Disclaimer: This is a Japanese-English translation of the summary of financial statements of the Company produced for your convenience. Since no auditor audited this report, officially only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

Summary of Consolidated Financial Statements for the Interim Period of Fiscal 2007

November 10, 2006

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange and Osaka Securities Exchange
Securities Code: 2002
URL: http://www.nisshin.com Location of head office: Tokyo
Representative: Hiroshi Hasegawa, President
Contact: Izumi Inagaki, General Manager of Public Communications Department, General Administration Division
Tel.: +81-3-5282-6650
Date of board meeting to approve results: November 10, 2006
U.S. GAAP: Not adopted

1. Consolidated Financial Results for the Interim Period of Fiscal 2007(April 1, 2006 to September 30, 2006)
   Figures shown are rounded down to the nearest million yen.

(1) Consolidated Business Results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim Fiscal 2007	207,802	(1.9)	8,958	(12.7)	10,925	(5.8)
Interim Fiscal 2006	211,761	3.8	10,259	5.3	11,600	6.3
Full Year Fiscal 2006	421,359		22,169		24,774	

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Interim Fiscal 2007	5,398	(13.6)	21.36	21.34
Interim Fiscal 2006	6,244	13.2	27.10	27.07
Full Year Fiscal 2006	13,541		52.80	52.77

Notes: 1. Equity in earnings of subsidiaries and affiliated companies: FY2007 Interim: ¥707 million; FY2006 Interim: ¥752 million, FY2006, ¥1,505 million
2. Average number of outstanding shares during the year (consolidated): FY2007 Interim: 252,773,326: FY2006 Interim: 230,446,080: FY2006: 253,143,692
3. Changes in accounting principles: None
4. Percentages for net sales, operating income, ordinary income, and net income represent the changes from the interim period in the previous fiscal year.
5. On November 18, 2005 the company undertook a 1.1 for 1 common stock split.
6. Assuming that the stock split had taken place at the beginning of the previous fiscal period, FY2006 interim figures would be as follows: net income per share ¥24.63; diluted net income per share ¥24.61.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2006	401,891	292,652	65.9	1,046.77
September 30, 2005	381,091	251,244	65.9	1,093.38
March 31, 2006	399,899	264,535	66.2	1,046.00

Note: 1.Number of shares outstanding at period-end (consolidated): September 30, 2006: 252,831,584: September 30, 2005: 229,786,634: March 31, 2006: 252,735,048
2. Assuming that the stock split had taken place at the beginning of the previous fiscal period, FY2006 interim net assets per share would be ¥993.98.

(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 period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim Fiscal 2007	12,505	(11,086)	(3,561)	40,722
Interim Fiscal 2006	10,822	(13,667)	(4,756)	46,506
Full Year Fiscal 2006	21,054	(25,297)	(7,274)	42,803

(4) Scope of Consolidation and Equity Method
Number of consolidated subsidiaries: 39
Number of non-consolidated subsidiaries accounted for by the equity method: 1
Number of affiliates accounted for by the equity method: 9

(5) Changes in the Scope of Consolidation and Equity Method
Newly consolidated subsidiaries: None Subsidiaries excluded from the scope of consolidation: None
Companies newly accounted for by the equity method: None Companies excluded from the scope of the equity method: None

2. Forecasts of Consolidated Business Results for the Year Ending March 31, 2007

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Full year	425,000	24,500	13,400

Expected net income per share (year-end): ¥53.00

Note: Please refer to pages 14-17 of this statement regarding assumptions for the above forecasts and other related subjects.

I. Business Group Performance

Nisshin Seifun Group consists of 48 subsidiaries and 15 affiliates. The following is a description of the businesses of the group and the relationships among the subsidiaries and affiliates within their respective business segments. The business operations are grouped by business segment.

(1) Flour Milling Segment

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

Rogers Foods Ltd. in Canada and Nisshin-STC Flour Milling Co., Ltd. in Thailand, both consolidated subsidiaries, produce flour and sell it in the North American and Asian markets. Four Leaves Pte. Ltd., an affiliate accounted for by the equity method, operates bakeries, primarily in Singapore.

(2) Processed Food Segment

Nisshin Foods Inc., a consolidated subsidiary, produces and sells prepared mix and other processed food products. It sells flour for household use purchased from Nisshin Flour Milling and frozen foods and other processed foods procured from companies outside Nisshin Seifun Group. Ma•Ma-Macaroni Co., Ltd., a consolidated subsidiary, produces pasta whose primary ingredient is flour produced by Nisshin Flour Milling and sells the pasta through Nisshin Foods. Initio Foods Inc., a consolidated subsidiary, produces and sells chilled and prepared dishes and also directly operates concessions in department stores. Daisen Ham Co., Ltd., also a consolidated subsidiary, produces and sells processed meat products.

Medallion Foods Inc., a consolidated subsidiary in the U.S., produces pasta and Thai Nisshin Seifun Co., Ltd., a consolidated subsidiary in Thailand, produces pasta sauce and frozen food products. Nisshin Foods is the primary importer and seller of these products in Japan. Thai Nisshin Technomic Co., Ltd., a consolidated subsidiary, manufactures prepared mix and sells it in Southeast Asia. Qingdao Nisshin Seifun Foods Co., Ltd., a consolidated subsidiary, manufactures and sells prepared mix in mainland China. In order to expand supply capacity in response to growing sales in China, the Company established another consolidated subsidiary, Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. The subsidiary's factory is due to come on line in December 2006.

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

Nisshin Pharma Inc., a consolidated subsidiary, manufactures and sells healthcare foods and pharmaceuticals. Nisshin Kyorin Pharmaceutical Co., Ltd., an affiliate accounted for by the equity method, manufactures and sells pharmaceuticals.

(3) Others Segment

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

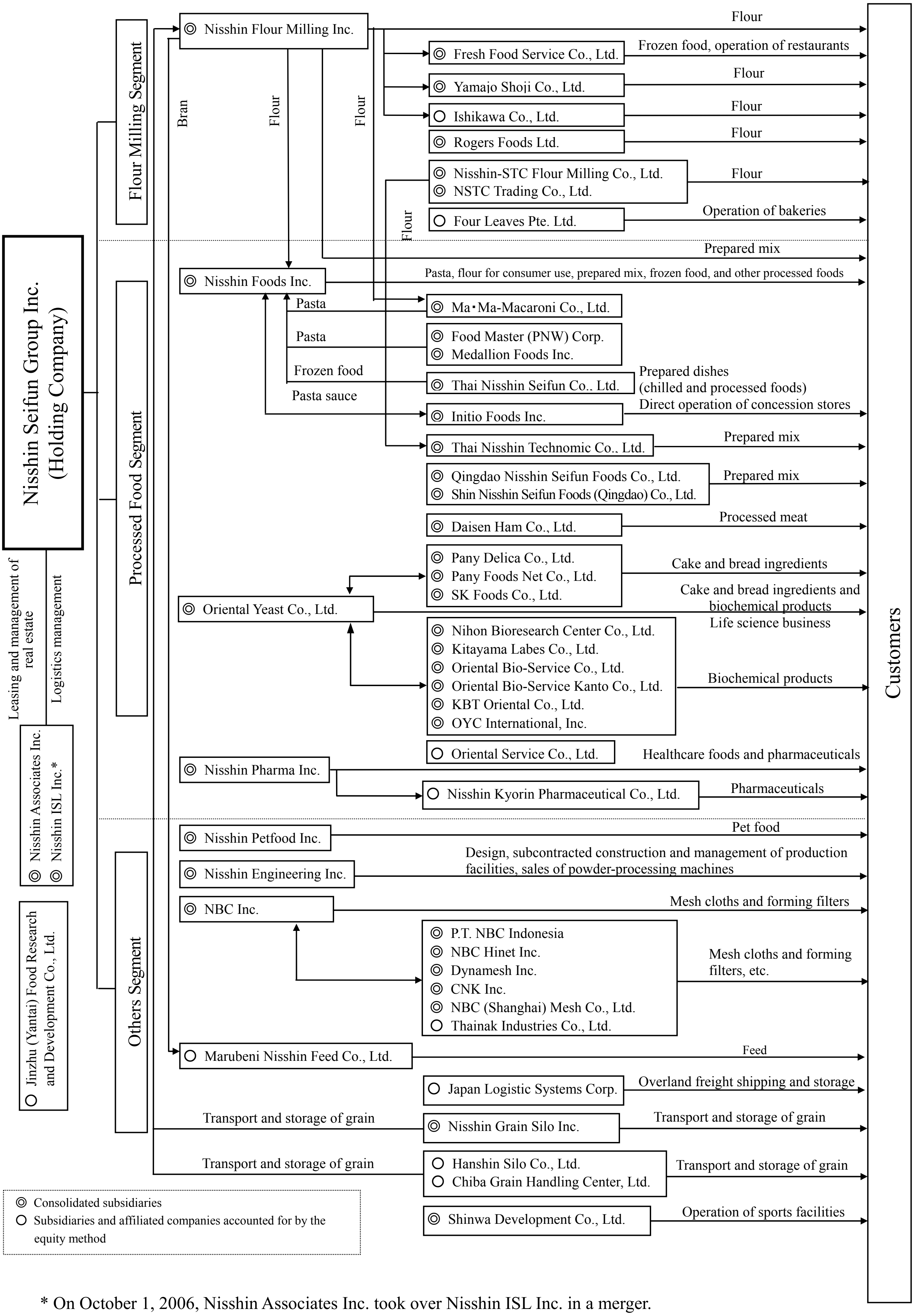
Nisshin Engineering Inc., a consolidated subsidiary, undertakes design, subcontracted construction and management of production and processing facilities for grain, food products, and chemical products. In addition, it manufactures and sells powder-processing machines and engages in powder-processing,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

NBC 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., a consolidated subsidiary, and Hanshin Silo Co., Ltd. and Chiba Grain Handling Center, Ltd., affiliates accounted for by the equity method, are engaged in transport and storage operations for grain. Shinwa Development Co., Ltd., a consolidated subsidiary, operates sports facilities.

The diagram on the following page illustrates the structure of the Nisshin Seifun Group



* On October 1, 2006, Nisshin Associates Inc. took over Nisshin ISL Inc. in a merger.

Subsidiaries and Affiliates

Name	Location	Paid-in capital	Main business
Consolidated subsidiaries		Millions of yen	
Nisshin Flour Milling Inc.	Chiyoda-ku, Tokyo	13,000	Production and sales of flour and prepared mix
Nisshin Foods Inc.	Chiyoda-ku, Tokyo	5,000	Sales of pasta, flour for consumer use, frozen foods, other products Production and sales of prepared mix
Ma•Ma-Macaroni Co., Ltd.	Utsunomiya-shi, Tochigi	350	Production and sales of pasta
Initio Foods Inc.	Chiyoda-ku, Tokyo	450	Production and sales of chilled and prepared dishes Direct operation of concessions in department stores, etc.
Oriental Yeast Co., Ltd.	Itabashi-ku, Tokyo	2,617	Production and sales of cake and bread ingredients and biochemical products, life science business
Nisshin Pharma Inc.	Chiyoda-ku, Tokyo	2,550	Production and sales of healthcare foods and pharmaceuticals
Nisshin Petfood Inc.	Chiyoda-ku, Tokyo	1,315	Production and sales of pet foods
Nisshin Engineering Inc.	Chuo-ku, Tokyo	107	Design, subcontracted construction and management of production facilities, sales of powder-processing machines
NBC Inc.	Hino-shi, Tokyo	1,992	Manufacturing and sales of mesh cloths and forming filters
30 other consolidated subsidiaries			
Subsidiaries and affiliated companies accounted for by the equity method			
Marubeni Nisshin Feed Co., Ltd.	Chuo-ku, Tokyo	5,500	Production and sales of feed
Japan Logistic Systems Corp.	Shinagawa-ku, Tokyo	3,145	Freight shipping and storage
8 other companies			

Notes: 1. Nisshin Flour Milling, Inc., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma, Inc., NBC Inc. Nisshin-STC Flour Milling Co., Ltd. and P.T. NBC Indonesia are special-purpose subsidiaries of Nisshin Seifun Group Inc. Nisshin-STC Flour Milling Co., Ltd. and P.T. NBC Indonesia are included in the 30 other consolidated subsidiaries.

2. The following companies are listed on stock exchanges in Japan:

Subsidiaries: Oriental Yeast Co., Ltd. (Second Section of the Tokyo Stock Exchange)
NBC Inc. (Second Section of the Tokyo Stock Exchange)

Affiliated companies accounted for by the equity method: Japan Logistic Systems Corp. (JASDAQ)

II. Business Policies

(1) Basic Business Policy

In a Japanese economy that has now succeeded in making many of the changes necessary to align itself with global standards, Nisshin Seifun Group Inc. ("the Company") espouses two corporate philosophies: "the basis of business is built on trust" and "in tune with the changing climate." In combination with the principle "to contribute to a healthy and fruitful life for all," these philosophies have formed the foundation for the Company to achieve continued growth and expansion of its businesses. In addition, the Company 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, in its role as the holding company of the Nisshin Seifun Group, the Company specifies long-term maximization of enterprise value as the key business goal. Group management prioritizes the investment of resources in core operations and businesses with growth potential. At the same time, the Company promotes internal reform while fulfilling its corporate social responsibilities in terms of restructuring its internal control system, legal and regulatory compliance, food safety and environmental protection. Nisshin Seifun Group is fully committed to gaining the support of all stakeholders, including shareholders, customers, business partners, employees and local communities.

(2) Policy on Profit Distribution

The Company aims to meet the expectations of shareholders to distribute profits, based on the current and future profitability of the business and the financial position, in addition to targeting a payout ratio of at least 30% on a consolidated basis. For fiscal 2006, the Company raised returns to shareholders by increasing the dividend by ¥4 per share, resulting in total dividends for the year of ¥18 per share. For fiscal 2007, the Company intends to again pay a dividend of ¥18 per share for the year. For the interim period under review, the Company will pay a dividend of ¥9 per share.

With the aim of raising future enterprise value, the Company prioritizes the use of retained earnings for strategic investments in areas of growth opportunity so that return on capital is maximized from a long-term perspective. The Company also adopts a dynamic posture on shareholder returns.

Furthermore, the Company has also established a system of special privileges for shareholders. Under this system, shareholders may request the delivery of Nisshin Seifun Group products.

(3) Policy on Reduction in Minimum Share-Trading Unit

The Company recognizes that reduction of the minimum investment that is required to trade in its shares is an effective means of boosting liquidity and increasing the number of private investors. Based on an examination of market trends and the current distribution of such units, the Company reduced the minimum share-trading unit for its shares from 1,000 to 500 on October 3, 2005. As a result, the liquidity of the Company's shares has improved, and the number of shareholders has increased.

(4) Medium-to-Long-Term Business Strategy and Target Indicators

The Nisshin Seifun Group significantly exceeded the profit targets that the Company had established for the year ended March 31, 2005 in its first medium-term business plan. The Company then formulated a second medium-term business plan covering the three fiscal years from April 2005 to March 2008, and is advancing measures to achieve the performance targets established therein.

The core theme of the second medium-term business plan is growth. The aim of the plan is to ensure that all Nisshin Seifun Group businesses are on a sustainable growth trajectory by the end of the three-year period. In terms of basic strategy, the plan calls for feasible measures to be drawn up in each business area from a growth-oriented perspective. In particular, the Company has identified overseas operations as well as prepared dishes and other prepared foods as the main engines of growth. There have been some delays with implementing plans in prepared dishes and other prepared foods, but the Company is taking measures to rectify the situation. In addition, ahead of the anticipated deregulation of the wheat market, the Company plans to progress with ongoing initiatives to strengthen the operating base in flour milling and in processed food. The plan envisages more specific linkages between R&D activities and each business so that product innovation becomes the key driving force behind strategic business development. It also specifies the study of new cost-reduction initiatives based on fresh concepts to ensure that the Company is less sensitive to the various risks to growth. Through the implementation of such strategies, the Company aims to achieve sustained growth in earnings per share (EPS) over the long term, while also raising sales, ordinary income, net income and return on equity (ROE: defined as net income divided by equity). In doing so, the Company hopes to maximize the long-term value of the Nisshin Seifun Group. Performance targets for the final year of the plan (to March 2008) are net sales of ¥451.0 billion, ordinary income of ¥28.0 billion, net income of ¥14.5 billion, and ROE of 5.8%.

(5) Prospective Challenges

The Company plans to invest in three areas as core businesses: flour milling (“the best in the world”); processed food (“a growth business”); and healthcare and biotechnology business (“good prospects for the future”). The goal of management is to establish the Nisshin Seifun Group as a collection of individual companies that develops as one enterprise, conducting these three core businesses as well as other businesses that command market presence.

1) Segmental Overview of Business Strategy

The strategy in the flour milling business is to increase market share. To this end, Nisshin Flour Milling will further enhance relationship marketing and upgrade marketing initiatives to create entirely new market segments, such as by proposing products that accurately reflect customer needs. Furthermore, ahead of the anticipated deregulation of the wheat market, Nisshin Flour Milling hopes to develop a dominant competitive position in the Japanese market. Plans are in hand to boost production efficiency and productivity with the ongoing construction of state-of-the-art flour milling equipment on two new production lines at the Higashinada Plant. These lines are due to commence operations in 2008, which will coincide with the closure of the Kobe Plant.

In the processed food business, Nisshin Foods continues to enhance its lineup of products commanding leading market shares by developing new products that are genuinely easy to use, as well as being healthy. At the same time, the company is targeting enhanced cost competitiveness by taking steps such as boosting production efficiency. To this end, in 2004 Ma•Ma-Macaroni constructed a new large-scale pasta production line at the Kobe Plant operated by pasta manufacturing subsidiary Ma•Ma-Macaroni Co., Ltd., and in November 2006 a similar large-scale line will commence operations at the subsidiary's Utsunomiya Plant. In addition, Nisshin Foods has expanded further into processed food segments spanning all temperature ranges, from frozen foods to chilled foods and ready-made meals. Through these efforts, it plans to establish itself as a "mealtime solution provider" to drive the growth of the Nisshin Seifun Group. In the chilled foods business in particular, Initio Foods is combining a number of approaches. It is channeling more management resources into marketing and quality control, as well as into boosting staffing levels, and rolling out operational reforms centered on manufacturing plants. At the same time, the company is reinforcing its product lineup by developing new meal ideas featuring prepared dishes made from ingredients such as JAS-certified organic vegetables. The company is also extending its operational reach.

With an aging Japanese society and generally heightened awareness of health issues, the Company continues to channel resources into the development of healthcare and biotechnology business, which possesses considerable growth potential. The goal in this sector is to develop this business to the point where it provides a third source of core earnings, on a par with flour milling and processed food. The two main companies in these operations are Oriental Yeast and Nisshin Pharma. Oriental Yeast aims to become a leader in the development of original yeast-based technology, an area with almost infinite possibilities. The firm is developing new products and technologies to support enhanced longevity and health. These efforts are also generating synergies within the Nisshin Seifun Group, in terms of joint product development and sales initiatives, spanning operations in flour milling, processed food and healthcare foods. In particular, Oriental Yeast forms the nucleus of the Nisshin Seifun Group's biotech research strategy, which is expected to yield results across a variety of fields. Nisshin Pharma, meanwhile, is a healthcare foods manufacturer distinguished by its emphasis on establishing the scientific basis for products that prevent lifestyle-related diseases. Focusing on research into new ingredients and the development of original products, the firm is developing new sales channels to raise the visibility of its products for the retail market.

In other businesses, which include pet food, engineering and mesh cloths, the Company aims to develop a significant presence within each industry, either through self growth or through a strategy based on internal and external alliances.

2) Global Development Strategy

To accelerate progress and build operational scale as quickly as possible, the Company is focusing international business development efforts primarily in three regions in addition to Japan: the west coast of North America, Southeast Asia, and China. International operations are managed as a single unit to ensure a cohesive Nisshin Seifun Group business strategy across the entire Pacific Rim, utilizing functional divisions between each base to generate maximum synergies. In July 2006, targeting accelerated expansion in overseas operations, the Company appointed local staff under the direct control of the Nisshin Seifun Group holding company in its three overseas bases—the west coast of North America, Southeast Asia and China. Through collaboration between its domestic and overseas personnel, the Company is investigating potential investment opportunities that leverage the Group's competitive advantages in flour milling, processed foods and related sectors. In China, which has huge potential as a consumer market, the Company commenced the manufacture and sale of prepared mix in Qingdao, Shandong in 2002. To cope with the steadily increasing sales generated, the Company will double production capacity with the construction of a new factory currently under way in Jimo, Shandong. The new factory is due to come on stream in December 2006. In non-prepared mix-related operations too, the Company is aggressively driving sales expansion in the Chinese market and studying opportunities for new business development.

3) R&D Strategy and Total Low-Cost Operations Drive

The development of next-generation products and new business models to complement and drive the growth of existing businesses is another important goal for the Nisshin Seifun Group. The ongoing theme of new product development (NPD) programs is to focus maximum effort on developing innovative, high-value-added products to win the support of customers and underpin sustained business expansion. The Company recognizes that such items are the key to generating continuous growth. To develop and commercialize such products, it will pursue closer industry-government-academia collaboration to leverage cutting-edge technology in core fields of research. In healthcare foods operations, in particular, it is accelerating initiatives related to the research of new ingredients. Such measures include the October 2005 establishment of an endowed chair at the University of Shizuoka. The endowed position is to be known as the "Nisshin Seifun Group Endowed Chair, Department of Search for Higher Functional Foods." Joint research has already commenced. New products launched in the current fiscal year have made a substantial contribution to growth across all sectors.

Besides NPD, another critical objective is to realize low costs throughout the Company's operations, from purchasing and production to sales and distribution, as a fundamental means of increasing profitability. The Company is reviewing processes and systems to engineer reforms across the entire value chain from an innovative perspective. Meanwhile, it also continues to make investments where necessary to boost productivity and efficiency.

4) Wheat Policy Reforms

Japan's progress in World Trade Organization (WTO) negotiations on agriculture, as well as bilateral free trade agreements (FTAs) and economic partnership agreements (EPAs) has been somewhat slower than originally anticipated. Nonetheless, the outcomes of such international negotiations could potentially have a significant impact on Nisshin Seifun Group's flour milling and processed foods interests, and on the industry as a whole. Meanwhile, wheat-related policy in Japan is changing: In June 2006, amendments to the Japanese law governing supply, demand and prices of staple foods were passed in the Diet, and these will be enforced from April 2007. Of the amendments, abolition of the government-controlled selling price for wheat and the accompanying introduction of a system linking selling prices to the government's procurement price will constitute a dramatic change for the Japanese flour milling industry. At the present time specific plans for the new system and its operation have not yet been decided, but when the new system is implemented, Company policy will be to urge the Japanese Ministry of Agriculture, Forestry and Fisheries to implement successive reductions in the government-controlled selling price for wheat. This will contribute to establishing a strong foundation for the Japanese flour milling industry to compete internationally and, in particular, will reduce the gap between internal and external wheat prices due to the fact that the price at which the Japanese government sells wheat to flour milling companies is considerably higher than international prices. At the same time, the Company plans to increase the pace of structural reforms and its global business development program in order to accelerate the evolution of the Nisshin Seifun Group into a strong, globally competitive enterprise.

5) Corporate Social Responsibility (CSR)

Besides making steady progress on these strategic business issues, the Nisshin Seifun Group has been active in fulfilling its responsibilities as a corporate citizen, with the aim of retaining its status as a corporate entity that plays an essential role in society. To this end, the Company established a committee to study and develop Group operating companies' basic attitudes as well as their actions with regard to all their stakeholders. Thus, the Company and all Group operating companies have focused on developing enhanced compliance procedures to ensure all business activities are legal and appropriate. Other specific programs – all of which are ongoing – include the strengthening of quality control systems to improve traceability and quality assurance (QA) procedures from a consumer perspective, alongside a range of environmental protection measures such as reduction of waste and carbon dioxide emissions. As part of these programs, the Company is also actively working to obtain certification under international management standards. For example, it is focusing on its processed food and flour milling operations to address the requirements of the positive list system for agricultural chemical residues in foods, introduced in May 2006. In order to ensure the safety of food ingredients it is increasingly importing from China, the Company collaborated in a joint venture with Nichirei Corporation to establish a company in Yantai, Shandong to undertake R&D relating to food safety and quality. The company has commenced operations. With regard to reducing carbon dioxide emissions, the Company has drawn up a plan for achieving Kyoto Protocol emissions targets. The voluntary target the Company is working to achieve under the plan is an 8.6% reduction in carbon dioxide emissions between the fiscal year ended March 1991 and the fiscal year ending March 2011.

The recent enactment of two new Japanese laws, the Company Law and the Financial Instruments and Exchange Law, means that all companies are now required to establish an internal control system. Against this backdrop, the Company moved to further reinforce its internal control system, with the establishment in September 2005 of an Internal Control Preparatory Office in the group's holding company, Nisshin Seifun Group Inc. This office is charged with evaluating, reinforcing and reviewing the Group's internal control system and its operation. It has now embarked upon a complete overhaul of the system, targeting completion in September 2007.

The Nisshin Seifun Group has received plaudits from independent evaluation organizations, media-related institutions and other bodies for the actions taken to fulfill corporate social responsibilities. The Company plans to continue such actions going forward.

(6) Matters Concerning the Parent Company

There are no materially significant matters concerning the parent company.

III. Review of Operations & Financial Position

A. Review of Operations

1. Business Overview (Interim Period Ended September 30, 2006)

During the interim period under review, conditions were challenging due to weak demand in the Japanese flour market and a continuing tendency by consumers across the food industry to purchase lower priced products. Against this backdrop, the Nisshin Seifun Group strove to increase shipments across all its operations by conducting aggressive promotional activities and developing new sales channels. These efforts were supplemented by continued cost-cutting measures. Nonetheless, at Nisshin Pharma, sales declined following a slowdown in the boom for coenzyme Q_{10}, the company's mainstay product, and changes in the supply-demand balance. At Nisshin Engineering, an unusually high level of construction projects completed in the first half of the previous fiscal year resulted in a relative decline in net sales in the interim period under review. As a result of these and other factors, the Nisshin Seifun Group's consolidated operating results for the interim period under review were lower year on year.

Consolidated net sales for the interim period decreased 1.9% compared with the previous year, to ¥207,802 million. There were also declines on the earnings front, with ordinary income down 5.8% to ¥10,925 million and net income down 13.6% to ¥5,398 million.

[Business Overview by Segment]

(1) Flour Milling Segment

The business environment for Nisshin Flour Milling was difficult, characterized by lower demand in the domestic flour market as a whole compared to the previous year. Against this backdrop, Nisshin Flour Milling vigorously pursued relationship marketing to respond swiftly to market trends. In combination with proactive investment in sales promotion, this strategy resulted in slightly higher shipments than a year earlier. Meanwhile, in a bid to expand sales by identifying untapped demand for flour, the Company overhauled So Shoku Club, an IT-based tool to promote two-way communication with customers.

In production and distribution, Nisshin Flour Milling took active measures to reduce costs by pursuing increased operational efficiency. A notable achievement in this regard was construction of the automatic rack warehouse at the Higashinada Plant, completed in May 2006. At the same time, the company took measures to ensure the reliability and safety of its products by conducting rigorous quality assurance at every stage of the process from product development to manufacturing, warehousing and distribution.

The price of bran, a by-product of the milling process, recorded a steady increase compared to the previous fiscal year.

In overseas operations, Nisshin Flour Milling subsidiaries achieved higher shipments in Thailand and Canada by implementing dynamic marketing strategies.

As a result of the above, segment sales were ¥76,826 million, virtually unchanged from the previous year's interim figure. Meanwhile, operating income was down 2.1% to ¥4,802 million, primarily due to the effects of increased expenditure on aggressive sales promotion and other measures.

(2) Processed Food Segment

Nisshin Foods implemented aggressive sales promotion activities, resulting in a year-on-year increase in shipments of pasta, pasta sauces, pancake mix, flour for *okonomi-yaki* (an omelet-like dish) and frozen foods. In August 2006, the company introduced 21 new products and seven updated products in home-use room-temperature foods. These included the addition of European-style products to its *Ma-Ma Stir-through Pasta Sauce* series. In home-use frozen foods, the company also introduced five new products including frozen pasta dishes using spaghetti manufactured by De Cecco. In prepared dishes and other prepared foods, Initio Foods has taken action to make up for delays in implementing its plans and is collaborating with volume retailers. In another move, the company has opened a store called "Hyakuwan" which sells gourmet Japanese-style prepared dishes featuring carefully selected ingredients such as JAS-certified organic vegetables. Furthermore, in response to the May 2006 introduction of the positive list system for agricultural chemical residues in foods, Nisshin Foods has further reinforced its quality control provisions across all processed food operations. Overseas, the company targeted improved performance by expanding its operations in all three bases—North America, Thailand and China.

Oriental Yeast made good use of the P&B Center, which opened in 2005, to pursue R&D and sales promotion activities. The company also took the initiative by proposing new products and meal ideas to customers. In the processed foods division, sales were higher than a year earlier due in part to stronger shipments of mainstay yeast, mayonnaise and other baking and filling ingredients for manufacturing bread-based products. Shipments were also higher for mineral yeasts, primarily targeting the healthcare foods market. In the company's biotechnology-related division, sales were on a par with the previous year, with robust growth in research support services such as contract testing and contracted animal breeding offset by sluggish performances in biochemical and immunochemical products, feed products supplied to fish farms, and others.

At Nisshin Pharma, sales were substantially lower year-on-year for coenzyme Q_{10}, both as an ingredient and in end products for the retail market. This reflected a slowdown in booming demand for the product, among other factors. In this context, the company sought to generate higher earnings by initiating a drive to create new businesses aimed at the retail market. The initiative kicked off with the September 2006 launch of *WGH Pro*, a sports supplement for top athletes incorporating a compound developed by Nisshin Pharma as its main ingredient. The supplement is marketed via a dedicated online sales site, newly established for the purpose.

Segment sales fell 0.1% compared to the previous year's interim period to ¥111,087 million, and operating income decreased by 30% to ¥2,301 million. This primarily reflected lower sales at Nisshin Pharma.

(3) Others Segment

Nisshin Petfood rolled out aggressive sales promotion activities, resulting in higher shipments of both dog and cat food products, outpacing the previous year's performance. In July 2006, the company brought 19 new products to market, including the *Carat Watashi-wa* cat food series and *Healthy Label* dog food. Meanwhile, in the *JP-Style* premium dog food range, Nisshin Petfood responded to a range of customer needs by taking measures to extend its product lineup, including the launch of new items in June and August 2006. At the same time, the company focused on raising awareness of *JP-Style* through proactive advertising initiatives.

At Nisshin Engineering, sales were significantly lower than in the previous year, reflecting a lull in capital expenditure on plant engineering in related industries, and a rebound from the unusually high number of large-scale construction projects completed in the previous year's interim period.

NBC recorded slightly lower shipments of mainstay mesh cloths for screen-printing applications, due to heightened competition overseas and a decrease in single-sided substrate manufacturing in Japan. However, industrial-use mesh cloths and forming filters both posted steady shipment gains, and overall sales were higher year on year.

Segment sales decreased by 16.4% year on year to ¥19,888 million. Operating income also decreased, dropping 15.3% to ¥2,081 million. This primarily reflected lower sales at Nisshin Engineering.

2. Business Outlook (Fiscal Year Ending March 31, 2007)

Now halfway through its second medium-term business plan, the Nisshin Seifun Group is continuing its efforts to position all of its businesses on a firm growth trajectory. To this end, the Company will progress with infrastructure improvements to support sales expansion for mainstay products, as well as expansion in overseas operations, and in prepared dishes and other prepared foods. The Company will also work to further bolster its management structure. In addition, Nisshin Seifun will actively promote the necessary measures to maintain and reinforce its risk management and compliance frameworks to fulfill its corporate social responsibility to an even greater degree.

(1)Flour Milling Segment

Nisshin Flour Milling faces an operating environment where domestic demand for flour is unlikely to increase, due largely to the demographic trend towards fewer children and more seniors. Intensifying competition between manufacturers is therefore a cause for concern. Against this backdrop, Nisshin Flour Milling will strive to create new markets and further increase its market share by stepping up efforts to deepen relationships with its customers. To achieve this, the company will rapidly and accurately identify changes in the market and customer needs and reflect them in product development and sales promotion proposals.

Meanwhile, wheat policy reform is continuing to progress steadily; recent developments include the decision to enforce amendments to Japan's food laws from April 2007. To prepare for the deregulated wheat market of the future, Nisshin Flour Milling will act to enhance profitability by curtailing costs in all operations, including purchasing, production, distribution and sales. Efforts in this regard will center on a restructuring initiative slated for completion in 2008, whereby the Higashinada Plant will be expanded and the Kobe Plant closed.

In overseas operations, Nisshin Flour Milling will pursue its Pacific Rim strategy, continuing to pursue sales expansion in Thailand and Canada.

(2) Processed Food Segment

As a "mealtime solution provider," Nisshin Foods will pursue the development of new products with an emphasis on reliability, safety and health. To this end, the company will adopt a dynamic sales promotion strategy and enhance its product lineup, centered on its range of *Ma·Ma* pasta products, which currently boast the leading market share for home-use products. In addition, the company will reinforce its quality control system and extend existing quality assurance provisions by taking steps to obtain ISO 22000 certification.

On the production front, Nisshin Foods will continue to target enhanced cost competitiveness with measures such as the establishment of a new large-scale pasta production line at the Utsunomiya Plant operated by pasta manufacturing subsidiary Ma•Ma-Macaroni Co., Ltd. The production line is slated to come on line in November 2006. In prepared dishes and other prepared foods, the first step will be to ensure thorough implementation of measures to make up for lost time. Efforts will then center on accelerating sales expansion by developing new meal ideas and reinforcing collaboration with volume retailers. Overseas, plans envisage steadily increasing the number of operational bases in the Pacific Rim region, including the planned doubling of production capacity in the Chinese prepared mix business. The newly expanded capacity is slated to become operational in December 2006. In Oriental Yeast's processed food division, the P&B Center will spearhead efforts to increase sales by promoting new product development that improves collaboration with clients. Meanwhile, the company will take aggressive action to improve productivity through capital investment and other means. In its biotechnology-related division, the company is targeting operational expansion by launching new businesses and rolling out new products. New businesses include testing and biomarker discovery conducted at the Nagahama Life Science Laboratory, while new products are primarily testing reagent-related.

At Nisshin Pharma, the market environment for mainstay coenzyme Q_{10} is projected to remain challenging. Within this context, in October 2006 the company launched *Rifreline*, a product in its *Biteki Seikatsu* series of supplements for working women. There are also plans to launch other new products targeting the retail market and the company will aggressively pursue the development of new sales channels. Meanwhile, Nisshin Pharma will focus on expanding sales of value-added products derived from coenzyme Q_{10}. To this end it will reinforce the marketing of *Aqua Q_{10} P40*, a water-soluble coenzyme Q_{10} ingredient product.

(3) Others Segment

Nisshin Petfood will pursue an aggressive marketing strategy while extending its product range. This will require the company to leverage its leading position among Japanese pet food manufacturers to develop new dog and cat food products that stand out from the competition in terms of reliability, safety and health.

The lull in capital expenditures in related industries notwithstanding, Nisshin Engineering will continue working to secure new contracts as well as actively boost sales in powder-processing services and sales of related equipment.

NBC plans to target continuous growth in global markets to win greater market share. At the same time, it will aggressively launch value-added products based on new technology.

Based on these initiatives, the Company is forecasting net sales for the fiscal year ending March 31, 2007 of ¥425.0 billion, an increase of 0.9% year on year. Ordinary income is projected to decrease by 1.1% to ¥24.5 billion.

B. Financial Position

1. Overview (Interim Period Ended September 30, 2006)

Cash flow from operating activities

Net cash provided by operating activities amounted to ¥12,505 million. This reflected ¥10,464 million in income before income taxes and minority interests and ¥6,038 million in depreciation and amortization, partially offset by income taxes paid and other items.

Cash flow from investing activities

Net cash used in investing activities amounted to ¥11,086 million. This primarily reflected ¥8,097 million in payments for capital investments, mainly to boost production capacity, and ¥3,552 million for the purchase of marketable securities and investments in time deposits with terms exceeding three months

Free cash flow, defined as the sum of cash flows provided by operating and investing activities, came to ¥1,418 million for the interim period under review.

Cash flow from financing activities

Net cash used in financing activities came to ¥3,561 million, due mainly to the payment of dividends.

As detailed above, the cash inflow from consolidated operating activities in the interim period ended September 30, 2006 was allocated to strategic capital spending and increased returns to shareholders. In order to increase the efficiency of cash in hand utilization, funds earmarked for future strategic investments and other uses were invested in time deposits with terms exceeding three months, marketable securities, and similar investments. As of September 30, 2006, consolidated cash and cash equivalents totaled ¥40,722 million. This was ¥2,080 million lower than the previous fiscal year-end, and ¥5,784 million lower than the previous fiscal year's interim figure.

2. Outlook (Fiscal Year Ending March 31, 2007)

In terms of full-year cash flows, the Company is forecasting an increase in cash due to net income of ¥13,400 million in the year ending March 31, 2007. The Company expects to use this cash for capital expenditure in excess of depreciation and the distribution of earnings to shareholders. As a result, consolidated cash and cash equivalents at March 31, 2007 are forecast to remain around the same level as at March 31, 2006.

3. Cash-Flow Indicators

The main cash-flow indicators for the Nisshin Seifun Group are shown in the table below.

	Interim period ended Sept. 30, 2005	Interim period ended Sept. 30, 2006	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006
Equity ratio (%)	65.9	65.9	64.7	66.2
Market value-based equity ratio (%)	73.2	77.5	70.7	76.0
Debt repayment period (years)	0.4	0.4	0.5	0.4
Interest coverage ratio (times)	136.9	161.3	110.1	127.9

* Eequity ratio = (Net assets excluding minority interests) / Total assets
Market-value-based equity ratio = Market capitalization / Total assets
Debt-repayment period = Interest-bearing debt / Operating cash flow
Debt-repayment period for interim periods = Interest-bearing debt / (Operating cash flow × 2)
Interest coverage ratio = Operating cash flow / Interest expense

1. All of the above cash-flow indicators are calculated on a consolidated basis.
2. Market capitalization is calculated by multiplying the closing share price on the final trading day of the fiscal year by the total number of outstanding shares (excluding treasury common stock) as of the corresponding fiscal year-end. The closing share price on the final trading day of the interim period ended on September 30, 2005 is the ex-rights price, and is therefore calculated according to the stock split ratio.
3. Operating cash flow equals net cash provided by operating activities as stated in the Consolidated Statements of Cash Flows. Interest-bearing debt refers to bonds and debt as stated in the Consolidated Balance Sheets. Interest expense is equal to interest payments as stated in the Consolidated Statements of Cash Flows.

Forward-Looking Statements

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.

IV. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets—As of September 30, 2006

(Millions of yen)

	Sept. 30, 2005	March 31, 2006	Sept. 30, 2006	Change: From previous interim period-end	Change: From previous fiscal year-end
Assets:					
Current assets:					
Cash on hand and in banks	50,525	50,111	43,086	(7,438)	(7,024)
Notes and accounts receivable	56,474	57,678	60,046	3,572	2,367
Marketable securities	10,274	14,339	24,325	14,051	9,986
Inventories	36,551	39,601	38,600	2,049	(1,000)
Deferred tax assets	4,553	4,431	4,474	(78)	43
Other current assets	7,026	6,935	7,497	470	562
Allowance for doubtful accounts	(218)	(227)	(246)	(27)	(18)
Total current assets	**165,187**	**172,870**	**177,785**	**12,598**	**4,915**
Fixed assets:					
Tangible fixed assets					
Buildings and structures	42,492	42,866	44,194	1,701	1,327
Machinery and equipment	32,414	32,243	33,359	945	1,116
Land	30,673	30,726	30,742	68	16
Construction in progress	1,868	3,733	2,501	633	(1,231)
Other tangible fixed assets	2,796	2,862	2,908	112	46
Total tangible fixed assets	110,245	112,432	113,706	3,461	1,274
Intangible fixed assets	8,594	7,977	7,334	(1,259)	(643)
Investments and other assets:					
Investment in securities	90,103	101,369	97,234	7,131	(4,135)
Long-term loans	158	131	109	(48)	(21)
Deferred tax assets	4,022	2,434	3,096	(926)	662
Other investments and other assets	3,345	3,081	2,919	(426)	(162)
Allowance for doubtful accounts	(565)	(397)	(295)	269	101
Total investments and other assets	97,064	106,619	103,064	6,000	(3,555)
Total fixed assets	**215,903**	**227,029**	**224,105**	**8,201**	**(2,923)**
Total Assets	**381,091**	**399,899**	**401,891**	**20,800**	**1,992**

(Millions of yen)

	Sept. 30, 2005	March 31, 2006	Sept. 30, 2006	Change	
				From previous interim period-end	From previous fiscal year-end
Liabilities:					
Current liabilities:					
Notes and accounts payable	25,105	25,819	27,284	2,179	1,465
Short-term debt	8,076	7,754	7,517	(558)	(236)
Accrued income taxes	4,750	4,813	3,840	(909)	(972)
Accrued expenses	13,251	13,410	13,598	347	188
Other current liabilities	12,008	12,732	16,654	4,645	3,922
Total current liabilities	**63,193**	**64,530**	**68,896**	**5,703**	**4,365**
Non-current liabilities:					
Long-term debt	1,612	1,609	1,460	(152)	(149)
Deferred tax liabilities	17,538	21,708	20,398	2,859	(1,310)
Allowance for employees' retirement benefits	13,724	12,614	11,205	(2,519)	(1,408)
Allowance for directors' retirement benefits	279	314	278	(1)	(36)
Allowance for repairs	818	842	847	28	4
Guaranteed deposits received	5,443	5,568	5,566	123	(2)
Other non-current liabilities:	700	677	587	(112)	(90)
Total non-current liabilities	**40,116**	**43,334**	**40,342**	**226**	**(2,992)**
Total liabilities	**103,310**	**107,865**	**109,239**	**5,929**	**1,373**
Minority interests:					
Minority interests	**26,536**	**27,498**	–	–	–
Shareholders' Equity:					
Common stock	17,117	17,117	–	–	–
Capital surplus	9,486	9,483	–	–	–
Retained earnings	194,801	200,487	–	–	–
Unrealized holding gain on securities	33,843	40,835	–	–	–
Foreign currency translation adjustments	(871)	(212)	–	–	–
Treasury common stock	(3,133)	(3,176)	–	–	–
Total shareholders' equity	**251,244**	**264,535**	–	–	–
Total Liabilities, Minority Interests and Shareholders' Equity	**381,091**	**399,899**	–	–	–
Net Assets:					
Shareholders' equity:	–	–	**226,426**	–	–
Common stock	–	–	17,117	–	–
Capital surplus	–	–	9,477	–	–
Retained earnings	–	–	202,924	–	–
Treasury common stock	–	–	(3,094)	–	–
Valuation and translation adjustments	–	–	**38,230**	–	–
Unrealized holding gain on securities	–	–	38,362	–	–
Deferred gains on hedging transactions	–	–	83	–	–
Foreign currency translation adjustments	–	–	(215)	–	–
Minority interests	–	–	**27,995**	–	–
Total net assets	–	–	**292,652**	–	–
Total net assets and liabilities	–	–	**401,891**	–	–

(2) Interim Consolidated Statements of Income—From April 1 to September 30, 2006

(Millions of yen)

	April 1~September 30, 2005	April 1~September 30, 2006	Change
Net sales	211,761	207,802	(3,958)
Cost of sales	144,681	141,504	(3,176)
Gross profit	**67,079**	**66,297**	**(781)**
Selling, general and administrative expenses	56,820	57,338	518
Operating income	**10,259**	**8,958**	**(1,300)**
Non-operating income:	1,751	2,226	475
Interest income	50	93	42
Dividend income	467	658	190
Equity in earnings of subsidiaries and affiliated companies	752	707	(45)
Other income	480	768	287
Non-operating expenses:	410	260	(150)
Interest expenses	81	88	7
Other expenses	329	171	(158)
Ordinary income	11,600	10,925	(674)
Extraordinary income:	340	69	(270)
Gain on sale of fixed assets	139	46	(92)
Gain on sale of investments in securities	201	–	(201)
Other	–	22	22
Extraordinary losses:	382	531	148
Loss on disposal of fixed assets	106	531	424
Office relocation expenses	189	–	(189)
Other	86	–	(86)
Income before income taxes and minority interests	**11,558**	**10,464**	**(1,094)**
Income taxes – current	4,470	4,090	(380)
Minority interests	843	975	132
Net income	**6,244**	**5,398**	**(846)**

(3) Interim Consolidated Statements of Retained Earnings

(Millions of yen)

	April 1~September 30, 2005
Capital surplus:	
Capital surplus at beginning of the year	9,452
Increase in capital surplus	34
Proceeds from sale of treasury common stock	34
Capital surplus at end of the interim period	9,486
Retained earnings:	
Retained earnings at beginning of the year	190,699
Increase in retained earnings	6,244
Net income	6,244
Decrease in retained earnings	2,141
Cash dividends paid	1,968
Bonuses to directors	172
Retained earnings at end of the interim period	194,801

(4) Interim Consolidated Statements of Changes in Shareholders' Equity —From April 1 to September 30, 2006

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury common stock	Total shareholders' equity
Balances as of March 31, 2006	17,117	9,483	200,487	(3,176)	223,912
Changes in the first half					
Dividends from retained earnings*			(2,785)		(2,785)
Directors' bonuses*			(175)		(175)
Net income			5,398		5,398
Purchases of treasury common stock				(39)	(39)
Disposal of treasury common stock		(5)		121	115
Net change in non-shareholders' equity items for the first half					
Total change for the first half	–	(5)	2,437	82	2,513
Balances as of September 30, 2006	17,117	9,477	202,924	(3,094)	226,426

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gains on hedging transactions	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balances as of March 31, 2006	40,835	–	(212)	40,622	27,498	292,033
Changes in the first half						
Dividends from retained earnings*						(2,785)
Directors' bonuses*						(175)
Net income						5,398
Purchases of treasury common stock						(39)
Disposal of treasury common stock						115
Net change in non-shareholders' equity items for the first half	(2,473)	83	(2)	(2,392)	497	(1,895)
Total change for the first half	(2,473)	83	(2)	(2,392)	497	618
Balances as of September 30, 2006	38,362	83	(215)	38,230	27,995	292,652

* Items marked with an asterisk were approved for allocation of retained earnings at the Ordinary General Meeting of Shareholders held in June 2006.

(5) Interim Consolidated Statements of Cash Flows—From April 1 to September 30, 2006

(Millions of yen)

	April 1~September 30, 2005	April 1, 2005~March 31, 2006	April 1~September 30, 2006
I. Cash flows from operating activities:			
Income before income taxes and minority interests	11,558	25,101	10,464
Depreciation and amortization	5,805	11,993	6,038
Decrease in allowance for retirement benefits	(1,204)	(2,317)	(1,410)
Interest and dividends income	(518)	(953)	(751)
Interest expenses	81	160	88
Equity in earnings of subsidiaries and affiliated companies	(752)	(1,505)	(707)
Gain on sales of marketable securities	(201)	(570)	(300)
(Increase) decrease in accounts receivable	3,533	2,469	(2,341)
(Increase) decrease in inventories	2,215	(668)	1,041
Increase (decrease) in accounts payable	(3,975)	(3,323)	1,313
Other	(2,545)	(2,483)	2,894
Subtotal	13,996	27,902	16,330
Interest and dividends received	578	1,257	1,335
Interest paid	(79)	(164)	(77)
Income taxes paid	(3,673)	(7,939)	(5,083)
Net cash provided by operating activities	**10,822**	**21,054**	**12,505**
II. Cash flows from investing activities:			
Payments for time deposits	(4,018)	(8,290)	(10,355)
Proceeds from repayment of time deposits	18	18	9,317
Payments for purchase of marketable securities	(4,862)	(13,505)	(7,914)
Proceeds from sales of marketable securities	1,400	7,196	5,400
Payments for purchases of fixed assets	(6,208)	(12,362)	(8,097)
Proceeds from sales of fixed assets	201	535	150
Payments for purchases of investments in marketable securities	(462)	(847)	(29)
Proceeds from sales of investments in marketable securities	238	1,671	342
Payments for long-term loans	(2)	(3)	(2)
Proceeds from collections of long-term loans	105	133	24
Other	(76)	156	77
Net cash used in investing activities	**(13,667)**	**(25,297)**	**(11,086)**
III. Cash flows from financing activities:			
Proceeds from short-term debt	68	10	145
Repayments of short-term debt	(225)	(660)	(521)
Proceeds from long-term debt	–	95	–
Repayments of long-term debt	(12)	(29)	–
Proceeds from sale of treasury common stock	140	184	115
Purchase of treasury common stock	(2,341)	(2,430)	(39)
Cash dividends paid	(1,968)	(3,580)	(2,785)
Other	(417)	(863)	(474)
Net cash used in financing activities	**(4,756)**	**(7,274)**	**(3,561)**
IV. Effect of exchange rate changes on cash and cash equivalents	**60**	**272**	**62**
V. Decrease in cash and cash equivalents	**(7,540)**	**(11,244)**	**(2,080)**
VI. Cash and cash equivalents at beginning of the year	**54,047**	**54,047**	**42,803**
VII. Cash and cash equivalents at end of the fiscal period	**46,506**	**42,803**	**40,722**

Basis of Presentation of Interim Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries: 39

- Names of principal subsidiaries: Nisshin Flour Milling Inc., Nisshin Foods Inc., Ma•Ma-Macaroni Co., Ltd., Initio Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Petfood Inc., Nisshin Engineering Inc., NBC Inc.
- Of the remaining subsidiaries, Nisshin Managerial Technology Center Co., Ltd. and eight other companies are not consolidated. The assets, net sales, net income and retained earnings of each non-consolidated subsidiary are small, and the aggregate effect on the consolidated financial statements is immaterial.

2. Scope of the equity method

(1) Equity-method subsidiaries and affiliates: ten (1 non-consolidated subsidiary and nine affiliates)

- Names of principal equity-method subsidiaries and affiliates: Marubeni Nisshin Feed Co., Ltd., Japan Logistic Systems Corp.
- The contributions to consolidated net income and consolidated retained earnings of each of the eight non-consolidated subsidiaries and six 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 equity-method subsidiaries and affiliates whose interim accounting period differs from the consolidated interim accounting period.

3. Interim accounting periods of consolidated subsidiaries

The consolidated subsidiaries listed below have interim accounting periods that differ from the consolidated interim accounting period. Since the end of the interim period of each of these companies is within three months of the consolidated interim period-end, the interim financial statements of each consolidated subsidiary are used. However, necessary adjustments are made for material transactions that occurred during the period between the subsidiary's interim period-end and the consolidated interim period-end.

Company name	Interim period-end
Rogers Foods Ltd.	July 31
Thai Nisshin Seifun Co., Ltd. and 11 others	June 30

4. Significant accounting principles

(1) Valuation standards and methodology for material assets

a. Securities

Held-to-maturity debt securities are stated at amortized cost.

Other securities:

Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the interim period-end (with any unrealized gains or losses being reported directly as a component of net assets and the cost of any securities sold being computed by the moving average method).

Securities with no readily determinable market value are stated at cost, with cost being determined by the moving average method.

b. Derivatives:

Derivative financial instruments are stated at fair market value.

c. Inventories:

Flour and bran are stated at the lower of cost or market, cost being determined by the retail cost method; other products are stated at the lower of cost or market, cost being determined by the periodic average method.

Raw materials are stated at cost, with cost being determined by the moving average method.

(2) Depreciation methods for material depreciable assets

a. Tangible fixed assets

Depreciation on tangible fixed assets owned by the parent company and domestic consolidated subsidiaries is computed principally by the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998. Foreign consolidated subsidiaries generally use the straight-line method.

b. Intangible fixed assets

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

(3) Basis of material allowances

a. Allowance for doubtful accounts

The parent company and domestic consolidated subsidiaries provide for possible credit losses stemming from trade notes and accounts receivable. 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. Allowance for employees' retirement benefits

The parent company and domestic consolidated subsidiaries provide for employees' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at the consolidated interim period-end. Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees expected to receive pension benefits as of the consolidated 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 expected to receive pension benefits as of the consolidated fiscal year-end.

c. Allowance for directors' retirement benefits

Eight domestic consolidated subsidiaries provide for the payment of retirement benefits to directors in accordance with internal regulations, based on projected benefits as of the end of the interim period.

(4) Significant lease transactions

Finance leases other than those that transfer ownership of the leased assets to the lessee are accounted for using the same methods as those used for ordinary lease transactions.

(5) Significant hedging transactions

a. Basis of accounting

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

b. Hedging methods

The Company uses derivative transactions (including forward exchange contracts and currency call options) to hedge currency risk exposure for all planned trading transactions that are denominated in foreign currencies.

c. Hedging policy

The Company employs derivative financial instruments purely to manage fluctuations in foreign currency exchange rates. Company policy prohibits the use of derivative financial instruments for trading purposes.

d. Hedging evaluation

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

(6) Consumption tax

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

5. Cash and cash equivalents

Cash and cash equivalents as stated in the Interim 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.

<Change in accounting policy>

(Accounting Standard for Directors' Bonuses)

Effective from the interim period under review, the Company has adopted the "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4, November 29, 2005). The effect of this change was to reduce operating income, ordinary income and income before income taxes and minority interests each by ¥101 million for the interim period.

(Accounting Standard for Presentation of Net Assets on the Balance Sheet)

Effective from the interim period under review, the Company has adopted the "Accounting Standard for the Presentation of Net Assets on the Balance Sheet" (ASBJ Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for the Presentation of Net Assets on the Balance Sheet" (ASBJ Guidance No.8, December 9, 2005). The amount equivalent to "Shareholders' Equity" under the previous presentation method totaled ¥264,573 million as of September 30, 2006.

Due to revisions to regulations concerning the preparation of interim consolidated financial statements, the Company has presented net assets on the balance sheet for the interim period in accordance with these revised regulations.

Notes to Consolidated Financial Statements

(Interim Consolidated Balance Sheets)

1. All amounts have been rounded down to the nearest million yen.

2. Accumulated depreciation of tangible fixed assets

Interim Period FY 2006	FY 2006	Interim Period FY 2007
¥188,730 million	¥192,618 million	¥195,649 million

3. Accumulated accelerated depreciation of tangible fixed assets purchased with government subsidy

Interim Period FY 2006	FY 2006	Interim Period FY 2007
¥264 million	¥264 million	¥264 million

4. Assets pledged as collateral

	Interim Period FY 2006	FY 2006	Interim Period FY 2007
Buildings and structures	¥1,297 million	¥1,381 million	¥1,378 million
Machinery and equipment	¥814 million	¥784 million	¥795 million
Land	¥92 million	¥92 million	¥92 million

5. Warranty liabilities

Interim Period FY 2006	FY 2006	Interim Period FY 2007
¥795 million	¥1,008 million	¥955 million

6. Notes maturing at the interim end-date are settled on the date of clearance. Since the interim end-date of September 30, 2006 was a bank holiday, matured notes were included in the following balance sheet items

	Interim Period FY 2005	FY 2005	Interim Period FY 2006
Notes receivable:	¥– million	¥– million	¥656 million
Notes payable:	¥– million	¥– million	¥19 million

(Interim Consolidated Statements of Income)

1. All amounts have been rounded down to the nearest million yen.

2. Tax expenses for the interim period ended September 30, 2005, have been calculated primarily using the simplified method. Accordingly, income taxes-deferred have been included in income taxes-current.

(Interim Consolidated Statements of Changes in Shareholders' Equity)

1. All amounts have been rounded down to the nearest million yen.

2. Type and number of issued shares of common stock and treasury common stock.

(Thousands of shares)

	Number of shares at end of previous fiscal year	Increase in shares during interim period	Decrease in shares during interim period	Number of shares at end of interim period
Shares issued Common stock	256,535	-	-	256,535
Treasury stock Common stock	3,800	31	128	3,703

Note:
1. Portion of the increase in common stock accounted for by treasury common stock
   Increase resulting from acquisition of shares comprising less than one trading unit: 31,000 shares
2. Portion of the decrease in common stock accounted for by treasury common stock
   Decrease resulting from sale of shares comprising less than one trading unit: 4,000 shares
   Decrease resulting from the exercise of stock options: 123,000 shares

3. Dividends

a. Dividends to be paid

A resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2006 with details as follows:

Dividends on common stock

i) Total dividends to be paid	¥2,785 million
ii) Dividend per share	¥11
iii) Date of record	March 31, 2006
iv) Effective date	June 29, 2006

b. Dividends for which the date of record falls during the interim period under review, but the effective date falls after the end of the interim period under review

A resolution was made at the meeting of the board of directors held on November 10, 2006 with details as follows:

Dividends on common stock

i) Total dividends to be paid	¥2,279 million
ii) Source of dividend	retained earnings
iii) Dividend per share	¥9
iv) Date of record	September 30, 2006
v) Effective date	December 8, 2006

(Interim Consolidated Statements of Cash Flows)

1. All amounts have been rounded down to the nearest million yen.
2. The reconciliation between the balance of cash and cash equivalents at the end of the fiscal periods and amounts stated in the Consolidated Statements of Cash Flows is as follows.

(Millions of yen)

	Interim Period FY 2006	FY 2006	Interim Period FY 2007
Cash on hand and in banks	50,525	50,111	43,086
Marketable securities	10,274	14,339	24,325
Total	60,799	64,450	67,412
Fixed deposits with periods greater than three months	(4,018)	(8,307)	(9,360)
Bonds with redemption periods greater than three months at time of purchase	(10,274)	(13,339)	(17,329)
Balance of cash and cash equivalents at end of fiscal period	46,506	42,803	40,722

a. Segment information

(1) Business Segment Information

Interim Period From April 1, 2005 to September 30, 2005

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
Net Sales						
(1) Net sales to external customers	76,840	111,144	23,776	211,761	–	211,761
(2) Internal sales and transfers	8,838	495	977	10,311	(10,311)	–
Total	85,679	111,639	24,753	222,072	(10,311)	211,761
Cost and Expenses	80,772	108,353	22,296	211,422	(9,921)	201,501
Operating Income	4,906	3,286	2,456	10,649	(390)	10,259

Interim Period From April 1, 2006 to September 30, 2006

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
Net Sales						
(1) Net sales to external customers	76,826	111,087	19,888	207,802	–	207,802
(2) Internal sales and transfers	8,446	428	2,660	11,535	(11,535)	–
Total	85,273	111,515	22,549	219,338	(11,535)	207,802
Cost and Expenses	80,470	109,213	20,467	210,151	(11,308)	198,843
Operating Income	4,802	2,301	2,081	9,186	(227)	8,958

Year Ended March 31, 2006

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
Net Sales						
(1) Net sales to external customers	153,850	221,571	45,938	421,359	–	421,359
(2) Internal sales and transfers	17,984	908	2,514	21,407	(21,407)	–
Total	171,834	222,479	48,452	442,767	(21,407)	421,359
Cost and Expenses	161,073	215,127	43,545	419,746	(20,556)	399,189
Operating Income	10,760	7,352	4,907	23,020	(850)	22,169

Notes:

1. Business segments were determined by considering similarities between product types.
2. 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, compound feed, transport and storage

(2) Geographical segment information

Because sales of the domestic segment account for more than 90% of the total sales of all segments, geographical segment information is omitted.

(3) Overseas sales

Because overseas sales account for less than 10% of the consolidated net sales, overseas sales are omitted.

b. Securities

1. Held-to-maturity debt securities with readily determinable market value

(Millions of yen)

	As of September 30, 2005			As of March 31, 2006			As of September 30, 2006		
	Carrying amount	Fair market value	Difference	Carrying amount	Fair market value	Difference	Carrying amount	Fair market value	Difference
1. Government and municipal bonds	–	–	–	–	–	–	2,997	2,998	0
2. Corporate bonds	500	502	2	400	400	0	300	300	0
3. Other	–	–	–	–	–	–	–	–	–
Total	500	502	2	400	400	0	3,297	3,298	0

2. Other securities with readily determinable market value

(Millions of yen)

	As of September 30, 2005			As of March 31, 2006			As of September 30, 2006		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
1. Equity securities	8,389	65,971	57,582	8,390	77,844	69,453	8,371	73,643	65,271
2. Debt securities									
Government and municipal bonds	–	–	–	6,004	6,000	(3)	14,398	14,402	3
Corporate bonds	11,088	11,085	(3)	7,942	7,938	(4)	6,625	6,625	0
Other	–	–	–	–	–	–	–	–	–
3. Other	–	–	–	–	–	–	–	–	–
Total	19,477	77,057	57,579	22,336	91,783	69,446	29,396	94,671	65,275

3. Principal securities not carried at market value

(Millions of yen)

	As of September 30, 2005	As of March 31, 2006	As of September 30, 2006
	Carrying amount	Carrying amount	Carrying amount
Other securities:			
Non-listed equity securities	5,244	5,372	5,374

c. Per share information

(Yen)

	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006	Interim period ended September 30, 2006
Net assets per share	1,093.38	1,046.00	1,046.77
Net income per share	27.10	52.80	21.36
Fully diluted net income per share	27.07	52.77	21.34

On November 18, 2005, the Company conducted a 1.1 for 1 common stock split.

Assuming that the stock split had taken place at the beginning of the previous fiscal period, the per share information for the interim period ended September 30, 2005, would be as follows:

Net assets per share ¥993.98

Net income per share ¥24.63

Fully diluted net income per share ¥24.61

(Note) The basis of calculation for net income per share and fully diluted net income per share

Item	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006	Interim period ended September 30, 2006
Net income, as stated on Statements of Income (millions of yen)	6,244	13,541	5,398
Main components of amounts not attributable to owners of common stock (millions of yen) Bonuses to directors	–	175	–
Net income associated with common stock (millions of yen)	6,244	13,366	5,398
Average number of shares of common stock during fiscal year (shares)	230,446,080	253,143,692	252,773,326
Main components of adjustment to net income used in calculation of fully diluted net income per share (millions of yen) Interest income (after relevant deductions of tax)	(2)	–	–
Adjustment to net income (millions of yen)	(2)	–	–
Main components of increase in number of shares of common stock used in calculation of fully diluted net income per share (shares) New share subscription rights	100,465	137,735	166,591
Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect	–	Issue of one convertible bond by affiliate	–

d. Lease transactions and derivative transactions

Due to prior detailed disclosure using electronic processes, the Company has omitted this information in accordance with the provisions of Article 27, Paragraph 30 (6) of the Securities and Exchange Law.

V. Status of Production, Orders Received and Sales

(1) Production

Production by business segments is as follows.

(Millions of yen)

Name of business segment	April 1~September 30, 2005	April 1~September 30, 2006	Change (%)
Flour Milling	71,439	71,767	0.5
Processed Food	55,125	55,808	1.2
Others	9,052	9,852	8.8
Total	135,617	137,428	1.3

Notes:

1. The above monetary values were calculated using average sales values during the period under review. Inter-segment transactions are eliminated.
2. The values listed above do not include consumption taxes.

(2) Orders Received

The Company does not produce a significant volume based on orders and description is omitted.

(3) Sales

Sales by business segment are as follows.

(Millions of yen)

Name of business segment	April 1~September 30, 2005	April 1~September 30, 2006	Change (%)
Flour Milling	76,840	76,826	(0.0)
Processed Food	111,144	111,087	(0.1)
Others	23,776	19,888	(16.4)
Total	211,761	207,802	(1.9)

Notes:

1. Inter-segment transactions are eliminated.
2. The values listed above do not include consumption taxes.