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## Summary of Financial Statements for the First Quarter of Fiscal 2008

July 26, 2007

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange  
 Securities Code: 2002 and Osaka Securities Exchange  
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(Figures shown are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the First Quarter of Fiscal 2008 (April 1, 2007 to June 30, 2007)

(1) Consolidated Business Results (The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q Fiscal 2008	106,243	1.5	4,072	(10.5)	5,622	(1.0)
1Q Fiscal 2007	104,645	(0.5)	4,550	(6.6)	5,677	0.1
Full Year Fiscal 2007	418,190	-	19,184	-	22,815	-

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
1Q Fiscal 2008	3,136	10.6	12.38	12.38
1Q Fiscal 2007	2,836	(3.2)	11.22	11.22
Full Year Fiscal 2007	12,303	-	48.66	48.63

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2007	408,520	303,143	66.9	1,079.49
June 30, 2006	391,257	288,348	66.6	1,031.72
March 31, 2007	408,437	300,306	66.3	1,069.71

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1Q Fiscal 2008	11,175	(10,835)	(6,134)	42,846
1Q Fiscal 2007	5,051	(4,765)	(3,551)	39,627
Full Year Fiscal 2007	17,469	(6,961)	(5,225)	48,452

### 2. Forecasts of Consolidated Business Results for the Year Ending March 31, 2008 (April 1, 2007 to March 31, 2008) 【reference】

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim	212,000	2.0	8,300	(7.4)	10,500	(3.9)
Full year	430,000	2.8	19,000	(1.0)	22,600	(0.9)

	Net income		Net income per share
	Millions of yen	%	Yen
Interim	6,500	20.4	25.66
Full year	12,000	(2.5)	47.37

The above forecasts for the interim period and the full year remain unchanged from those released on May 11, 2007.

3. Other Information

- (1) Changes in important subsidiaries involving a change in the scope of consolidation during the period: None
  - (2) Adoption of simplified accounting methods: Yes
  - (3) Changes in accounting policies since the most recent fiscal year: None
- Note: For details, see "4. Other Information" on page 4 under the heading of Qualitative Information/  
Financial Statements.

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

The statements contained in this document are based on various assumptions and do not constitute any guarantee or definite promise that projections of future performance or related business policies will actually be realized. For details of assumptions for financial forecasts and other related matters, see page 5.

## Qualitative Information/Financial Statements

### 1. Qualitative Information on Consolidated Business Performance

#### [Overview of the Period under Review]

As harsh marketing competition continued during the first quarter of the fiscal year ending March 2008, each of the Group's businesses worked to expand sales by launching new products and endeavoring to boost market share, while making continued cost-cutting efforts. In response to a 1.3% average rise in the government's prices for imported wheat in April 2007, the company revised its prices for flour. In addition to imported wheat, the cost for procuring other raw materials and products also rose, due to market appreciation and a weaker yen, to a level that cannot be absorbed solely by cost-reduction efforts. This was a major reason for the profitability decline in each business. The company therefore initiated efforts to revise its product pricing to secure reasonable profits.

As a result, consolidated net sales for the first quarter of the fiscal year ending March 2008 increased 1.5% compared with the same quarter of the previous fiscal year to ¥106,243 million. However, operating income decreased 10.5% to ¥4,072 million, primarily due to increased procurement costs and lower selling prices. Ordinary income was almost unchanged, with a decline of 1% to ¥5,622 million, owing to improved non-operating performance. Due to an extraordinary gain on the sale of unused land, net income rose 10.6% to ¥3,136 million.

#### [Business Overview by Segment]

##### (1) Flour Milling Segment

As the government introduced a variable wheat sales price system in April 2007 that resulted in an average 1.3% increase in the government's prices for imported wheat, the company revised its prices for commercial flour on May 10, 2007. Despite the severe business environment characterized by an ongoing demand shift toward lower-priced products, the company increased flour shipments above the previous year's level by moving ahead with relationship-based marketing to strengthen relations with customers, along with the price revision for flour.

In production and distribution, the company continued to carry out measures to boost productivity, including the construction of additional lines that are scheduled to start operation next year at the Higashinada Plant. The company also promoted the reliability and safety of its products.

The price of bran, a by-product of the milling process, enjoyed a steady increase as grain prices remained high.

In overseas operations, the implementation of dynamic marketing strategies resulted in higher sales than the previous year's level.

##### (2) Processed Food Segment

During the period under review, the processed food business's domestic sales exceeded the previous year's level through the implementation of sales promotion activities for pasta, prepared mix, frozen food and prepared dishes and other prepared foods. However, it remained difficult to increase profitability because the company suffered increased procurement costs due to surging raw material prices, yen depreciation and intensifying sales competition—which resulted in lower selling prices. Overseas, sales of prepared mix products surpassed the previous year's level, as a new prepared mix plant in China went into full-scale operation, tapping into new demand for prepared mix products.

In the yeast and biotechnology business, sales of yeast, bread improver and butter creams

performed favorably, whereas sales of mayonnaise and prepared dishes fell below the previous year's levels. Overall sales for the yeast business were almost unchanged from a year earlier. In April 2007, the company revised its yeast prices in response to a rise in material prices. In the biotechnology-related business, sales of biochemical and immunochemical products and feed for fish farming were higher than a year earlier, but bio-nutritional products, feed for laboratory animals and research support services were sluggish, putting overall sales for the biotechnology-related business below the previous year's level.

In the healthcare foods business, the situation of coenzyme Q<sub>10</sub> ingredients remained unfavorable in terms of shipments and prices, resulting in lower sales than the previous year. Amid this situation, the company sought to expand sales of consumer products by accelerating new product launches, including the addition of two varieties to the *rachic Diet* brand of diet foods.

### (3) Others Segment

Sales of the pet food business fell below results for the previous year, as a result of consistent profit-earning efforts to counter rising procurement costs primarily due to a sharp rise in ingredient prices.

Sales of the engineering business were lower than the previous year's level, as a reaction to the completion of a large-scale construction project in the previous year. However, active capital expenditures in related industries boosted sales to outside the Group above the previous year's level.

The mesh cloths business saw significant growth in sales of industrial-use mesh cloths, such as for cellular phones and speaker grilles for plasma and liquid crystal TV displays, whereas sales of mainstay mesh cloths for screen-printing applications fell below results for the previous year. Overall sales for this business were higher year on year.

## 2. Qualitative Information on Consolidated Financial Position

On a consolidated basis at the end of the first quarter of the fiscal year ending March 2008, current assets declined ¥6.3 billion from the previous year end to ¥172.3 billion, mainly due to a decrease in inventories. Fixed assets increased ¥6.3 billion to ¥236.1 billion, reflecting increases in tangible fixed assets and investments and other assets. As a result, total assets were almost unchanged from the previous year-end at ¥408.5 billion. Meanwhile, current liabilities declined ¥3.0 billion to ¥64.2 billion mostly due to a reduction in short-term debt, and non-current liabilities increased ¥0.2 billion to ¥41.0 billion. As a result, total liabilities decreased ¥2.7 billion to ¥105.3 billion. Net assets increased ¥2.8 billion to ¥303.1 billion, reflecting an increase due to net income for the period, a decrease due to payment of dividends and an increase in valuation and translation adjustments.

In consolidated cash flows, net cash provided by operating activities during the first quarter was ¥11,175 million. Of this amount, ¥6,368 million was used for strategic capital expenditures, whereas ¥3,506 million was appropriated to the repayment of borrowings. Meanwhile, the funds earmarked for future strategic investments and other uses, which amounted to ¥3,993 million, were invested in financial instruments including time deposits with terms exceeding three months and marketable securities to increase efficiency in the utilization of these funds. To the distribution of earnings to our shareholders, payment of dividends totaling ¥2,280 million was made during the period under review.

As a result, consolidated cash and cash equivalents at the end of the first quarter of the fiscal year ending March 2008 decreased ¥5,605 million from the previous year end to ¥42,846 million.

### 3. Qualitative Information on Consolidated Performance Forecasts

As originally expected, the earnings position for the first quarter of the fiscal year ending March 2008 was worse than that for the corresponding year-earlier period, but the company will make continued efforts to put business performance on a recovery track after it bottoms during the first half of the year. For the Japanese market, the company will continue to seek increased market share, and to accelerate and reduce costs for the development of new next-generation products, while securing an appropriate level of earnings to match procurement costs. Overseas, continued efforts will be extended to boost the cost and marketing competitiveness of our operations in North America, Southeast Asia and China.

Accordingly, the consolidated performance forecasts for the fiscal year ending in March 2008 remain unchanged from those released in May 2007: ¥430 billion for net sales, ¥19 billion for operating income, ¥22.6 billion for ordinary income and ¥12 billion for net income.

### 4. Other Information

(1) Changes in important subsidiaries involving a change in the scope of consolidation during the year

None.

(2) Adoption of simplified accounting methods

A simplified method is adopted for accounting the depreciation of fixed assets, because its effects are immaterial.

(3) Changes in accounting policies since the most recent fiscal year

None.

## 5. Consolidated Financial Statements

### (1) Summary of Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2007 First Quarter (As of June 30, 2006)	Fiscal 2007 (As of March 31, 2007)	Fiscal 2008 First Quarter (As of June 30, 2007)	Change	
				Compared with the end of previous first quarter	Compared with the end of previous fiscal year
<b>Assets:</b>					
Current assets:					
Cash on hand and in banks	41,649	45,649	41,973	324	(3,675)
Notes and accounts receivable	56,081	60,093	61,413	5,331	1,319
Marketable securities	19,931	15,913	17,959	(1,972)	2,045
Inventories	38,141	44,647	37,144	(997)	(7,503)
Other current assets	14,808	12,560	14,072	(735)	1,511
Allowance for doubtful accounts	(228)	(214)	(216)	12	(1)
<b>Total current assets</b>	<b>170,384</b>	<b>178,649</b>	<b>172,346</b>	<b>1,961</b>	<b>(6,302)</b>
Fixed assets:					
Tangible fixed assets					
Buildings and structures	44,425	44,224	43,929	(496)	(295)
Machinery and equipment	32,932	33,596	33,338	406	(258)
Land	30,733	30,851	33,369	2,635	2,518
Other tangible fixed assets	4,840	6,028	7,468	2,627	1,440
<b>Total tangible fixed assets</b>	<b>112,931</b>	<b>114,701</b>	<b>118,106</b>	<b>5,174</b>	<b>3,404</b>
Intangible fixed assets	7,583	6,527	6,017	(1,566)	(509)
Investments and other assets:					
Investment in securities	94,815	103,612	107,128	12,313	3,516
Other investments and other assets	5,921	5,234	5,200	(720)	(33)
Allowance for doubtful accounts	(379)	(287)	(279)	100	8
<b>Total investments and other assets</b>	<b>100,357</b>	<b>108,559</b>	<b>112,050</b>	<b>11,693</b>	<b>3,490</b>
<b>Total fixed assets</b>	<b>220,872</b>	<b>229,788</b>	<b>236,174</b>	<b>15,301</b>	<b>6,385</b>
<b>Total assets</b>	<b>391,257</b>	<b>408,437</b>	<b>408,520</b>	<b>17,263</b>	<b>82</b>

	Fiscal 2007 First Quarter (As of June 30, 2006)	Fiscal 2007 (As of March 31, 2007)	Fiscal 2008 First Quarter (As of June 30, 2007)	Change	
				Compared with the end of previous first quarter	Compared with the end of previous fiscal year
<b>Liabilities:</b>					
Current liabilities:					
Notes and accounts payable	24,610	28,439	28,738	4,128	299
Short-term debt	7,483	7,491	4,025	(3,458)	(3,466)
Accrued expenses	10,755	12,910	10,816	60	(2,094)
Other current liabilities	19,855	18,463	20,714	858	2,250
<b>Total current liabilities</b>	<b>62,705</b>	<b>67,304</b>	<b>64,294</b>	<b>1,589</b>	<b>(3,009)</b>
Non-current liabilities:					
Long-term debt	1,561	1,330	1,316	(244)	(13)
Deferred tax liabilities	19,417	22,270	23,225	3,808	955
Allowance for employees' retirement benefits	11,907	9,863	9,154	(2,753)	(708)
Other non-current liabilities	7,317	7,362	7,384	67	22
<b>Total non-current liabilities</b>	<b>40,203</b>	<b>40,827</b>	<b>41,082</b>	<b>878</b>	<b>254</b>
<b>Total liabilities</b>	<b>102,909</b>	<b>108,131</b>	<b>105,376</b>	<b>2,467</b>	<b>(2,755)</b>
<b>Net assets:</b>					
Shareholders' equity:					
Common stock	17,117	17,117	17,117	–	–
Capital surplus	9,479	9,779	9,777	297	(2)
Retained earnings	200,363	207,550	208,406	8,043	856
Treasury common stock	(3,161)	(3,010)	(3,000)	161	10
<b>Total shareholders' equity</b>	<b>223,798</b>	<b>231,436</b>	<b>232,301</b>	<b>8,502</b>	<b>864</b>
Valuation and translation adjustments:					
Unrealized holding gain on securities	37,061	39,102	40,493	3,432	1,390
Deferred gains on hedging transactions	37	41	143	105	102
Foreign currency translation adjustments	(127)	394	532	659	138
<b>Total valuation and translation adjustments</b>	<b>36,971</b>	<b>39,537</b>	<b>41,168</b>	<b>4,197</b>	<b>1,630</b>
<b>Minority interests</b>	<b>27,577</b>	<b>29,331</b>	<b>29,673</b>	<b>2,095</b>	<b>342</b>
<b>Total net assets</b>	<b>288,348</b>	<b>300,306</b>	<b>303,143</b>	<b>14,795</b>	<b>2,837</b>
<b>Total liabilities and net assets</b>	<b>391,257</b>	<b>408,437</b>	<b>408,520</b>	<b>17,263</b>	<b>82</b>

Figures shown are rounded down to the nearest million yen.

## (2) Summary of Consolidated Statements of Income

(Millions of yen)

	Fiscal 2007 First Quarter (April 1, 2006 to June 30, 2006)	Fiscal 2008 First Quarter (April 1, 2007 to June 30, 2007)	Change	Fiscal 2007 (April 1, 2006 to March 31, 2007)
Net sales	104,645	106,243	1,597	418,190
Cost of sales	70,893	73,049	2,155	285,598
	-----	-----	-----	-----
<b>Gross profit</b>	<b>33,751</b>	<b>33,193</b>	<b>(558)</b>	<b>132,591</b>
Selling, general and administrative expenses	29,201	29,120	(80)	113,407
	-----	-----	-----	-----
<b>Operating income</b>	<b>4,550</b>	<b>4,072</b>	<b>(477)</b>	<b>19,184</b>
Non-operating income:	1,290	1,640	349	4,234
Interest income	35	103	68	259
Dividend income	614	628	14	1,150
Equity in earnings of subsidiaries and affiliated companies	432	553	120	1,574
Other income	208	355	146	1,251
Non-operating expenses:	164	90	(73)	603
Interest expenses	38	43	5	181
Other expenses	125	46	(78)	422
	-----	-----	-----	-----
<b>Ordinary income</b>	<b>5,677</b>	<b>5,622</b>	<b>(54)</b>	<b>22,815</b>
Extraordinary income	10	578	567	3,776
Extraordinary losses	279	297	18	2,547
	-----	-----	-----	-----
<b>Income before income taxes and minority interests</b>	<b>5,408</b>	<b>5,903</b>	<b>494</b>	<b>24,044</b>
Income taxes – current	2,067	2,280	212	7,875
Income taxes – deferred	–	–	–	1,494
Minority interests	504	485	(18)	2,371
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<b>Net income</b>	<b>2,836</b>	<b>3,136</b>	<b>300</b>	<b>12,303</b>

Figures shown are rounded down to the nearest million yen.



### (3) Summary of Consolidated Statement of Changes in Shareholders' Equity

(April 1, 2007 to June 30, 2007)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury common stock	Total shareholders' equity
Balances as of March 31, 2007	17,117	9,779	207,550	(3,010)	231,436
Changes in the first quarter					
Dividends from retained earnings			(2,280)		(2,280)
Net income			3,136		3,136
Purchases of treasury common stock				(22)	(22)
Disposal of treasury common stock		(2)		32	30
Net change in non-shareholders' equity items for the first quarter					
Total change for the first quarter	–	(2)	856	10	864
Balances as of June 30, 2007	17,117	9,777	208,406	(3,000)	232,301

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized holding gain on securities	Deferred gains on hedging transactions	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balances as of March 31, 2007	39,102	41	394	39,537	29,331	300,306
Changes in the first quarter						
Dividends from retained earnings						(2,280)
Net income						3,136
Purchases of treasury common stock						(22)
Disposal of treasury common stock						30
Net change in non-shareholders' equity items for the first quarter	1,390	102	138	1,630	342	1,973
Total change for the first quarter	1,390	102	138	1,630	342	2,837
Balances as of June 30, 2007	40,493	143	532	41,168	29,673	303,143

Figures shown are rounded down to the nearest million yen.

## (4) Summary of Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2007 First Quarter (April 1, 2006 to June 30, 2006)	Fiscal 2008 First Quarter (April 1, 2007 to June 30, 2007)	Fiscal 2007 (April 1, 2006 to March 31, 2007)
<b>I. Cash flows from operating activities:</b>			
Income before income taxes and minority interests	5,408	5,903	24,044
Depreciation and amortization	2,988	3,248	12,565
Interest balance and dividends income	(610)	(688)	(1,227)
Equity in earnings of subsidiaries and affiliated companies	(432)	(553)	(1,574)
(Increase) decrease in accounts receivable	1,671	(1,271)	(2,256)
Decrease (increase) in inventories	1,526	7,524	(4,782)
Increase (decrease) in accounts payable	(1,219)	178	2,490
(Decrease) increase in payments received for construction in process	1,008	(88)	172
Other	(1,810)	(903)	(4,821)
Subtotal	8,530	13,348	24,612
Interest and dividends received	1,257	1,217	2,753
Interest paid	(29)	(40)	(173)
Income taxes paid	(4,706)	(3,348)	(9,723)
<b>Net cash provided by operating activities</b>	<b>5,051</b>	<b>11,175</b>	<b>17,469</b>
<b>II. Cash flows from investing activities:</b>			
(Payments for) repayment of time deposits	1,294	(2,925)	7,152
(Payments for purchases) proceeds from sales of marketable securities	(1,624)	(1,068)	1,358
Payments for purchases of fixed assets	(4,674)	(6,368)	(14,096)
Payments for purchases of investments in marketable securities	(10)	(1,032)	(3,822)
Other	249	560	2,446
<b>Net cash used in investing activities</b>	<b>(4,765)</b>	<b>(10,835)</b>	<b>(6,961)</b>
<b>III. Cash flows from financing activities:</b>			
Decrease in debt	(311)	(3,506)	(545)
Cash dividends paid	(2,785)	(2,280)	(5,065)
Other	(454)	(346)	385
<b>Net cash used in financing activities</b>	<b>(3,551)</b>	<b>(6,134)</b>	<b>(5,225)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>90</b>	<b>187</b>	<b>366</b>
<b>V. (Decrease) increase in cash and cash equivalents</b>	<b>(3,175)</b>	<b>(5,605)</b>	<b>5,648</b>
<b>VI. Cash and cash equivalents at beginning of the year</b>	<b>42,803</b>	<b>48,452</b>	<b>42,803</b>
<b>VII. Cash and cash equivalents at end of the term</b>	<b>39,627</b>	<b>42,846</b>	<b>48,452</b>

Figures shown are rounded down to the nearest million yen.

(5) Segment Information  
 [Business Segment Information]

First Quarter of Fiscal 2007 (April 1, 2006 to June 30, 2006)

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
Net sales						
(1) Net sales to external customers	38,410	56,465	9,769	104,645	–	104,645
(2) Internal sales and transfers	4,202	196	1,924	6,323	(6,323)	–
Total	42,612	56,662	11,694	110,969	(6,323)	104,645
Cost and Expenses	40,215	55,353	10,653	106,223	(6,127)	100,095
Operating Income	2,397	1,308	1,040	4,746	(195)	4,550

First Quarter of Fiscal 2008 (April 1, 2007 to June 30, 2007)

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
Net sales						
(1) Net sales to external customers	39,114	56,528	10,600	106,243	–	106,243
(2) Internal sales and transfers	4,254	192	462	4,909	(4,909)	–
Total	43,368	56,720	11,063	111,153	(4,909)	106,243
Cost and Expenses	41,019	55,774	10,198	106,992	(4,822)	102,170
Operating Income	2,349	946	864	4,160	(87)	4,072

Year Ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
Net sales						
(1) Net sales to external customers	154,722	220,545	42,922	418,190	–	418,190
(2) Internal sales and transfers	17,253	795	4,278	22,327	(22,327)	–
Total	171,976	221,340	47,200	440,517	(22,327)	418,190
Cost and Expenses	162,236	216,062	42,485	420,784	(21,778)	399,006
Operating Income	9,740	5,278	4,714	19,732	(548)	19,184

Notes:

- Business segments were determined by considering similarities between product types.
- Primary products for each business segment:
  - Flour milling: Flour, bran
  - Processed food: Prepared mix, flour for consumer use, pasta, pasta sauce, frozen food, chilled food, cake and bread ingredients, biochemical products, life science business, healthcare foods
  - Others: Pet food, engineering, mesh cloths, transport and storage