board, NEC Corporation		
			Jun. 2022	Corporate Special Advisor, NEC Corporation (to the present)		
			Jun. 2022	Director (to the present)		
Director (Full-time Audit & Supervisory Committee Member)	Shoh Ohuchi	February 13, 1961	Apr. 1983	Joined the Company	Note 4	197
			Jun. 2014	General Manager (Finance Department of Finance and Accounting Division)		
			Jun. 2015	Executive Officer and General Manager (Finance Department of Finance and Accounting Division)		
			Jun. 2018	Audit & Supervisory Board Member		
			Jun. 2019	Director (Full-time Audit & Supervisory Committee Member) (to the present)		

Title and position	Name	Date of birth	Career		Term of office	Share holding (hundreds)
Director (Audit & Supervisory Committee Member)	Mieko Tomita	August 15, 1954	Apr. 1980 Apr. 1980 Apr. 2001 Apr. 2017 Jun. 2019	Qualified as an attorney Joined Nishi and Iseki Law Office (Currently Nishi & Partners Attorneys and Counselors at Law) Civil Conciliation Commissioner, Tokyo District Court (to the present) Senior Partner, Nishi & Partners Attorneys and Counselors at Law (to the present) Director (Audit & Supervisory Committee Member) (to the present)	Note 4	–
Director (Audit & Supervisory Committee Member)	Takaharu Ando	August 31, 1949	Apr. 1972 Sep. 1994 Aug. 1999 Aug. 2004 Aug. 2007 Jun. 2009 Oct. 2011 Jun. 2022	Joined National Police Agency Chief of Gunma Prefectural Police Headquarters Director of Public Security Bureau of Tokyo Metropolitan Police Department Director General of Commissioner General's Secretariat of National Police Agency Deputy Commissioner General of National Police Agency Commissioner General of National Police Agency Retired from National Police Agency Director (Audit & Supervisory Committee Member) (to the present)	Note 5	–
Director (Audit & Supervisory Committee Member)	Hiroto Kaneko	February 26, 1957	Apr. 1980 Mar. 1983 Jun. 1988 Sep. 1999 Jul. 2000 Jun. 2005 Jul. 2015 Jul. 2021 Jun. 2023	Joined Arthur Andersen Accounting, Tokyo office Qualified as a Certified Public Accountant Transferred to Arthur Andersen Germany, Duesseldorf office Partner, Arthur Andersen (currently KPMG) Representative Partner, Asahi & Co. (currently KPMG AZSA LLC) Deputy General Manager, IFRS Division, KPMG AZSA LLC Managing Director, KPMG AZSA LLC Proprietor, Hiroto Kaneko CPA Office (to the present) Director (Audit & Supervisory Committee Member) (to the present)	Note 4	–
Total						3,025

Notes:

1. Directors Kazuhiko Fushiya, Motoo Nagai and Nobuhiro Endo are Outside Directors.
2. Directors Mieko Tomita, Takaharu Ando and Hiroto Kaneko 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 28, 2023, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2024.
4. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 28, 2023, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2025.
5. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 28, 2022, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2024.
6. As described below, Representative Directors were reassigned following the Ordinary General Meeting of Shareholders and subsequent meeting of the Board of Directors held on June 28, 2023.

   Appointed Representative Director, Senior Managing Executive Officer Naoto Masujima

   Retired Representative Director, Senior Managing Executive Officer Akira Mori

7. 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 Director and President, Oriental Yeast Co., Ltd.	Masashi Nakagawa
Executive Officer Corporate Planning Division Corporate Planning Division	Kazuyoshi Watanabe
Executive Officer, Deputy Division Executive (R&D and Quality Assurance Division) and General Manager (R&D Promotion Department of R&D and Quality Assurance Division)	Tsuguhiko Yoshida
Executive Officer, Division Executive (General Administration Division) and General Manager (Board Meeting Administration Office of General Administration Division)	Shigemitsu Fujita
Executive Officer and General Manager (Finance Department of Finance and Accounting Division)	Kazuhiro Imai
Executive Officer, Division Executive (Human Resources and Labor Relations Division), General Manager (Human Resources Department of Human Resources and Labor Relations Division) and General Manager (Human Resources and Labor Relations Planning Office of Human Resources and Labor Relations Division)	Kenji Sakamoto
Executive Officer and General Manager (Public Communications Department of General Administration Division)	Reiko Adachi
Executive Officer and Division Executive (Technology and Engineering Division)	Seiichirou Takahashi
Executive Officer and Deputy Division Executive (Corporate Planning Division)	Hiroyuki Yamada
Executive Officer Managing Director, Nisshin Seifun Welna Inc.	Koji Shintani
Executive Officer Senior Managing Director, Nisshin Flour Milling Inc.	Satoshi Sekiguchi
Executive Officer Managing Director, Nisshin Flour Milling Inc.	Yu Nagaki
Executive Officer Director and President, Nisshin Pharma Inc.	Hidekuni Tanaka
Executive Officer Managing Director, Nisshin Flour Milling Inc.	Eiichiro Ise
Executive Officer Director, Nisshin Flour Milling Inc.	Toshiaki Yokoyama

(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 Kazuhiko Fushiya, Motoo Nagai and Nobuhiro Endo 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 Mieko Tomita and Takaharu Ando perform audits and supervision of the Company's management from an independent, objective standpoint. Director Hiroto Kaneko was newly appointed as Outside Director who is an Audit & Supervisory Committee Member at the Ordinary General Meeting of Shareholders on June 28, 2023. Mr. Kaneko is also expected to perform audits and supervision of the Company's management from an independent, objective standpoint.

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. Nobuhiro Endo was regarded as appropriate for the position of Outside Director because he possesses a wealth of experience and broad-based insight as a corporate manager, 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. All three individuals are fully expected to continue to fulfill their respective duties and roles as described above.

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. Outside Director Takaharu Ando, who is also an Audit & Supervisory Committee Member, was considered appropriate for the position because he held key positions in Japan's National Police Agency, and possesses a wealth of experience and broad-based insight, and based on his knowledge and experience, he 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 Hiroto Kaneko, who is also an Audit & Supervisory Committee Member, has the ability to draw on his extensive auditing experience as a Certified Public Accountant and high-level expertise in both domestic and global finance and accounting. Mr. Kaneko 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 based on his experience and insight, which will strengthen Company governance and risk management. All three individuals are fully expected to continue to fulfill their respective duties and roles as described above 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 7 (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.

6) Any party deemed likely to improperly promote the interests of only select shareholders, or any party deemed likely to have a substantive conflict of interest in light of shared interests with the companies or shareholders.

3. Status of Audits

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

1) Organization and Personnel of the Audit & Supervisory Committee

As of the date of filing this Securities Report in Japanese (June 28, 2023), 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 Hiroto Kaneko 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, 2022, the Audit & Supervisory Committee met 12 times. Attendance for individual Audit & Supervisory Committee Members is detailed below.

Position	Name	Attendance at meeting of the Audit & Supervisory Committee
Director Audit & Supervisory Committee Member (full-time)	Shoh Ohuchi	Attended all 12 meetings
Director Audit & Supervisory Committee Member	Tetsuo Kawawa	Attended all 2 meetings
Director Audit & Supervisory Committee Member	Satoshi Ito	Attended all 12 meetings
Director Audit & Supervisory Committee Member	Mieko Tomita	Attended 11 out of 12 meetings
Director Audit & Supervisory Committee Member	Takaharu Ando	Attended all 10 meetings

Notes:

1. Mr. Tetsuo Kawawa resigned from his position as Director (Audit & Supervisory Committee Member) at the closing of the 178th Ordinary General Meeting of Shareholders held on June 28, 2022.
2. Mr. Satoshi Ito retired from his position as Director (Audit & Supervisory Committee Member) due to expiration of his term of office at the closing of the 179th Ordinary General Meeting of Shareholders held on June 28, 2023.
3. Attendance information for Director (Audit & Supervisory Committee Member) Takaharu Ando only includes meetings of the Audit & Supervisory Committee held since his appointment on June 28, 2022 (after the 178th Ordinary General Meeting of Shareholders).

[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 Nomination and Remuneration Advisory Committee 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.

[Specific 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. In addition to discussion of all key audit matters (KAM) with the independent accounting auditor, the Audit & Supervisory Committee identifies KAM and confirms the status of implementation and suitability of the results of audits of the selected items, as well as the appropriateness and integrity of related information disclosure.

[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 23 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) Initiatives for ensuring internal audit effectiveness

In addition to conducting audits at all Nisshin Seifun Group companies, the Internal Audit Department, under orders from the Audit & Supervisory Committee to which it directly reports, also evaluates internal control systems. Specialized audits with respect to facilities and safety, environmental protection and quality assurance are conducted by departmental staff with expert knowledge in these areas, providing necessary guidance and advice shared horizontally by the Internal Audit Department Group-wide in an effort to maintain and improve the comprehensive level of audits across the entire Group. The results of these internal audits, internal control systems evaluations and specialized audits are reported each time to the Audit & Supervisory Committee. Additionally, the departments responsible for each audit comprise a structure for the reporting of an annual summary of audit results to the Board of Directors, in a commitment to ensuring the effectiveness of specialized audits and all other internal audits.

(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 six years. The Certified Public Accountants who lead the independent audit of the accounts for the Company are Yoshio Sato, Shinji Dobata and Kenji Oyama. The support staff for the auditing team (including audits of consolidated subsidiaries) consists of 11 CPAs and 24 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 2023. 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, 2022		Year ended March 31, 2022	
	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	67	–	69	–
Consolidated subsidiaries	136	–	146	–
Total	204	–	215	–

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, 2022		Year ended March 31, 2023	
	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	–	2	–	2
Consolidated subsidiaries	127	49	159	63
Total	127	52	159	66

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

a. Matters regarding decision-making policy concerning specifics of individual remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The Company vests decision-making policy regarding the specifics of remuneration for individual Directors (excluding Audit & Supervisory Committee Members; the same will apply hereinafter in a.) in the Board of Directors, following deliberation by the Nomination and Remuneration Advisory Committee, a body comprised solely of independent Outside Directors. An overview of the specifics of this decision-making policy is described below.

- 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) 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.
- In order that remuneration for the Company's internal Directors functions as a healthy incentive for sustainable growth, remuneration comprises a combination of the following components: (i) fixed remuneration, paid monthly, based on seniority role or position (basic remuneration); (ii) variable remuneration reflecting contribution to past business performance (bonus), paid during a set period annually; and (iii) stock-based remuneration reflecting future business performance, paid once during a set period annually, with the objective of promoting management that focuses more acutely on shareholder value.
- 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 within a prescribed scope.
- 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, while also taking into account factors such as the responsibilities specific to the management class and the significance of its impact on Group management.

Details regarding bonus are as described in "d. Variable (Performance-based) remuneration (bonus)," and stock-based remuneration is as described in "e. Non-monetary remuneration (stock-based remuneration)"; the method for determining remuneration is as described in "c. Matters regarding responsibility for determining specifics of remuneration for individual Directors (excluding Audit & Supervisory Committee Members).

b. Matters regarding resolution by the General Meeting of Shareholders concerning remuneration for Directors

By a resolution at the 175th Ordinary General Meeting of Shareholders held on June 26, 2019, the Company set the maximum annual amounts of remuneration for Directors (excluding Audit & Supervisory Committee Members), consisting of a basic remuneration and bonus, at ¥400 million (including a maximum annual amount of ¥60 million for Outside Directors), and maximum annual amounts of ¥90 million for Directors who are also Audit & Supervisory Board Members. Furthermore, regarding the remuneration framework for the stock-based remuneration plan, by a resolution at the same meeting, the total number of the Company's shares granted to Directors (excluding Audit & Supervisory Committee Members) 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 is capped at ¥300 million for every consecutive three fiscal-year period. Furthermore, a transfer restriction period (i.e., prohibiting the transfer, establishment of security interests or other treatment) was established regarding the Company's shares granted annually to Directors (excluding Audit & Supervisory Committee Members) applicable for a period of 3 years from the date of delivery. The resolution authorizes the Company to seek equivalent monetary compensation for the confiscation of any granted shares subject to the transfer restriction period from Directors involved in illegal or certain other activities taking place during the transfer restriction period.

These rules were applicable to 10 Directors, excluding Audit & Supervisory Committee Members (including three Outside Directors) and four Directors who are Audit & Supervisory Committee Members as of the conclusion of the 175th Ordinary General Meeting of Shareholders.

c. Matters regarding responsibility for determining specifics of remuneration for individual Directors (excluding Audit & Supervisory Committee Members)

Because individual evaluation of each Director (excluding Directors who are Audit & Supervisory Committee Members; the same will apply hereinafter in c.), based on their responsibilities specific to the Directors and the significance of impact on Group management, reflects the view that such evaluation is appropriately performed by the person responsible for overseeing business execution for the entire Group, the amount of remuneration for each Director is decided by the President, under mandate from the Board of Directors. During the fiscal year under review, decisions regarding remuneration for the period from April to June 2022 were made by President Nobuki Kemmoku. However, in light of the decision-making policy concerning specifics of individual remuneration for Directors stipulated in "a." above, and to ensure propriety and objectivity in the remuneration decision-making process, such decisions are made based on standard amounts for each management class with respect to basic remuneration and non-monetary remuneration (stock-based remuneration), and based on the year-on-year percent change in consolidated ordinary profit for variable (performance-based) remuneration (bonus). For remuneration of individual directors pertaining to the fiscal year under review, the Board of Directors has confirmed that the details of such remuneration conform to its decision-making policy, and has determined that said remuneration is in line with this policy.

d. Variable (Performance-based) remuneration (bonus)

Consolidated ordinary profit is used as a key indicator reflecting the results of the Group's overall management activities, 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 ¥33.0 billion (up 1.3% year on year).

e. Non-monetary remuneration (stock-based remuneration)

Directors (excluding Audit & Supervisory Committee Members) are granted a number of Company shares calculated based on standard amounts for each management class, together with a cash payment equivalent to applicable taxes for such shares. The Company has also established a set transfer restriction period for such granted shares. For details on stock-based remuneration, refer to "(1) Share-Related Matters, 8. Director and Employee Shareholding System."

f. Remuneration for Directors who are Audit & Supervisory Committee Members

Remuneration for Directors who are also Audit & Supervisory Committee Members consists of fixed remuneration (basic remuneration) only. 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.

(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 (persons)
		Fixed remuneration (Basic remuneration)	Variable (Performance-based) remuneration (Bonus)	Non-monetary remuneration (stock-based remuneration)	
Directors (excluding Audit & Supervisory Committee Members) (excluding Outside Directors)	202	138	31	33	8
Directors (Audit & Supervisory Committee Members) (excluding Outside Directors)	16	16	–	–	1
Outside Directors (including Audit & Supervisory Committee Members)	60	57	–	3	8

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	10	251
Stocks other than unlisted stocks	27	74,000

(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	1	100	Purchase for collaboration ahead of new business development
Stocks other than unlisted stocks	1	2	Purchase to maintain and strengthen trading relationships involving sales of merchandise and products

(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	–	–
Stocks other than unlisted stocks	8	19,979

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, 2023	Fiscal year ended March 31, 2022	Purpose for ownership, overview of business partnerships, 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)		
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
	17,743	16,582		
NISSIN FOODS HOLDINGS CO., LTD.	885,982	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
	10,746	10,840		
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
	7,299	6,443		
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
	5,629	4,471		
Mitsubishi Corporation	1,161,474	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
	5,518	13,980		
Sumitomo Corporation	2,132,244	2,749,244	The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions.	Yes
	4,991	5,825		
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
	4,451	5,369		
NIPPON EXPRESS HOLDINGS, INC.	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
	2,556	2,701		
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
	2,525	2,052		
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
	2,210	2,166		
Sumitomo Mitsui Financial Group, Inc.	404,794	606,994	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
	2,144	2,371		
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
	1,535	1,613		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose for ownership, overview of business partnerships, 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)		
KYORIN Holdings, Inc. (Note 4)	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
	1,284	1,339		
Mitsubishi UFJ Financial Group, Inc.	1,469,450	2,571,450	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
	1,245	1,955		
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
	1,153	1,211		
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
	872	768		
Mizuho Financial Group, Inc.	294,651	294,651	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
	553	461		
Tokio Marine Holdings, Inc. (Note 5)	179,310	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
	456	426		
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
	227	233		
Hakuhodo DY Holdings Inc.	147,000	734,600	This ownership is designed to effectively engage in advertising and promotion activities of the Group through the issuer.	Yes
	219	1,134		
YAMAE GROUP HOLDINGS CO., LTD.	99,769	98,103	[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
	180	101		
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
	165	144		
Dentsu Group Inc.	26,400	130,400	This ownership is designed to effectively engage in advertising and promotion activities of the Group through the issuer.	Yes
	122	654		
Sojitz Corporation	24,705	24,705	The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions.	Yes
	68	49		

Issuer	Fiscal year ended March 31, 2023 Number of shares held Carrying value (millions of yen)	Fiscal year ended March 31, 2022 Number of shares held Carrying value (millions of yen)	Purpose for ownership, overview of business partnerships, quantitative effect of ownership (Note 1) and reason for increase in number of shares	Company shares owned? (Note 3)
Dai-ichi Life Holdings, Inc.	23,000 56	23,000 57	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
MS&AD Insurance Group Holdings, Inc.	8,241 33	8,241 32	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
Meiji Machine Co., Ltd.	18,354 6	18,354 3	The Group purchases machinery and equipment from the issuer, and this stock ownership is designed to maintain and strengthen such business relationship.	Yes
Hosokawa Micron Corporation	– –	1,000,000 2,683	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

Notes:

1. From the viewpoint of maintaining the confidentiality of transaction data, the quantitative effect of ownership for individual issuers is not shown. On February 27, 2023, 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.
4. KYORIN Holdings, Inc. changed the company name to KYORIN Pharmaceutical Co., Ltd. on April 1, 2023.
5. Tokio Marine Holdings, Inc. conducted a 1-for-3 common stock split on October 1, 2022.

(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, 2022 to March 31, 2023; the 179th 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, 2022 (As of March 31, 2022)		Year ended March 31, 2023 (As of March 31, 2023)	
Assets				
Current assets				
Cash and deposits		69,607		82,971
Notes and accounts receivable – trade, and contract assets	Note 5	100,594	Note 5	107,887
Securities		1,103		–
Inventories	Note 1	96,596	Note 1	128,786
Other		13,167		11,065
Allowance for doubtful accounts		(542)		(641)
Total current assets		280,527		330,069
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	Notes 2, 3	68,843	Notes 2, 3, 7	71,134
Machinery, equipment and vehicles, net	Notes 2, 3	53,018	Notes 2, 3	60,212
Land		46,334	Note 7	52,618
Construction in progress		16,149		10,842
Right-of-use assets	Note 2	29,050	Note 2	17,060
Other, net	Note 2	5,981	Note 2	5,625
Total property, plant and equipment		219,379		217,494
Intangible assets				
Goodwill		42,385		7,496
Other		26,367		16,180
Total intangible assets		68,752		23,677
Investments and other assets				
Investment securities	Note 4	141,590	Note 4	124,653
Net defined benefit asset		316		340
Deferred tax assets		6,933		11,964
Other	Note 4	5,698	Note 4	5,875
Allowance for doubtful accounts		(125)		(200)
Total investments and other assets		154,414		142,633
Total non-current assets		442,546		383,805
Total assets		723,073		713,874

(Millions of yen)

	Year ended March 31, 2022 (As of March 31, 2022)		Year ended March 31, 2023 (As of March 31, 2023)	
Liabilities				
Current liabilities				
Notes and accounts payable – trade		63,655		74,565
Short-term loans payable		6,789	Note 7	14,356
Income taxes payable		5,784		8,941
Accrued expenses		24,727		23,247
Other	Note 6	28,201	Note 6	29,150
Total current liabilities		129,158		150,262
Non-current liabilities				
Bonds		20,000		20,000
Long-term loans payable		13,785	Note 7	13,378
Lease obligations		38,939		37,311
Deferred tax liabilities		28,360		22,097
Provision for repairs		1,373		1,562
Net defined benefit liability		22,845		23,422
Long-term deposits received		5,696		5,646
Other		2,272		1,694
Total non-current liabilities		133,272		125,112
Total liabilities		262,430		275,375
Net assets				
Shareholders' equity				
Capital stock		17,117		17,117
Capital surplus		12,622		12,728
Retained earnings		347,165		325,181
Treasury shares		(10,960)		(10,989)
Total shareholders' equity		365,946		344,037
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		60,585		52,044
Deferred gains or losses on hedges		445		(13)
Foreign currency translation adjustment		23,059		28,352
Remeasurements of defined benefit plans		(862)		(588)
Total accumulated other comprehensive income		83,227		79,795
Subscription rights to shares		95		44
Non-controlling interests		11,373		14,621
Total net assets		460,643		438,499
Total liabilities and net assets		723,073		713,874

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)		Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	
Net sales		679,736		798,681
Cost of sales	Notes 1, 2	531,660	Notes 1, 2	638,062
Gross profit		148,075		160,618
Selling, general and administrative expenses	Notes 2, 3	118,645	Notes 2, 3	127,786
Operating profit		29,430		32,831
Non-operating income				
Interest income		157		260
Dividend income		3,003		3,201
Share of profit of entities accounted for using equity method		2,070		–
Rent income		300		295
Other		1,025		833
Total non-operating income		6,558		4,591
Non-operating expenses				
Interest expenses		2,914		3,546
Share of loss of entities accounted for using equity method		–		346
Other		447		479
Total non-operating expenses		3,362		4,371
Ordinary profit		32,626		33,051
Extraordinary income				
Gain on sale of investment securities		1,645		24,393
Total extraordinary income		1,645		24,393
Extraordinary losses				
Loss on retirement of non-current assets	Note 4	722	Note 4	609
Impairment loss	Note 5	2,439	Note 5	55,704
Expenses related to change of the company name		336		251
Total extraordinary losses		3,499		56,565
Profit before income taxes		30,773		879
Income taxes – current		12,654		18,748
Income taxes – deferred		(642)		(8,404)
Total income taxes		12,011		10,343
Profit (loss)		18,761		(9,463)
Profit attributable to non-controlling interests		1,251		917
Profit (loss) attributable to owners of parent		17,509		(10,381)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Profit (loss)	18,761	(9,463)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,087)	(8,585)
Deferred gains or losses on hedges	97	(306)
Foreign currency translation adjustment	13,497	5,441
Remeasurements of defined benefit plans	154	268
Share of other comprehensive income of entities accounted for using equity method	467	281
Total other comprehensive income (loss)	Note 1 10,130	Note 1 (2,901)
Comprehensive income	28,892	(12,365)
(Breakdown)		
Comprehensive income attributable to owners of parent	27,639	(13,813)
Comprehensive income attributable to non-controlling interests	1,253	1,447

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	12,627	341,241	(10,997)	359,990
Cumulative effects of changes in accounting policies			16		16
Restated balance	17,117	12,627	341,258	(10,997)	360,006
Changes of items during the period					
Dividends from surplus			(11,602)		(11,602)
Profit attributable to owners of parent			17,509		17,509
Purchase of treasury shares				(190)	(190)
Disposal of treasury shares		(6)		227	220
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(4)	5,907	36	5,939
Balance at the end of current period	17,117	12,622	347,165	(10,960)	365,946

	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	64,687	222	9,314	(1,125)	73,098	116	11,569	444,774
Cumulative effects of changes in accounting policies								16
Restated balance	64,687	222	9,314	(1,125)	73,098	116	11,569	444,791
Changes of items during the period								
Dividends from surplus								(11,602)
Profit attributable to owners of parent								17,509
Purchase of treasury shares								(190)
Disposal of treasury shares								220
Change in ownership interest of parent due to transactions with non-controlling interests								1
Net changes of items other than shareholders' equity	(4,102)	223	13,745	262	10,129	(20)	(196)	9,912
Total changes of items during the period	(4,102)	223	13,745	262	10,129	(20)	(196)	15,851
Balance at the end of current period	60,585	445	23,059	(862)	83,227	95	11,373	460,643

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	12,622	347,165	(10,960)	365,946
Changes of items during the period					
Dividends from surplus			(11,603)		(11,603)
Loss attributable to owners of parent			(10,381)		(10,381)
Purchase of treasury shares				(190)	(190)
Disposal of treasury shares		1		161	162
Change in ownership interest of parent due to transactions with non-controlling interests		104			104
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	105	(21,984)	(29)	(21,908)
Balance at the end of current period	17,117	12,728	325,181	(10,989)	344,037

	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	60,585	445	23,059	(862)	83,227	95	11,373	460,643
Changes of items during the period								
Dividends from surplus								(11,603)
Loss attributable to owners of parent								(10,381)
Purchase of treasury shares								(190)
Disposal of treasury shares								162
Change in ownership interest of parent due to transactions with non-controlling interests								104
Net changes of items other than shareholders' equity	(8,540)	(459)	5,293	274	(3,432)	(51)	3,248	(234)
Total changes of items during the period	(8,540)	(459)	5,293	274	(3,432)	(51)	3,248	(22,143)
Balance at the end of current period	52,044	(13)	28,352	(588)	79,795	44	14,621	438,499

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	30,773	879
Depreciation and amortization	23,054	22,805
Impairment loss	2,439	55,704
Amortization of goodwill	5,864	3,908
Interest and dividend income	(3,161)	(3,461)
Interest expenses	2,914	3,546
Share of (profit) loss of entities accounted for using equity method	(2,070)	346
Loss (gain) on sales of investment securities	(1,645)	(24,393)
Decrease (increase) in notes and accounts receivable – trade, and contract assets	(12,756)	(2,811)
Decrease (increase) in inventories	(12,155)	(27,935)
Increase (decrease) in notes and accounts payable – trade	14,900	8,285
Other, net	4,992	(219)
Subtotal	53,150	36,653
Interest and dividend income received	3,974	4,238
Interest expenses paid	(2,918)	(3,532)
Income taxes paid	(12,372)	(13,937)
Net cash provided by (used in) operating activities	41,833	23,422
Cash flows from investing activities		
Payments into time deposits	(4,248)	(439)
Proceeds from withdrawal of time deposits	5,063	2,113
Purchase of property, plant and equipment and intangible assets	(18,683)	(18,657)
Proceeds from sales of investment securities	1,956	29,086
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	Note 2 (11,480)
Other, net	394	(135)
Net cash provided by (used in) investing activities	(15,517)	487
Cash flows from financing activities		
Increase in short-term loans payable	1,858	7,210
Decrease in short-term loans payable	(2,369)	(1,578)
Purchase of treasury shares	(190)	(190)
Cash dividends paid	(11,602)	(11,603)
Repayments of lease obligations	(4,148)	(4,484)
Other, net	(1,397)	19
Net cash provided by (used in) financing activities	(17,850)	(10,625)
Effect of exchange rate change on cash and cash equivalents	1,110	959
Net increase (decrease) in cash and cash equivalents	9,576	14,243
Cash and cash equivalents at beginning of period	59,152	68,728
Cash and cash equivalents at end of period	Note 1 68,728	Note 1 82,971

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

1. Scope of consolidation
   (1) Consolidated subsidiaries: 68 companies
   - Names of principal subsidiaries: Nisshin Flour Milling Inc., Kumamoto Flour Milling Co., Ltd., Miller Milling Company, LLC, Allied Pinnacle Pty Ltd., Nisshin Seifun Welna Inc., Nisshin Seifun Premix Inc., Ma•Ma-Macaroni Co., Ltd., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Seifun Delica Frontier Inc., Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd., Initio Foods Inc., Nisshin Engineering Inc., NBC Meshtec Inc.
   - Of the remaining subsidiaries, Nisshin Managerial Technology Center Co., Ltd. and other four 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
   - Nisshin Seifun Delica Frontier Inc. was newly added to the scope of consolidation due to its establishment via corporate separation during the fiscal year under review. Similarly, following an acquisition of shares, Kumamoto Flour Milling Co., Ltd. and its four subsidiaries were added to the scope of consolidation during the fiscal year under review.

2. Scope of the equity method
   (1) Subsidiaries and affiliates accounted for by the equity method: 9 (1 non-consolidated subsidiary and 8 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 four non-consolidated subsidiaries and four 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, eight companies have accounting periods that differ from the consolidated accounting period. For Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. and two other companies, financial statements used are based on provisional financial results tabulated as of the end date of the consolidated accounting period. In addition, because the difference in accounting period with Kumamoto Flour Milling Co., Ltd. and four other companies is less than three months, the financial statements for the accounting period of the company concerned are used. However, necessary adjustments are made in consolidation for material transactions that occur during the gap between accounting periods.

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: Stated at fair market value (any unrealized gains or losses reported directly as a component of shareholders' equity; the cost of any securities sold computed by the moving average method)

      Securities with no readily determinable market value: 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 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) Standard for reporting of significant revenue and expenses

The Group's main business segments are Flour Milling, Processed Food and Prepared Dishes and Other Prepared Foods.

a. Flour Milling Segment

The Flour Milling Segment is involved in the manufacture and sale of wheat flour, bran and wheat flour-related products.

In the sale of merchandise or finished goods, the Company carries an obligation for the delivery of merchandise and finished goods based on sales contracts with customers. With respect to this obligation, at some point in the delivery of the merchandise or finished goods, the customer is deemed to gain adequate control of the said merchandise or finished goods, at which time these are considered delivered and revenue is recognized.

b. Processed Food Segment

The Processed Food Segment is involved in the manufacture and sale of prepared mix, wheat flour for household-use, pasta, pasta sauce, frozen food, cake and bread ingredients, biochemical products, research support for drug discovery, and healthcare foods.

In the sale of merchandise or finished goods, the Company carries an obligation for the delivery of merchandise and finished goods based on sales contracts with customers. With respect to this obligation, at some point in the delivery of the merchandise or finished goods, the customer is deemed to gain adequate control of the said merchandise or finished goods, at which time these are considered delivered and revenue is recognized.

c. Prepared Dishes and Other Prepared Foods

The Prepared Dishes and Other Prepared Foods Segment is involved in the manufacture and sale of boxed lunches, prepared dishes, prepared noodles and other prepared foods.

In the sale of merchandise or finished goods, the Company carries an obligation for the delivery of merchandise and finished goods based on sales contracts with customers. With respect to this obligation, at some point in the delivery of the merchandise or finished goods, the customer is deemed to gain adequate control of the said merchandise or finished goods, at which time these are considered delivered and revenue is recognized.

(6) 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.

(7) 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.

(8) 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.

[Significant Accounting Estimates]

Evaluation of goodwill and other intangible assets (client-related assets)

1. Monetary figures recognized to consolidated financial statements for the fiscal year under review

(Millions of yen)

	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Goodwill	7,496
Other (Intangible assets)	16,180
Impairment loss	55,704

2. Information related to significant accounting estimates pertaining to distinguishable items

The acquisition cost of companies or businesses acquired as a result of corporate merger is allocated to relevant assets or liabilities. In cases in which the acquisition cost exceeds the net value of assets or liabilities, any excess is recognized to assets as goodwill. For the duration of their effect, goodwill and other intangible assets (client-related assets) are regularly amortized. Impairment measures are applied to any remaining unamortized value.

In cases in which signs of impairment are recognized, the Group determines whether impairment measures are warranted by comparing the overall amount of the future pre-discounted cash flow to the book value of the asset or asset group. 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.

As stated in "Notes to the Consolidated Financial Statements [Consolidated Statements of Income]," during the fiscal year under review, the Group reported an impairment loss on distinguishable goodwill and other intangible assets (client-related assets) following the purchase of 100% of the shares of PFG Topco1 Pty Ltd., the parent company of Australian flour milling company Allied Pinnacle Pty Ltd., on April 1, 2019.

Impairment measures may become necessary in the event that the recoverable value falls below the book value due to future changes in the business environment or other factors.

[Changes in Disclosure]

[Consolidated Statements of Cash Flows]

Due to a lack of monetary importance, “Purchase of securities” and “Proceeds from sales of securities,” listed as independent line items under “Cash flows from investing activities” in the previous fiscal year, were included within “Other, net” under “Cash flows from investing activities” for the fiscal year ended March 31, 2023. Figures for the previous fiscal year have been restated in the consolidated financial statements to reflect this change in disclosure.

As a result, “Purchase of securities” of ¥(418) million, “Proceeds from sales of securities” of ¥316 million and “Other, net” of ¥497 million listed under “Cash flows from investing activities” in the Consolidated Statements of Cash Flows for the previous fiscal year have been reclassified as ¥394 million posted as “Other, net.”

Due to a lack of monetary importance, “Proceeds from sales of treasury shares” and “Dividends paid to non-controlling interests,” listed as independent line items under “Cash flows from financing activities” in the previous fiscal year, were included within “Other, net” under “Cash flows from financing activities” for the fiscal year ended March 31, 2023. Figures for the previous fiscal year have been restated in the consolidated financial statements to reflect this change in disclosure.

As a result, “Proceeds from sales of treasury shares” of ¥58 million, “Dividends paid to non-controlling interests” of ¥(1,455) million and “Other, net” of ¥(0) million listed under “Cash flows from financing activities” in the Consolidated Statements of Cash Flows for the previous fiscal year have been reclassified as ¥(1,397) million posted as “Other, net.”

[Additional Information]

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 recognized as part of “Treasury shares” under “Net assets.” As of March 31, 2022, the carrying value of such treasury shares was ¥71 million, accounting for 42,900 shares. As of March 31, 2023, the carrying value of such treasury shares was ¥103 million, accounting for 64,000 shares.

[Consolidated Balance Sheets]

1. Components of inventories are as follows.

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Merchandise and finished goods	¥35,825 million	¥44,014 million
Work in process	¥4,581 million	¥5,790 million
Raw materials and supplies	¥56,188 million	¥78,980 million

2. Accumulated depreciation of property, plant and equipment

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
	¥351,767 million	¥384,373 million

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

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Accumulated reduction entry of property, plant and equipment	¥351 million	¥808 million

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

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Investment securities	¥22,834 million	¥21,943 million
Others	¥198 million	¥218 million
[Investments in joint ventures included in the above]	[¥198 million]	[¥218 million]

5. Amounts of receivables and contract assets arising from contracts with customers, included under notes and accounts receivable – trade, and contract assets, are as follows.

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Accounts receivable - trade	¥90,999 million	¥102,181 million
Notes receivable - trade	¥5,280 million	¥3,208 million
Contract assets	¥4,314 million	¥2,498 million

6. Contract liabilities, included under “Other,” are as follows.

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Contract liabilities	¥2,113 million	¥3,451 million

7. Pledged assets and secured debt
   The breakdown of assets pledged as collateral is as follows.

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Buildings and structures	–	¥172 million
Land	–	¥235 million
Total	–	¥407 million

   The breakdown of secured debt is as follows.

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Long-term loans payable (including current portion)	–	¥105 million

[Consolidated Statements of Income]

1. 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, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
¥378 million	¥453 million

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

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
¥7,018 million	¥7,318 million

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

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Sales freight expenses	¥39,373 million	¥45,357 million
Salaries	¥19,622 million	¥21,238 million
Bonuses and allowance	¥12,622 million	¥13,328 million
Retirement benefit expenses	¥1,581 million	¥1,617 million

4. Loss on retirement of non-current assets
   Year ended March 31, 2022 (April 1, 2021 to March 31, 2022) and Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
   This figure mainly reflects losses on the disposal of machinery, equipment and vehicles.

5. Impairment losses

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Impairment losses were recognized for the asset groups below during the fiscal year ended March 31, 2022.

Location	Application	Type
New Zealand	Business assets (Flour Milling)	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 business assets for the plant in New Zealand in the Flour Milling Segment, following comprehensive consideration of factors surrounding a downturn in business performance due to a nationwide lockdown and other issues related to the COVID-19 pandemic, the Company conducted an impairment test based on international financial reporting standards (IFRS). This resulted in a reduction in the book value of this plant to its recoverable value, and the subsequent recognition of an impairment loss of ¥2,300 million under extraordinary losses. The breakdown of the impairment loss is ¥679 million in buildings and structures, ¥1,005 million in machinery, equipment and vehicles, and ¥615 million in others.

The recoverable value is measured based on use value. A discount rate of 9.7% was used in the calculation of use value.

Due to a lack of material importance, impairment losses other than the above have been omitted.

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

Impairment losses were recognized for the asset groups below during the fiscal year ended March 31, 2023.

Location	Application	Type
Australia	— (Flour Milling)	Goodwill
	Business assets (Flour Milling)	Other (intangible assets), property, plant and equipment

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.

In the Flour Milling Segment, non-current assets pertaining to the Australia flour milling business experienced a decline in profitability largely attributable to changes in demand due to the COVID-19 pandemic, coupled with the impact of rising costs driven by the situation in Ukraine. Since there is no longer any prospect of a recovery of investment, the Company has reduced the book value of the assets to their recoverable amount, and has recognized an impairment loss of ¥55,704 million under extraordinary losses. The breakdown of the impairment loss is ¥31,303 million in goodwill, ¥7,818 million in other (intangible assets), and ¥16,581 million in property, plant and equipment.

The recoverable value is measured based on use value. A discount rate of 11.9% was used in the calculation of use value.

[Consolidated Statements of Comprehensive Income]

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

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Gain (loss) in the current period	¥(4,294) million	¥12,275 million
Reclassification adjustment	¥(1,632) million	¥(24,687) million
Before tax effect adjustment	¥(5,926) million	¥(12,411) million
Tax effect	¥1,839 million	¥3,826 million
Valuation difference on available-for-sale securities	¥(4,087) million	¥(8,585) million
Deferred gains or losses on hedges		
Gain (loss) in the current period	¥161 million	¥(575) million
Reclassification adjustment	¥(19) million	¥137 million
Before tax effect adjustment	¥141 million	¥(438) million
Tax effect	¥(44) million	¥131 million
Deferred gains or losses on hedges	¥97 million	¥(306) million
Foreign currency translation adjustment		
Gain (loss) in the current period	¥13,497 million	¥5,441 million
Remeasurements of defined benefit plans		
Gain (loss) in the current period	¥(118) million	¥38 million
Reclassification adjustment	¥338 million	¥342 million
Before tax effect adjustment	¥219 million	¥381 million
Tax effect	¥(64) million	¥(113) million
Remeasurements of defined benefit plans	¥154 million	¥268 million
Share of other comprehensive income of entities accounted for using equity method		
Gain (loss) in the current period	¥467 million	¥281 million
Total other comprehensive income (loss)	¥10,130 million	¥(2,901) million

[Consolidated Statements of Changes in Net Assets]

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

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 Common stock	304,357	–	–	304,357
Treasury shares Common stock	6,983	115	137	6,960

Notes:

1. Portion of the increase in common stock accounted for by treasury shares:
   114 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
   96 thousand shares, as a result of share delivery trust
   41 thousand shares, as result of exercise of stock options
3. The treasury shares as of March 31, 2022 include 42,000 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	–					95
Total		–					95

3. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 25, 2021.

- Dividends on common stock:
  i) Total dividends to be paid ¥5,949 million
  ii) Dividend per share ¥20
  iii) Record date March 31, 2021
  iv) Effective date June 28, 2021

(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 28, 2021.

- Dividends on common stock:
  i) Total dividends to be paid ¥5,652 million
  ii) Dividend per share ¥19
  iii) Record date September 30, 2021
  iv) Effective date December 3, 2021

(Note) “Total dividends to be paid” includes dividends of ¥2 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, 2022, 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 28, 2022.

- Dividends on common stock:

i)	Total dividends to be paid	¥5,950 million
ii)	Source of dividends	Retained earnings
iii)	Dividend per share	¥20
iv)	Record date	March 31, 2022
v)	Effective date	June 29, 2022

(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, 2023 (April 1, 2022 to March 31, 2023)

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 Common stock	304,357	–	–	304,357
Treasury shares Common stock	6,960	118	99	6,979

Notes:

1. Portion of the increase in common stock accounted for by treasury shares:
   117 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
   96 thousand shares, as a result of share delivery trust
   3 thousand shares, as result of exercise of stock options
3. The treasury shares as of March 31, 2023 include 64,000 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	–					44
Total		–					44

3. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2022.

- Dividends on common stock:

i)	Total dividends to be paid	¥5,950 million
ii)	Dividend per share	¥20
iii)	Record date	March 31, 2022
iv)	Effective date	June 29, 2022

(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 26, 2022.

- Dividends on common stock:

i)	Total dividends to be paid	¥5,652 million
ii)	Dividend per share	¥19
iii)	Record date	September 30, 2022

iv) Effective date December 2, 2022

(Note) "Total dividends to be paid" includes dividends of ¥3 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, 2023, 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 28, 2023.

- Dividends on common stock:

i) Total dividends to be paid	¥6,247 million
ii) Source of dividends	Retained earnings
iii) Dividend per share	¥21
iv) Record date	March 31, 2023
v) Effective date	June 29, 2023

(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.

[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, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash and deposits	¥69,607 million	¥82,971 million
Securities	¥1,103 million	–
Total	¥70,711 million	¥82,971 million
Time deposits with maturities of more than three months	¥(1,614) million	–
Debt securities with maturities of more than three months	¥(367) million	–
Cash and cash equivalents at end of period	¥68,728 million	¥82,971 million

2. Breakdown of assets and liabilities of companies recently made consolidated subsidiaries via acquisition of shares
During the fiscal year under review, consolidated subsidiary Nisshin Flour Milling Inc. acquired shares of Kumamoto Flour Milling Co., Ltd. In light of the new consolidation of Kumamoto Flour Milling and its subsidiaries, a breakdown of assets and liabilities from the start of consolidation and the relationship between the share acquisition cost and acquisition expenses (net cost) are as follows.

Current assets	¥9,240 million
Non-current assets	¥13,375 million
Current liabilities	¥(4,649) million
Non-current liabilities	¥(1,549) million
Non-controlling interests	¥(2,486) million
Stock acquisition price	¥13,930 million
Cash and cash equivalents	¥(1,519) million
Accounts payable – other	¥(930) million
Net：acquisition expenses	¥11,480 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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Due within one year	523	397
Due after one year	2,796	2,204
Total	3,319	2,602

   (Lessor)

(Millions of yen)

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Due within one year	204	204
Due after one year	3,550	3,345
Total	3,755	3,550

3. IFRS or US GAAP 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 calculation of the fair value of financial instruments incorporates several variable factors. As such, the resulting amount may vary depending on the different preconditions employed. Furthermore, contract amounts related to derivative transactions, found under "Derivative Transactions," 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. Because cash and deposits, notes and accounts receivable – trade, contract assets, notes and accounts payable – trade and short-term loans payable are settled within a short time, the fair value thereof is almost equal to the carrying value. Accordingly, these figures have been omitted.

Year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

	Carrying value	Fair value	Unrealized gains (losses)
(1) Securities and investment securities (Note 1)			
Other securities	115,169	115,185	16
Equity in subsidiaries and affiliates	3,208	1,158	(2,050)
Total assets	118,378	116,343	(2,034)
(1) Bonds	20,000	19,009	(990)
(2) Long-term loans payable (Note 2)	15,210	14,608	(601)
Total liabilities	35,210	33,618	(1,592)
Derivative transactions (Note 3)			
1) Transactions for which hedge accounting has not been adopted	2,611	2,611	–
2) Transactions for which hedge accounting has been adopted	364	364	–
Total derivative transactions	2,976	2,976	–

Notes:

(1) Stocks with no readily determinable market value are not included under "(1) Securities and investment securities." Amounts for these financial instruments reported in the consolidated balance sheets are as follows.

(Millions of yen)

Classification	Year ended March 31, 2022 (As of March 31, 2022)
Unlisted stocks	24,316

(2) Long-term loans payable includes current portion.

(3) 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, 2023 (As of March 31, 2023)

(Millions of yen)

	Carrying value	Fair value	Unrealized gains (losses)
(1) Investment securities (Note 1)			
Other securities	97,851	97,871	20
Equity in subsidiaries and affiliates	3,519	1,186	(2,333)
Total assets	101,371	99,057	(2,313)
(1) Bonds	20,000	18,541	(1,458)
(2) Long-term loans payable (Note 2)	15,396	14,488	(907)
Total liabilities	35,396	33,030	(2,365)
Derivative transactions (Note 3)			
1) Transactions for which hedge accounting has not been adopted	135	135	–
2) Transactions for which hedge accounting has been adopted	(73)	(73)	–
Total derivative transactions	61	61	–

Notes:

(1) Stocks with no readily determinable market value are not included under "(1) Investment securities." Amounts for these financial instruments reported in the consolidated balance sheets are as follows.

(Millions of yen)

Classification	Year ended March 31, 2023 (As of March 31, 2023)
Unlisted stocks	23,282

(2) Long-term loans payable includes current portion.

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

Year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

	Due within one year	Due after one year but within five years
Cash and deposits	69,607	–
Notes and accounts receivable – trade	96,280	–
Securities and investment securities		
Other securities with maturity dates (government bonds)	1,104	–
Total	166,992	–

Year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

	Due within one year	Due after one year but within five years
Cash and deposits	82,971	–
Notes and accounts receivable – trade	105,389	–
Total	188,361	–

Note 2: Repayment schedule for short-term loans payable, bonds and long-term loans payable after the consolidated closing date (March 31)

Year ended March 31, 2022 (As of March 31, 2022)

(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	5,363	–	–	–	–	–
Bonds	–	–	–	–	–	20,000
Long-term loans payable	1,425	1,432	1,194	417	374	10,366
Total	6,789	1,432	1,194	417	374	30,366

Year ended March 31, 2023 (As of March 31, 2023)

(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	12,339	–	–	–	–	–
Bonds	–	–	–	–	–	20,000
Long-term loans payable	2,017	1,515	661	619	533	10,048
Total	14,356	1,515	661	619	533	30,048

3. Matters regarding breakdown by level of fair value for financial instruments

The fair value of financial instruments is classified as one of the three levels described below, contingent upon the observability and materiality of the inputs used for the calculation of fair value.

Level 1 fair value: Fair value calculated based on market prices (unadjusted) for identical assets and liabilities in an active market.

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs different than Level 1 inputs.

Level 3 fair value: Fair value calculated using important non-observable inputs.

For cases in which multiple inputs with significant impact on the calculation of fair value are used, fair value is classified by the lowest level in the hierarchy of inputs during calculation, based on the respective level of the inputs used.

(1) Fair value of financial instruments in the consolidated balance sheets

Year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Equity securities	114,049	–	–	114,049
Government bonds	1,103	–	–	1,103
Derivative transactions				
Currency-related	17	333	–	350
Commodity-related	2,625	–	–	2,625
Total assets	117,796	333	–	118,130

Year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	97,835	–	–	97,835
Derivative transactions				
Currency-related	0	(182)	–	(182)
Commodity-related	243	–	–	243
Total assets	98,079	(182)	–	97,897

(2) Fair value of other financial instruments in the consolidated balance sheets

Year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Equity securities	–	32	–	32
Equity in subsidiaries and affiliates				
Equity in affiliates	1,158	–	–	1,158
Total assets	1,158	32	–	1,190
Bonds	–	19,009	–	19,009
Long-term loans payable	–	14,608	–	14,608
Total liabilities	–	33,618	–	33,618

Year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	–	35	–	35
Equity in subsidiaries and affiliates				
Equity in affiliates	1,186	–	–	1,186
Total assets	1,186	35	–	1,221
Bonds	–	18,541	–	18,541
Long-term loans payable	–	14,488	–	14,488
Total liabilities	–	33,030	–	33,030

Note:

Explanation of valuation methods and inputs used to calculate fair value

Securities and investment securities

Listed stocks and government bonds are valuated using the prices, etc. found on the exchange. Because these prices involve transactions on an active market, the fair value is classified as Level 1 fair value.

For golf membership rights framed as stocks, these are valuated using prices, etc. from markets between operators involved in the trade of such instruments, which are classified as Level 2 fair value

Derivative transactions

Derivative transactions that take place on exchanges are valuated using the prices, etc. found on the exchange. Because these prices involve transactions on an active market, the fair value is classified as Level 1 fair value.

For derivative transactions other than the aforementioned, these are valuated using prices, etc. stated by financial institutions involved in the trade of such instruments, etc., which are classified as Level 2 fair value.

Bonds and long-term loans payable

The calculation for bonds and long-term loans payable 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, and is classified as Level 2 fair value.

[Securities]

1. Securities classified as other securities

   Year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

	Item	Carrying value	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeds their acquisition cost	(1) Equity securities	112,906	25,825	87,080
	(2) Bonds:			
	a. Government bonds	–	–	–
	b. Corporate bonds	–	–	–
	c. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	112,906	25,825	87,080
Securities whose carrying value does not exceed their acquisition cost	(1) Equity securities	1,159	1,238	(78)
	(2) Bonds:			
	a. Government bonds	1,103	1,103	(0)
	b. Corporate bonds	–	–	–
	c. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	2,263	2,342	(78)
Total		115,169	28,167	87,001

Note:
Equity securities with no market prices (carrying value of ¥4,690 million) are not included in “Other securities” in the above chart.

Year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

	Item	Carrying value	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeds their acquisition cost	(1) Equity securities	97,713	22,487	75,225
	(2) Bonds:			
	a. Government bonds	–	–	–
	b. Corporate bonds	–	–	–
	c. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	97,713	22,487	75,225
Securities whose carrying value does not exceed their acquisition cost	(1) Equity securities	138	156	(18)
	(2) Bonds:			
	a. Government bonds	–	–	–
	b. Corporate bonds	–	–	–
	c. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	138	156	(18)
Total		97,851	22,644	75,207

Note:
Equity securities with no market prices (carrying value of ¥4,858 million) are not included in “Other securities” in the above chart.

2. Sale of securities classified as other securities

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
Equity securities	1,938	1,645	–

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
Equity securities	29,381	24,393	–

[Derivative Transactions]

1. Derivative transactions for which hedge accounting is not adopted

   (1) Currency-related

   Year ended March 31, 2022 (As of March 31, 2022)

(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	942	–	17	17
Non-market transactions	Forward foreign exchange contracts:					
	Sell:	U.S. dollar	268	–	(12)	(12)
		Euro	74	–	(4)	(4)
	Buy:	U.S. dollar	1,443	–	(14)	(14)
		Euro	37	–	(0)	(0)
		Yen	2	–	(0)	(0)
		British pound	27	–	0	0
Total			2,796	–	(13)	(13)

Year ended March 31, 2023 (As of March 31, 2023)

(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	1,087	–	0	0
Non-market transactions	Forward foreign exchange contracts:					
	Sell:	U.S. dollar	333	–	0	0
		Euro	61	–	(1)	(1)
	Buy:	U.S. dollar	2,699	–	(111)	(111)
		Euro	67	–	0	0
		Yen	4	–	(0)	(0)
		British pound	146	–	2	2
Total			4,399	–	(108)	(108)

(2) Commodity-related

Year ended March 31, 2022 (As of March 31, 2022)

(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	12,922	–	(408)	(408)
	Buy:	Wheat	12,644	147	3,033	3,033
Total			25,566	147	2,625	2,625

Year ended March 31, 2023 (As of March 31, 2023)

(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	12,147	–	96	96
	Buy:	Wheat	8,956	–	147	147
Total			21,103	–	243	243

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related

Year ended March 31, 2022 (As of March 31, 2022)

(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		1,854	–	(2)
	Forward foreign exchange contracts:		Anticipated foreign currency transactions			
	Buy:	U.S. dollar		3,910	–	251
		Thai baht		1,417	–	103
		Euro		625	–	18
		Australian dollar		2,727	–	(6)
Appropriation treatment	Forward foreign exchange contracts:		Accounts receivable			
	Sell:	U.S. dollar		284	–	–
	Forward foreign exchange contracts:		Accounts payable			
	Buy:	U.S. dollar		78	–	–
		Euro		31	–	–
Total				10,930	–	364

Note:
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, 2023 (As of March 31, 2023)

(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		2,321	–	(30)
	Forward foreign exchange contracts:		Anticipated foreign currency transactions			
	Buy:	U.S. dollar		5,558	–	(57)
		Thai baht		1,735	–	18
		Euro		505	–	10
		Swiss franc		1	–	0
		Australian dollar		991	–	(15)
Appropriation treatment	Forward foreign exchange contracts:		Accounts payable			
	Buy:	U.S. dollar		6	–	–
		Euro		0	–	–
Total				11,121	–	(73)

Note:
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, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Retirement benefit obligation at beginning of year	¥25,438 million	¥25,209 million
Service cost	¥1,353 million	¥1,377 million
Interest expense	¥183 million	¥184 million
Actuarial loss	¥103 million	¥(69) million
Retirement benefits payable	¥(1,890) million	¥(1,887) million
Increase resulting from inclusion of subsidiaries in consolidation	–	¥407 million
Other	¥20 million	¥29 million
Retirement benefit obligation at end of the year	¥25,209 million	¥25,251 million

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

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Pension assets at beginning of year	¥3,205 million	¥2,680 million
Expected return on plan assets	¥38 million	¥(19) million
Actuarial gain	¥(15) million	¥(30) million
Retirement benefits payable	¥(600) million	¥(499) million
Employer contribution	¥52 million	¥38 million
Pension assets at end of year	¥2,680 million	¥2,169 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 recognized on the consolidated balance sheet

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Retirement benefit obligation for funded plans	¥2,281 million	¥1,773 million
Pension assets	¥(2,680) million	¥(2,169) million
	¥(399) million	¥(396) million
Retirement benefit obligation for unfunded plans	¥22,928 million	¥23,478 million
Net obligation and assets recognized on consolidated balance sheet	¥22,528 million	¥23,081 million
Net defined benefit liability	¥22,845 million	¥23,422 million
Net defined benefit assets	¥(316) million	¥(340) million
Net liability and assets recognized on consolidated balance sheet	¥22,528 million	¥23,081 million

(4) Retirement benefit expenses and detailed breakdown

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Service cost	¥1,353 million	¥1,377 million
Interest expense	¥183 million	¥184 million
Expected return on plan assets	¥(38) million	¥19 million
Amortization of actuarial loss	¥436 million	¥437 million
Amortization of prior service cost	¥(98) million	¥(94) million
Retirement benefit expenses related to defined-contribution pension plan	¥1,837 million	¥1,924 million

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

(5) Adjustments related to retirement benefits

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

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Prior service cost	¥(98) million	¥(94) million
Actuarial gain	¥318 million	¥475 million
Total	¥219 million	¥381 million

(6) Cumulative adjustments related to retirement benefits

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

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Unrecognized prior service cost	¥(424) million	¥(330) million
Unrecognized actuarial loss	¥1,822 million	¥1,346 million
Total	¥1,398 million	¥1,016 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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Regular accounts	53%	54%
Bonds	37%	34%
Other	10%	12%
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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
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 ¥1,693 million for the year ended March 31, 2022 and ¥1,865 million for the year ended March 31, 2023.

[Stock Options]

1. The amount recorded as profit owing to the non-exercise of rights resulting in forfeiture

(Millions of yen)

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
14	50

2. Description and changes in the size of stock options

(1) Description of stock options

	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

Note:

1. These executive officers of the Company include those who concurrently serve as directors of consolidated subsidiaries.

(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, 2023. The number of stock options is translated into the number of shares.

1. Number of stock options

	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	174,000	225,000
Vested during the year	–	–
Exercised during the year	–	3,000
Forfeited during the year	174,000	21,000
Outstanding at the end of the year	–	201,000

2. Per share prices

	2015 Plan	2016 Plan
Exercise price (yen)	1,748	1,753
Average stock price upon exercise (yen)	–	1,558
Fair value per share at grant date (yen)	266	220

3. 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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Deferred tax assets:		
Impairment loss	2,760	8,964
Net defined benefit liability	6,771	6,935
Investment securities, etc.	4,014	4,256
Lease transaction-related adjustments on tax return	1,786	2,294
Provision for bonuses	1,799	1,787
Depreciation and amortization	569	1,107
Accrued sales incentives	941	896
Intangible assets	1,125	889
Inventories	434	822
Unrealized gains (losses) on non-current assets	813	776
Accrued enterprise tax	530	715
Net operating loss carry forwards	210	508
Provision for repairs	419	476
Other	3,276	3,018
Gross deferred tax assets	25,453	33,449
Valuation allowance	(6,187)	(5,904)
Deferred tax assets, net	19,265	27,545
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	26,334	22,699
Intangible assets	7,087	6,372
Short-fall of depreciation and amortization	2,484	2,764
Retained earnings of associates	1,544	1,827
Reserve for advanced depreciation of non-current assets	1,732	1,710
Securities returned from employee retirement benefits trust	961	601
Other	548	1,703
Deferred tax liabilities, net	40,692	37,677
Net deferred tax liabilities	21,426	10,132

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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Non-taxable permanent differences such as dividend income	(1.2)%	(117.5)%
Non-deductible permanent differences such as entertainment expenses	1.7%	26.6%
Income tax deductions	(1.6)%	(77.9)%
Share of (profit) loss of entities accounted for using equity method	(2.1)%	12.0%
Amortization of goodwill	5.4%	124.7%
Equal division of municipal tax	0.6%	20.4%
Tax rate difference for consolidated subsidiaries	(0.9)%	(42.1)%
Retained earnings of associates	0.3%	32.2%
Revision of book value of stocks	2.9%	–
Impairment loss	2.1%	1,055.1%
Valuation allowance	0.2%	114.7%
Other	1.0%	(3.1)%
Actual effective tax rate after adoption of tax effect accounting	39.0%	1,175.7%

[Merger-related Matters]

Corporate merger via acquisition

At a meeting of the Board of Directors on June 23, 2022, the Company's consolidated subsidiary Nisshin Flour Milling Inc. (Nisshin Flour Milling) reached the decision, pending regulatory approval, to acquire 85% of the shares issued and outstanding of Kumamoto Flour Milling Co., Ltd. (Kumamoto Flour Milling) from Nagasaka Corporation. Following conclusion of the share transfer agreement, the acquisition took place on January 4, 2023. In line with this acquisition, Kumamoto Flour Milling and its subsidiaries became consolidated subsidiaries of the Company.

1. Outline of the merger

(1) Name and business lines of the acquired company

Name: Kumamoto Flour Milling Co., Ltd.

Business lines: Flour milling, processed foods, warehousing, real estate, others

(2) Main rationale for the merger

The manufacture and sale of wheat flour has been a core business since the founding of the Nisshin Seifun Group, and is positioned as a core business that anchors Group operations. Nisshin Flour Milling, the company responsible for this business, views steps to ensure the stable supply of wheat flour as key staple of the Japanese market, together with support for food infrastructure, as its mission. At the same time, Japan's wheat flour market is in a state of nearly constant change, with the market environment growing more adverse. In addition to facing declines in demand for wheat-related products due to a shrinking and aging domestic population, two long-standing issues that have grown more acute, the coming into force of international trade agreements has lowered border control mechanisms pertaining to wheat-related products. Consequently, competition from overseas products is expected to intensify going forward.

In this environment, enhancing cost competitiveness to counter against import products from overseas and improving adaptability to respond quickly to drastic market changes are essential in order for Nisshin Flour Milling to continue the flour milling business in Japan and fulfill its social mission.

Kumamoto Flour Milling was founded in 1947, and enjoys both high name recognition and customer trust, particularly in Japan's Kyushu region. Further, this outstanding flour milling company possesses highly distinctive technological and developmental capabilities and brand strength, and is involved not only in wheat flour but in soba flour, rice flour and other grain flour businesses, as well as adjacent operations.

Nisshin Flour Milling and Kumamoto Flour Milling have already built a track record of collaboration in the supply of wheat and rice flour products, as well as the procurement of wheat as a raw ingredient. A tighter bond was forged back in 2016, when Nisshin Flour Milling supplied alternative products, support for the restoration of production facilities and other assistance in the wake of the Kumamoto Earthquake.

After considering Kumamoto Flour Milling's business composition, accumulated expertise, workforce, assets and other traits from various perspectives, the companies decided to conduct the acquisition, having determined that merging to do business as a single entity would bring major mutual and complementary merits to the individual operations of both companies, while the ability to promote cost competitiveness and market adaptability through synergies would further enhance business competitiveness.

Building a more robust relationship between Nisshin Flour Milling and Kumamoto Flour Milling going forward will enable them to meet their responsibilities in the supply of wheat flour, contributing to the business efforts of their respective customers while striving for sustainable growth, stability in business continuity and expansion in corporate value.

(3) Date of merger

January 4, 2023

(4) Legal form of merger

Share acquisition at cash value

(5) Post-merger name

Kumamoto Flour Milling Co., Ltd.

(6) Percentage of voting rights acquired

85%

(7) Principal evidence supporting acquisition decision

Following share acquisition at cash value, Nisshin Flour Milling acquired 85% of voting rights.

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

Consolidation was limited to balance sheets only for the fiscal year ended March 31, 2023. Consequently, business results for the acquired company were omitted from the Consolidated Statements of Income.

3. Breakdown of acquisition cost and type of compensation

Compensation for acquisition	Cash and deposits	¥13,930 million
Acquisition cost		¥13,930 million

4. Name and amount of principal acquisition-related expenses

Advisory costs, etc. ¥385 million

5. Amount and principal breakdown of assets and liabilities assumed on date of merger

Current assets	¥9,240 million
Non-current assets	¥13,375 million
Total assets	¥22,615 million
Current liabilities	¥4,649 million
Non-current liabilities	¥1,549 million
Total liabilities	¥6,199 million

6. Estimate and method of calculation of the effect on the consolidated statements of income for the fiscal year under review, assuming that the corporate merger was completed as of the start of the fiscal year

Net sales	¥26,307 million
Operating profit	¥1,686 million
Ordinary profit	¥1,746 million
Profit attributable to owners of parent	¥950 million

(Method of calculation of estimate)

The amount of the estimated effect is calculated as the difference between net sales and income data assuming that the corporate merger was completed as of the start of the fiscal year, and the net sales and income data reported in the Company's consolidated statements of income.

These notes are not audited.

[Revenue Recognition]

1. Information regarding breakdown of revenue from contracts with customers

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment				Others (Note)	Total
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total		
Japan	149,921	166,067	138,384	454,372	39,473	493,845
Overseas	163,598	16,901	–	180,499	5,391	185,890
Sales to external customers	313,519	182,968	138,384	634,872	44,864	679,736

Note:
Business segment of "Others" is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Others (Note)	Total
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total		
Japan	181,462	170,994	147,487	499,944	37,041	536,986
Overseas	238,319	16,994	–	255,313	6,381	261,695
Sales to external customers	419,782	187,988	147,487	755,258	43,423	798,681

Note:
Business segment of "Others" is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.

2. Basic information for understanding revenue from contracts with customers

Refer to "[Basis of Presentation of Consolidated Financial Statements] 4. Significant account principles, (5) Standard for reporting of significant revenue and expenses" for basic information for understanding revenue from contracts with customers.

[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.

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, drug discovery research support 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, 2022 (April 1, 2021 to March 31, 2022)

(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	313,519	182,968	138,384	634,872	44,864	679,736	–	679,736
Intersegment sales and transfers	16,367	1,626	5,205	23,199	3,044	26,243	(26,243)	–
Total	329,886	184,595	143,589	658,071	47,908	705,980	(26,243)	679,736
Segment profit	8,587	12,411	3,141	24,141	5,160	29,301	129	29,430
Segment assets	324,243	158,795	61,044	544,084	71,808	615,892	107,180	723,073
Other items								
Depreciation and amortization	12,606	5,232	4,128	21,967	1,336	23,303	(248)	23,054
Investment for affiliates accounted for by the equity method	3,820	159	–	3,979	18,738	22,717	–	22,717
Increase in property, plant and equipment and intangible assets	8,660	5,959	2,269	16,889	1,443	18,332	(125)	18,207

Notes:

1. Business segment of "Others" is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.
2. Segment profit adjustment refers to intersegment transaction eliminations.
   The adjustment in segment assets of ¥107,180 million includes intersegment asset eliminations (-¥89,071 million) and the Group's assets (¥196,252 million): mainly, the Company's investment securities.
3. Segment profit has been adjusted for the operating profit appearing in the consolidated statements of income.

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	419,782	187,988	147,487	755,258	43,423	798,681	–	798,681
Intersegment sales and transfers	19,240	1,731	4,651	25,623	2,935	28,558	(28,558)	–
Total	439,022	189,720	152,138	780,881	46,358	827,240	(28,558)	798,681
Segment profit	17,618	6,037	3,284	26,940	5,746	32,687	144	32,831
Segment assets	316,356	161,195	69,743	547,294	73,215	620,510	93,364	713,874
Other items								
Depreciation and amortization	11,980	5,655	3,982	21,618	1,440	23,059	(253)	22,805
Investment for affiliates accounted for by the equity method	4,328	158	–	4,486	17,322	21,809	–	21,809
Increase in property, plant and equipment and intangible assets	8,513	7,854	2,656	19,024	1,024	20,048	(161)	19,887

Notes:

1. Business segment of "Others" is excluded from reportable segment, which includes engineering, mesh cloths, handling and storage businesses.
2. Segment profit adjustment refers to intersegment transaction eliminations.
   The adjustment in segment assets of ¥93,364 million includes intersegment asset eliminations (-¥114,913 million) and the Group's assets (¥208,278 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, 2022 (April 1, 2021 to March 31, 2022)

1. Information by geographic segment

(1) Net sales

(Millions of yen)

Japan	U.S.	Other regions	Total
493,845	86,145	99,745	679,736

Note:

Net sales are classified based on customer location.

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	Australia	Other regions	Total
126,064	23,647	43,045	26,621	219,379

2. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment name
FamilyMart Co., Ltd.	98,473	Prepared dishes and other prepared foods

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Information by geographic segment

(1) Net sales

(Millions of yen)

Japan	U.S.	Other regions	Total
536,986	130,930	130,764	798,681

Note:
Net sales are classified based on customer location.

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	Australia	Other regions	Total
135,687	26,464	25,667	29,674	217,494

2. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment name
FamilyMart Co., Ltd.	106,447	Prepared dishes and other prepared foods

[Impairment loss of non-current assets by reportable segment]

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Flour Milling	Processed Food	Others	Total
Impairment loss	2,300	139	–	2,439

Note:
Impairment losses pertaining to business-use assets are recognized.

Year ended March 31, 2023 (April 1, 2022to March 31, 2023)

(Millions of yen)

	Flour Milling	Processed Food	Others	Total
Impairment loss	55,704	–	–	55,704

Note:
Impairment losses pertaining to goodwill and business-use assets are recognized.

[Amortization of goodwill and unamortized balance by reportable segment]

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total
Amortization for the year under review	4,619	64	1,180	5,864
Balance at the end of the year under review	33,722	101	8,561	42,385

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total
Amortization for the year under review	2,663	64	1,180	3,908
Balance at the end of the year under review	78	37	7,380	7,496

[Business transactions with related parties]
Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
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.

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
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, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net assets per share	1,510.35	1,425.24
Earnings (loss) per share	58.88	(34.91)
Fully diluted earnings per share	58.88	–

Notes:

1. "Fully diluted earnings per share" is not reported for the fiscal year ended March 31, 2023 due to the net loss per share and the absence of any shares experiencing dilution effects.
2. The basis of calculation for net assets per share

	Year ended March 31, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Total net assets, as stated on the consolidated balance sheets (millions of yen)	460,643	438,499
Net assets associated with common stock (millions of yen)	449,174	423,833
Major components of the difference (millions of yen):		
Subscription rights to shares	95	44
Non-controlling interests	11,373	14,621
Number of shares of common stock issued and outstanding (shares)	304,357,891	304,357,891
Number of treasury shares of common stock (shares)	6,960,907	6,979,939
Number of shares of common stock used in the calculation of net assets per share (shares)	297,396,984	297,377,952

3. The basis of calculation for earnings (loss) per share and fully diluted earnings per share

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Profit (loss) attributable to owners of parent, as stated on the consolidated statements of income (millions of yen)	17,509	(10,381)
Amount not attributable to owners of common stock (millions of yen)	–	–
Profit (loss) attributable to owners of parent associated with common stock (millions of yen)	17,509	(10,381)
Average number of shares of common stock during the year (shares)	297,369,226	297,360,173
Adjustment to profit attributable to owners of parent (millions of yen)	–	–
Main components of increase in number of shares of common stock used in calculation of fully diluted earnings per share (shares):		
Subscription rights to shares	4,117	–
Details of shares not included in calculation of fully diluted earnings per share due to non-dilutive effect	• Subscription rights to shares Date of resolution at the General Meeting of Shareholders: June 28, 2016 (81 subscription rights to shares)	• Subscription rights to shares Date of resolution at the General Meeting of Shareholders: June 28, 2016 (74 subscription rights to shares) (127 subscription rights to shares)

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, 2022, 42,900 Company shares were held in the aforementioned trust. As of March 31, 2023, 64,000 Company shares were held in the aforementioned trust.

Furthermore, when calculating earnings (loss) 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, 2022, the average number of shares of common stock for Company shares held in the aforementioned trust was 59,638 shares. For the fiscal year ended March 31, 2023, that figure was 79,708 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, 2022] (millions of yen)	Balance at the end of the year [March 31, 2023] (millions of yen)	Interest rate (%)	Collateral	Redemption date
Nisshin Seifun Group Inc.	1st series unsecured bonds	July 16, 2019	10,000	10,000	0.20	None	July 13, 2029
Nisshin Seifun Group Inc.	2nd series unsecured bonds	July 16, 2019	10,000	10,000	0.56	None	July 15, 2039
Total	–	–	20,000	20,000	–	–	–

Note:

Amounts for redemption scheduled within five years of March 31, 2023 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, 2022] (millions of yen)	Balance at the end of the year [March 31, 2023] (millions of yen)	Average interest rate (%)	Repayment dates
Short-term loans payable	5,363	12,339	4.1863	–
Current portion of long-term loans payable	1,425	2,017	1.9803	–
Current portion of lease obligation	1,798	1,798	1.7583	–
Long-term loans payable (excluding current portion)	13,785	13,378	1.0809	2024 – 2034
Lease obligation (excluding current portion)	38,939	37,311	7.6122	2024 – 2051
Other interest-bearing liabilities	–	–	–	–
Total	61,312	66,846	–	–

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, 2023 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	1,515	661	619	533
Lease obligation	1,132	582	365	318

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	¥39,254 million	
Balance outstanding as of March 31, 2023	¥7,644 million	
Credit facility fees for year ended March 31, 2023	¥41 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, 2023 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, 2023. 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, 2023

(Millions of yen)

(Cumulative period)	First Quarter	Second Quarter	Third Quarter	Year ended March 31, 2023
Net sales	189,296	388,742	600,005	798,681
Profit (loss) before income taxes	9,793	(38,766)	(16,848)	879
Profit (loss) attributable to owners of parent	6,306	(37,795)	(22,912)	(10,381)
Earnings (loss) per share (yen)	21.21	(127.11)	(77.05)	(34.91)

(Fiscal period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Earnings (loss) per share (yen)	21.21	(148.32)	50.05	42.14

(2) Non-consolidated Financial Statements, etc.

1. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	Year ended March 31, 2022 (As of March 31, 2022)		Year ended March 31, 2023 (As of March 31, 2023)	
Assets				
Current assets				
Cash and deposits		23,471		37,896
Accounts receivable – trade	Note 1	293	Note 1	330
Prepaid expenses		225		269
Income taxes receivable		2,540		–
Other	Note 1	1,213	Note 1	931
Total current assets		27,743		39,427
Non-current assets				
Property, plant and equipment				
Buildings, net		4,992		4,850
Structures, net		328		319
Machinery and equipment, net		680		812
Vehicles, net		12		14
Tools, furniture and fixtures, net		474		517
Land		16,156		16,156
Lease assets, net		345		236
Construction in progress		16		16
Total property, plant and equipment		23,005		22,923
Intangible assets				
Leasehold right		18		18
Software		434		398
Lease assets		122		63
Other		0		0
Total intangible assets		575		481
Investments and other assets				
Investment securities		85,818		74,251
Shares of subsidiaries and associates		164,048		153,049
Investments in capital		326		354
Investments in capital of subsidiaries and associates		1,268		1,268
Long-term loans receivable from subsidiaries and associates		77,062		88,954
Other		639		663
Allowance for doubtful accounts		(25)		(25)
Total investments and other assets		329,138		318,515
Total non-current assets		352,720		341,920
Total assets		380,464		381,348

(Millions of yen)

	Year ended March 31, 2022 (As of March 31, 2022)		Year ended March 31, 2023 (As of March 31, 2023)	
Liabilities				
Current liabilities				
Lease obligations		159		155
Accounts payable – other	Note 1	213	Note 1	272
Accrued expenses	Note 1	2,899	Note 1	2,132
Income taxes payable		–		1,815
Deposits received	Note 1	14,007	Note 1	19,280
Provision for directors' bonuses		43		30
Other		41		41
Total current liabilities		17,362		23,726
Non-current liabilities				
Bonds		20,000		20,000
Long-term loans payable		10,000		10,000
Lease obligations		192		74
Deferred tax liabilities		20,640		17,889
Provision for retirement benefits		3,084		3,013
Other		1,011		318
Total non-current liabilities		54,928		51,296
Total liabilities		72,291		75,022
Net assets				
Shareholders' equity				
Capital stock		17,117		17,117
Capital surplus				
Legal capital surplus		9,500		9,500
Other capital surplus		183		184
Total capital surplus		9,683		9,685
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		2,518		2,484
General reserve		170,770		170,770
Retained earnings brought forward		65,877		69,761
Total retained earnings		245,545		249,395
Treasury shares		(10,952)		(10,981)
Total shareholders' equity		261,394		265,217
Valuation and translation adjustment				
Valuation difference on available-for-sale securities		46,681		41,063
Total valuation and translation adjustment		46,681		41,063
Subscription rights to shares		95		44
Total net assets		308,172		306,325
Total liabilities and net assets		380,464		381,348

(2) Non-consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)		Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	
Operating revenue	Note 1	29,445	Note 1	26,891
Operating expenses	Notes 1, 2	15,599	Notes 1, 2	15,256
Operating profit		13,845		11,634
Non-operating income				
Interest income	Note 1	879	Note 1	1,165
Dividend income		2,195		2,404
Other	Note 1	39	Note 1	52
Total non-operating income		3,113		3,621
Non-operating expenses				
Interest expenses	Note 1	159	Note 1	154
Other		26		12
Total non-operating expenses		186		167
Ordinary profit		16,772		15,088
Extraordinary income				
Gain on sale of investment securities		1,468		16,162
Total extraordinary income		1,468		16,162
Extraordinary losses				
Loss on retirement of non-current assets		87		33
Loss on valuation of shares of subsidiaries and associates		–	Note 3	10,999
Total extraordinary losses		87		11,032
Profit before income taxes		18,154		20,218
Income taxes – current		1,356		4,994
Income taxes – deferred		(33)		(229)
Total income taxes		1,322		4,765
Profit		16,831		15,453

(3) Non-consolidated Statements of Changes in Net Assets

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	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	190	9,690	4,379	2,000	2,556	170,770
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets							(38)	
Dividends from surplus								
Profit								
Purchase of treasury shares								
Disposal of treasury shares			(6)	(6)				
Net changes of items other than shareholders' equity								
Total changes of items during the period	–	–	(6)	(6)	–	–	(38)	–
Balance at the end of current period	17,117	9,500	183	9,683	4,379	2,000	2,518	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	Total valuation and translation adjustment	Subscription rights to shares	Total net assets
Balance at the beginning of current period	60,610	240,316	(10,989)	256,135	48,474	48,474	116	304,725
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets	38	–		–				–
Dividends from surplus	(11,602)	(11,602)		(11,602)				(11,602)
Profit	16,831	16,831		16,831				16,831
Purchase of treasury shares			(190)	(190)				(190)
Disposal of treasury shares			227	220				220
Net changes of items other than shareholders' equity					(1,792)	(1,792)	(20)	(1,812)
Total changes of items during the period	5,267	5,229	36	5,259	(1,792)	(1,792)	(20)	3,446
Balance at the end of current period	65,877	245,545	(10,952)	261,394	46,681	46,681	95	308,172

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	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	183	9,683	4,379	2,000	2,518	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			1	1				
Net changes of items other than shareholders' equity								
Total changes of items during the period	–	–	1	1	–	–	(34)	–
Balance at the end of current period	17,117	9,500	184	9,685	4,379	2,000	2,484	170,770

	Shareholders' equity				Valuation and translation adjustment		Subscription rights to shares	Total net assets
	Retained earnings							
	Other retained earnings							
	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustment		
Balance at the beginning of current period	65,877	245,545	(10,952)	261,394	46,681	46,681	95	308,172
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets	34	–		–				–
Dividends from surplus	(11,603)	(11,603)		(11,603)				(11,603)
Profit	15,453	15,453		15,453				15,453
Purchase of treasury shares			(190)	(190)				(190)
Disposal of treasury shares			161	162				162
Net changes of items other than shareholders' equity					(5,618)	(5,618)	(51)	(5,669)
Total changes of items during the period	3,884	3,850	(28)	3,822	(5,618)	(5,618)	(51)	(1,846)
Balance at the end of current period	69,761	249,395	(10,981)	265,217	41,063	41,063	44	306,325

[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: Stated at fair market value (any unrealized gains or losses reported directly as a component of shareholders' equity; the cost of any securities sold computed by the moving average method)
   Securities with no readily determinable market value: 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, 2022 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. Standard for reporting of earnings and expenses
   Along with dividends received from subsidiaries, the Company's earnings consist mainly of trademark usage fees based on contracts with the subsidiaries and leasing fees for real estate.
   For trademark usage fees, approval to use trademarks and other Company-owned symbols, based on the contract with the subsidiary, creates an performance obligation to provide such trademarks, brand images and trust in business transactions built up by the Company; as this performance obligation will be satisfied over time, Revenues are recognized over the full contract period. Dividends received are recognized as Revenues as of the date of receipt of payment. For leasing fees for real estate, monthly leasing fees are recognized for to the corresponding period, based on the lease contract.

6. 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.

7. 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.

[Significant accounting estimates]

Evaluation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates

1. Monetary figures in the financial statements for the fiscal year under review

(Millions of yen)

	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Shares of subsidiaries and associates	153,049
Investments in capital of subsidiaries and associates	1,268

2. Information related to significant accounting estimates pertaining to distinguishable items

   The acquisition cost is used when listing the value of shares of subsidiaries and associates in the balance sheets. However, should the fair value or actual value of such shares decline dramatically, excluding cases in which a projected recovery in value is recognized, an equivalent reduction in value is made and the valuation difference is treated as a loss for the fiscal year under review.

   Impairment measures may become necessary in the event that the fair value or actual value falls below the book value due to future downturns in the business performance of investees or other factors.

   From these results, the Company reported a loss on valuation of shares of subsidiaries and associates of ¥10,999 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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Short-term claims	¥1,197 million	¥959 million
Short-term obligations	¥13,995 million	¥19,048 million

[Non-consolidated Statements of Income]

1. Transaction balance with affiliates

	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Transaction balance from operating transactions		
Operating revenue	¥29,298 million	¥26,744 million
Operating expenses	¥860 million	¥856 million
Transaction balance from non-operating transactions	¥1,072 million	¥1,134 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, 2022 (April 1, 2021 to March 31, 2022)	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Salaries	¥2,125 million	¥2,104 million
Bonuses and allowance	¥2,103 million	¥2,004 million
Retirement benefit expenses	¥238 million	¥234 million
Research study expenses	¥2,776 million	¥2,782 million
Advertising expenses	¥2,686 million	¥2,448 million
Depreciation and amortization	¥698 million	¥679 million
Other	¥4,971 million	¥5,003 million

3. Loss on valuation of shares of subsidiaries and associates
The loss on valuation of shares of subsidiaries and associates was related to valuation of the shares of Topco1 Pty Ltd., the parent company of Australia flour milling company Allied Pinnacle Pty Ltd.

[Securities]

Equity securities in subsidiaries and affiliates

Year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

Type	Carrying value	Fair value	Unrealized gains (losses)
Equity securities in subsidiaries	–	–	–
Equity securities in affiliates	200	228	27
Total	200	228	27

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, 2022 (As of March 31, 2022)
Equity securities in subsidiaries	158,015
Equity securities in affiliates	5,831

Year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

Type	Carrying value	Fair value	Unrealized gains (losses)
Equity securities in subsidiaries	–	–	–
Equity securities in affiliates	200	234	33
Total	200	234	33

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, 2023 (As of March 31, 2023)
Equity securities in subsidiaries	147,016
Equity securities in affiliates	5,831

[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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Deferred tax assets:		
Investment securities, etc.	1,527	5,387
Provision for retirement benefits	914	901
Accrued enterprise tax, etc.	73	228
Provision for bonuses	198	176
Other	558	267
Gross deferred tax assets	3,273	6,961
Valuation allowance	(1,651)	(5,485)
Deferred tax assets, net	1,621	1,475
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	20,189	17,668
Reserve for advanced depreciation of non-current assets	1,110	1,095
Securities returned from employee retirement benefits trust	961	601
Deferred tax liabilities, net	22,261	19,364
Net deferred tax liabilities	20,640	17,889

Note:

The valuation allowance increased ¥3,833 million. The main factor behind this was an increase in the valuation allowance pertaining to the loss on valuation of shares of subsidiaries and associates.

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, 2022 (As of March 31, 2022)	Year ended March 31, 2023 (As of March 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Dividend income and other items excluded from gross revenue	(30.8)%	(25.3)%
Entertainment expenses and other items not qualifying for deduction	2.3%	0.2%
Valuation allowance	5.6%	19.0%
Other	(0.4)%	(0.9)%
Actual effective tax rate after adoption of tax effect accounting	7.3%	23.6%

[Revenue Recognition]

Basic information for understanding revenue arising from contracts with customers is as reported in “[Significant Accounting Policies], 5. Standard for reporting of revenue and expenses.”

[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	4,992	141	2	282	4,850	11,756
	Structures	328	25	0	33	319	1,334
	Machinery and equipment	680	328	14	181	812	1,689
	Vehicles	12	7	0	5	14	24
	Tools, furniture and fixtures	474	237	8	185	517	3,161
	Land	16,156	–	–	–	16,156	–
	Lease assets	345	43	1	151	236	524
	Construction in progress	16	837	837	–	16	–
	Total	23,005	1,621	863	839	22,923	18,490
Intangible assets	Leasehold rights	18	–	–	–	18	–
	Software	434	137	42	130	398	–
	Lease assets	122	–	–	58	63	–
	Other	0	–	–	0	0	–
	Total	575	137	42	189	481	–

Note:
Depreciation and amortization expenses of ¥348 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	43	30	43	30

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 March 31
Minimum trading unit (MTU)	100 shares
Purchase and sale of sub-MTU share holdings	
Handling office (main)	(Special account) Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo JAPAN
Custodian of shareholder register	(Special account) Sumitomo Mitsui Trust Bank, Limited 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). For MTU values of ¥1,000,000 or less 1.150% For MTU values above ¥1,000,000 up to ¥5,000,000 0.900% For MTU values above ¥5,000,000 up to ¥10,000,000 0.700% For MTU values above ¥10,000,000 up to ¥30,000,000 0.575% For MTU values above ¥30,000,000 up to ¥50,000,000 0.375% (Commissions are rounded down to the nearest ¥1). 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. 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. * A donation to charity is possible in lieu of complimentary 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 178th fiscal term	Covering the period: April 1, 2021 to March 31, 2022	Submitted to Director, Kanto Local Finance Bureau: June 28, 2022
(2)	Internal Control Report (including supplementary documentation)			Submitted to Director, Kanto Local Finance Bureau: June 28, 2022
(3)	Quarterly Reports and Confirmation Letters	For the first quarter of the 179th fiscal term	Covering the period: April 1, 2022 to June 30, 2022	Submitted to Director, Kanto Local Finance Bureau: August 8, 2022
		For the second quarter of the 179th fiscal term	Covering the period: July 1, 2022 to September 30, 2022	Submitted to Director, Kanto Local Finance Bureau: November 8, 2022
		For the third quarter of the 179th fiscal term	Covering the period: October 1, 2022 to December 31, 2022	Submitted to Director, Kanto Local Finance Bureau: February 9, 2023
(4)	Amendments to Shelf Registration Statement			Submitted to Director, Kanto Local Finance Bureau: April 26, 2022 June 28, 2022 June 30, 2022 October 19, 2022 January 4, 2023 May 10, 2023
(5)	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: June 30, 2022
(6)	Extraordinary Report	According to the provision of Article 19, Paragraph 2, Item 12 and 19, “Event which may have serious effects on the financial position, operating results and cash flow status” of the Cabinet Office Regulations, regarding the disclosure of corporate information		Submitted to Director, Kanto Local Finance Bureau: October 19, 2022
(7)	Extraordinary Report	According to the provision of Article 19, Paragraph 2, Item 12, “Event which may have serious effects on the financial position, operating results and cash flow status” of the Cabinet Office Regulations, regarding the disclosure of corporate information		Submitted to Director, Kanto Local Finance Bureau: January 4, 2023
(8)	Extraordinary Report	According to the provision of Article 19, Paragraph 2, Item 3, “Change to a Specified Subsidiary Company” of the Cabinet Office Regulations, regarding the disclosure of corporate information		Submitted to Director, Kanto Local Finance Bureau: May 10, 2023

Part B: Information on Corporate Guarantor for Nisshin Seifun Group Inc.

There are no applicable matters to be reported.