

Delivering Good Health and Reliability



To Shareholders

Business Report 2017

(April 1, 2016 to March 31, 2017)



NISSHIN SEIFUN GROUP INC.



Nobuki Kemmoku
Representative Director and President



My name is Nobuki Kemmoku, and I was appointed Representative Director and President of Nisshin Seifun Group Inc. in April 2017. Please allow me to offer a few words of greeting to you, our shareholders.

Since the founding of Nisshin in 1900, we have maintained a corporate principle of “contributing to a healthy and fruitful life for all” based on the guiding philosophies of “the basis of business is built on trust” and “being in tune with the changing climate.” We have continuously changed ourselves with the belief that companies can only survive and expect growth by effectively modifying themselves to better adapt to changes in the business environment.

Under Nisshin Seifun Group Inc. as a pure holding company, each of the group’s major businesses, namely flour milling, processed foods, health foods, yeast and biotechnology, pet foods, engineering and mesh cloth now operates as a self-directing entity able to respond to our customers’ needs more quickly. Accordingly, the Group is aiming to be number one in its respective industries and business sectors, and is actively striving to expand its business overseas.

At the same time, the Group finds itself in a business environment characterized by massive changes. These include fluctuating exchange rates and prices of grain and natural resources against a backdrop of volatile world affairs, market contraction as Japan’s population declines, and growing concern over labor shortages in the country. In addition, the future of the Trans-Pacific Partnership (TPP), for which a negotiated agreement was largely reached in October 2015, remains uncertain due to the announcement made by the U.S. of its plan to withdraw from the partnership. However, with international trade negotiations such as Economic Partnership Agreements (EPAs) gaining momentum worldwide, global competition is expected to accelerate depending on the outcomes of these negotiations.

Under these circumstances, the Nisshin Seifun Group will continue to fulfill its mission of securing stable supplies of safe and reliable wheat flour and other staple foods, and delivering safe and reliable products in each business. At the same time, we will pursue business growth by further utilizing our comprehensive group-wide capabilities by strengthening cooperation among our operating companies in Japan as well as overseas.

As we strive for sustainable growth and the creation of corporate value over the medium to long term, we aim to be a corporate group that continues to gain the support of our stakeholders. We kindly request your continued support and understanding as we work to achieve our goals.

June 2017

Q You were appointed president on April 1, 2017. What are your thoughts upon assuming this leadership role?

A It was definitely a very sobering experience. With that said, I knew that if I became too stiff or uptight, it would be hard to do my best work. So I decided the best option is to just to be myself as I tackle this appointment. Right now, the entire Group is positioning itself for the next step forward. To this end, I want to create an environment built on the free expression of ideas, where we can think and act on things from every possible angle and perspective in a borderless fashion, regardless of whether the companies involved are internal or external, domestic or overseas. In short, I hope to develop an environment where we can capitalize more than ever on the comprehensive group-wide capabilities of the Nisshin Seifun Group.

Q You mentioned the “comprehensive group-wide capabilities” of the Nisshin Seifun Group. What exactly do you mean by that?

A Back in 2001, the Group spun off each of its businesses and transitioned to a holding company structure, under the corporate slogan of “Self-sufficiency and Alliance” as a common banner for the move. Over the past 16 years, each operating company has operated autonomously in its own respective business environment, raising their individual profiles in these industries. However, what we must consider going forward is how to make the “Alliance” side of this equation work as a Group. The business environment we face today is one of growing uncertainty and intense change, fueled by a geopolitical landscape that is in a great deal of flux. I am convinced that it is precisely in times like this that the Group’s “comprehensive group-wide capabilities” will become a keyword for action. As the flour milling, processed food and yeast and biotechnology businesses show, the Group has leveraged strengths present since its inception to conduct a broad spectrum of business. By having all of our operating companies unified in strength under management policies appropriate for shaping the future of the Group as a whole, we can for the first time identify what our comprehensive group-wide capabilities are. The synergy effects that then emerge will, I believe, spark a virtuous cycle that will ultimately enhance the growth of the Group’s individual operations.

Q Can you share any specific policies you intend to pursue as you plot the course for Group management going forward?

A Presently, the Group is focused aggressively on restructuring its earnings foundation and growth strategies for the future – basic strategies in “NNI-120 II,” our medium-term management plan. In return, business performance is steadily improving, and it is vital that we continue to carefully and steadily implement the measures we have so far. With that said, I am also considering what will serve as a compass for where the Group is headed 10 to 20 years from now; in other words, I am thinking about the formulation of a medium to long-term management plan for realizing our vision for what the Group can and should be. In addition to enhancing the earnings foundation in our core businesses (flour milling and processed food) and actively developing prepared dishes and other prepared foods, yeast and biotechnology and other growth businesses, we also need to accelerate measures targeting new businesses. Another vital element will be pushing forward with model changes in our existing businesses to adapt them to changes in the operating environment, such as negative population growth and labor shortages. In determining the Group’s course going forward, we intend to face these kinds of issues by creating a structure that allows every member of the Group’s workforce to make sure and steady progress toward completion of objectives that they all share.

▶▶ Refer to “New Basic Group Management Policies” on page 4.

Q You mentioned the labor shortage problem, which is one of the social issues that has emerged today. How is the Group addressing this?

A At present, two national-level policies seek to address this issue, one aimed at improving working styles, the other at promoting the career advancement of women. At the Nisshin Seifun Group, we are taking measures to reduce the quantity of work-hours not as an end, but as a means to focus on boosting productivity through a higher quality of work. We are putting mechanisms in place that enable employees to demonstrate their capabilities while maintaining an environment which makes it easier to continue their employment. In terms of specifics, in addition to measures like a full range of employee training programs in Japan and abroad and a recruitment ratio of over 30% for women, over the past 12 years we have promoted the drive to reduce general working hours and have been adopting mechanisms that allow

employees to opt for working styles better suited to their individual values and life stages. Together with this kind of “system transformation,” we will also pour energy into “operational transformation” aimed at enhancing the Group’s labor productivity.

Q Business performance was good for the fiscal year ended March 31, 2017. Can you comment on the circumstances present in each business?

A Business performance in the fiscal year ended March 31, 2017 saw lower net sales, mainly reflecting lower product prices due to falling raw wheat prices and the effects of foreign currency exchange rates for overseas businesses against a strengthening yen. However, along with measures to improve profitability, including cost reduction efforts, expansion in overseas business – which we position as a growth field – coupled with brisk performance at a new prepared dishes and other prepared foods subsidiary, resulted in higher profit.



Chilliwack Plant (Canada) of Rogers Foods Ltd., where a new production line is under construction

In the Flour Milling business, in Japan we targeted customers with proposal-driven marketing and pursued cost-cutting measures. Outside of Japan, guided by our U.S. business, where the Group is now the

4th largest flour milling company in the country, we grew our wheat flour sales volume. Right now, the Group is overseeing construction of new wheat flour production lines overseas in Canada (scheduled to begin operations in autumn 2017) and the United States (scheduled to begin operations in early 2019). When these two new lines become operable, they will lift our overseas wheat flour production capacity (on a raw wheat basis) above the level of that in Japan. For this reason, the potential for a broad range of business collaborations in the Pacific Rim area will also come into focus.

In the Processed Food business, sales of high-value-added processed food products are robust. In our strong-selling bottle-type products, we launched the sale of the fourth installment in this series, Nisshin Komugiko Tamago Irazu Raku Age Panko (▶▶see page 5), which eliminates the need for flour or eggs for more convenient preparation of pork cutlets and other fried foods. We saw stable operations at our newly built pasta plant in Turkey, pasta sauce plant in Vietnam, and frozen

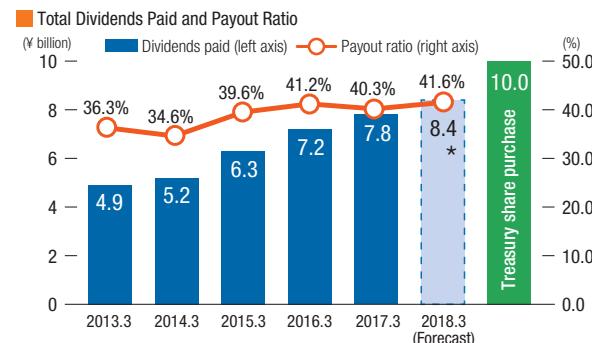
food plant in Kobe (Japan), all of which are contributing to improved competitiveness for mainstay products. All of these sites were built as part of efforts to develop a globally optimized production framework. I would say that these examples should give you a feel for how success has steadily emerged from the business strategies we prioritized.



Q For the March 2018 fiscal year, in addition to actual growth in dividends for a fifth consecutive term, you also announced the decision to purchase a total of ¥10 billion in treasury shares, correct?

A Back in the fiscal year ended March 31, 2016, the Group declared that it would take a more proactive stance on profit growth and shareholder returns, subsequently raising its payout ratio to at least 40 percent on a consolidated basis. For the fiscal year ended March 31, 2017, as a further return of profits to shareholders, we increased the full-year dividend by ¥2 to ¥26 per share, and plan to raise it again to ¥28 for the fiscal year ending March 31, 2018. This will culminate in a projected actual dividend increase for a fifth consecutive term. Similarly, with the goals of robust shareholder returns and improved capital efficiency in mind, we decided to purchase a total of ¥10 billion in treasury shares.

Looking ahead, we will continue steps to promote strategic investments and spur profit growth, with improved corporate value foremost in mind, while rigorously addressing shareholder returns to meet the expectations of our shareholders.



*Scheduled increase of ¥1 each in interim and year-end dividends for the fiscal year ending March 31, 2018

Q In closing, please tell us a little about yourself – what you value most, your hobbies, or other anything else you would like to share.

A In Japanese, my name “Nobuki” (made up of *nobu* – “hope or trust” and *ki* – “large tree”) contains the hope that I would become as solid and dependable as the largest of trees. And as the first part of my name, “Nobu” means “trustworthy,” living up to that meaning is very important to me. Even in my prior management experience, I deeply felt the importance of being trustworthy and dependable, and have woven that into the work that I do.

My hobby is reading, mainly historical fiction or period novels. I particularly love the work of Ryotaro Shiba and Shotaro Ikenami. Reading not only deepens one’s knowledge and ability to think, but is also important for fostering a broader perspective.



[Background]

(As of June 2017)

Name: Nobuki Kemmoku
 Date of birth: February 13, 1961
 Education: March 1984 – Bachelor of Arts, Economics, Hitotsubashi University
 Career: April 1984 – Joined Nisshin Flour Milling Co., Ltd. (currently Nisshin Seifun Group Inc.)
 June 2005 – Director and General Manager of Administration Department, Nisshin Flour Milling Inc. (established from 2001 spinoff of flour milling business)
 June 2008 – General Manager of Accounting Department, Finance and Accounting Division, Nisshin Seifun Group Inc.
 September 2011 – Managing Director and General Manager of Administration Department, Nisshin Flour Milling Inc.
 June 2012 – Executive Officer, Nisshin Seifun Group Inc.
 September 2012 – Managing Director, Nisshin Flour Milling Inc.
 June 2013 – Director, Nisshin Seifun Group Inc.
 Senior Managing Director, Nisshin Flour Milling Inc.
 April 2015 – Director and President, Nisshin Flour Milling Inc.
 June 2015 – Managing Director, Nisshin Seifun Group Inc.
 April 2017 – Representative Director and President, Nisshin Seifun Group Inc.

New Basic Group Management Policies

The Group is progressing on its medium-term management plan, “NNI-120 II,” scheduled to conclude in fiscal 2021. The new “Basic Group Management Policies” are a marker on the road to this milestone, outlining our vision for the Nisshin Seifun Group 10 and 20 years from now as we aim for further expansion and growth by capitalizing on the Group’s comprehensive group-wide capabilities.

1. Formulate a Group vision in tune with the changing climate

Look 10 to 20 years ahead to formulate a management plan for realizing our vision for **what the Group can and should be** by taking optimal advantage of its comprehensive group-wide capabilities.

2. Reaffirm Commitment to Self-sufficiency and Alliance and Highlight “Comprehensive Group-wide Capabilities”

Seek to **maximize synergies** by encouraging **borderless thinking and action** by every individual executive and employee, regardless of whether internal or external to the Group or domestic or international, and strengthening **collaborative ties between operating companies**.

3. Continuous Portfolio Revision (concentrated investment of management resources in growth fields)

While **enhancing the earnings foundations of core businesses (flour milling and processed foods)**, focus in on **further growth** and **strive to actively develop business** in prepared dishes and other prepared foods, yeast and biotechnology and other **growth fields**.
 In conjunction, aim to strengthen our portfolio and accelerate measures targeting **new business development**.

4. “Model Change” to Adapt Existing Business to the Business Environment

Adapt to changes in the business environment, specifically population decline, labor shortages and other social issues, international trade negotiations, market diversification and technological innovation to **further propel the redevelopment of earnings foundations forward**.

Panko Has Evolved – Just Coat and Fry! Nisshin Komugiko Tamago Irazu Rakuage Panko Is Here!

This proprietary *panko* mix sticks tightly to food by absorbing some of the water content of the ingredients. This eliminates the need to prepare flour or eggs when cooking pork cutlets and other fried foods – just sprinkle it directly on meat and other ingredients for a “just coat and fry” cooking process.

Point 1 Sprinkle directly on ingredients, just coat and fry

Just apply directly to meat and other ingredients and fry to create pork cutlets and other fried foods.

Point 2 Wide range of uses, including mixing into ground beef

In addition to frying, this *panko* is ready for a wide variety of uses, including mixing it into ground beef and other ingredients.

Visit the website to find recipes for using
Nisshin Komugiko Tamago Irazu Rakuage Panko
Don't miss it!
<http://www.nisshin.com/rakuage/>



Bottle type (80g)



Zipper bag type (140g)

Nisshin Foods Inc.

THE PASTA Series – Witness the Start of the New Standard Brand

In response to customers who asked for tastier frozen pasta, we launched an authentic pasta dish made using select ingredients and preparation methods, and featuring a more mouth-watering sauce.



Ma•Ma THE PASTA
Sautee Spaghetti Napolitan



Ma•Ma THE PASTA
Meat Sauce with Flavorful Vegetables



Ma•Ma THE PASTA
Four Cheese Carbonara



Ma•Ma THE PASTA
Sautee Spaghetti Butter Soy Sauce
with Spinach from Miyazaki Prefecture

Nisshin Foods Inc.

Ao-No-Dokutsu PREMIUM – A Complete Revamp of Our Pasta Sauce

Bringing together two different sauce types – retort and paste – just before serving, this “double sauce design” creates a sauce with a deep, rich flavor.



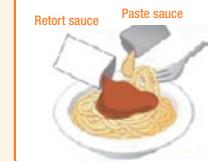
Ao-No-Dokutsu PREMIUM
Cured Bacon Carbonara
with Mascarpone Cheese



Ao-No-Dokutsu PREMIUM
Beef Bolognese with Porcini Sauce

Nisshin Foods Inc.

Double Sauce Design
A mix of the richness of retort sauce with the aroma of paste sauce



Huge Expansion of Kaiseki Wet Cat Food Line!

The *Kaiseki* brand now features both retort pouch and canned products, allowing the purchase of dry and wet versions from the same trusted brand.

Retort pouch products



Canned products



Maguro No Tatsujin and Katsuo No Tatsujin Small Flakes in Retort Packages Now On Sales

This wet cat food is made from our proprietary umami ingredients, coupled with a thick soup featuring the top 5* toppings that cats love – bonito, chicken breast, whitebait, imitation crab meat, and various small fish.

*2016, Company data

Maguro No Tatsujin Series



Katsuo No Tatsujin Series



Don't Miss the New Commercial Sung by Kenji Ohtsuki!

Cat lover Kenji Ohtsuki does double duty in this commercial, singing and voicing the feelings of not one but two distinct cats featured in this fun ad spot.

<http://www.nisshin-pet.co.jp/m-tatsujin/cm/>



Find out more here!



Report on Individual Shareholders' Tour of the Nisshin Flour Milling Inc. Tsurumi Plant

We held an individual shareholders' tour of the Nisshin Flour Milling Inc. Tsurumi Plant on March 23, 2017.



Announcement of Individual Shareholders' Tour of the Nisshin Milling Museum in September 2017

We will hold an individual shareholders' tour of the Nisshin Milling Museum. Individual shareholders who hold 500 or more of the Company's shares as of March 31, 2017 are eligible to attend.

Scheduled date and times for each tour
September 22, 2017 (Friday)
 1. 10:15 am to 1:50 pm (Assembly at Tatebayashi Station, Tobu Isesaki Line, at 10:00 am)
 2. 12:35 pm to 4:10 pm (Assembly at Tatebayashi Station, Tobu Isesaki Line, at 12:20 pm)
 * Lunch will be provided by the Company.

Venue
Nisshin Milling Museum (6-1 Sakae-cho, Tatebayashi City, Gunma Prefecture, Japan)
 * The tour will assemble and disperse at Tatebayashi Station on the Tobu Isesaki Line on the day.

Participation fee
Free of charge (However, please be advised that the transportation fee to and from the point of assembly is at the participant's own cost.)

Number of participants
A total of 50 participants for each tour (shareholders may be accompanied by one other person)
 * Please be advised that a lottery system to select participants shall apply in the event the number of applicants exceeds the maximum number of permissible participants.
 * Accompanying person must be in junior high school or older

Application method
 Please complete all necessary items of the attached application form and return by postal mail.
Entries close on July 28, 2017 (Friday)
 * Application postcards have been sent to shareholders who hold 500 or more of the Company's shares as of March 31, 2017.

Inquiries
Nisshin Milling Museum Tour Service Representative (Nisshin Seifun Group Inc.)
☎ 0120-087-078

* Available within Japan only.
 * Weekdays 9:30 am to 5:30 pm (Excluding Saturday, Sunday and public holidays)
 * This inquiry telephone line shall be available until September 22, 2017 (Friday).

Points to remember when submitting an application

- Changes may occur in the tour program, or the tour may be postponed or cancelled due to weather conditions or other unforeseen circumstances.
- The Company may use photographs taken during the tour in its in-house magazine, business report and other publications.

The handling of personal information

Personal shareholder information and information on individuals accompanying shareholders obtained through the receipt of applications to participate in the tour shall not be used for any other purpose.

Co-Sponsor of Kobe Sweets Consortium – Now In Its 10th Year

Nisshin Flour Milling Inc. is a co-sponsor of the Kobe Sweets Consortium (or KSC), a project that supports challenged* individuals hoping to become pastry chefs. Japanese social welfare organization Prop Station is the main sponsor of the project.

KSC is the first project of its kind in Japan, and seeks to groom challenged pastry masters from Kobe, considered the birthplace of Western-style confections in Japan. Participants learn techniques for making sweets and business knowhow from famous pastry chefs, supporting challenged individuals in living independent lives. Nisshin Flour Milling Inc. has been a co-sponsor since the first event, with this important project now set to celebrate its 10th year.

*Challenged: Term that has come into use in the U.S. and other countries in reference to individuals with disabilities.



Original product "Twisted pretzel" cookie
 Left: Cookie with dried beefsteak plant
 Right: Cookie with blueberries

神戸
 まういっ
 コンソーシアム

Sponsorship of Japanese Para-Sports Association as Official Partner

In April 2017, the Nisshin Seifun Group became an official partner and sponsor of the Japanese Para-Sports Association.

While the Group has sponsored volleyball and other sports in the past, the decision was made to use this opportunity to recommit to the promotion of sports for people with disabilities.

In 2017, the Japanese Para-Sports Association is scheduled to sponsor several events, including the Japan Wheelchair Rugby Competition in May 2017, and competitions in goalball in August, swimming and track & field in September, and boccia ball in November.



Communication Mark of the Japanese Para-Sports Association

Created with the phoenix wings as a motif, the red color of the mark represents the fire that burns in the heart of every athlete as they soar into the future.

Energy Conservation Throughout the Nisshin Seifun Group

In June 2016, nine companies in the Nisshin Seifun Group achieved "Rank S," the highest ranking in the energy conservation evaluation criteria announced by the Agency for Natural Resources and Energy, part of Japan's Ministry of Economy, Trade and Industry.

The new line launched within the Nisshin Flour Milling Inc. Chita Plant in May 2015 has highly-efficient motors and shorter flour conveying distance by deploying machinery compactly, achieving significant energy savings for stable and efficient production of flour.



Mills on the new line of Nisshin Flour Milling Inc.'s Chita Plant

Consolidated Financial Summary

(¥ billion)

	Mar. 2015	Mar. 2016	Mar. 2017
Net sales	526.1	556.7	532.0
Overseas sales	84.7	109.4	91.2
Overseas sales ratio (%)	16.1%	19.7%	17.1%
Operating profit	20.4	23.7	25.5
Ordinary profit	25.5	28.0	30.3
Profit attributable to owners of parent	16.0	17.5	19.4
Net income per share (¥)	53	58	64
Total assets	549.3	550.3	557.5
Net assets	378.7	386.4	406.8
Net assets per share (¥)	1,218	1,237	1,303
Dividend per share (¥)	22	24	26

(Notes) 1. Figures shown are rounded down to the nearest hundred million yen (nearest yen for per share figures).

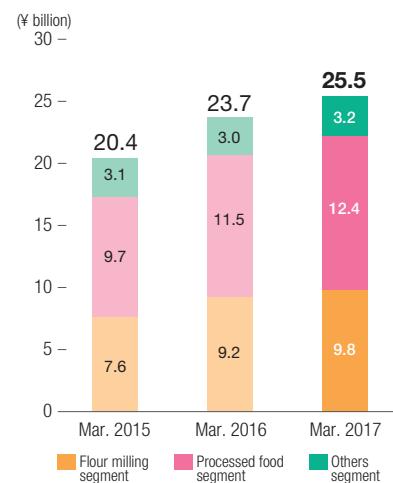
2. On October 1, 2014, the Company conducted 1.1-for-1 stock splits of shares of common stock. Net income per share and net assets per share are calculated by deeming the stock split to have occurred at the beginning of the consolidated fiscal year ended March 31, 2015.

Net sales / Overseas sales ratio



(Note) Intersegment transaction eliminations are included in "Others segment" of operating profit.

Operating profit



Ordinary profit / Profit attributable to owners of parent



Corporate Data

Corporate name: Nisshin Seifun Group Inc.

Head office: 25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo

Foundation: October 1900

Paid-in capital: ¥17,117,856,746 (As of March 31, 2017)

Board of Directors: (As of June 28, 2017)

Representative Director and President	Nobuki Kemmoku
Representative Director and Vice President	Masao Nakagawa
Representative Director and Vice President	Michinori Takizawa
Managing Director	Takashi Harada
Managing Director	Akira Mori
Director	Satoshi Odaka
Director	Masashi Koike
Director	Naoto Masujima
Director	Masashi Nakagawa
Director	Takao Yamada
Director	Kiyoshi Sato
Director	Yuji Koike
Director	Kenji Takihara
Director	Akio Mimura
Director	Kazuhiko Fushiya

Audit & Supervisory Board Member (Full-time) Yukihiko Kumazawa

Audit & Supervisory Board Member (Full-time) Kazuya Yoshinare

Audit & Supervisory Board Member Tetsuo Kawawa

Audit & Supervisory Board Member Satoshi Itoh

Audit & Supervisory Board Member Motosu Nagai

Stock Information (As of March 31, 2017)

■ Total number of issuable shares:

932,856,000 shares

■ Total number of shares issued and outstanding:

304,357,891 shares

■ Number of shareholders: 22,345 (an increase of 1,363 shareholders from the end of the previous fiscal year)

■ Composition of shareholders (Shareholders by type)



Investor Information

Fiscal year:

April 1 to March 31 of the following year

Date of record for year-end dividends (profit dividends) on retained earnings:

March 31

Date of record for interim dividends:

September 30

Ordinary general meeting of shareholders:

June

Method of public notice:

The Company posts notices via electronic notification on its website at <http://www.nisshin.com>

However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notices will be published in the Nikkei newspaper.

Share trading unit:

100 shares

Custodian of shareholder register:

Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku,
Tokyo Japan

Contact information:

Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Department
8-4, Izumi 2-chome, Suginami-ku, Tokyo
168-0063, Japan

Tel: 0120-782-031 (toll-free)

* Available within Japan only.

Special Privileges for Shareholders

Special privileges

Eligible shareholders may select either a gift pack of products from Nisshin Foods, or a product from Nisshin Pharma.

Eligible Shareholders

Shareholders with shareholdings of 500 or more of the Company's shares as of March 31 each year.

A guide will be sent out separately to eligible shareholders early in July with information on how to apply for the special offer.

Notice

● **Application for various share-related procedures**

Please file applications for various share-related procedures such as change of address, designation of a method to receive dividends, request to purchase shares in less than the allotted trading unit and sale of such additional shares at the following places.

1. Shareholders with an account at a securities company → Please contact your securities company.

Note: To apply to receive dividends after the period for dividend distribution, as well as request to purchase shares in less than the allotted trading unit registered at the special account and sale of additional less-than-a-unit shares to those registered at the special account, please contact Sumitomo Mitsui Trust Bank, Limited.

2. Shareholders registered at the special accounts → Please contact Sumitomo Mitsui Trust Bank, Limited.

● **Dividend Statement**

The Dividend Statement that we send you at the time of the dividend payment concurrently serves as the Payment Notification Statement based on a provision of the Act on Special Measures Concerning Taxation. Therefore, you can use it as documentation for filing your income tax return.

We ask the shareholders who file an income tax return to retain the Statement.

NISSHIN SEIFUN GROUP INC.

25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo
URL <http://www.nisshin.com>



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