163rd Fiscal Term (April 1, 2006 to March 31, 2007)

Securities Report

Nisshin Seifun Group Inc.

Contents

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Part A: Company Information

[1] Company Overview

(1) Principal Business Performance Indicators

1. Consolidated business performance indicators

Fiscal term		159th	160th	161st	162nd	163rd
Fiscal years ended March 31		2003	2004	2005	2006	2007
Net sales	(¥ million)	402,313	434,125	416,222	421,359	418,190
Ordinary income	(¥ million)	19,937	22,893	25,120	24,774	22,815
Net income	(¥ million)	10,575	11,575	13,597	13,541	12,303
Net assets	(¥ million)	211,197	230,555	241,282	264,535	300,306
Total assets	(¥ million)	316,330	359,820	372,968	399,899	408,437
Net assets per share	(¥)	904.80	996.59	1,042.92	1,046.00	1,069.71
Net income per share	(¥)	44.29	49.16	58.06	52.80	48.66
Diluted net income per share	(¥)	43.75	49.16	58.00	52.77	48.63
Equity ratio	(%)	66.8	64.1	64.7	66.2	66.3
Return on equity	(%)	5.0	5.2	5.8	5.4	4.6
Price-earnings ratio (p/e)	(times)	19.06	20.71	19.63	22.78	24.64
Cash flows from operating activities	(¥ million)	11,050	20,999	21,567	21,054	17,469
Cash flows from investing activities	(¥ million)	(1,312)	(7,931)	(17,590)	(25,297)	(6,961)
Cash flows from financing activities	(¥ million)	(10,890)	(7,549)	(4,317)	(7,274)	(5,225)
Cash and cash equivalents at end of year	(¥ million)	48,789	54,154	54,047	42,803	48,452
Number of employees [average number of part-time employees]	(persons)	4,645 [1,633]	5,185 [1,805]	5,054 [1,825]	5,101 [2,002]	5,212 [1,968]

Notes:

1. Consumption taxes and other taxes are not included in net sales.
2. The decline in net sales in the 161st fiscal term mainly reflected the conversion of the feed business subsidiary into an equity-method affiliate.
3. On November 18, 2005, the company undertook a 1.1 for 1 common stock split. Net income per share and diluted net income per share for the 162nd fiscal term are calculated based on the assumption that the stock split had taken place at the beginning of the term. In addition, assuming that the stock split had taken place at the beginning of the 161st fiscal term, figures for the term would be as follows: net assets per share ¥948.11; net income per share ¥52.79; diluted net income per share ¥52.73.
4. Effective the 163rd fiscal term, the company introduced the Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005).

2. Non-consolidated business performance indicators

Fiscal term		159th	160th	161st	162nd	163rd
Fiscal years ended March 31		2003	2004	2005	2006	2007
Net sales	(¥ million)	15,030	17,856	19,138	20,940	22,246
Ordinary income	(¥ million)	4,503	6,950	8,946	10,881	12,480
Net income	(¥ million)	5,472	8,165	9,392	11,068	13,312
Common stock	(¥ million)	17,117	17,117	17,117	17,117	17,117
Shares issued and outstanding	(thousand shares)	235,614	233,214	233,214	256,535	256,535
Net assets	(¥ million)	172,856	187,079	192,274	209,621	217,245
Total assets	(¥ million)	199,925	222,432	210,741	235,548	242,434
Net assets per share	(¥)	739.49	807.40	829.86	827.55	857.38
Total dividends per share (interim dividend amount)	(¥) (¥)	9.00 (4.00)	11.00 (4.50)	14.00 (5.50)	18.00 (7.00)	18.00 (9.00)
Net income per share	(¥)	22.95	34.84	40.31	43.42	52.56
Diluted net income per share	(¥)	22.81	34.84	40.29	43.40	52.53
Equity ratio	(%)	86.5	84.1	91.2	89.0	89.6
Return on equity	(%)	3.1	4.5	5.0	5.5	6.2
Price-earnings ratio (p/e)	(times)	36.78	29.22	28.28	27.71	22.81
Dividend payout ratio	(%)	38.7	31.6	34.7	40.0	34.2
Number of employees [average number of part-time employees]	(persons)	265 [26]	254 [26]	237 [20]	246 [16]	245 [14]

Notes:

1. Consumption taxes are not included in net sales.
2. On November 18, 2005 the company undertook a 1.1 for 1 common stock split. Net income per share and diluted net income per share for the 162nd fiscal term are calculated based on the assumption that the stock split had taken place at the beginning of the term. In addition, assuming that the stock split had taken place at the beginning of the 161st fiscal term, figures for the term would be as follows: net assets per share ¥754.42m; net income per share ¥36.64; diluted net income per share ¥ 36.63.
3. Assuming that the stock split had taken place at the beginning of the 162nd fiscal term, the dividend per share for the term would be ¥17.36. The dividend payout ratio is calculated based on the dividend per share after the assumed stock split.
4. Effective the 163rd fiscal term, the company introduced the Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005).

(2) History

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

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

In July 2001, the Nisshin Seifun Group adopted a holding company structure, under which the company holds all shares in each operating company covering the Group's principal business fields: flour milling, processed food, livestock feed, pet food, and pharmaceuticals.

Date	Event
October 1900	Tatebayashi Flour Milling Co., Ltd. established in Tatebayashi (Gunma Prefecture).
February 1908	Acquired Nisshin Flour Milling Co., Ltd.; company name changed to that of acquired entity.
February 1926	Construction of Tsurumi Plant completed.
1934	Nippon Bolting Cloth, Co., Ltd. (predecessor of NBC Inc.) established.
1949	Reconstruction and expansion of plants damaged during World War II largely completed.
May 1949	Shares listed on the Tokyo Stock Exchange.
February 1961	Feed production and research operations of affiliate Nisshin Feed Co., Ltd. absorbed by Nisshin Flour Milling.
September 1963	Research operations in Tokyo and Osaka consolidated into a new facility in Oimachi (now Fujimino), Saitama Prefecture.
July 1965	Acquired Nisshin Nagano Chemical Co., Ltd., which was renamed Nisshin Chemicals Co., Ltd.
October 1965	Prepared mix production and research operations of affiliate Nisshin Foods absorbed by Nisshin Flour Milling.
December 1966	Established Nisshin-DCA Foods Inc., a joint venture with DCA Food Industries Inc. of the U.S. (later renamed Nisshin Technomic Co., Ltd. in 1997).
February 1968	Construction of food production lines within the Nagoya Plant completed.
October 1970	Nisshin Pet Food Co., Ltd. established.
April 1972	Nisshin Engineering Co., Ltd. established.
April 1978	Fresh Food Service Co., Ltd. established.
October 1987	Operations of Nisshin Foods and Nisshin Chemicals absorbed by Nisshin Flour Milling by a merger.
March 1988	Thai Nisshin Seifun Co., Ltd., a joint venture, established in Thailand; operations commenced in January 1989.
September 1989	Canadian flour milling company Rogers Foods Ltd. acquired by Nisshin Flour Milling.
October 1989	Nasu Laboratory established in Nasu (now Nasu Shiobara), Tochigi Prefecture by transferring operations from Second Central Laboratory.
September 1990	Chiba Plant expanded to include a fourth flour milling facility (Mill D).
August 1991	Nisshin-STC Flour Milling Co., Ltd., a joint venture, established in Thailand; operations started in March 1993.
September 1994	Higashinada Plant expanded to include a third flour milling facility (Mill C).
April 1996	Nisshin Kyorin Pharma Co., Ltd., a joint venture with Kyorin Pharmaceutical Co., Ltd., commenced operations.
October 1996	Medallion Foods Inc. established in the United States.
October 1997	Frozen food operations of Nisshin Flour Milling transferred to newly established Nisshin Foods Co., Ltd.
March 1998	Head office relocated Chiyoda Ward, Tokyo.
April 1999	Operations of Nisshin Technomic Co., Ltd. absorbed by Nisshin Flour Milling by a merger.
October 1999	Management stake in SANKO Co., Ltd. acquired by Nisshin Flour Milling.
July 2001	New corporate entity created with operating companies (Nisshin Flour Milling, Nisshin Foods, Nisshin Feed, Nisshin Petfood, and Nisshin Pharma Inc.) under a holding company (Nisshin Seifun Group Inc.)
April 2002	Qingdao Nisshin Seifun Foods Co., Ltd. established in China.
October 2002	Tsurumi Plant of Nisshin Flour Milling expanded to include a seventh flour milling facility (Mill G).
April 2003	Additional shares in Oriental Yeast Co., Ltd. acquired as a consolidated subsidiary.
October 2003	Operations commenced at Marubeni Nisshin Feed Co., Ltd. (an equity-method affiliate), a joint venture created through the merger of Nisshin Feed with Marubeni Feed Co., Ltd.
March 2004	Initio Foods Inc. established.
December 2004	Constructed a new flour milling facility completed by Rogers Foods Ltd. in Chilliwack, British Columbia, Canada.
July 2005	Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. established in China.
October 2005	Initio Foods Inc. took over SANKO Co., Ltd. in a merger.
November 2005	Established Jinzhu (Yantai) Food Research and Development Co., Ltd., a joint venture with Nichirei Corporation, in China. The venture commenced operations in October 2006.

(3) Business Overview

Nisshin Seifun Group consists of 46 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, respectively. 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 frozen and prepared dishes and also directly operates concessions in stores including 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, while Qingdao Nisshin Seifun Foods Co., Ltd. and Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., both of which are consolidated subsidiaries in China, manufacture prepared mix and sell it in mainland China.

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.

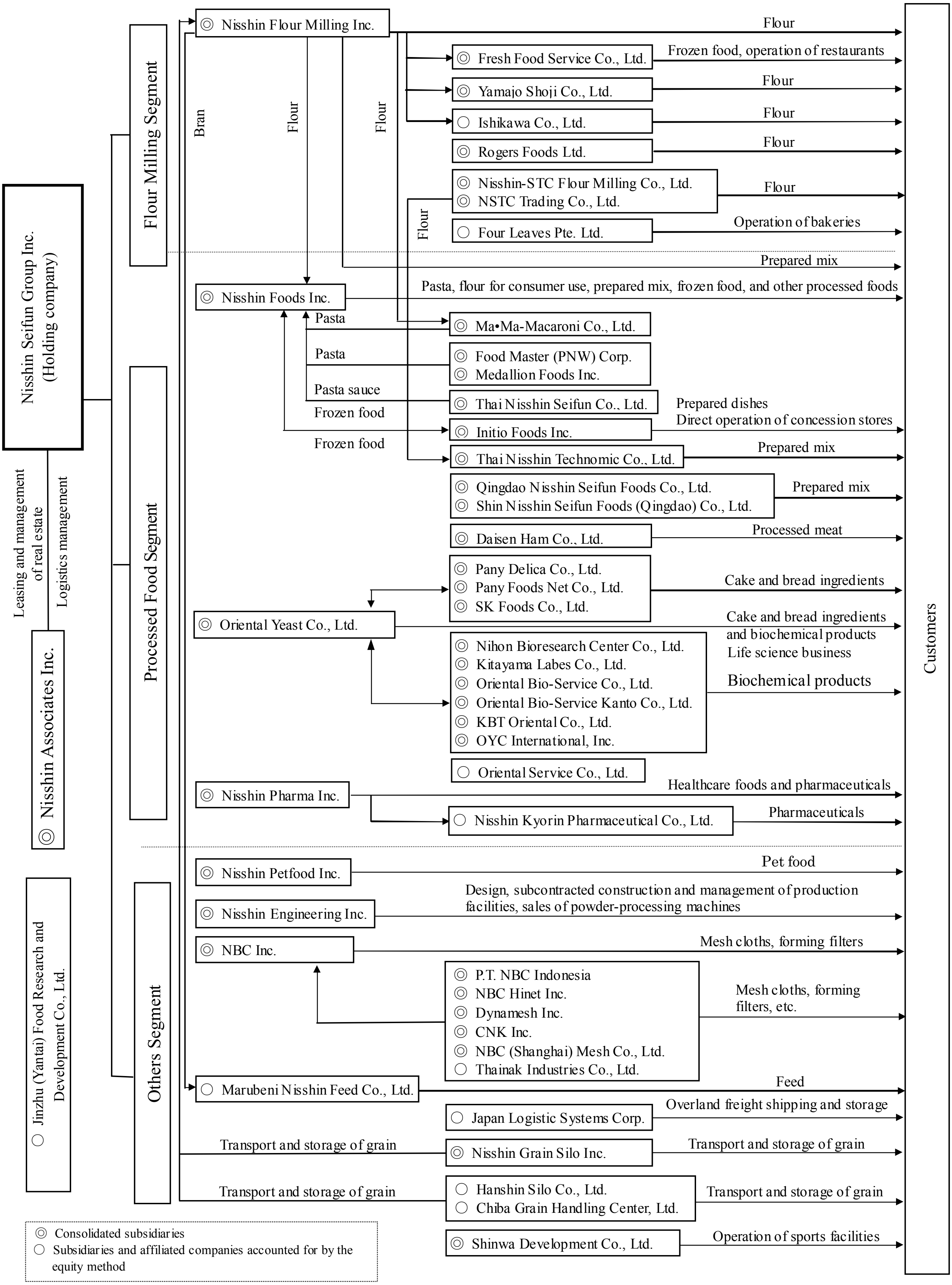
NBC Inc., a consolidated subsidiary, manufactures and sells mesh cloths and forming filters.

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, 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.

Nisshin Seifun Group Structure



(4) Subsidiaries and Affiliates

Name	Location	Paid-in capital (¥ million)	Main businesses	Share of voting rights (indirect ownership) (%)	Details of relationship	
					Directors	Comments
Consolidated subsidiaries						
Nisshin Flour Milling Inc.	Chiyoda-ku, Tokyo	14,875	Production and sales of flour and prepared mix	100.0	Concurrent 6 Temporarily transferred 2 Transferred 4	The company provides partial loan for working capital and rents commercial land, buildings and office space
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	100.0	Concurrent 5 Temporarily transferred 2 Transferred 2	The company provides partial loan for working capital and rents commercial land and office space
Ma·Ma-Macaroni Co., Ltd.	Utsunomiya-shi, Tochigi	350	Production and sales of pasta	68.1 (53.1)	Concurrent 2 Transferred 1	None
Initio Foods Inc.	Chiyoda-ku, Tokyo	450	Production and sales of frozen and prepared dishes; direct operation of concessions in department stores, etc.	100.0 (64.8)	Concurrent 4 Temporarily transferred 3	The company provides partial loan for working capital and rents office space
Oriental Yeast Co., Ltd.	Itabashi-ku, Tokyo	2,617	Production and sales of cake and bread ingredients and biochemical products, life science business	43.1 (0.0)	Concurrent 3 Transferred 4	None
Nisshin Pharma Inc.	Chiyoda-ku, Tokyo	2,550	Production and sales of healthcare foods and pharmaceuticals	100.0	Concurrent 3 Temporarily transferred 2 Transferred 3	The company provides partial loan for working capital and rents office space
Nisshin Petfood Inc.	Chiyoda-ku, Tokyo	1,315	Production and sales of pet foods	100.0	Concurrent 4 Temporarily transferred 2 Transferred 3	The company rents buildings and office space
Nisshin Engineering Inc.	Chuo-ku, Tokyo	107	Design, subcontracted construction and management of production facilities, sales of powder-processing machines	100.0	Concurrent 1 Temporarily transferred 1 Transferred 5	The company rents office space
NBC Inc.	Hino-shi, Tokyo	1,992	Manufacturing and sales of mesh cloths and forming filters	48.8 (10.1)	Concurrent 1 Transferred 3	None
29 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	40.0	Concurrent 2 Transferred 3	The company rents commercial land
Japan Logistic Systems Corp.	Shinagawa-ku, Tokyo	3,145	Freight shipping and storage	25.6 (20.5)	Concurrent 1 Temporarily transferred 1 Transferred 1	None
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. Oriental Yeast Co., Ltd., NBC Inc., and Japan Logistic Systems Corp. also submit separate regulatory filings.
3. Oriental Yeast Co., Ltd. and NBC Inc. are both treated as subsidiaries despite equity ownership of less than 50% because the company practically controls the management of both companies.
4. Figures in parentheses in the voting rights percentage column indicate shares attributable to indirect ownership.
5. Financial data for subsidiaries accounting for more than 10% of consolidated net sales (excluding any sales transactions between consolidated subsidiaries) are shown in the table below. Oriental Yeast Co., Ltd. is omitted from the following table despite contributing more than 10% of consolidated net sales because the company submits a separate regulatory filing.

Company name	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Net assets (¥ million)	Total assets (¥ million)
Nisshin Flour Milling Inc.	174,741	11,148	6,631	47,981	90,218
Nisshin Foods Inc.	121,338	1,624	969	24,521	46,753

(5) Employees

1. Consolidated level

(As of March 31, 2007)

Business segment	Number of employees
Flour milling	1,264 [87]
Processed food	3,030 [1,597]
Others	592 [244]
Corporate (across the Group divisions)	326 [40]
Total	5,212 [1,968]

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

2. Non-consolidated level

(As of March 31, 2007)

Number of employees	Average age (years)	Average length of service (years)	Average annual pay (¥)
245 [14]	41.9	17.5	9,316,609

Notes:
1. Numbers refer to full-time employees only. An additional figure for the average number of part-time staff employed during the year is provided in square brackets.
2. Average annual pay includes bonuses and any non-standard wages.

3. Labor unions

Nisshin Seifun Group workers are members of in-house unions, including the Nisshin Flour Milling Workers' Union. There are no matters to report regarding labor-management relations.

[2] Review of Operations & Financial Position

(1) Review of Operations

1. Results

During the period under review, individual businesses worked to increase shipments by actively advancing sales promotion activities and new market development, and also continued cost-cutting efforts. Despite that, however, the healthcare foods business saw its performance dip as excessive supplies of coenzyme Q_{10}, its main product, led to lower prices, which in turn caused shipments to fall. The slow development of the prepared dishes and other prepared foods business, and investments in improvement measures combined with sales promotion expenditures aimed at expanding market share for the flour milling and processed food businesses, and costs inflated by factors like high oil prices, high grain prices, and yen depreciation caused consolidated results to fall below levels reported for last year.

As a result of the above, net sales decreased 0.8% compared with the previous year, to ¥418,190 million, ordinary income fell 7.9%, to ¥22,815 million, and net income fell 9.1%, to ¥12,303 million.

The following is a review of operations by business segment.

(1) Flour Milling Segment

In the face of difficult business conditions including lower demand in the domestic wheat flour market than last year and an ongoing demand shift toward lower-priced products, the flour milling business boosted shipments above last year’s level by moving ahead with relationship-based marketing with business partners and pursuing clearly targeted sales promotion measures.

In production and distribution, construction of an automatic rack warehouse was completed in May 2006 at the Higashinada Plant and efforts were made to improve operational efficiency and cost competitiveness. In the area of reliability and safety, the Tsurumi Plant underwent an AIB audit (a hygiene management tool used in the U.S.) in March 2007 and became the second of the company’s plants, after the Chita Plant, to receive a “Superior” rating, the highest possible AIB audit rating. Through this and other measures, the company has worked to further strengthen and enhance its quality management system.

The price of bran, a by-product, rose steadily compared to last year’s levels.

Overseas, Rogers Foods Ltd. in Canada gradually increased its operating rate and worked to boost shipments. Meanwhile, in Thailand, active business measures were pursued and efforts were made to increase shipments.

As a result, the Flour Milling Segment’s sales increased 0.6%, to ¥154,722 million, but factors like a negative shift in shipment structure caused operating income to decrease 9.5%, to ¥9,740 million.

(2) Processed Food Segment

The processed food business faced the ongoing demand weakness plaguing the entire processed food industry, and also had to deal with difficult conditions caused by sharply higher raw material prices and unfavorable foreign exchange movements. Despite that, however, aggressive sales promotion activities resulted in shipments of products including pasta, pasta sauce, *okonomiyaki* flour, hotcakes, fry batter flour, and frozen foods that exceeded results for last year. Additionally, in February of this year, the company introduced 26 new products and 14 updated products in home-use-room-temperature foods, and 7 new products and 1 updated product in home-use-frozen foods. Particularly noteworthy developments included efforts to develop new customer segments through initiatives like introduction of the new *Naturart* brand, which uses organic ingredients. In the prepared dishes and other prepared foods business, growth has been slow, but plant operation reforms and other improvements are steadily being implemented. As new initiatives, active business development activities, like the opening of *Premium Wa-Sozai Hyakuwan* stores featuring JAS-certified organic vegetables and other select ingredients, were undertaken. Regarding reliability and safety initiatives, quality assurance systems were further strengthened following the company’s introduction of the positive list system for agricultural chemical residues in foods last May. In the overseas business, the production capacity increase achieved with the startup of a new prepared mix plant in China last December was just one example of steady business expansion efforts at company facilities in North America, Thailand, and China, leading to steady growth in shipments.

In the yeast and biotechnology business, new products were actively proposed to customers. In the yeast business, greater sales of mainstay yeast, flour paste, and other bread-making ingredients, as well as mineral yeasts used mainly as healthcare food ingredients resulted in higher year-on-year sales. Meanwhile, in the biotechnology-related business, custom testing, husbandry, and other research support operations grew steadily. However, bio-nutritional products and feed had an off year and, as a result, sales came in below results for last year.

The healthcare foods business saw significant declines in sales of both ingredients and consumer products from last year due to a change in the demand-supply balance, which was caused by the passing of the boom in demand for the mainstay coenzyme Q_{10} product and the increase of production facilities by other companies. Amid these conditions, new consumer products programs were embarked upon and new products were introduced to boost earnings. New products sold only by mail-order included the *WGH Pro* sports supplement for athletes, which was launched in September 2006, and the new *rachic* Diet brand of diet foods, launched in December 2006. New products introduced in stores included *Refreline* launched in October 2006 and *Miwaku Supli* and *icrystal*, both of which were introduced in March 2007.

As a result of the above, there was a sales decline of 0.5% to ¥220,545 million and operating income decrease of 28.2%, to ¥5,278 million in the Processed Food Segment. This was primarily caused by weak performance in the healthcare foods business.

(3) Others Segment

Facing difficult conditions caused by sudden rises in ingredient prices, the pet food business worked to increase sales by introducing the *Carat Watashi-wa* cat food series and *Healthy Label* dog food in September 2006 and launching the industry's first dog food with soup, *Run Meal Mix with Savory Soup*, in March 2007. Sales of both cat and dog products surpassed results for last year. The line of *JP-Style* premium dog products was enhanced to meet broad customer needs, and targeted PR activities were pursued in an effort to expand brand awareness.

Regarding the engineering business, sales fell significantly from last year as plant-engineering-related industries pulled back from last year's high level of capital investment, and large contract completions fell back from last year's extraordinarily high level.

In the mesh cloths business, both domestic and overseas sales of mainstay mesh cloths for screen-printing applications hovered around last year's levels, as forming filters saw steady growth in sales of automotive filters and industrial-use mesh cloths recorded significantly higher sales, driving overall results above those of last year.

As a result, sales for the others segment decreased 6.6% to ¥42,922 million and operating income fell 3.9%, to ¥4,714 million, primarily due to the fall back from last year's high level of contract completions in the engineering business.

2. Cash flows

Cash flow from operating activities

Income before income taxes and minority interests amounted to ¥24,044 million and depreciation and amortization amounted to ¥12,565 million. However, increased working capital, due partly to an increase in inventories of raw materials for flour manufacturing, combined with payment of income taxes and other factors, resulted in net cash provided by operating activities of ¥17,469 million.

Cash flow from investing activities

Capital investments to extend and upgrade production capacity amounted to ¥14,096 million, while proceeds from the maturity and repayment of time deposits with terms exceeding three months and marketable securities exceeded payments for such time deposits and purchases of marketable securities by ¥8,510 million. As a result, net cash used in investing activities was ¥6,961 million.

Free cash flow, the sum of cash flow provided by operating and investing activities, amounted to an outflow of ¥10,507 million in the year ended March 31, 2007.

Cash flow from financing activities

Payment of dividends was among the factors that resulted in net cash used in financing activities of ¥5,225 million.

As detailed above, the cash inflow from consolidated operating activities in the fiscal year ended March 31, 2007 was allocated to strategic capital spending in excess of depreciation and increased returns to shareholders. There was an increase in funds earmarked for future strategic investments, which are invested in time deposits with terms exceeding three months, marketable securities, and similar investments to raise the efficiency of cash in hand utilization, because proceeds from the maturity and repayment of these investments exceeded payments for the deposit and purchase thereof. As of March 31, 2007, consolidated cash and cash equivalents totaled ¥48,452 million, an increase of ¥5,648 million from the previous fiscal year-end.

(2) Status of Production, Orders Received & Sales

1. Production

Production values by business segment were as follows.

(Millions of yen)

Name of business segment	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007	Change (%)
Flour milling	143,626	144,449	0.6
Processed food	111,718	112,559	0.8
Others	19,098	20,241	6.0
Total	274,444	277,250	1.0

Notes:

1. The above financial amounts use average sales prices during the fiscal year under review. Inter-segment transactions have been eliminated.
2. Figures do not include consumption taxes.

2. Orders received

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

3. Sales

Sales values by business segment were as follows.

(Millions of yen)

Name of business segment	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007	Change (%)
Flour milling	153,850	154,722	0.6
Processed food	221,571	220,545	(0.5)
Others	45,938	42,922	(6.6)
Total	421,359	418,190	(0.8)

Notes:

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

(Millions of yen)

Business partner	Fiscal year ended March 31, 2006		Fiscal year ended March 31, 2007	
	Value	Proportion (%)	Value	Proportion (%)
Mitsubishi Corp.	54,374	12.9	54,970	13.1

3. Figures do not include consumption taxes.

(3) 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"). It will pursue management appropriate for a growing company group, which includes having a strong presence in other businesses.

1. Segmental Overview of Business Strategy

In the flour milling business, the company will further upgrade marketing initiatives to create entirely new market segments, such as by proposing products that accurately reflect customer needs. Furthermore, in order to develop a dominant competitive position in the Japanese market ahead of the anticipated deregulation of the wheat market, the company is continuing with the ongoing construction of state-of-the-art flour milling equipment on two new production lines at the Higashinada Plant, with a view to completion by 2008. Based on the significant improvements in production efficiency and productivity due to these initiatives, the company will gain additional market share.

In the processed food business, new product development will be energetically advanced across all temperature ranges, and cost competitiveness will be enhanced through future leaps in productivity achieved with steps like the startup in November 2006 of a new large-scale pasta production line. With regard to the chilled products business in particular, the company will add personnel, devote even more management resources to marketing and quality management, and pursue operational improvements in sales, development, production, and all other areas of the company. As examples of what is intended, menus including prepared dishes using JAS-certified organic vegetables will be developed and sales reach will be expanded.

With an aging Japanese society and generally heightened awareness of health issues, the company continues to channel resources into development of the healthcare and biotechnology business, which are projected to grow going forward. 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. Oriental Yeast, which is involved in the yeast and biotechnology business, 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. 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, which is involved in the healthcare foods business, is reviewing its production and sales structure in line with the market environment, while, as a healthcare foods manufacturer distinguished by its emphasis on a scientific approach, it is focusing on research into new ingredients and the development of original products. The firm continues to develop new sales channels in order to raise awareness levels of its consumer products.

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 alliances inside and outside the group.

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 exploit maximum synergy. In July 2006, the company, which is the holding company for the Nisshin Seifun Group, assigned a number of its own local staff to the west coast of North America, Southeast Asia, and China to accelerate overseas business development. Working in close cooperation, these personnel and their counterparts in Japan are moving ahead with analyses of future investment opportunities that take advantage of the Nisshin Seifun Group's strengths in areas like flour milling and processed food.

3. R&D Strategy and Cost Strategy

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. High value-added, next-generation products that are characterized by novelty and uniqueness and can win customer support will be developed in succession. In support of that effort, the Nisshin Seifun Group will further promote industry-government-academic ties and apply advanced technologies in key research fields with the ultimate aim of commercialization. New products developed in each business have already made major contributions to earnings for fiscal year ended

March 31, 2007.

Furthermore, the Nisshin Seifun Group, in all of its business areas, will revamp systems from new perspectives to achieve the lowest costs possible throughout, and move ahead with initiatives aimed at securing earnings commensurate with rising costs.

4. Measures Addressing Wheat Policy Reforms

Though developments concerning World Trade Organization (WTO) negotiations on agriculture, as well as bilateral free trade agreements (FTAs) and economic partnership agreements (EPAs) are moving along more slowly than anticipated, it is expected that the outcomes of these negotiations could have major consequences for the Nisshin Seifun Group's flour milling and processed food business and for wheat-flour-related industries. In the areas of domestic wheat policy, the April 2007 implementation of the government's variable wheat sales price system based on the revised Law for Stabilization of Supply, Demand and Prices of Staple Food will mean enormous change for the wheat flour industry, which had been largely insulated from international market price movements. Under the new system, the government's sales price for foreign-produced wheat will be calculated by adding an annual fixed markup (foreign-produced wheat transaction margin) to the average purchase price paid by the government over a certain period in the past. As a result of this pricing revision, from April 2007 the government's wheat sales price was raised, by an average of 1.3%, for the first time in 24 years. To accurately reflect the wheat price revision in wheat flour prices with the start of the new system, the Nisshin Seifun Group is briefing secondary processors using flour about the system and gaining their understanding. We will also work to have the government (Ministry of Agriculture, Forestry and Fisheries) help strengthen the foundation for the international competitiveness of the wheat flour industry, particularly by steadily reducing its price markup in order to lower the government's wheat sales price for flour milling companies to levels close to international wheat 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 fulfilled 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 wastes and carbon dioxide emissions. As part of these programs, the company is also actively working to obtain certification under international management standards. In addition, 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. 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 company's environmental protection activities have clearly been positioned among its most important management concerns, and their management system and ongoing pursuit, including thorough implementation throughout the group, as well as their enhancement, have won high praise for the company in various surveys.

In addition, with the passage of the Company Law and the Financial Instruments and Exchange Law, companies are having to establish internal controls. To further strengthen its internal control system, the company, which is the holding company for the group, established an Internal Control Department in September 2005. The Department began examining the current state and operations of existing internal controls and undertaking efforts to revise and strengthen them, aiming to complete revisions by September 2007. The goal is to implement revised internal controls one year before the Financial Instruments and Exchange Law takes effect.

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. Basic Policies Regarding Control of the Corporation

(1) Basic policies

As a provider of food, the company believes that its chief responsibility, as well as a source of generating corporate value, is to provide safe food on a continuous basis. To secure and enhance the company's corporate value and the common interests of the shareholders, it is essential to ensure high levels of safety and the quality of its products, as well as stable supply. If anyone without such belief made a large-scale purchase of the company's shares and behaved in ways contrary to the company's medium- or long-term business policies, such as making excessive reductions in production and/or R&D expenses only to improve short-term financial performance, that would cause damage to the company's corporate value and the common interests of the shareholders. Moreover, there are other forms of stock purchase that might do harm to the company's corporate value and the common interests of the shareholders.

To take action against such harmful acts, the company believes that the advanced disclosure of sufficient information must be made, such as on the management policies and business plans envisioned by a potential purchaser of the company's shares; the possible impact of the proposed acquisition on the company's shareholders, the management of the Nisshin Seifun Group and all of the group's stakeholders; and the purchaser's views regarding corporate social responsibility, including the matter of food safety; and that a reasonable length of period to review such proposal and ample capacity to negotiate with such purchaser must be ensured.

(2) Measures that contribute to the effective utilization of the company's assets, structuring of the appropriate form of the business group and the realization of other basic policies on control of the corporation

As a pure holding company for the Nisshin Seifun Group, the company plans management strategies for the group, allocates its managerial resources efficiently, and audits and oversees the group's business operations. Our operating companies optimize themselves according to the markets in which they operate, and by doing so, they secure high levels of safety and quality, as well as stable supply for their products, thus mutually enhancing their corporate value and, in turn, the corporate value of the entire Nisshin Seifun Group.

Under this structure, the Nisshin Seifun Group aims to secure and enhance its high levels of production technologies and capacities for development and evaluation that underpin the safety and quality of its products. The group also makes ongoing well-planned capital investments from a long-term perspective; provides employee education to enhance their professional abilities; introduces audit and instructional systems as to quality assurance and production facilities on a continuous basis; builds and enhances systems for internal control and legal compliance; and endeavors to maintain trustful relations with stakeholders, including customers, business partners and local communities.

(3) Measures to prevent a decision on the company's financial and business policies from being controlled by a party who is deemed inappropriate according to the basic policies

The company introduced the countermeasures to large-scale acquisitions of the company's shares using a gratis allotment of stock acquisition rights (hereinafter "the Plan"), in line with Article 50 of its Articles of Incorporation and the "Approval of Gratis Allotment of Stock Acquisition Rights for Securing and Improving the Corporate Value of the Company and the Common Interests of the Shareholders," which were approved by the 162nd Ordinary General Meeting of Shareholders held on June 28, 2006, with the aim of securing and improving the corporate value of the company and the common interests of the shareholders. The outlines of the Plan are as follows.

1) The Board of Directors shall ask any party who attempts a Specified Acquisition to present a written Acquisition Proposal to ask for a resolution of the Board of Directors not to take countermeasures including the gratis allotment of the stock acquisition rights defined in Paragraph 6 below (hereinafter "the Confirmation Resolution") against that proposal. Any party who attempts the specified acquisition is required to ask for the Confirmation Resolution by presenting the Acquisition Proposal in advance.
   "Specified Acquisition" means i) an act of purchasing the company's share certificates, etc., that would result in the holdings of 20% or more of the company's share certificates, etc. (including a similar act as specified by the Board of Directors), or ii) an act of commencing a tender offer that would result in the holdings of 20% or more of the company's share certificates, etc. "Acquisition Proposal" means a document that contains post-acquisition management policies and business plans for the company, the basis for determining the compensation for the proposed acquisition, possible influences on the company's stakeholders and information related to Items 4 i) through vii) that is reasonably demanded by the company.
2) Upon receiving the Acquisition Proposal, the Board of Directors shall promptly submit it to the Corporate Value Committee, which consists only of externally appointed members of the company's management.
3) The Corporate Value Committee deliberates the Acquisition Proposal and discusses whether to issue a resolution to recommend that the Board of Directors make a Confirmation Resolution regarding the proposed acquisition (hereinafter "the Recommendation Resolution). The Recommendation Resolution shall be adopted by a majority vote of all of the Corporate Value Committee members, and the results of that resolution shall be disclosed. The period for such deliberation and discussion by the Corporate Value Committee shall be a maximum of 60 business days (or a maximum of 90 business days for Acquisition Proposals other than

those that specify only cash in Japanese currency as compensation and set no upper limit to the number of shares to be purchased), as a general rule, upon the receipt of the Acquisition Proposal. However, this period can be extended for a reasonable reason, and in that case, such reason shall be disclosed.

4) The deliberation and discussion regarding the Recommendation Resolution by the Corporate Value Committee shall be made by faithfully forming an accurate judgment as to whether the Acquisition Proposal can satisfy the company's purposes of securing and improving corporate value and the common interests of the shareholders. Regarding an Acquisition Proposal that meets the requirements of Items i) through vii) below, the Corporate Value Committee must issue a Recommendation Resolution.

   i) The acquisition does not fall under any of the following types of action:

      a. Buyout of the company's shares to demand that the company or its related party purchase said shares at an inflated price;

      b. Management that achieves an interest for the proposed purchaser, its group company or other related party to the detriment of the company, such as temporary control of the company's management for transfer of the company's material assets;

      c. Diversion of the company's assets to secure or repay debts of the proposed purchaser, its group company or other related party;

      d. Realization of temporary high returns to the detriment of ongoing growth of the company, such as temporary control of the company's management to decrease the assets and funds that are required for the company's business expansion, product development, etc., for years ahead; and

      e. Other types of action through which the proposed purchaser, its group company or other related party earns interest by unjustly causing harm to the interests of the company's stakeholders, including the company's shareholders, business partners, customers and employees.

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

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

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

   v) The period for the company to deliberate the Acquisition Proposal (including deliberation and presentation of its alternative proposals to the company's shareholders)—which is specified as a maximum of 60 business days upon the receipt of the Acquisition Proposal, a maximum of 90 business days for Acquisition Proposals other than those that specify only cash in the Japanese currency as compensation and set no upper limit to the number of shares to be purchased, or a longer period of days if required for reasonable reasons—is secured.

   vi) The conditions of the acquisition proposed by the Acquisition Proposal are not inappropriate or insufficient with a view to the company's intrinsic value.

   vii) The Acquisition Proposal is reasonably recognized to satisfy the purposes of securing and improving the company's corporate value and the common interests of the shareholders.

5) The Confirmation Resolution of the company's Board of Directors shall be made according to the Recommendation Resolution of the Corporate Value Committee. In case the Corporate Value Committee issues the Recommendation Resolution, the Board of Directors must make the Confirmation Resolution, unless there are particular reasons that are obviously against the directors' duty of care. Countermeasures, such as the gratis allotment of Stock Acquisition Rights, cannot be taken against the Acquisition Proposal for which the Confirmation Resolution is made.

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

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

7) In the case that a gratis allotment of Stock Acquisition Rights is effected, the company shall implement the gratis allotment of Stock Acquisition Rights to all shareholders, except the company, as of the record date for the gratis allotment at a ratio of one Stock Acquisition Right for every one share of the company's common stock held, and the number of shares to be issued per one Stock Acquisition Right will not exceed two and be determined elsewhere by the Board of Directors. The value of assets invested to exercise one Stock Acquisition Right shall be ¥1 multiplied by the number of shares to be issued per one Stock Acquisition Right.
8) All the unexercised Stock Acquisition Rights can be acquired by the company. For the Stock Acquisition Rights held by shareholders other than the Specified Acquirer, this is accomplished in exchange for the company's shares of common stock of a number equal to the integral part of the number of said Stock Acquisition Rights multiplied by the number of shares to be issued per Stock Acquisition Right. For other Stock Acquisition Rights, this is accomplished in exchange for stock acquisition rights with restriction on transfer (restriction on the exercise of the rights by the Specified Acquirer) of the same number as the Stock Acquisition Rights that are acquired by the company.

(4) Judgment of the Board of Directors and Its Reasons

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

1) The Plan received prior approval of the shareholders at the 162nd Ordinary General Meeting of Shareholders on June 28, 2006, pursuant to the provision of Article 50 of the Company's Articles of Incorporation.
2) The term of office of the company's directors is one (1) year and the timing of reelection is concurrent among all directors. In addition, the resolution on dismissal of directors has the same weight as that of an ordinary resolution at a General Meeting of Shareholders. Therefore, the Plan can be abolished by a resolution of the Board of Directors through the election or dismissal of directors by an ordinary resolution at a single General Meeting of Shareholders.
3) To secure the neutrality of judgment relating to the Plan, the Corporate Value Committee, composed only of externally adopted members of the company's management, deliberates the Acquisition Proposal, under legal obligations as the management of the company, to determine if the proposal meets the purposes of securing and improving the company's corporate value and the common interests of the shareholders. It is also required that the Board of Directors make the Confirmation Resolution, upon receiving the Recommendation Resolution from the Corporate Value Committee, unless there are particular reasons that are obviously against the directors' duty of care.
4) To enhance the objectivity of judgment relating to the Plan, it is required that the Corporate Value Committee issue a Recommendation Resolution toward any Acquisition Proposal that satisfies all of the requirements specified in Items (3) 4) i) through vii) above.
5) Subject to approval at the general meeting of shareholders, the Plan can be revised every year by a resolution of the Board of Directors. This allows the Plan to adjust itself to the development of the related laws and regulations and various other business environments for the company.
6) Effective from the 162nd Ordinary General Meeting of Shareholders, the validity of an approval resolution at the general meeting of shareholders is three (3) years. Upon the passage of three years, the Board of Directors will present a Plan that reflects any revisions, including on its supplementary conditions, for approval of the shareholders.
7) The Plan satisfies all of the requirements for legality (to avoid suspension of the issuance of stock acquisition rights, etc.) and rationality (to gain the understanding of shareholders, investors and other stakeholders) specified in the "Ensuring and/or Increasing Corporate Value and Stakeholder Profits: Takeover Defense Guidelines" released on May 27, 2005, by the Ministry of Economy, Trade and Industry and the Ministry of Justice.

(4) Business Risks

Risks that could have an impact on the business performance, share price and financial position of the Nisshin Seifun Group are outlined below.

All matters relating to the future in the section below are based on the current views of the Nisshin Seifun Group as of the date of the date of filling this document in Japanese (June 27, 2007).

1. Economic conditions and industry environment

The Nisshin Seifun Group continues to work to reinforce its earnings base so as to minimize the impact of economic and industry conditions on business results. However, increased competition in the Japanese domestic market may cause shipment levels to fluctuate or prices of the company's major products to decline. Other risks include losses caused by the failure of investment or business partners.

2. Wheat policy reforms and international trade discussions

Although the Nisshin Seifun Group has undertaken structural reforms of its flour milling and processed food businesses to build a strong earnings base, these businesses remain subject to risk due to the outcome of ongoing World Trade Organization (WTO) negotiations on agriculture, and bilateral free trade agreements (FTAs) and economic partnership agreements (EPAs), as well as possible changes in the Japanese government's domestic wheat policy, which might cause serious ramifications for the domestic flour industry and the markets for secondary processed products; industry restructuring; and changes in methods of wheat procurement. As the Japanese government introduced a variable wheat sales price system for selling wheat in April 2007, the company is making the necessary responses. Continued changes in the government's wheat policy could significantly change the handling of wheat (including policies governing the government's purchase, stockpiling and sale of wheat), which may also constitute a risk factor for the company's flour milling and processed food businesses.

3. Product safety

While the Nisshin Seifun Group continues to upgrade efforts to improve its product quality assurance systems, group operations are exposed to a variety of safety-related risks due to external and other factors. Events beyond the scope of the company's projections could lead to product recalls or the discovery of defective items. On the material procurement side, the Nisshin Seifun Group is also exposed to similar risks associated with diseases such as avian influenza.

4. Sharp increases in raw materials prices

The Nisshin Seifun Group continues to aim to develop low-cost operations to ensure that earnings are more resistant to the possibility of future wheat market deregulation. Nevertheless, the company remains exposed to the risk of changes in raw material prices, and higher costs for distribution and raw materials, including packaging, due to oil price rises. The resulting sharp rises in purchasing costs could make it impossible for the company to achieve cost reductions.

5. Foreign exchange movements (principally yen-dollar, yen-euro and yen-baht)

Although the Nisshin Seifun Group uses currency forwards and other hedging tools to minimize the impact of foreign exchange movements on results, the sourcing of some raw materials and other inputs from overseas exposes some group operations to the risk of variance in purchasing costs due to currency market fluctuations, particularly in processed food. The operational performance and financial position of overseas operations may also vary due to changes in the value of the yen. In flour milling operations, the level of prices for imported bran, which vary according to foreign exchange movements, also affect the price of bran, a milling by-product.

6. Contract manufacturing

The Nisshin Seifun Group contracts out the manufacturing of some products to optimize production efficiency. Although the company makes suitable efforts to ensure that contract manufacturers adhere to the same levels of quality control and input purchase stability, the company remains exposed to the risk of the business failure of subcontractors due to circumstances beyond its control. Any such eventuality could result in higher purchasing costs or an interruption in product supply.

7. Information- and system-related risks

The Nisshin Seifun Group has established appropriate levels of management controls for its internal systems. Problems encountered with the operation of these systems have the potential to interrupt supplies to customers or to incur extra costs. Although the Nisshin Seifun Group maintains proper controls to thwart viruses and other computer-related problems and manage IT systems, any unforeseen attacks by viruses or unauthorized access to internal systems have the potential to interrupt supplies to customers. Other information- and system-related risks include the leakage of operationally sensitive data or confidential personal information, which could also result in higher costs or damage to the company’s reputation.

8. Alliances with other companies

The Nisshin Seifun Group maintains alliances with other companies as part of efforts to optimize use of management resources and to maximize the benefits of technology. Disagreements with alliance partners could result in failure to realize such benefits.

9. Facility security and natural disasters

The Nisshin Seifun Group continues to work to upgrade its safety and site management systems to ensure the security of production plants and other facilities and to prevent accidents such as fires or explosions. Management, maintenance and repair systems are also in place to minimize any injury to personnel or damage to facilities in the event of natural disasters such as earthquakes or storms. However, events beyond the scope of the company’s projections could lead to damage or to the interruption of product supplies to customers. In particular, due to the high concentration of sales of Nisshin Seifun Group products in Tokyo and the surrounding metropolitan area, a major disaster affecting this region could have a negative impact on the company’s operating performance.

10. Retirement benefits and pension liabilities

Calculations of Nisshin Seifun Group retirement benefits and pension liabilities are based on actuarial assumptions (such as the discount rate) and an expected rate of return on pension plan assets. There could be a material impact on the company’s operating performance and financial position if actual results are significantly different from initial assumptions.

11. Regulatory compliance

Although the Nisshin Seifun Group continues to focus on upgrading legal and regulatory compliance, unforeseen events have the potential to result in higher costs.

12. Overseas incidents

Although the Nisshin Seifun Group makes efforts to prevent accidents at its overseas operations, the performance of these businesses is subject to various economic and political risks that could result in higher costs.

13. Intellectual property

Ongoing efforts by the Nisshin Seifun Group to protect its intellectual property notwithstanding, the launch and sale of similar products by other firms could be potentially detrimental to the value of the company's brands. In addition, the company also faces the risk of possible future claims against it by other companies for intellectual property infringement.

14. Environmental management

The environmental impact of Nisshin Seifun Group businesses is relatively low compared to other industries. Nevertheless, the company continues to make assiduous efforts to improve the environmental profile of Nisshin Seifun Group business activities in terms of environmental management systems, energy efficiency and waste reduction. Despite such efforts, events beyond the scope of the company's projections could force the company to undertake measures that result in higher costs.

(5) Legal & Contractual Matters

There are no significant matters to be reported under this heading.

(6) Research and Development

The Nisshin Seifun Group (the company and its consolidated subsidiaries) operates various research and development (R&D) facilities. The Research Center for Basic Science Research and Development focuses primarily on the development of basic technologies. The Research Center for Production and Technology, another centralized R&D function, focuses mainly on the development of production technology and nanotechnology, for potential application across the entire Group. Consolidated subsidiaries operate separate R&D facilities with specialized functions tailored to each business field. These subsidiaries are Nisshin Flour Milling (in the Flour Milling Segment); Nisshin Foods, Oriental Yeast, Nisshin Pharma, Ma·Ma-Macaroni and Daisen Ham (in the Processed Food Segment); and Nisshin Petfood, Nisshin Engineering and NBC (in the Others Segment). In the pharmaceuticals field, the company undertakes joint R&D activities with Kyorin Pharmaceutical Co., Ltd.

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

Consolidated R&D expenditures totaled ¥5,071 million in the fiscal year ended March 31, 2007. This figure also includes ¥777 million in R&D spending that cannot be attributed to any particular segment. The following is an overview of the main R&D programs and results in the year under review.

1. Flour Milling Segment

R&D activities in this segment are conducted mainly at Nisshin Flour Milling’s New Product Development Center and Tsukuba Laboratory, in collaboration with the Research Center for Basic Science Research and Development and the Research Center for Production and Technology. Major programs focus on the development of commercial eco-friendly and bio-related products and associated technologies, based on new flour-processing technologies and fermentation promoters, and on flavoring additives for brewed products. Major achievements included the development of new menus using the branded flours *Hokusui* and *Men-no-Teika*, and joint research with the New Energy and Industrial Technology Development Organization (NEDO) and Kyoto University on the application of wheat bran for biodegradation technology using woodchips or other materials. R&D expenditures attributable to this segment totaled ¥653 million.

2. Processed Food Segment

R&D activities in this segment, which are conducted mainly at Nisshin Foods’ Food Research and Development Center in collaboration with the Research Center for Basic Science Research and Development and the Research Center for Production and Technology, focus on developing new processed foods across all temperature ranges, including prepared mix products, dried noodles, pasta, boil-in-bag foods, frozen foods, and prepared dishes. Major achievements included the development of prepared mix products using the Super HHS-α flour with functions added through the company’s unique processing technology, and a variety of foods featuring organic ingredients, including pasta, pasta sauce, the *Naturart* line of frozen foods, and Japanese prepared dishes. Elsewhere, the R&D programs led by Oriental Yeast, primarily at the Tokyo Food Research Center, focused on developing new baking yeasts in the processed foods division, while the Nagahama Institute for Biochemical Science and other institutes engaged in the development of products in the biotechnology-related division. Nisshin Pharma’s Health Care Research Center concentrated mainly on developing various healthcare foods and ingredients. Major results for the year included the development of the *rachic Diet* brand of diet foods, including beverages, soup and jelly, to address the differing dietary goals of individuals.

Other R&D programs focused on strengthening intra-Group collaborative efforts in biotechnology-related fields, including joint research conducted by Nisshin Foods, Oriental Yeast and Nisshin Pharma. R&D expenditures attributable to this segment totaled ¥3,160 million.

3. Others Segment

Nisshin Petfood conducts R&D into tasty, healthy pet foods at its Nasu Laboratory. Major achievements during the year included the development of the *Run Meal Mix with Savory Soup* line of dog food, which is a set of dried dog food and soup for enhanced flavor and taste. In cooperation with the Research Center for Production and Technology, Nisshin Engineering’s facility at Kamifukuoka develops new types of machinery for powder grinding and separation, the main results of which was the development of alloy nano-powders produced via heating in a high-frequency plasma. In addition, NBC developed new products and materials for screen-printing and industrial use. R&D expenditures attributable to this segment totaled ¥479 million.

(7) Analysis of Financial Position and Performance

All forward-looking statements in the text below represent the best judgments of the company based on the information that was available at the time of the filing of the Japanese version of this document (June 27, 2007).

1. Significant accounting policies and estimates

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

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

(1) Allowance for doubtful accounts

The Nisshin Seifun Group provides for possible losses stemming from bad debts created by monetary claims and other receivables. Estimates of irrecoverable amounts are determined by considering historical loan-loss ratios for general receivables and recoverable amounts on a case-by-case basis in instances of suspected bad debt or other dubious accounts. Additional credit-loss provisions are made in some cases following any deterioration in the financial condition of a customer that results in diminution of payment capabilities.

(2) Write-downs of investment securities

The Nisshin Seifun Group holds securities for investment purposes. Securities with a readily determinable market value are stated at fair market value and securities with no readily determinable market value are stated at cost. Investment securities with a readily determinable market value are written down if the market value of the securities falls below 50% of acquisition value. A write-down may also be made depending on the financial position of the issuer of the securities in question if the decline in market value falls between 30% and 50% of the acquisition price. Investment securities with no readily determinable market value are written down if the effective price of the securities in question falls markedly to a level significantly less than the acquisition price, unless a recovery in value is deemed probable.

Having previously written down the value of investment securities as required, the Nisshin Seifun Group currently holds no securities where such measures are deemed necessary. However, further write-downs may become necessary in the future if a fall in financial market prices or deterioration in the financial performance of companies in which the Group has invested results in unrealized losses relative to the book value or otherwise precipitates conditions under which such value is irrecoverable.

(3) Impairment of fixed assets

No losses for the impairment of fixed assets were recorded for the year under review. Such losses may arise in the future if changes in operating conditions cause the recoverable value of any Nisshin Seifun Group assets to fall significantly below book value.

(4) Deferred tax assets

The Nisshin Seifun Group estimates deferred tax assets by fully investigating forecast recoverable amounts based on projections of future taxable income and tax payments.

Any changes in the amounts of deferred tax assets deemed recoverable may result in a reduction in deferred tax assets, or in an adjustment to profit if additional deferred tax assets are booked.

(5) Retirement benefit expense and pension liabilities

Calculations of retirement benefits for Nisshin Seifun Group employees and the related pension liabilities are based on actuarial assumptions. These assumptions include the discount rate, projected future remuneration levels, employee turnover and retirement rates, the mortality rate (based on the most recent statistical data), and the expected rate of return on pension plan assets. Under the pension system for employees of Nisshin Seifun Group Inc. and domestic consolidated subsidiaries, the discount rate is based on the historical market yield of long-term Japanese government bonds, while the expected rate of return on pension plan assets is determined according to the historical performance of each asset class within the pension fund portfolio. The effects of material changes in these assumptions or any differences between actual results and the assumptions are cumulative and subject to recognition on a regular basis over future fiscal periods. Hence, such changes and differences could potentially have a material effect on the future values of pension-related expenses and liabilities.

2. Analysis of financial performance in the year under review and significant factors influencing results

(1) Net sales and operating income

In the face of difficult business conditions, including lower demand in the domestic wheat flour market and an ongoing shift in demand toward lower-priced products, the Flour Milling Segment boosted shipments above the previous year's level by pursuing clearly targeted sales promotion measures. Prices remained strong for bran, a by-product of the milling process. In overseas operations, Rogers Foods Ltd. in Canada steadily increased its operating rate, whereas in Thailand active business measures were pursued to increase shipments. Overall, these efforts produced an increase in net sales, but factors such as a negative shift in the structure for shipments caused operating income to decrease from the previous year.

The Processed Food Segment faced the ongoing demand weakness that has plagued the entire processed food industry, and had to deal with difficult conditions caused by sharply higher raw material prices and unfavorable foreign exchange movements. However, aggressive sales promotion activities resulted in shipments of products including pasta, pasta sauce, *okonomiyaki* flour, hotcakes, fry batter flour and frozen foods that exceeded results for the previous year. Sales also expanded for yeasts, flour paste and other bread-making ingredients, as well as mineral yeasts. In overseas business, production capacity increased with the startup of a new prepared mix plant in China last December, which is just one example of the steady business expansion efforts at company facilities in North America, Thailand and China, leading to steady growth in shipments. Meanwhile, the mainstay coenzyme Q_{10} product for our healthcare foods business suffered a significant decline in shipments and lower prices as demand peaked and an excess of supply was created by an increase in production facilities at other companies. This deterioration in the performance of the healthcare foods business resulted in decreases in income and profit of the overall Processed Food Segment.

In the Others Segment, sales in the pet food business were expanded for both cat and dog food products by pursuing sales promotion measures. Sales of the mesh cloths business also surpassed results for the previous year, reflecting significantly higher sales of mesh cloths for industrial applications. However, sales of the engineering business declined considerably as a reaction to higher-than-usual completed large contracts during the previous year. This constituted a leading factor that reduced overall segment sales and income from the previous year.

Consolidated net sales decreased by ¥3,169 million, or 0.8%, compared with the previous year, to ¥418,190 million. The gross margin on sales declined 0.4 percentage points to 31.7%. Selling, general, and administrative expenses increased by ¥128 million, primarily reflecting the rise in sales promotional expenses due to aggressive marketing campaigns. As a result, the operating margin declined 0.7 percentage points to 4.6%, and operating income fell by ¥2,985 million, or 13.5%, to ¥19,184 million.

(2) Ordinary income

Net financial income amounted to a profit of ¥1,227 million, an increase of ¥434 million compared with the previous year. Equity in earnings of subsidiaries and affiliated companies totaled ¥1,574 million, a year-on-year increase of ¥68 million. On a net basis, other miscellaneous income registered a profit of ¥829 million. This represented a year-on-year increase of ¥522 million, due primarily to gains on the sale of marketable securities

On a net basis, non-operating income amounted to a profit of ¥3,631 million, which represented a year-on-year gain of ¥1,026 million. Ordinary income decreased by ¥1,959 million, or 7.9%, to ¥22,815 million.

(3) Net income

Extraordinary income of ¥3,776 million was offset by extraordinary losses totaling ¥2,547 million, resulting in a net extraordinary gain of ¥1,229 million. Income before income taxes and minority interests amounted to ¥24,044 million, a decrease of ¥1,056 million compared with the previous year. The principal components of extraordinary income were gains on the sale of investment securities (¥2,047 million) and on the liquidation of an affiliated company (¥1,415 million), while the main item of extraordinary losses was losses related to the coenzyme Q_{10} business, including a loss on revaluation of inventories (¥1,533 million).

Net income for the year under review was ¥12,303 million, after the deduction of income taxes (¥9,369 million) and minority interests (¥2,371 million) from income before income taxes and minority interests. This represented a decline of ¥1,238 million, or 9.1%, compared with the previous year.

Net income per share was ¥48.66, or a decrease of ¥4.14 from the previous year. Return on equity (ROE) was 4.6%, representing a 0.8 percentage point year-on-year decline.

3. Business strategy status and outlook

Earnings will likely bottom in the first half of the fiscal year ending March 2008, after which results should begin to recover, and efforts are under way to achieve record-high ordinary income in the fiscal year ending March 2009. The entire Nisshin Seifun Group will strive to cut costs even further and achieve earnings to more than offset rising procurement costs.

We intend to expand productivity and market shares for the flour milling and processed food businesses, which represent the core of our domestic operations. For the prepared dishes and other prepared foods business, we will develop broad sales channels and distinguish ourselves through accumulated technical capabilities and quality assurance. Overseas operations will be positioned as the main target for growth, and efforts will be directed toward accelerating business expansion. The Nisshin Seifun Group, working from a foundation of advanced production technology, will move ahead with North American and Southeast Asian expansion focused on flour milling and prepared mix operations—areas in which the company can optimize its competitive advantages. In China, the company will pursue business development that is cognizant of the risks involved. A time line will be prepared for these initiatives, and the Nisshin Seifun Group's presence in the Pacific Rim will be enhanced.

Through the implementation of such strategies, the company aims to achieve sustained growth in earnings per share (EPS) over the long term, while improving sales, ordinary income, net income and return on equity (ROE: defined as net income divided by shareholders' equity). In doing so, the company hopes to maximize the long-term value of the Nisshin Seifun Group.

4. Capital financing and liquidity

On a consolidated basis, operating cash flow totaled ¥17.4 billion in the fiscal year ended March 2007. Strategic investments in facilities to boost production capacity and other capital spending projects totaled ¥14.0 billion. The company also sought to raise returns on cash reserves allocated for future strategic investments by investing in time deposits with terms greater than three months, marketable securities and similar investments. The amount of these investments that matured or were redeemed exceeded the amount of those deposited or purchased by ¥8.5 billion in the fiscal year under review, resulting in positive free cash flow of ¥10.5 billion. In terms of financing activities, the company allocated ¥5 billion for dividend payments to return more profits to shareholders while repaying debt. As a result, the balance of cash and cash equivalents at the end of March 2007 was ¥48.4 billion, a rise of ¥5.6 billion compared with the previous fiscal year-end.

Total consolidated debt amounted to ¥8.8 billion at the end of March 2007. Based on the operating cash flow and the balance of cash and cash equivalents, the Nisshin Seifun Group regards the current level of internal liquidity as ample for financing long-term business development and repayments of interest-bearing liabilities.

5. Long-term management issues and future policies

Based on its basic business policy of maximizing corporate value over the long term, the Nisshin Seifun Group is concentrating management resources in core operations and businesses with growth potential: the flour milling—"the best in the world"; processed food—"a growth business"; and the healthcare and biotechnology business—"good prospects for the future." Within Japan, attention will focus on gaining greater market share and raising productivity to improve the profit structure. Furthermore, business development efforts in Japan will target the remaining growth sector: prepared dishes and other prepared foods. In light of the low birthrate and aging issues facing Japan, overseas business expansion is positioned as a driving force for further growth. At the same time, the company will promote internal reforms while fulfilling its corporate social responsibilities by restructuring its internal control system, legal and regulatory compliance, food safety and environmental protection. The Nisshin Seifun Group is fully committed to gaining the support of all its stakeholders, including shareholders, customers, business partners, employees and local communities.

In addition, the Nisshin Seifun Group is aware of possible medium- and long-term changes in business conditions in the flour and processed food industries due to anticipated deregulation of the wheat market and changes in demographic trends in Japan such as declining birth rates, higher life expectancy, and shrinking population. These factors may have a significant impact on Group performance.

Amid a long-term downturn in demand that is currently affecting several industries related to its operations, the Nisshin Seifun Group continues to experience a severe business environment. Moreover, fierce competition in the Japanese food markets is fueled by rising costs due to a surge in prices of ingredients and unfavorable exchange-rate movements. In addition, popular interest in food safety is rising in Japan, resulting in demands for restaurants and food producers to reinforce and upgrade quality assurance systems.

The Nisshin Seifun Group aims to seize new opportunities, responding accurately and quickly to changing social trends and the operating environment by aggressively promoting the strategic measures outlined above.

[3] Facilities & Capital Expenditures

(1) Capital Expenditures

The Nisshin Seifun Group (the company and consolidated subsidiaries) makes capital investments with the aim of raising production capacity and ensuring product safety. The following is a breakdown of capital expenditures for the fiscal year ended March 2007, based on actual expenditures.

Segment	Fiscal year ended March 2007 (¥ million)	Year-on-year change (%)
Flour milling	¥7,354	43.9
Processed food	5,682	12.1
Others	1,405	(41.3)
Subtotal	14,442	14.8
Elimination/all companies	(346)	—
Total	14,096	14.0

Capital investments in the flour milling and processed food businesses were principally made to increase production capacity and improve quality control. Capital investments in other businesses were largely made to increase production capacity.

The construction of a prepared mix facility at Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., which was being planned during the previous fiscal year, was completed in March 2007.

All capital spending within the Nisshin Seifun Group during the year under review was financed internally from cash flow.

(2) Principal Facilities

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

1. Nisshin Seifun Group Inc. and domestic consolidated subsidiaries

(As of March 31, 2007)

Company name	Site name (location)	Business segment	Facility type/purpose	Book value (¥ million)					Number of employees (persons)
				Buildings and structures	Machinery and equipment	Land (thousand m^2)	Other	Total	
Nisshin Flour Milling Inc.	Tsurumi Plant (Kawasaki-ku, Kawasaki)	Flour milling	Flour production	6,223	5,235	(Note 4) 4,468 (79)	190	16,118	144 [3]
Nisshin Flour Milling Inc.	Higashinada Plant (Higashinada-ku, Kobe)	Flour milling	Flour production	(Note 5) 4,336	2,646	(Note 4) 1,740 (30)	410	9,133	64 [0]
Nisshin Flour Milling Inc.	Nagoya Plant (Nakagawa-ku, Nagoya)	Flour milling	Flour production	1,126	1,589	(Note 4) 69 (20)	46	2,833	61 [11]
Nisshin Flour Milling Inc.	Chiba Plant (Mihama-ku, Chiba)	Flour milling	Flour production	1,920	2,059	(Note 4) 294 (43)	269	4,543	77 [1]
Nisshin Flour Milling Inc.	Chita Plant (Chita)	Flour milling	Flour production	1,486	1,351	(Note 4) 64 (31)	56	2,958	46 [1]
Nisshin Foods Inc.	Nagoya Plant (Nakagawa-ku, Nagoya)	Processed food	Prepared mix production	957	1,914	(Note 4) 46 (13)	77	2,996	87 [36]
Ma·Ma-Macaroni Co., Ltd.	Head Office and Utsunomiya Plant (Utsunomiya)	Processed food	Pasta production	542	1,562	27 (23)	47	2,180	68 [145]
Ma·Ma-Macaroni Co., Ltd.	Kobe Plant (Higashinada-ku, Kobe)	Processed food	Pasta production	275	1,035	393 (16)	19	1,724	42 [48]
Daisen Ham Co., Ltd.	Head Office and Yonago Plant (Yonago)	Processed food	Production of processed meats	1,345	590	92 (25)	55	2,083	191 [215]
Oriental Yeast Co., Ltd.	Tokyo Plant (Itabashi-ku, Tokyo)	Processed food	Yeast manufacture	758	824	0 (11)	56	1,639	62 [17]
Oriental Yeast Co., Ltd.	Osaka Plant (Suita)	Processed food	Manufacture of yeast and other items	1,251	1,191	169 (22) (Note 7) [5]	286	2,899	67 [18]
Oriental Yeast Co., Ltd.	Biwa Plant (Nagahama, Shiga)	Processed food	Production of flour paste, *kansui* powder, baking powders and other items	740	263	709 (36)	8	1,721	33 [14]
Nisshin Pharma Inc.	Ueda Plant (Ueda)	Processed food	Production of healthcare foods, pharmaceuticals and other items	736	819	93 (33)	66	1,716	128 [9]
Nisshin Petfood Inc.	Tsurumi Plant (Kawasaki-ku, Kawasaki)	Other	Pet food production	(Note 5) 397	526	—	13	938	18 [18]
NBC Inc.	Yamanashi Plant (Tsuru)	Other	Manufacture of mesh cloths and forming filters	1,523	1,333	448 (35)	588	3,893	176 [139]
NBC Inc.	Kikugawa Plant (Kikugawa)	Other	Manufacture of mesh cloths	299	91	911 (69)	138	1,442	10 [3]
Nisshin Seifun Group Inc.	Research Center for Basic Science Research and Development and two other research facilities (Fujimino, Saitama)		Research and development	734	435	(Note 4) 70 (40)	238	1,477	84 [0]
Nisshin Seifun Group Inc.	Head Office (Chiyoda-ku, Tokyo, and others)			3,687	97	(Note 4) 9,945 (2)	280	14,010	145 [14]

2. Overseas subsidiaries

(As of March 31, 2007)

Company name	Site name (location)	Business segment	Facility type/purpose	Book value (¥ million)					Number of employees (persons)
				Buildings and structures	Machinery and equipment	Land (thousand m^2)	Other	Total	
Rogers Foods Ltd.	Chilliwack Plant (Canada)	Flour milling	Flour production	1,049	1,252	178 (41)	4	2,484	22 [0]
Medallion Foods Inc.	Head Office and Plant (U.S.A.)	Processed food	Pasta production	252	163	273 (72)	6	695	58 [0]

Notes:

1. Book values in the "Other" column refer to the total for tools, fixtures and furnishings and construction in progress.
2. There were no principal facilities that were not in operation as of March 31, 2007.
3. Numbers of employees in square brackets refer to additional part-time workers.
4. Figures refer to land owned and leased by Nisshin Seifun Group Inc. or Nisshin Associates Inc.
5. Figure includes buildings owned and leased by Nisshin Seifun Group Inc.
6. Book values in the "Total" column include leased assets as mentioned in Notes 4 and 5 above.
7. Figures in parentheses in the "Land" column refer to leased areas.

(3) Facility Construction & Disposal Plans

1. Construction of major facilities

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

As of March 31, 2007, funds committed to the construction of major facilities (actual expenditure) amounted to ¥18,000 million. Plans call for this entire sum to be financed internally from cash flow.

The table below outlines the major facilities currently in planning or under construction.

Company name and site	Location	Business segment	Facility type/purpose	Planned investment		Financing method	Planned start/ completion dates		Production capacity after completion
				Total value (¥ million)	Sunk capital (¥ million)		Start	Completion	
Nisshin Flour Milling Inc. Higashinada Plant	Higashinada-ku, Kobe	Flour milling	Flour production	12,360	4,603	Internal cash flow	May 2005	May 2008	Raw materials processing daily capacity: 530 tons

2. Disposal of major facilities

Nisshin Flour Milling Inc. plans to close its Kobe Plant (daily capacity of raw materials processing: 390 tons) once the work on the Higashinada Plant detailed above has been completed.

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

(1) Share-Related Matters

1. Share totals

(1) Total number of shares authorized to be issued

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

(2) Total number of shares issued and outstanding

Share type	Shares issued and outstanding on March 31, 2007	Shares issued and outstanding at date of filing (June 27, 2007)	Exchanges on which stock is listed	Comments
Common stock	256,535,448	256,535,448	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section)	Standard form of share ownership confers unrestricted shareholder rights
Total	256,535,448	256,535,448	—	—

2. Stock options

The company has granted the stock options detailed below in line with the provisions of Articles 280-20 and 280-21 of the former Commercial Code of Japan (as amended in 2001).

(1) Options granted on July 23, 2002

Date of authorizing resolution at the General Meeting of Shareholders: June 26, 2002		
	Options outstanding at the most recent fiscal year-end (March 31, 2007)	Options outstanding at the last month-end prior to filing this report (May 31, 2007)
Number of options granted	30 (Note 1)	20 (Note 1)
Of the above, number of options on treasury stock	–	–
Share type issuable on option exercise	Common stock	Same as the left column.
Total number of issuable shares	33,000 (Note 4)	22,000 (Note 4)
Amount payable on option exercise	¥885,500 per option (Notes 2 & 4)	Same as the left column.
Exercise period	July 16, 2004 – July 15, 2009	Same as the left column.
Issuance price and capital increase per share on option exercise	Issuance price per share: ¥805 Capital increase per share: ¥403 (Note 4)	Same as the left column.
Option exercise conditions	(Note 3)	Same as the left column.
Option transfer conditions	Approval of the Board of Directors is required for the transfer of any options.	Same as the left column.
Share settlement	–	–
Issuance of stock options as a result of reorganization	–	–

Notes:

1. The number of shares corresponding to each option shall equal 1,100.
2. In the event of a stock split or share consolidation subsequent to option issuance, the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

In addition, in the event of any new share issuance or treasury stock disposals at less than market price (excluding any share issuance associated with the exercising of stock options), the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

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

Furthermore, in the event of such stock options being inherited by a surviving entity in a merger involving the company or by a new company pursuant to a merger or acquisition, or in the event of a stock split by the company related to establishment or absorption, the company reserves the right to make appropriate adjustments to the amount paid per option as deemed necessary.

3. Conditions attached to the exercise of options are as follows:
   (1) Persons granted an allotment of options (hereinafter referred to as "option holders") must be a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) at the time that the option is exercised. However, option holders that are no longer a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) may exercise options up to two (2) years after leaving the company or by July 15, 2006, whichever is the later date.
   (2) A designated successor that inherits options on the death of the option holder may own and exercise such options on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original option holder. However, another person may not inherit such options on the death of the new option holder.
   (3) Options may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) Options shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the option holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offence; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the company or one of its subsidiaries.
   (5) Other conditions shall be as stipulated in the option vesting contracts concluded between the company and option holders, based on resolutions of the Board of Directors and the Ordinary General Meeting of Shareholders held on June 26, 2002.

4. Following the stock split on November 18th 2005, adjustments have been made to "total number of issuable shares," "amount payable on option exercise," and "issuance price and capital increase per share on option exercise."

(2) Options granted on July 23, 2003

Date of authorizing resolution at the General Meeting of Shareholders: June 26, 2003		
	Options outstanding at the most recent fiscal year-end (March 31, 2007)	Options outstanding at the last month-end prior to filing (May 31, 2007)
Number of options granted	83 (Note 1)	78 (Note 1)
Of the above, number of options on treasury stock	–	–
Share type issuable on option exercise	Common stock	Same as the left column.
Total number of issuable shares	91,300 (Note 4)	85,800 (Note 4)
Amount payable on option exercise	¥892,100 per option (Notes 2 & 4)	Same as the left column.
Exercise period	July 16, 2005 – July 15, 2010	Same as the left column.
Issuance price and capital increase per share on option exercise	Issuance price per share: ¥811 Capital increase per share: ¥406 (Note 4)	Same as the left column.
Option exercise conditions	(Note 3)	Same as the left column.
Option transfer conditions	Approval of the Board of Directors is required for the transfer of any options.	Same as the left column.
Share settlement	–	–
Issuance of stock options as a result of reorganization	–	–

Notes:

1. The number of shares corresponding to each option shall equal 1,100.
2. In the event of a stock split or share consolidation subsequent to option issuance, the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

In addition, in the event of any new share issuance or treasury stock disposals at less than market price (excluding any share issuance associated with the exercising of stock options), the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

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

Furthermore, in the event of such stock options being inherited by a surviving entity in a merger involving the company or by a new company pursuant to a merger or acquisition, or in the event of a stock split by the company related to establishment or absorption, the company reserves the right to make appropriate adjustments to the amount paid per option as deemed necessary.

3. Conditions attached to the exercise of options are as follows:
   (1) Persons granted an allotment of options (hereinafter referred to as "option holders") must be a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) at the time that the option is exercised. However, option holders that are no longer a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) may exercise options up to two (2) years after leaving the company or by July 15, 2007, whichever is the later date.
   (2) A designated successor that inherits options on the death of the option holder may own and exercise such options on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original option holder. However, another person may not inherit such options on the death of the new option holder.
   (3) Options may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) Options shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the option holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offence; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the company or one of its subsidiaries.
   (5) Other conditions shall be as stipulated in the option vesting contracts concluded between the company and option holders, based on resolutions of the Board of Directors and the Ordinary General Meeting of Shareholders held on June 26, 2003.
4. Following the stock split on November 18th 2005, adjustments have been made to "total number of issuable shares," "amount payable on option exercise," and "issuance price and capital increase per share on option exercise."

(3) Options granted on July 26, 2004

Date of authorizing resolution of general meeting of shareholders: June 25, 2004		
	Options outstanding at the most recent fiscal year-end (March 31, 2007)	Options outstanding at the last month-end prior to filing (May 31, 2007)
Number of options granted	194 (Note 1)	189 (Note 1)
Of the above, number of options on treasury stock	–	–
Share type issuable on option exercise	Common stock	Same as the left column.
Total number of issuable shares	213,400 (Note 4)	207,900 (Note 4)
Amount payable on option exercise	¥1,098,900 per option (Notes 2 & 4)	Same as the left column.
Exercise period	July 17, 2006 – July 16, 2011	Same as the left column.
Issuance price and capital increase per share on option exercise	Issuance price per share: ¥999 Capital increase per share: ¥500 (Note 4)	Same as the left column.
Option exercise conditions	(See Note 3)	Same as the left column.
Option transfer conditions	Approval of the Board of Directors is required for the transfer of any options.	Same as the left column.
Share settlement	–	–
Issuance of stock options as a result of reorganization	–	–

Notes:

1. The number of shares corresponding to each option shall equal 1,100.
2. In the event of a stock split or share consolidation subsequent to option issuance, the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

In addition, in the event of any new share issuance or treasury stock disposals at less than market price (excluding any share issuance associated with the exercising of stock options), the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury stock owned by the company. In the case of treasury stock disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury stock in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."
Furthermore, in the event of such stock options being inherited by a surviving entity in a merger involving the company or by a new company pursuant to a merger or acquisition, or in the event of a stock split by the company related to establishment or absorption, the company reserves the right to make appropriate adjustments to the amount paid per option as deemed necessary.
3. Conditions attached to the exercise of options are as follows:
   (1) Persons granted an allotment of options (hereinafter referred to as "option holders") must be a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) at the time that the option is exercised. However, option holders that are no longer a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) may exercise options up to two (2) years after leaving the company or by July 16, 2008, whichever is the later date.
   (2) A designated successor that inherits options on the death of the option holder may own and exercise such options on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original option holder. However, another person may not inherit such options on the death of the new option holder.
   (3) Options may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) Options shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the option holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offence; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the company or one of its subsidiaries.
   (5) Other conditions shall be as stipulated in the option vesting contracts concluded between the company and option holders, based on resolutions of the Board of Directors and the Ordinary General Meeting of Shareholders held on June 25, 2004.
4. Following the stock split on November 18th 2005, adjustments have been made to "total number of issuable shares," "amount payable on option exercise," and "issuance price and capital increase per share on option exercise."

(4) Options granted on August 17, 2005

Date of authorizing resolution of general meeting of shareholders: June 28, 2005		
	Options outstanding at the most recent fiscal year-end (March 31, 2007)	Options outstanding at the last month-end prior to filing (May 31, 2007)
Number of options granted	235 (Note 1)	235 (Note 1)
Of the above, number of options on treasury stock	–	–
Share type issuable on option exercise	Common stock	Same as the left column.
Total number of issuable shares	258,500 (Note 4)	258,500 (Note 4)
Amount payable on option exercise	¥1,193,500 per option (Notes 2 & 4)	Same as the left column.
Exercise period	July 21, 2007 – July 20, 2012	Same as the left column.
Issuance price and capital increase per share on option exercise	Issuance price per share: ¥1,085 Capital increase per share: ¥543 (Note 4)	Same as the left column.
Option exercise conditions	(Note 3)	Same as the left column.
Option transfer conditions	Approval of the Board of Directors is required for the transfer of any options.	Same as the left column.
Share settlement	–	–
Issuance of stock options as a result of reorganization	–	–

Notes:

1. The number of shares corresponding to each option shall equal 1,100.
2. In the event of a stock split or share consolidation subsequent to option issuance, the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

In addition, in the event of any new share issuance or treasury stock disposals at less than market price (excluding any share issuance associated with the exercising of stock options), the amount payable on option exercise shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury stock owned by the company. In the case of treasury stock disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury stock in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."
Furthermore, in the event of such stock options being inherited by a surviving entity in a merger involving the company or by a new company pursuant to a merger or acquisition, or in the event of a stock split by the company related to establishment or absorption, the company reserves the right to make appropriate adjustments to the amount paid per option as deemed necessary.
3. Conditions attached to the exercise of options are as follows:
   (1) Persons granted an allotment of options (hereinafter referred to as "option holders") must be a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) at the time that the option is exercised. However, option holders that are no longer a director or executive officer of the company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries thereof) may exercise options up to two (2) years after leaving the company or by July 20, 2009, whichever is the later date.
   (2) A designated successor that inherits options on the death of the option holder may own and exercise such options on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original option holder. However, another person may not inherit such options on the death of the new option holder.
   (3) Options may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) Options shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the option holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offence; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the company or one of its subsidiaries.
   (5) Other conditions shall be as stipulated in the option vesting contracts concluded between the company and option holders, based on resolutions of the Board of Directors and the Ordinary General Meeting of Shareholders held on June 28, 2005.
4. Following the stock split on November 18th 2005, adjustments have been made to "total number of issuable shares," "amount payable on option exercise," and "issuance price and capital increase per share on option exercise."

3. Description of the rights plan

There are no applicable matters to be reported.

4. Changes in shares issued and outstanding and in capital

Date	Change in shares issued and outstanding (thousands)	Total number of shares issued and outstanding after change (thousands)	Change in common stock (¥ million)	Common stock balance (¥ million)	Change in additional paid-in capital (¥ million)	Additional paid-in capital balance (¥ million)
Dec. 12, 2002 (Note 1)	(2,996)	235,614	—	17,117	—	9,446
Mar. 16, 2004 (Note 2)	(2,400)	233,214	—	17,117	—	9,446
Aug. 3, 2005	—	233,214	—	17,117	53 (Note 3)	9,500
Nov. 18, 2005	23,321 (Note 4)	256,535	—	17,117	—	9,500

Notes:

1. By resolution of the meeting of the Board of Directors held on December 11, 2002, the company canceled 2,996,000 shares of treasury stock in line with provisions of Article 212 of the former Commercial Code of Japan.
2. By resolution of the meeting of the Board of Directors held on March 15, 2004, the company canceled 2,400,000 shares of treasury stock in line with provisions of Article 212 of the former Commercial Code of Japan.
3. As a result of consolidation of SANKO Co., Ltd. as a wholly owned subsidiary via a share exchange, capital reserves increased by ¥53,621,559.
4. As a result of the 1.1 for 1 common stock split, the number of shares issued and outstanding increased by 23,321,404 shares.

5. Ownership and share distribution

(As of March 31, 2007)

Category	Shareholders and ownership status (N.B. Minimum trading unit [MTU] = 500 shares)								Sub-MTU holdings (shares)
	Government (national and local) entities	Financial institutions	Securities companies	Other institutions	Foreign institutions, etc.		Individuals and other shareholders	Total	
					Non-individual	Individuals			
Numbers of shareholders (persons)	—	118	27	314	256	4	10,826	11,545	—
Numbers of shares owned (MTUs)	—	235,015	14,456	100,454	83,010	24	75,853	508,812	2,129,448
Ratio to total shares (%)	—	45.8	2.8	19.6	16.2	0.0	15.6	100.0	—

Notes:

1. Treasury stock holdings of 3,153,388 shares consist of 6,306 MTUs listed under "Individuals and other shareholders" and 388 shares listed under "Sub-MTU holdings." All of these treasury shares are listed in the shareholder register. As of March 31, 2007, total beneficial ownership of treasury stock was equivalent to 3,153,100 shares.
2. Shares nominally held under the name of Japan Securities Depository Center Inc. account for 24 MTUs in the column marked "Other corporate investors" and 7 shares in the column marked "Sub-MTU holdings."

6. Major shareholders

(As of March 31, 2007)

Name	Address	Shares owned (thousands)	Shareholding as proportion of total shares outstanding (%)
Nippon Life Insurance Company	5-12, Imabashi 3-chome, Chuo-ku, Osaka	15,022	5.85
Yamazaki Baking Co., Ltd.	10-1, Iwamotocho 3-chome, Chiyoda-ku, Tokyo	14,040	5.47
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	11,818	4.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	11,666	4.54
Mizuho Corporate Bank, Ltd.	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	9,943	3.87
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	6,982	2.72
Mizuho Bank, Ltd.	1-5, Uchisaiwaicho 1-chome, Chiyoda-ku, Tokyo	5,804	2.26
Sumitomo Corporation	8-11, Harumi 1-chome, Chuo-ku, Tokyo	5,034	1.96
Sumitomo Mitsui Banking Corporation	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo	4,616	1.79
The Norinchukin Bank	13-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo	4,489	1.75
Total	—	89,418	34.85

7. Voting rights

(1) Distribution within shares issued and outstanding

(As of March 31, 2007)

Category	Number of shares	Number of voting rights	Comments
Shares with no voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 3,153,000	—	Standard form of share ownership confers unrestricted shareholder rights
	(Mutually held shares) Common stock 326,500	—	As above
Shares with full voting rights (other)	Common stock 250,926,500	501,853	As above
Sub-MTU share holdings	Common stock 2,129,448	—	As above
Total number of shares issued and outstanding	256,535,448	—	—
Total voting rights of all shareholders	—	501,853	—

Notes:

1. Shares nominally held under the name of Japan Securities Depository Center Inc. account for 12,000 shares of "Shares with full voting rights (other)" and 7 shares of "Sub-MTU share holdings." Total voting rights accorded to all shares held under the name of JASDEC (the central depository) equaled 24 as of March 31, 2007.
2. Components of "Sub-MTU share holdings" that are either treasury stock owned by the company or mutually held shares are shown in the table below. In addition, as of March 31, 2007, there were 288 shares of treasury stock listed under company ownership in the register of shareholders but without any beneficial owner.

Treasury stock

Nisshin Seifun Group Inc.	388 shares

Mutually held shares

Chiba Grain Handling Center, Ltd.	129 shares
Wakaba Co., Ltd.	306 shares
Ishikawa Co., Ltd.	241 shares

(2) Treasury stock

(As of March 31, 2007)

Name	Address	Shares owned under own name	Shares owned under other name	Total number of shares held	Share holding as proportion of total shares outstanding (%)
Treasury stock					
Nisshin Seifun Group Inc.	25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo	3,153,000	—	3,153,000	1.22
Mutually held shares					
Ishikawa Co., Ltd.	2-10, Shimagami-cho 1-chome, Hyogo-ku, Kobe	139,000	—	139,000	0.05
Wakaba Co., Ltd.	2-8, Mayafuto, Nada-ku, Kobe	103,000	—	103,000	0.04
Chiba Grain Handling Center, Ltd.	16, Shinminato, Mihama-ku, Chiba	79,000	—	79,000	0.03
Japan Logistic Systems Corp.	19-17, Ebara 1-chome, Shinagawa-ku, Tokyo	5,500	—	5,500	0.00
Total	—	3,479,500	—	3,479,500	1.35

8. Stock option scheme

Nisshin Seifun Group Inc. operates a stock option scheme.

Under this system, the company grants stock options free of charge in line with the provisions of Articles 280-20 and 280-21 of the former Commercial Code of Japan (as amended in 2001) or Articles 236, 238 and 239 of the Company Law.

Details of each of the six sets of stock options granted to date under this scheme are summarized below.

(1) Stock options authorized by a resolution at the Ordinary General Meeting of Shareholders on June 26, 2002

Under the provisions of Articles 280-20 and 280-21 of the former Commercial Code of Japan (as amended in 2001), the granting of stock options to certain directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) upon especially favorable terms was authorized by a resolution at the Ordinary General Meeting of Shareholders held on June 26, 2002.

Date of authorizing resolution	June 26, 2002
Number and description of persons granted stock options	Directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries), totaling 49 persons
Share type issuable on option exercise	As detailed above in “2. Stock options”
Number of shares issuable	As above
Amount payable on option exercise (¥)	As above
Exercise period	As above
Option exercise conditions	As above
Option transfer conditions	As above
Share settlement	—
Issuance of stock options as a result of reorganization	—

(2) Stock options authorized by a resolution at the Ordinary General Meeting of Shareholders on June 26, 2003

Under the provisions of Articles 280-20 and 280-21 of the former Commercial Code of Japan (as amended in 2001), the granting of stock options to certain directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) upon especially favorable terms was authorized by a resolution at the Ordinary General Meeting of Shareholders held on June 26, 2003.

Date of authorizing resolution	June 26, 2003
Number and description of persons granted stock options	Directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries), totaling 52 persons
Share type issuable on option exercise	As detailed above in “2. Stock options”
Number of shares issuable	As above
Amount payable on option exercise (¥)	As above
Exercise period	As above
Option exercise conditions	As above
Option transfer conditions	As above
Share settlement	—
Issuance of stock options as a result of reorganization	—

(3) Stock options authorized by a resolution at the Ordinary General Meeting of Shareholders on June 25, 2004

Under the provisions of Articles 280-20 and 280-21 of the former Commercial Code of Japan (as amended in 2001), the granting of stock options to certain directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) upon especially favorable terms was authorized by a resolution at the Ordinary General Meeting of Shareholders held on June 25, 2004.

Date of authorizing resolution	June 25, 2004
Number and description of persons granted stock options	Directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries), totaling 47 persons
Share type issuable on option exercise	As detailed above in “2. Stock options”
Number of shares issuable	As above
Amount payable on option exercise (¥)	As above
Exercise period	As above
Option exercise conditions	As above
Option transfer conditions	As above
Share settlement	—
Issuance of stock options as a result of reorganization	—

(4) Stock options authorized by a resolution at the Ordinary General Meeting of Shareholders on June 28, 2005

Under the provisions of Articles 280-20 and 280-21 of the former Commercial Code of Japan (as amended in 2001), the granting of stock options to certain directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) upon especially favorable terms was authorized by a resolution at the Ordinary General Meeting of Shareholders held on June 28, 2005.

Date of authorizing resolution	June 28, 2005
Number and description of persons granted stock options	Directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries), totaling 45 persons
Share type issuable on option exercise	As detailed above in “2. Stock options”
Number of shares issuable	As above
Amount payable on option exercise (¥)	As above
Exercise period	As above
Option exercise conditions	As above
Option transfer conditions	As above
Share settlement	—
Issuance of stock options as a result of reorganization	—

(5) Stock options authorized by a resolution at the Ordinary General Meeting of Shareholders on June 27, 2007

a. Regarding stock options granted as a form of remuneration to directors of the company, a resolution was made at the Ordinary General Meeting of Shareholders held on June 27, 2007, concerning the value of the remuneration and others and a description of the options, under the provision of Article 361 of the Company Law.

Date of authorizing resolution	June 27, 2007
Number and description of persons granted stock options	Directors of the company (Note 1)
Share type issuable on option exercise	Common stock
Number of shares issuable	Up to 89,000 shares
Amount payable on option exercise (¥)	Note 2
Exercise period	Note 3
Option exercise conditions	Note 4
Option transfer conditions	Approval of the Board of Directors is required for the acquisition of any options by means of transfer.
Share settlement	—
Issuance of stock options as a result of reorganization	Note 5

Notes:

1. A resolution on the number of persons granted stock options will be made at a meeting of the Board of Directors to be held after this report is filed.
2. The value of assets to be invested upon the exercise of each option shall equal the amount payable per share on the option to exercise (hereinafter the "exercise price") as defined below, multiplied by 1,000—the number of shares corresponding to each option.
   The exercise price shall equal the average of the closing prices of the company's common stock regularly traded at the Tokyo Stock Exchange for all trading days (except any days when the closing price was not attained) of the preceding month of the month in which the option's grant date falls, multiplied by 1.025, with any fractional amounts under ¥1 thus generated rounded up.
   However, if thus calculated exercise price is less than the closing price of the company's common stock regularly traded at the Tokyo Stock Exchange on the grant date (or its nearest preceding day if the grant date ended without a closing price), the exercise price shall be the said closing price.
   In the event of a stock split or share consolidation subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

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

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

   "Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury stock owned by the company. In the case of treasury stock disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury stock in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share" and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."
   Furthermore, in the event of unavoidable reasons that require the adjustment of the exercise price, such as if the company conducts a merger (except that the company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the company reserves the right to adjust the exercise price within a reasonable range.
3. The exercise period will be set to within a period from the date on which two (2) years have passed to the date on which ten (10) years have passed after the resolution that authorized the granting of these stock options by a resolution at a meeting of the Board of Directors to be held subsequent to the filing of the original Japanese version of this report.
4. Conditions attached to the exercise of options are as follows:
   (1) Persons granted an allotment of options (hereinafter the "option holders") must be a director or an executive officer of the company or one of its consolidated subsidiaries at the time that the option is exercised. However, option holders who are no longer a director or an executive officer of the company or one of its consolidated subsidiaries may exercise options up to two (2) years from the date when the holder retired from the company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits options on the death of the option holder may own and exercise such options on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original option holder. However, another person may not inherit such options on the death of the new option holder.
   (3) Options may not be sold, pawned, or otherwise disposed of under any circumstances.
   (4) Options shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the option holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offence; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the company or one of its subsidiaries.
   (5) Other conditions shall be as stipulated in the option vesting contracts concluded between the company and option holders, based on resolutions of the Board of Directors.
5. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of options on the stock of any

companies generated as a result of reorganization schemes as described below, such options shall be issued according to the ratio of said reorganization.

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

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

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

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

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

b. Under the provisions of Articles 236, 238 and 239 of the Company Law, a resolution was made at the Ordinary General Meeting of Shareholders held on June 27, 2007, that the decision on matters of offering stock options to be issued upon especially favorable terms to certain directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) would be left to the Board of Directors.

Date of authorizing resolution	June 27, 2007
Number and description of persons granted stock options	Directors and executive officers of the company and its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) (Note 1)
Share type issuable on option exercise	Common stock
Number of shares issuable	Up to 161,000 shares
Amount payable on option exercise (¥)	Note 2
Exercise period	Note 3
Option exercise conditions	Note 4
Option transfer conditions	Approval of the Board of Directors is required for the acquisition of any options by means of transfer.
Share settlement	—
Issuance of stock options as a result of reorganization	Note 5

Notes:

1. A resolution on the number of persons granted stock options will be made at a meeting of the Board of Directors to be held after this report is filed.
2. The value of assets to be invested upon the exercise of each option shall equal the amount payable per share on the option to exercise (hereinafter the "exercise price") as defined below, multiplied by 1,000—the number of shares corresponding to each option.
   The exercise price shall equal the average of the closing prices of the company's common stock regularly traded at the Tokyo Stock Exchange for all trading days (except any days when the closing price was not attained) of the preceding month of the month in which the option's grant date falls, multiplied by 1.025, with any fractional amounts under ¥1 thus generated rounded up.
   However, if thus calculated exercise price is less than the closing price of the company's common stock regularly traded at the Tokyo Stock Exchange on the grant date (or its nearest preceding day if the grant date ended without a closing price), the exercise price shall be the said closing price.
   In the event of a stock split or share consolidation subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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

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

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

   "Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury stock owned by the company. In the case of treasury stock disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury stock in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share" and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."
   Furthermore, in the event of unavoidable reasons that require the adjustment of the exercise price, such as if the company conducts a merger (except that the company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of a stock exchange, the company reserves the right to adjust the exercise price within a reasonable range.
3. The exercise period will be set to within a period from the date on which two (2) years have passed to the date on which ten (10) years have passed after the resolution that authorized the granting of these stock options by a resolution at a meeting of the Board of Directors to be held subsequent to the filing of the original Japanese version of this report.
4. Conditions attached to the exercise of options are as follows:
   (1) Persons granted an allotment of options (hereinafter "option holders") must be a director or an executive officer of the company or one of its consolidated subsidiaries at the time that the option is exercised. However, option holders that are no longer a director or an executive officer of the company or one of its consolidated subsidiaries may exercise options up to two (2) years from the date when the holder retired from the company or the beginning date of the exercise period, whichever comes later.
   (2) A designated successor that inherits options on the death of the option holder may own and exercise such options on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original option holder. However, another person may not inherit such options on the death of the new option holder.
   (3) Options may not be sold, pawned or otherwise disposed of under any circumstances.
   (4) Options shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to the dismissal of the option holder from the position of director or executive officer, voluntary resignation from such post (except for reasons of illness or injury), imprisonment or worse for a criminal offence, or appointment to a directorship or senior advisory position at a company that is a direct competitor of the company or one of its subsidiaries.
   (5) Other conditions shall be as stipulated in the option vesting contracts concluded between the company and option holders, based on

resolutions of the Board of Directors.

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

(2) Acquisitions of Treasury Stock

[Type of shares, etc.] Acquisitions of common stock according to Article 221-6 of the former Commercial Code of Japan and Article 155-7 of the Company Law

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

   None.

2. Stock acquisitions by resolution of the Board of Directors

   None.

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

Item	Number of shares	Total value (¥)
Treasury stock acquired in the fiscal year ended March 2007	70,137	86,349,531
Treasury stock acquired in the current term	12,036	15,110,689

Note:
The treasury stock acquired in the current term does not include shares acquired by purchasing sub-MTU shares during the period from June 1, 2007, to the date of filing the original Japanese version of this report.

4. Disposals or holdings of acquired treasury stock

Item	Fiscal year ended March 2007		Current term	
	Number of shares	Total value of disposals (¥)	Number of shares	Total value of disposals (¥)
Shares of acquired treasury stock that went on offer	—	—	—	—
Treasury stock retired	—	—	—	—
Shares of acquired treasury stock involved in transfers accompanying merger, share exchange or corporate demerger	—	—	—	—
Other	216,180	189,377,805	23,359	20,506,377
Shares of treasury stock held	3,153,100	—	3,141,777	—

Notes: 1. Disposals of acquired treasury shares in the fiscal year ended March 2007 were made through the exercise of stock options for 206,800 shares at a total value of ¥177,859,000 and the sale upon request of sub-MTU share holdings for 9,380 shares at a total value of ¥11,518,805. Disposals of acquired treasury shares in the current term were made through the exercise of stock options for 22,000 shares at a total value of ¥18,810,000 and the sale upon request of sub-MTU share holdings for 1,359 shares at a total value of ¥ 1,696,377.

2. The number of shares of treasury stock held in the current term reflect neither decreases in the shares of treasury stock as a result of the exercise of stock options between June 1, 2007, and the filing of the original Japanese version of this report, nor increases or decreases as a result of the purchase or sale upon request of sub-MTU share holdings.

(3) Dividend Policy

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.

In principle, the company intends to pay dividends twice a year: interim and year-end. The Company's Articles of Incorporation prescribe that matters related to the payment of dividends may be decided by the Board of Directors, as well as the General Meeting of Shareholders according to the provision of Article 459-1 of the Company Law, unless otherwise stipulated by law, and that the payment of interim dividends as provided for by Article 454-5 of the Company Law may be effected by a resolution of the Board of Directors, with the date of record for such dividends being September 30.

For the fiscal year ended March 2007, the company paid an annual dividend of ¥18 per share—which was the same level as the previous year, consisting of an interim dividend of ¥9 per share and a year-end dividend of ¥9 per share. As a result, the dividend payout ratio for the year was 37.0% (34.2% at the non-consolidated level) and the dividend yield was 1.7% (2.1% at the non-consolidated level).

The company will allocate its retained earnings preferentially toward strategic investments for further growth upon evaluating the efficiency of those investments from a long-term perspective, and thereby the company intends to raise its corporate value in the years ahead, while maintaining a policy of flexible distribution of profits to its shareholders.

Note: Payment of dividends for which the date of record falls during the fiscal year ended March 2007 is as follows.

Authorizing resolution	Total dividends (¥ million)	Dividend per share (¥)
Resolution of the Board of Directors made on November 10, 2006	2,279	9
Resolution of the Ordinary General Meeting of Shareholders made on June 27, 2007	2,280	9

(4) Share Price Movements

1. Share price highs and lows in previous five fiscal years

Fiscal term	159th	160th	161st	162nd	163rd
Fiscal year-end	March 2003	March 2004	March 2005	March 2006	March 2007
Intra-year high*1 (¥)	925	1,023	1,181	1,287 1,318*2	1,327
Intra-year low*1 (¥)	730	776	911	1,045 1,073*2	1,114

Notes:

1. Share-price highs and lows refer to market trading of the company's shares listed on the First Section of the Tokyo Stock Exchange.
2. Denotes ex-rights share price following the 1.1-for-1 stock split on November 18, 2005.

2. Share price highs and lows in the final six months of the most recent fiscal year

Month	Oct. 2006	Nov. 2006	Dec. 2006	Jan. 2007	Feb. 2007	Mar. 2007
Intra-month high (¥)	1,266	1,235	1,251	1,322	1,280	1,224
Intra-month low (¥)	1,217	1,114	1,126	1,230	1,160	1,162

Note: Share-price highs and lows refer to market trading of the company's shares listed on the First Section of the Tokyo Stock Exchange.

(5) Directors & Auditors

Title	Position	Name	Date of birth	Abbreviated CV [Roles in parentheses signify head of function in addition to position as director or executive officer; [C] = current role]		Term of office	Share holding (thousands)
Chairman		Osamu Shoda	October 11, 1942	Mar. 1967 Jun. 1976 Jun. 1980 Jun. 1984 Jun. 1986 Jun. 1996 Jun. 2004 Jun. 2006	Joined the company Director Managing Director Senior Managing Director President Corporate Auditor, Tobu Railway Co., Ltd. [C] Chairman [C] Director, Kao Corporation [C]	Note 3	226
President		Hiroshi Hasegawa	December 25, 1943	Apr. 1971 Jun. 1993 Jun. 1996 Jun. 1997 Jun. 1998 Jun. 1999 Jun. 1999 Jun. 2000 Jun. 2004 Jun. 2005	Joined the company General Manager, Processed Food Sales Director (Processed Food Sales) Director (Processed Food Sales and Marketing) Director (Processed Food Sales) Managing Director (Processed Food Sales) President, Nisshin Foods (concurrent roles) Managing Director President (Corporate Planning) President [C]	Note 3	28
Senior Managing Director	Executive Manager, Corporate Planning Division	Ippei Murakami	March 3, 1945	Apr. 1967 Jun. 1993 Jun. 1995 Jun. 1997 Jun. 1998 Jun. 2000 Jul. 2001 Jun. 2004 Jun. 2005 Jun. 2006 Jun. 2007	Joined the company Deputy General Manager, Finance Director (Planning, Finance) Director (Finance) Director Managing Director Managing Director (Finance and Accounting) Managing Director (Finance and Accounting, Corporate Planning [deputy]) Managing Director (Finance and Accounting, Corporate Planning) Managing Director (Corporate Planning) [C] Senior Managing Director (Corporate Planning) [C]	Note 3	15
Managing Director	Executive Manager, General Administration Division	Yasutaka Miyauchi	January 31, 1949	Apr. 1972 Jun. 2005 Jun. 2005 Jun. 2007	Joined the company Executive Officer (General Administration) Director (General Administration) Managing Director (General Administration) [C]	Note 3	8
Managing Director		Ryuji Nakamura	January 25, 1945	Apr. 1967 Oct. 1994 Jun. 1995 Jun. 1996 Jun. 1998 Jun. 2000 Jun. 2000 Jul. 2001 Jul. 2001 Jun. 2004	Joined the company General Manager, Flour Milling Operations Director (Flour Milling Operations) Director (Flour Milling Operations and Development) Director (Flour Milling Operations) Director (Distribution) Managing Director (Distribution) Managing Director [C] Senior Managing Director, Nisshin Flour Milling President, Nisshin Flour Milling [C] (Concurrent roles)	Note 3	19
Managing Director		Masaru Nakamura	February 25, 1945	Apr. 1968 Jun. 1996 Jun. 1997 Oct. 1998 Jun. 2000 Jun. 2001 Jul. 2001 Jun. 2002 Jun. 2002 Jun. 2004	Joined the company General Manager, Distribution Control Director (Distribution Control) Director (Distribution) Director Executive Officer Senior Managing Director, Nisshin Pharma Director President, Nisshin Pharma [C] (Concurrent roles) Managing Director [C]	Note 3	11

Title	Position	Name	Date of birth	Abbreviated CV [Roles in parentheses signify head of function in addition to position as director or executive officer; [C] = current role]		Term of office	Share holding (thousands)
Director	Executive Manager, Research and Development, Quality Assurance Division	Masami Ohta	September 13, 1946	Apr. 1970 Jun. 2003 Jun. 2003 Nov. 2006	Joined the company Executive Officer (R&D and Quality Assurance) Director (R&D and Quality Assurance) Director (R&D and Quality Assurance) [C]	Note 3	13
Director	Executive Manager, Technology and Engineering Division	Yukiyoshi Yamada	September 14, 1948	Apr. 1973 Jun. 2003 Jun. 2003	Joined the company General Manager, Technology Director (Technology and Engineering) [C]	Note 3	10
Director	Executive Manager, Finance and Accounting Division	Masuro Yamazaki	June 12, 1947	Apr. 1971 Jun. 2005 Jun. 2006	Joined the company Executive Officer (Finance and Accounting) Director (Finance and Accounting) [C]	Note 3	12
Director	Deputy Executive Manager, Corporate Planning Division	Mikihisa Nanri	October 28, 1949	Apr. 1972 Jun. 2001 Oct. 2003 Jun. 2005 Jun. 2007	Joined the company Director, Nisshin Feed Co., Ltd. Director, Marubeni Nisshin Feed Co., Ltd. Executive Officer Director (Corporate Planning) [C]	Note 3	3
Director		Kazuo Ikeda	September 14, 1947	Apr. 1971 Jun. 2002 Jun. 2003 Jun. 2004 Jun. 2004	Joined the company Executive Officer Managing Director, Nisshin Foods (Business Planning) Director [C] President, Nisshin Foods [C] (Concurrent roles)	Note 3	18
Director		Ariyoshi Okumura	February 15, 1931	Apr. 1955 Jun. 1983 May 1987 Feb. 1989 Jun. 1997 Jul. 2000 Jun. 2003 Jun. 2006	Joined Industrial Bank of Japan (IBJ) Director, IBJ Managing Director, IBJ President, IBJ Asset Management Co., Ltd. Director, Nippon Light Metal Co., Ltd. Board Governor, International Corporate Governance Network Corporate Auditor Director [C]	Note 3	1
Senior Corporate Auditor	Full-time	Takeo Ito	August 1, 1942	Apr. 1966 Jun. 1994 Jun. 1998 Jun. 2005	Joined the company Director Managing Director Senior Corporate Auditor [C]	Note 4	18
Corporate Auditor	Full-time	Kimio Ohishi	April 27, 1944	Apr. 1964 Jun. 2005 Jun. 2005	Joined the company Advisor (General Administration Division, Internal Auditing) Corporate Auditor [C]	Note 4	2
Corporate Auditor	Full-time	Akira Takeuchi	April 4, 1944	Apr. 1968 Apr. 1996 Jul. 2000 Jun. 2003 Jun. 2006	Joined Tobu Railway Co., Ltd. General Manager (Development, Local Administration), Tobu Railway Co., Ltd. General Manager (Asset Management), Tobu Railway Co., Ltd. Director (Asset Management), Tobu Railway Co., Ltd. Corporate Auditor [C]	Note 5	1
Corporate Auditor		Akio Mimura	November 2, 1940	Apr. 1963 Jun. 1993 Apr. 1997 Apr. 2000 Apr. 2003 Jun. 2006	Joined Fuji Iron & Steel Co., Ltd. Director, Nippon Steel Corporation Managing Director, Nippon Steel Corporation Representative Director & Executive Vice President, Nippon Steel Corporation Representative Director & President, Nippon Steel Corporation [C] Corporate Auditor [C]	Note 5	2
Corporate Auditor		Tetsuo Kawawa	June 15, 1947	Apr. 1975 Apr. 1996 Aug. 2002 Sep. 2002 Jun. 2007	Admitted in Japan as attorney-at-law Managing Partner, Kawawa Law Offices [C] Member of Legislative Council of the Ministry of Justice (Modernization of Companies Act) Specially designated member of the Judicial System Research Board, Japan Federation of Bar Associations [C] Corporate Auditor [C]	Note 6	—
				Total			393

Notes:

1. Director Ariyoshi Okumura is externally appointed in accordance with Section 2, Article 15 of the Company Law.
2. Auditors Akira Takeuchi, Akio Mimura and Tetsuo Kawawa are externally appointed in accordance with Section 2, Article 16 of the Company Law.
3. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 27, 2007, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 2008.
4. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 28, 2005, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 2009.
5. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 28, 2006, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 2010.
6. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 27, 2007, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 2011.

(6) Corporate Governance

This section provides an overview of corporate governance at the Nisshin Seifun Group. All data are accurate as of the date of filing the original Japanese version of this report (June 27, 2007).

(Basic policy on corporate governance)

The company views the basic purpose of corporate governance as one of ensuring the transparency of the management of the business for the benefit of shareholders and other stakeholders. To that end, the company aims to build and maintain effective functional management structures that promote accelerated decision-making. Other goals of corporate governance are to raise operational efficiency while seeking to clarify management responsibilities.

The organizational structure and systems of the Nisshin Seifun Group are designed to strengthen corporate governance functions and to promote efficient management. The company has adopted a holding company structure under which the holding company Nisshin Seifun Group Inc. oversees and evaluates the actions of operating companies with the best interests of shareholders in mind. The Board of Directors is organized along functional lines to promote swifter and more effective decision-making. The statutory functions of auditors have been reinforced and are augmented by systematic, specialized internal audits covering areas such as environmental protection, quality control, and facilities.

The Nisshin Seifun Group Inc. has adopted the statutory auditor system. The corporate auditors attend important meetings, such as the meetings of the Board of Directors, and also maintain separate, regular channels of communication with representative directors. These activities facilitate the general auditing oversight of the business.

(Implementation status of corporate governance measures)

(1) Corporate governance institutions

The company has adopted the statutory auditor system. The company has introduced measures to strengthen management oversight such as setting the tenure of directors at one year and appointing 12 directors, including one outside director. An executive officer system has been adopted for the execution of business functions. Under the auditing system adopted for the Nisshin Seifun Group, the company assigns auditors to audit the performance of Nisshin Seifun Group operating companies. The results of these audits are reported to the Board of Auditors. Three of the five members of this board are outside auditors. There are no material conflicts of interest of a personal, financial, commercial or other nature that exist between the company, the outside director and the outside auditors.

(2) Basic policy on internal control systems and status

The internal control systems of the Nisshin Seifun Group Inc. underpin the hierarchical command structure for operational execution, clarify authority and responsibility, and establish a platform for management control of business execution, together with the necessary internal checks and balances.

1. Systems for ensuring the compliance of the performance of directors' and employees' duties with laws and the Articles of Incorporation

(a) The company has formulated the "Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines." The presidents and directors of the Nisshin Seifun Group Inc. and other group companies recognize their duty to comply with said Code and Guidelines, and shall take the lead in following said rules and publicizing them to the people concerned. Said presidents and directors shall also endeavor to grasp internal and external opinion at all times, and adjust their internal systems accordingly to enhance their effectiveness, while promoting corporate ethics throughout their companies.

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

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

(d) Corporate auditors shall audit the performance of duties by directors, and oversee directors to verify whether they construct and operate systems for internal control in an appropriate manner.

(e) The Internal Control Department, directly supervised by representative directors, shall perform the following duties.

1) Reconstruction of internal control systems, and maintenance, improvement and evaluation of reconstructed systems

2) Internal audits

2. Systems for ensuring the preservation and management of information in relation to the directors' performance of their duties

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

3. Rules and systems for managing the danger of loss

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

(b) To prevent the occurrence of loss and ensure the proper handling of any loss upon occurrence thereof, the Risk Management Committee shall assume a central role in identifying potential risks and devising measures to prepare for any crises. To ensure the early detection and handling of the danger of loss, employees, etc., shall report such to the Call Center within the General Administration Division of the Nisshin Seifun Group, Inc.

(c) All crisis management issues and important quality accidents shall be handled by the respective committees in an appropriate manner as required by the respective regulations.

(d) The corporate auditors shall take the necessary measures, such as advice and recommendation, whenever they recognize the possibility that directors may bring about a significant loss or serious accidents.

4. Systems for ensuring that directors' duties are performed efficiently

(a) Because the Group adopts the holding company system, the number of directors is kept small.

(b) The range of responsibility and authority is clarified, for example, by identifying matters to be resolved by and reported to the Board of Directors and matters of request for approval of presidents and directors in charge. This enables directors to perform their duties in a prompt and appropriate manner.

(c) The Group clarifies its business strategies and their potential direction, according to which the Group's operating companies formulate their profit plans on a yearly basis. The term of office of directors shall be one year to clarify their responsibilities. The Board of Directors reviews business performance on a monthly basis, and discusses and implements measures to improve performance.

5. Systems for ensuring that proper business operations are conducted within the group of companies that consists of the company and its subsidiaries

(a) The company has adopted a holding company structure under which the holding company, Nisshin Seifun Group Inc., oversees and evaluates the actions of operating companies with the best interests of the shareholders in mind.

(b) For important issues concerning the business operations of subsidiaries, the standards, on which are based submission for discussion or report to the Board of Directors, are determined.

(c) The Corporate Philosophy, the Basic Management Policy, the Basic Attitude toward Stakeholders, the Corporate Code of Conduct and the Employee Action Guidelines for the Nisshin Seifun Group are stipulated, and awareness of these throughout the Group is promoted.

(d) The corporate auditors of the company and the Group's operating companies hold regular meetings to exchange opinions on audit cases, etc., and share issues to be addressed.

(e) Special audits, such as of facilities, safety, environment and product liability, are provided for the Nisshin Seifun Group, Inc., and its subsidiaries

(f) The Internal Control Department performs the following duties for members of the Group, including the Nisshin Seifun Group, Inc.

1) Reconstruction of internal control systems, and maintenance, improvement and evaluation of reconstructed systems

2) Internal audits

6. Provisions concerning the individuals assisting the corporate auditors in performing their duties and their independence from directors

The Board of Auditors appoints auditor assistants who assist the Corporate Auditors in performing their duties. The auditor assistants assist the Corporate Auditors in performing audits under the direction of the corporate auditors, and personnel changes concerning the auditor assistants require the consent of the Corporate Auditors.

7. Systems for directors' and employees' reporting to corporate auditors and other forms of reporting to corporate auditors

(a) The Corporate Auditors attend the meetings of the Board of Directors and other important meetings, including meetings of the Group Management Meeting, the Risk Management Committee, the Credit Management Committee and the Social Norms Subcommittee of the Social Committee, and state their opinions as appropriate.

(b) The Board of Auditors may ask for reporting from the independent auditors, the Directors, the internal audit department and others at its meetings, whenever such necessity arises.

(c) Any information obtained through the Compliance Hotline is reported immediately to the Corporate Auditors.

(d) Documents for taking over the duties of the executive managers of the company's divisions and the presidents of its subsidiaries and affiliates are submitted to the Board of Auditors.

(e) All requisitions are returned to the Corporate Auditors.

8. Other systems for ensuring that the audits of Corporate Auditors are conducted efficiently

The Corporate Auditors hold regular meetings with Representative Directors, and exchange opinions on prospective challenges and risks for the company, as well as the status of the environment for audits by the Corporate Auditors and other important auditing issues.

(3) Risk management systems

As mentioned in "(2) Basic policy on internal control systems and status" above, the Group has risk management systems as follows.

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

Separately, the Nisshin Seifun Group has established the "Nisshin Seifun Group Risk Management Rules" to prevent crisis occurrence and ensure that appropriate actions are taken in the event of any such emergency. The company has set up the Risk Management Committee, whose job is to identify and clarify potentially serious emergencies based on a sound grasp of the underlying risks and to formulate suitable emergency-response measures. All Nisshin Seifun Group employees are obliged to report any emergency to the company call center so that the information can be relayed swiftly to senior management. The system aims to ensure that any damage caused is minimal due to prompt initial action.

(4) Internal audits, independent financial audits, and corporate auditor oversight

Within the company's internal control systems, the Internal Control Department is the designated division responsible for overseeing internal audits of Nisshin Seifun Group companies. Expert personnel assist with audits covering specialized areas such as environmental protection, quality control and facilities. Currently, the Internal Control Department has a staff of 11 people and the specialist personnel teams comprise five people for environmental audits, seven people for quality control audits and eight people for facility audits.

All five corporate auditors sit on the Board of Auditors. In line with auditing standards and plans formulated by the Board of Auditors, corporate auditors attend all meetings of the Board of Directors and other important business meetings. Auditors also maintain separate, regular channels of communication with representative directors. Three of the auditors are designated full-time auditors, and their duties also include acting as auditors for major Nisshin Seifun Group subsidiaries. The major subsidiaries also appoint dedicated full-time auditors to undertake their own auditing, while maintaining regular contacts with the corporate auditors of the company.

Corporate auditors share audit results with the Internal Control Department. The auditors of the major subsidiaries (excluding publicly listed companies) and the teams consisting of specialist auditing personnel also report their audit results both to the Internal Control Department and to the corporate auditors to aid cooperative efforts. In addition, the corporate auditors and the subsidiary auditors convene regular meetings to review Group audit case studies. These meetings provide a forum to exchange opinions, discuss issues and share related information, thereby contributing to higher internal audit quality across the Nisshin Seifun Group.

The company and its major subsidiaries have an independent auditing contract with Ernst & Young ShinNihon, which conducts statutory audits of the company's and the major subsidiaries' consolidated and non-consolidated financial statements under that contract.

Corporate auditors and the subsidiary auditors hold regular meetings with the independent auditors to review financial audit plans and results. These meetings also provide a forum to explain specific audit items and to exchange information.

*Certified Public Accountants leading the independent financial audit:

Representative and engagement partner	Masato Tsukahara
Representative and engagement partner	Yasuhiro Tamura
Representative and engagement partner	Masayuki Aida

*Composition of the support staff for the auditing team (including audits of consolidated subsidiaries):

CPAs: 19   Assistant accountants: 27

Ernst & Young ShinNihon conducts personnel rotation to ensure that the staff's continuous involvement with the financial audits of the same company does not last longer than five fiscal years, according to its internal regulations, which are compliant with the code of ethics of The Japanese Institute of Certified Public Accountants.

(5) Remuneration of executives and auditors

The aggregate amounts of financial remuneration paid to company directors and auditors were as specified below.

Directors:	Eleven (11)	¥255 million	(includes ¥7 million to outside director)
Auditors:	Four (4)	¥54 million	

Payments made to the independent auditors (Ernst & Young ShinNihon) were as specified below (including audits of consolidated subsidiaries).

	Amount (¥ million)
Payments for certified auditing*	134
Payments for other services	43
Total	178

Note: As stipulated in Article 2, Section 1 of the Certified Public Accountant Law.

(6) Outline of a limited liability contract

Pursuant to the provision of Article 427-1 of the Company Law, the company holds a limited liability contract with its outside directors and outside auditors to the effect that the maximum amount of liability as stipulated in Article 423-1 of the Company Law shall be the sum of the amounts stipulated in each item of Article 425-1 of the Company Law, as long as they perform their duties in good faith and without gross negligence.

(7) The quorum of Directors

The Company's Articles of Incorporation prescribe that the company's quorum of Directors be not more than 14.

(8) Requirements for a resolution on the appointment of Directors

The Company's Articles of Incorporations prescribe that a resolution on the appointment of Directors be adopted by a majority of the voting rights of shareholders attending the General Meeting of Shareholders who collectively hold one-third or more of all voting rights.

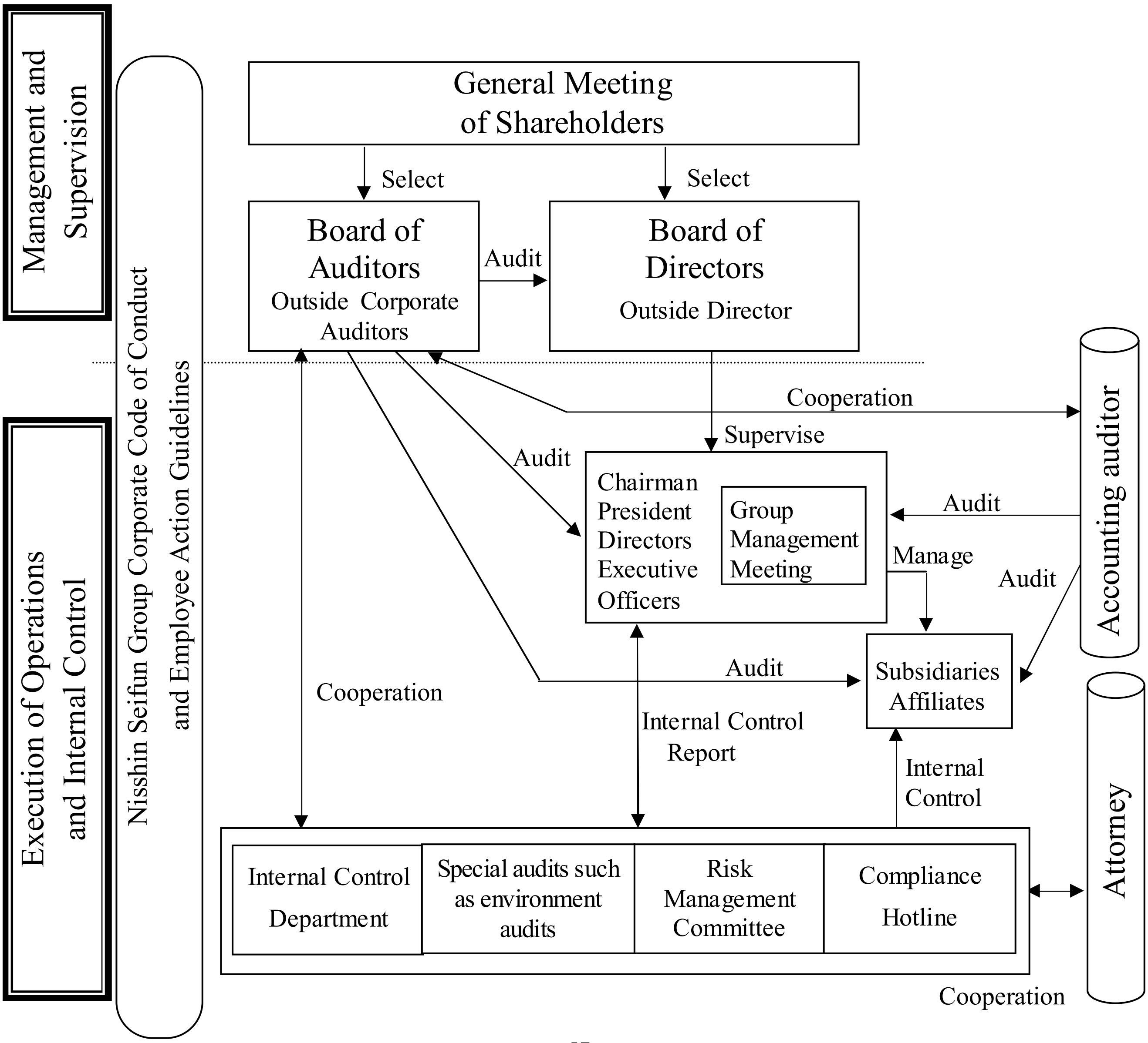
(9) The bodies that make a decision on the payment of dividends, etc.

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

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

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

The diagram below sets out the supervision and internal control structure of the Nisshin Seifun Group.



[5] Financial Accounts

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

(1) The company's Consolidated Financial Statements are prepared in conformity with regulations issued by the Ministry of Finance in 1976 (Ministerial Ordinance No. 28) governing the terminology, form and presentation methods for consolidated financial accounts (hereinafter referred to as the "consolidated financial accounting rules.")
The consolidated financial accounting rules were partially revised by an ordinance issued by the Cabinet Office on January 30, 2004 (Cabinet Office Ordinance No. 5). The pre-revision rules are applied to the previous fiscal year (April 1, 2005 to March 31, 2006), whereas the post-revision rules are applied to the fiscal year under review (April 1, 2006 to March 31, 2007).

(2) The Non-consolidated Financial Statements are prepared in conformity with regulations issued by the Ministry of Finance in 1963 (Ministerial Ordinance No. 59) governing the terminology, form and presentation methods for financial accounts (hereinafter referred to as the "non-consolidated financial accounting rules.")
The non-consolidated financial accounting rules were partially revised by an ordinance issued by the Cabinet Office on January 30, 2004 (Cabinet Office Ordinance No. 5). The pre-revision rules are applied to the 162nd fiscal term (April 1, 2005 to March 31, 2006), whereas the post-revision rules are applied to the 163rd fiscal term (April 1, 2006 to March 31, 2007).

2. Independent auditing of financial statements

In accordance with the provisions of Article 193-2 of the Securities and Exchange Law, the company arranged for auditing firm Ernst & Young ShinNihon to conduct independent audits of the consolidated and non-consolidated financial accounts of the company for both the consolidated fiscal year under review (April 1, 2006 to March 31, 2007; the 163rd fiscal term) and the previous consolidated fiscal year (April 1, 2005 to March 31, 2006; the 162nd fiscal term).

Note: Only the Japanese original of this report has been audited.

(1) Consolidated Financial Statements

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets—As of March 31, 2007 and 2006

Item	See Note	Fiscal year ended March 31, 2006 Amount (¥ million)	Fiscal year ended March 31, 2006 Proportion of total (%)	Fiscal year ended March 31, 2007 Amount (¥ million)	Fiscal year ended March 31, 2007 Proportion of total (%)
Assets:					
I Current assets:					
Cash and cash equivalents		50,111		45,649	
Trade notes and accounts receivable	4, 8	57,678		60,093	
Marketable securities		14,339		15,913	
Inventories	4	39,601		44,647	
Deferred tax assets		4,431		4,811	
Other		6,935		7,748	
Allowance for doubtful accounts		(227)		(214)	
Total current assets		172,870	43.2	178,649	43.7
II Fixed assets:					
(1) Property, plant and equipment, net:	1, 2				
Buildings and structures	4	42,866		44,224	
Machinery, equipment and vehicles	4	32,243		33,596	
Land	4	30,726		30,851	
Construction in progress		3,733		3,194	
Other		2,862		2,833	
Property, plant and equipment, net		112,432	28.1	114,701	28.1
(2) Intangible assets		7,977	2.0	6,527	1.6
(3) Investments and other assets:					
Investment securities	3	101,369		103,612	
Long-term loans receivable		131		99	
Deferred tax assets		2,434		2,304	
Other	3	3,081		2,830	
Allowance for doubtful accounts		(397)		(287)	
Total investments and other assets		106,619	26.7	108,559	26.6
Total fixed assets		227,029	56.8	229,788	56.3
Total Assets		399,899	100.0	408,437	100.0

Item	See Note	Fiscal year ended March 31, 2006 Amount (¥ million)	Proportion of total (%)	Fiscal year ended March 31, 2007 Amount (¥ million)	Proportion of total (%)
Liabilities:					
I Current liabilities:					
Notes and accounts payable	8	25,819		28,439	
Short-term debt	4	7,754		7,491	
Accrued income taxes		4,813		3,527	
Accrued expenses		13,410		12,910	
Other		12,732		14,936	
Total current liabilities		64,530	16.1	67,304	16.5
II Long-term liabilities:					
Long-term debt	4	1,609		1,330	
Deferred tax liabilities		21,708		22,270	
Allowance for employees' retirement benefits		12,614		9,863	
Allowance for directors' retirement benefits		314		314	
Allowance for repairs		842		877	
Guaranteed deposits received		5,568		5,481	
Consolidation adjustments account		90		—	
Negative goodwill		—		144	
Other		587		544	
Total long-term liabilities		43,334	10.8	40,827	10.0
Total liabilities		107,865	26.9	108,131	26.5
Minority interests:					
Minority interests		27,498	6.9	—	—
Shareholders' Equity:					
I Common stock	6	17,117	4.3	—	—
II Additional paid-in capital		9,483	2.4	—	—
III Retained earnings		200,487	50.2	—	—
IV Unrealized holding gain on securities		40,835	10.2	—	—
V Foreign currency translation adjustments		(212)	(0.1)	—	—
VI Treasury stock	7	(3,176)	(0.8)	—	—
Total shareholders' equity		264,535	66.2	—	—
Total Liabilities, Minority Interests and Shareholders' Equity		399,899	100.0	—	—

Item	See Note	Fiscal year ended March 31, 2006 Amount (¥ million)	Proportion of total (%)	Fiscal year ended March 31, 2007 Amount (¥ million)	Proportion of total (%)
Net Assets:					
I Shareholders' equity					
Common stock		—	—	17,117	4.2
Additional paid-in capital		—	—	9,779	2.4
Retained earnings		—	—	207,550	50.8
Treasury stock		—	—	(3,010)	(0.7)
Total shareholders' equity		—	—	231,436	56.7
II Valuation and translation adjustments					
Unrealized holding gain on securities		—	—	39,102	9.6
Deferred gains on hedging transactions		—	—	41	0.0
Foreign currency translation adjustments		—	—	394	0.1
Total valuation and translation adjustments		—	—	39,537	9.7
III Minority interests		—	—	29,331	7.1
Total net assets		—	—	300,306	73.5
Total Liabilities and Net Assets		—	—	408,437	100.0

(2) Consolidated Statements of Income—For the years ended March 31, 2007 and 2006

Item	See Note	Fiscal year ended March 31, 2006 Amount (¥ million)		Proportion of total (%)	Fiscal year ended March 31, 2007 Amount (¥ million)		Proportion of total (%)
I Net sales			421,359	100.0		418,190	100.0
II Cost of sales	1, 2		285,910	67.9		285,598	68.3
Gross profit			135,449	32.1		132,591	31.7
III Selling, general and administrative expenses:	2						
Selling and transportation expenses		25,161			25,212		
Sales incentives		36,722			37,083		
Salaries and wages		12,644			12,192		
Bonuses and allowances		9,258			9,186		
Retirement benefit expense		1,397			1,218		
Other		28,093	113,279	26.8	28,515	113,407	27.1
Operating income			22,169	5.3		19,184	4.6
IV Non-operating income:							
Interest income		99			259		
Dividend income		853			1,150		
Equity in earnings of affiliated companies		1,505			1,574		
Rent income		357			377		
Other income		621	3,437	0.8	873	4,234	1.0
V Non-operating expenses:							
Interest expense		160			181		
Loss on disposal of fixed assets		248			60		
Loss on disposal of inventories		—			160		
Other expenses		424	833	0.2	201	603	0.1
Ordinary income			24,774	5.9		22,815	5.5
VI Extraordinary income:							
Gain on sale of fixed assets	3	448			290		
Gain on sale of investment securities		568			2,047		
Gain on liquidation of affiliated companies		—			1,415		
Other	4	207	1,224	0.3	22	3,776	0.9

Item	See Note	Fiscal year ended March 31, 2006 Amount (¥ million)		Proportion of total (%)	Fiscal year ended March 31, 2007 Amount (¥ million)		Proportion of total (%)
VII Extraordinary losses:							
Loss on disposal of fixed assets	5	306			910		
Office relocation expenses		478			—		
Coenzyme Q_{10} related loss	6	—			1,533		
Other	7	113	898	0.2	103	2,547	0.6
Income before income taxes and minority interests			25,101	6.0		24,044	5.8
Income taxes – current		8,869			7,875		
Income taxes – deferred		676	9,545	2.3	1,494	9,369	2.3
Minority interests			2,014	0.5		2,371	0.6
Net income			13,541	3.2		12,303	2.9

(3) Consolidated Statement of Retained Earnings—For the year ended March 31, 2006

Item	See Note	Fiscal year ended March 31, 2006 Amount (¥ million)	
Additional paid-in capital:			
I Additional paid-in capital at beginning of the year			9,452
II Increase in additional paid-in capital			
Proceeds from sale of treasury stock		31	31
III Additional paid-in capital at end of the year			9,483
Retained earnings:			
I Retained earnings at beginning of the year			190,699
II Increase in retained earnings			
Net income		13,541	13,541
III Decrease in retained earnings			
Cash dividends paid		3,580	
Directors' bonuses		172	3,753
IV Retained earnings at end of the year			200,487

(4) Consolidated Statement of Changes in Shareholders' Equity—For the year ended March 31, 2007

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of March 31, 2006 (¥ million)	17,117	9,483	200,487	(3,176)	223,912
Changes in the fiscal year					
Dividends from retained earnings (Note)			(2,785)		(2,785)
Interim dividends from retained earnings			(2,279)		(2,279)
Directors' bonuses (Note)			(175)		(175)
Net income			12,303		12,303
Purchases of treasury stock				(86)	(86)
Disposal of treasury stock		296		251	547
Net change in non-shareholders' equity items for the fiscal year					
Total changes for the fiscal year (¥ million)	—	296	7,062	165	7,524
Balances as of March 31, 2007 (¥ million)	17,117	9,779	207,550	(3,010)	231,436

	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 (¥ million)	40,835	—	(212)	40,622	27,498	292,033
Changes in the fiscal year						
Dividends from retained earnings (Note)						(2,785)
Interim dividends from retained earnings						(2,279)
Directors' bonuses (Note)						(175)
Net income						12,303
Purchases of treasury stock						(86)
Disposal of treasury stock						547
Net change in non-shareholders' equity items for the fiscal year	(1,732)	41	606	(1,084)	1,833	748
Total changes for the fiscal year (¥ million)	(1,732)	41	606	(1,084)	1,833	8,272
Balances as of March 31, 2007 (¥ million)	39,102	41	394	39,537	29,331	300,306

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

(5) Consolidated Statements of Cash Flows—For the years ended March 31, 2007 and 2006

Item	See Note	Fiscal year ended March 31, 2006 Amount (¥ million)	Fiscal year ended March 31, 2007 Amount (¥ million)
I Cash flows from operating activities:			
Income before income taxes and minority interests		25,101	24,044
Depreciation and amortization		11,993	12,565
Decrease in allowance for retirement benefits		(2,317)	(2,756)
Interest and dividend income		(953)	(1,409)
Interest expenses		160	181
Equity in earnings of affiliated companies		(1,505)	(1,574)
Gain on sale of marketable securities		(570)	(2,348)
(Increase) decrease in trade notes and accounts receivable		2,469	(2,256)
Increase in inventories		(668)	(4,782)
Increase (decrease) in accounts payable		(3,323)	2,490
Other		(2,483)	456
Subtotal		27,902	24,612
Interest and dividends received		1,257	2,753
Interest paid		(164)	(173)
Income taxes paid		(7,939)	(9,723)
Net cash provided by operating activities		21,054	17,469
II Cash flows from investing activities:			
Payments for time deposits		(8,290)	(12,173)
Proceeds from repayment of time deposits		18	19,326
Payments for purchase of marketable securities		(13,505)	(12,141)
Proceeds from sales of marketable securities		7,196	13,500
Payments for purchases of fixed assets		(12,362)	(14,096)
Proceeds from sales of fixed assets		535	298
Payments for purchases of investment securities		(847)	(5,813)
Proceeds from sales of investment securities		1,671	1,990
Payments for long-term loans receivable		(3)	(2)
Proceeds from collections of long-term loans receivable		133	35
Other		156	2,114
Net cash used in investing activities		(25,297)	(6,961)
III Cash flows from financing activities:			
Proceeds from short-term debt		10	239
Repayments of short-term debt		(660)	(779)
Proceeds from long-term debt		95	—
Repayments of long-term debt		(29)	(5)
Proceeds from sale of treasury stock		184	1,259
Payments for purchase of treasury stock		(2,430)	(86)
Cash dividends paid		(3,580)	(5,065)
Other		(863)	(787)
Net cash used in financing activities		(7,274)	(5,225)
IV Effect of exchange rate changes on cash and cash equivalents		272	366
V Net increase (decrease) in cash and cash equivalents		(11,244)	5,648
VI Cash and cash equivalents at beginning of year		54,047	42,803
VII Cash and cash equivalents at end of year		42,803	48,452

Basis of presentation of Consolidated Financial Statements

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
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 8 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.	1. Scope of consolidation (1) Consolidated subsidiaries: 38 ・ 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 seven 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) Changes in scope of consolidation Newly consolidated subsidiaries: 3 companies Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. and NBC (Shanghai) Mesh Co., Ltd. were established in the fiscal year ended March 31, 2006, and have been included as consolidated subsidiaries. Moreover, SK Foods Co., Ltd., which was a non-consolidated equity-method affiliate until the previous fiscal year, has been included as a consolidated subsidiary from the fiscal year ended March 31, 2006 due to an increase in materiality.	(2) Changes in scope of consolidation ―――――――
Newly excluded subsidiary: 1 company SANKO Co., Ltd., which was a consolidated subsidiary until the fiscal year ended March 31, 2005, was taken over in a merger by Initio Foods Inc. in October 2005. The statements of income, retained earnings and cash flows for SANKO in the period prior to the merger have been consolidated.	Newly excluded subsidiary: 1 company Nisshin ISL Inc., which was a consolidated subsidiary until the fiscal year ended March 31, 2006, was taken over in a merger by Nisshin Associates, Inc., in October 2006. The statements of income, changes in net assets and cash flows for Nisshin ISL Inc. in the period prior to the merger have been consolidated.
2. Scope of the equity method (1) Equity-method subsidiaries and affiliates: 10 (one 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. Scope of the equity method (1) Equity-method subsidiaries and affiliates: 10 (one 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 seven non-consolidated subsidiaries and six affiliates not accounted for by the equity method are negligible and immaterial in the aggregate.

<table>
<tr><th>Fiscal year ended March 31, 2006
(April 1, 2005 to March 31, 2006)</th><th>Fiscal year ended March 31, 2007
(April 1, 2006 to March 31, 2007)</th></tr>
<tr><td>(2) Changes in scope of equity method
Affiliate newly included in scope of equity method: 1 company
Jinzhu (Yantai) Food Research and Development Co., Ltd. was newly established in the year ended March 31, 2006, and has therefore been included in the scope of the equity method.
Newly excluded affiliate: 1 company
SK Foods Co., Ltd. became a consolidated subsidiary, and has therefore been excluded from the scope of the equity method from the fiscal year ended March 31, 2006.
(3) The financial statements for the accounting period of the company concerned are used in the cases of those equity-method affiliates whose accounting period differs from the consolidated accounting period.</td><td>(2) Changes in scope of equity method
―――――――

(3) Same as the left column.</td></tr>
<tr><td>3. Accounting periods of consolidated subsidiaries
The consolidated subsidiaries listed below have accounting periods that differ from the consolidated accounting period. Since the year-end of each of these companies is within three months of the consolidated year-end, the current financial statements at the year-end of each consolidated subsidiary are used. However, necessary adjustments are made for material transactions that occurred during the period between the subsidiary's year-end and the consolidated year-end.

Company name / Year-end
Rogers Foods Ltd. / January 31
Thai Nisshin Seifun Co., Ltd. and 11 others / December 31</td><td>3. Accounting periods of consolidated subsidiaries
Same as the left column.</td></tr>
<tr><td>4. Significant accounting policies</td><td>4. Significant accounting policies</td></tr>
<tr><td>(1) Valuation standards and methodology for material assets
a. Securities:
Held-to-maturity debt securities are stated at amortized cost.
Other securities:
Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).
Securities with no readily determinable market value are stated at cost, with cost being determined by the moving average method.
b. Derivatives:
Derivative financial instruments are stated at fair market value.
c. Inventories:
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.</td><td>(1) Valuation standards and methodology for material assets
a. Securities:
Held-to-maturity debt securities are the same as the left column.
Other securities:
Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of net assets and the cost of any securities sold being computed by the moving average method).
Securities with no readily determinable market value are the same as the left column.
b. Derivatives:
Same as the left column.
c. Inventories:
Same as the left column.

Raw materials are same as the left column.</td></tr>
</table>

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
(2) Depreciation methods for material depreciable assets a. Property, plant and equipment: Depreciation on property, plant and equipment 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.	(2) Depreciation methods for material depreciable assets a. Property, plant and equipment: Same as the left column.
b. Intangible 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.	b. Intangible assets: Same as the left column.
(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.	(3) Basis of material allowances a. Allowance for doubtful accounts: Same as the left column.
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 fiscal year-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.	b. Allowance for employees' retirement benefits: Same as the left column.

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
c. Allowance for directors' retirement benefits: 8 domestic consolidated subsidiaries provide for the payment of retirement benefits to directors in accordance with internal regulations, based on projected benefits at the fiscal year-end. (Additional Information) During the fiscal year ended March 31, 2006, the parent company and 7 consolidated subsidiaries abolished the directors' retirement benefit system. With regard to reappointed directors, it was determined that retirement benefits applicable to the period in office up to the end of the Ordinary General Meeting of Shareholders held in June 2005, would be paid upon retirement. These unpaid retirement benefits have been reclassified under other long-term liabilities in the consolidated balance sheet.	c. Allowance for directors' retirement benefits: 8 domestic consolidated subsidiaries provide for the payment of retirement benefits to directors in accordance with internal regulations, based on projected benefits at the fiscal year-end.
(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.	(4) Significant lease transactions Same as the left column.
(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 purchase 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.	(5) Significant hedging transactions Same as the left column.
(6) Consumption tax All accounting transactions are booked exclusive of any national or local consumption taxes.	(6) Consumption tax Same as the left column.

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
5. Valuation of assets and liabilities of consolidated subsidiaries Assets and liabilities of consolidated subsidiaries are stated at fair value using the partial fair value method.	5. Valuation of assets and liabilities of consolidated subsidiaries Same as the left column.
6. Amortization of consolidated adjustment account Consolidated account adjustments are amortized in equal amounts over five years from the date of accrual. However, small sums are amortized on a lump-sum basis in the fiscal year in which the adjustment arises.	6. ________________________
7. ____________________	7. Amortization of goodwill and negative goodwill Goodwill and negative goodwill are amortized in equal amounts over five years from the date of accrual. However, small sums are amortized on a lump-sum basis in the fiscal year in which the adjustment arises.
8. Appropriation of retained earnings The Consolidated Statements of Retained Earnings are prepared based on the distribution of profits as determined by consolidated subsidiaries during the fiscal year in question.	8. ________________________
9. Cash and cash equivalents Cash and cash equivalents as stated in the Consolidated Statements of Cash Flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.	9. Cash and cash equivalents Same as the left column.

Changes in accounting policy

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
(Accounting standards relating to impairment of fixed assets) From the fiscal year ended March 31, 2006, the company adopted the following accounting standards for impairment of fixed assets: "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets," (Business Accounting Council, August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan, October 31, 2003, Financial Accounting Standard Implementation Guidance No. 6). The adoption of these standards had no impact on operating results.	(Accounting standards relating to directors' bonuses) From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Directors' Bonuses (Accounting Standards Board of Japan's Statement No. 4 issued on November 29, 2005). The adoption of this standard decreased operating income, ordinary income and net income before income taxes by ¥172 million, respectively, compared with the results that would have been obtained if said accounting had not been adopted. The impact of this adoption on segment information is stated in the relevant notes. (Accounting standards relating to presentation of net assets in the balance sheet) From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005). The amount that corresponds to the total of the former Shareholders' Equity section would be ¥270,933 million. The Net Assets section of the consolidated balance sheet for the fiscal year ended March 31, 2007, is prepared according to the revised consolidated financial accounting rules. (Accounting standards relating to business combinations) From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Business Combinations (Business Accounting Deliberation Council, October 31, 2003), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on December 27, 2005) and the Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on December 27, 2005). The adoption of these standards had no impact on operating results. According to the revised consolidated financial accounting rules, the item "consolidation adjustments account" was stated as "negative goodwill" for the fiscal year ended March 31, 2007.

Changes in presentation

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
______________________	(Consolidated statement of income) The item "loss on disposal of inventories" was listed as a separate component for the year ended March 31, 2007, instead of being included within the "Other" category as in the year ended March 2006, because it exceeded 10% of total non-operating expenses for that year.

Notes to the Consolidated Financial Statements

(Notes to the Consolidated Balance Sheets)

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

1. Accumulated depreciation of property, plant and equipment ¥192,618 million
2. Accumulated accelerated depreciation of property, plant and equipment purchased with government subsidy ¥264 million
3. Amounts corresponding to non-consolidated subsidiaries and affiliates are as follows.

   Investment securities ¥18,153 million

   Others ¥120 million
4. Assets pledged as collateral

   The company has pledged buildings (book value of ¥1,381 million), machinery and equipment (book value of ¥784 million) and land (book value of ¥92 million) as collateral against short-term debt totaling ¥372 million and long-term debt totaling ¥795 million.
5. Warranty liabilities

Target of warranty	Type of liability	Amount (¥ million)
(Employee housing loans)	Borrowings from financial institution	416
(Affiliated companies) Hanshin Silo Co., Ltd.	Borrowings from financial institution	280
(Client-related) Nihon-Bio Co., Ltd.	Borrowings from financial institution	311
Total		1,008

6. Shares issued and outstanding

   Common stock 256,535,448 shares
7. Treasury common stock owned by consolidated subsidiaries, equity-method affiliates and non-consolidated subsidiaries accounted for by the equity method

   Common stock 3,800,400 shares
8. ______________________

Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

1. Accumulated depreciation of property, plant and equipment ¥199,698 million
2. Accumulated accelerated depreciation of property, plant and equipment purchased with government subsidy ¥264 million
3. Amounts corresponding to non-consolidated subsidiaries and affiliates are as follows.

   Investment securities ¥17,705 million

   Others ¥111 million

   (Investments in joint ventures included in the above) ¥2,347 million
4. Assets pledged as collateral

   The company has pledged buildings (book value of ¥1,395 million), machinery and equipment (book value of ¥772 million), land (book value of ¥92 million) and others (book value of ¥144 million) as collateral against short-term debt totaling ¥509 million and long-term debt totaling ¥630 million.
5. Warranty liabilities

Target of warranty	Type of liability	Amount (¥ million)
(Employee housing loans)	Borrowings from financial institution	341
(Affiliated companies) Hanshin Silo Co., Ltd.	Borrowings from financial institution	401
(Client-related) Nihon-Bio Co., Ltd.	Borrowings from financial institution	311
Total		1,054

6. ______________________
7. ______________________
8. Notes matured at the end of the fiscal term are settled as of their clearing date. Because the end of the fiscal year ended March 31, 2007, was a bank holiday, matured notes in the following amounts are included in the balance of the respective notes as of March 31, 2007.

   Notes receivable ¥590 million

   Notes payable ¥19 million

(Notes to the Consolidated Statements of Income)

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
1. A reduction in the value of inventories of ¥114 million due to the valuation of these assets using the lower of cost or market method resulted in a corresponding deduction to the value of inventories at the year-end.	1. A reduction in the value of inventories of ¥128 million due to the valuation of these assets using the lower of cost or market method resulted in a corresponding deduction to the value of inventories at the year-end.
2. R&D expenditure included in general and administrative expenses and manufacturing costs for the year ended March 2006: ¥5,043 million	2. R&D expenditure included in general and administrative expenses and manufacturing costs for the year ended March 2007: ¥5,071 million
3. This figure mainly reflects gains on the sale of company-owned housing accommodation.	3. This figure mainly reflects gains on the sale of company-owned housing accommodation.
4. This figure mainly reflects gain on reversal of allowance for doubtful accounts.	4. ________________________
5. This figure mainly reflects gain on reversal of allowance for doubtful accounts.	5. This figure mainly reflects losses on the disposal of buildings, machinery and equipment.
6. ________________________	6. This figure mainly reflects losses on revaluation of inventories relating to the coenzyme Q_{10} products.
7. This figure mainly reflects expenses associated with the merger of subsidiaries.	7. This figure mainly reflects losses on disposal of inventories.

(Notes to the Consolidated Statement of Changes in Net Assets)

For the year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
1. Type and number of issued shares of common stock and treasury common stock

	Number of shares at end of the fiscal year ended March 2006 (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	Number of shares at end of the fiscal year ended March 2007 (Thousands of shares)
Shares issued Common stock	256,535	—	—	256,535
Treasury stock Common stock	3,800	70	650	3,220

Notes:
1. The increase in common stock accounted for by treasury common stock consists of:
   70 thousand shares, as a result of repurchasing sub-MTU shares.
2. The decrease in common stock accounted for by treasury common stock consists of:
   9 thousand shares, as a result of selling sub-MTU shares,
   206 thousand shares, as a result of the exercise of stock options, and
   434 thousand shares of treasury stock, which were sold by consolidated subsidiaries and attributable to the company.

2. Dividends
(1) Dividends paid
The following resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2006.

・ 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

The following resolution was made at the meeting of the Board of Directors held on November 10, 2006.

・ Dividends on common stock:

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

(2) Dividends for which the record date came during the year ended March 31, 2007, but for which the effective date will come after said period
The following resolution was made at the Ordinary General Meeting of Shareholders held on June 27, 2007.

・ Dividends on common stock:

i)	Total dividends to be paid	¥2,280 million
ii)	Source of dividends	Retained earnings
iii)	Dividend per share	¥9
iv)	Date of record	March 31, 2007
v)	Effective date	June 28, 2007

(Notes to the Consolidated Statements of Cash Flows)

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)		Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)	
The reconciliation between the year-end balance of cash and cash equivalents and the amounts stated in Consolidated Statements of Cash Flows is as follows:		The reconciliation between the year-end balance of cash and cash equivalents and the amounts stated in Consolidated Statements of Cash Flows is as follows:	
Cash on hand and in banks	¥50,111 million	Cash on hand and in banks	¥45,649 million
Marketable securities	¥14,339 million	Marketable securities	¥15,913 million
Total	¥64,450 million	Total	¥61,562 million
Fixed deposits with periods greater than three months	(¥8,307 million)	Fixed deposits with periods greater than three months	(¥1,194 million)
Bonds with redemption periods greater than three months at time of purchase	(¥13,339 million)	Bonds with redemption periods greater than three months at time of purchase	(¥11,916 million)
Cash and cash equivalents at end of year	¥42,803 million	Cash and cash equivalents at end of year	¥48,452 million

(Leases)

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)
1.Details on finance leases other than those that transfer ownership of the leased assets to the lessee are given below. (1) The acquisition cost, accumulated depreciation and net leased property values at the year-end for the leased assets on an "as if capitalized" basis were as follows: <table><tr><td></td><td>Acquisition cost (¥ million)</td><td>Accumulated depreciation (¥ million)</td><td>Net leased property (¥ million)</td></tr><tr><td>Machinery, equipment and vehicles</td><td>3,213</td><td>1,705</td><td>1,507</td></tr><tr><td>Other</td><td>2,740</td><td>1,507</td><td>1,233</td></tr><tr><td>Total</td><td>5,953</td><td>3,212</td><td>2,741</td></tr></table>(2) Outstanding obligations under finance leases at the year-end were as follows: Due within one year ¥901 million Due after one year ¥1,839 million Total ¥2,741 million The values of the acquisition cost of leased assets and of outstanding obligations under finance leases both include the imputed interest expense portion, since the year-end balance of finance lease obligations represented a small proportion of property, plant and equipment. (3) Lease payments and depreciation expense: Lease payments ¥1,025 million Depreciation expense ¥1,025 million (4) Calculation method for depreciation expense Depreciation expense is computed by the straight-line method over the useful life of the leased asset with a residual value of zero. 2. Operating leases Minimum rental commitments under noncancelable leases Due within one year ¥10 million Due after one year ¥5 million Total ¥16 million	1. Details on finance leases other than those that transfer ownership of the leased assets to the lessee are given below. (1) The acquisition cost, accumulated depreciation and net leased property values at the year-end for the leased assets on an "as if capitalized" basis were as follows: <table><tr><td></td><td>Acquisition cost (¥ million)</td><td>Accumulated depreciation (¥ million)</td><td>Net leased property (¥ million)</td></tr><tr><td>Machinery, equipment and vehicles</td><td>3,481</td><td>1,903</td><td>1,577</td></tr><tr><td>Other</td><td>2,743</td><td>1,510</td><td>962</td></tr><tr><td>Total</td><td>5,954</td><td>3,414</td><td>2,540</td></tr></table>(2) Outstanding obligations under finance leases at the year-end were as follows: Due within one year ¥841 million Due after one year ¥1,725 million Total ¥2,540 million The values of the acquisition cost of leased assets and of outstanding obligations under finance leases both include the imputed interest expense portion, since the year-end balance of finance lease obligations represented a small proportion of property, plant and equipment. (3) Lease payments and depreciation expense: Lease payments ¥981 million Depreciation expense ¥981 million (4) Calculation method for depreciation expense Same as the left column. 2. Operating leases Minimum rental commitments under noncancelable leases Due within one year ¥5 million Due after one year — million Total ¥5 million

(Securities)

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

(¥ million)

	As of March 31, 2006			As of March 31, 2007		
	Carrying amount	Fair market value	Difference	Carrying amount	Fair market value	Difference
Securities carrying unrealized gains on consolidated balance sheets:						
1. Government and municipal bonds	—	—	—	—	—	—
2. Corporate bonds	400	400	0	—	—	—
3. Other	—	—	—	—	—	—
Subtotal	400	400	0	—	—	—
Securities carrying unrealized losses on consolidated balance sheets:						
1. Government and municipal bonds	—	—	—	2,997	2,997	(0)
2. Corporate bonds	—	—	—	—	—	—
3. Other	—	—	—	—	—	—
Subtotal	—	—	—	2,997	2,997	(0)
Total	400	400	0	2,997	2,997	(0)

2. Other securities with readily determinable market value

(¥ million)

	As of March 31, 2006			As of March 31, 2007		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Securities carrying unrealized gains on consolidated balance sheets:						
1. Equity securities	8,138	77,633	69,494	13,394	79,938	66,543
2. Debt securities:						
Government and municipal bonds	—	—	—	3,097	3,098	1
Corporate bonds	—	—	—	3,512	3,513	0
Other	—	—	—	—	—	—
3. Other	—	—	—	—	—	—
Subtotal	8,138	77,633	69,494	20,004	86,550	66,546
Securities carrying unrealized losses on consolidated balance sheets:						
1. Equity securities	251	210	(41)	351	260	(90)
2. Debt securities:						
Government and municipal bonds	6,004	6,000	(3)	4,506	4,505	(1)
Corporate bonds	7,942	7,938	(4)	1,798	1,798	(0)
Other	—	—	—	—	—	—
3. Other	—	—	—	—	—	—
Subtotal	14,198	14,149	(48)	6,656	6,564	(92)
Total	22,336	91,783	69,446	26,660	93,114	66,454

3. Other securities sold during fiscal year

Fiscal year ended March 31, 2006			Fiscal year ended March 31, 2007		
Sales amount (¥ million)	Total gain on sales (¥ million)	Total loss on sale (¥ million)	Sales amount (¥ million)	Total gain on sales (¥ million)	Total loss on sale (¥ million)
1,005	472	—	1,990	1,899	—

4. Principal securities not carried at market value

	As of March 31, 2006	As of March 31, 2007
	Carrying amount (¥ million)	Carrying amount (¥ million)
Other securities: Non-listed equity securities (except JASDAQ-listed shares)	5,372	5,707

5. Projected redemption value of held-to-maturity debt securities within other securities

	As of March 31, 2006		As of March 31, 2007	
	Within 1 year (¥ million)	Within 1-5 years (¥ million)	Within 1 year (¥ million)	Within 1-5 years (¥ million)
Debt securities:				
Government and municipal bonds	6,000	—	10,601	—
Corporate bonds	8,300	—	5,300	—
Other	—	—	—	—
Total	14,300	—	15,901	—

(Derivatives)

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

1. Derivatives policies and usage status

(1) Derivative types and usage purposes

The Nisshin Seifun Group uses currency forwards and options as hedging instruments to avoid exchange rate fluctuation risk for specific assets and liabilities denominated in foreign currencies. The company also conducts interest-rate swaps to hedge interest rate exposures associated with specific financial liabilities.

(2) Derivative usage policies

The Nisshin Seifun Group uses derivatives purely for mitigating the risks of fluctuations in market prices or interest rates, insofar as such risks affect the scope of actual future business transactions. The company policy forbids the use of derivatives for short-term trading or speculative purposes.

(3) Transactional risk for derivatives

The currency forwards, currency options, and interest-rate swaps used by the Nisshin Seifun Group are subject to normal market risks associated with movements in foreign exchange and other financial markets.

The company does not anticipate any credit losses associated with its derivatives exposure because all the counterparties in such transactions are financial institutions with high credit ratings.

(4) Risk management measures

The Finance and Accounting Division conducts the various derivative transactions outlined above, predominantly based on instructions from operating divisions exposed to foreign exchange risks. Finance-related personnel in certain consolidated subsidiaries also enter into derivatives contracts, based on internal instructions. Internal company rules forbid the scale of derivative transactions to exceed that of the underlying business transactions. Measures to disperse risk include limits on the size of individual derivative transactions, based on the proportion of total contract value. Internal rules also restrict currency option trading to purchases of U.S. dollar call options.

To aid in the management of derivative-related risks, the Finance and Accounting Division and finance-related personnel in certain consolidated subsidiaries receive reports from banks and other parties on a monthly basis on the status of outstanding derivative contracts. Checks are made that this data accords with market movements, and reports are submitted to all directors overseeing financial and other related operations.

2. Market prices of transactions

The Nisshin Seifun Group uses currency forwards and options, but since the company employs hedge transaction accounting, details are omitted.

Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

1. Derivatives policies and usage status

(1) Derivative types and usage purposes

The Nisshin Seifun Group uses currency forwards and options as hedging instruments to avoid exchange rate fluctuation risk for specific assets and liabilities denominated in foreign currencies.

(2) Derivative usage policies

The Nisshin Seifun Group uses derivatives purely for mitigating the risks of fluctuations in market prices or interest rates, insofar as such risks affect the scope of actual future business transactions. The company policy forbids the use of derivatives for short-term trading or speculative purposes.

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2. Market prices of transactions

The Nisshin Seifun Group uses currency forwards and options, but since the company employs hedge transaction accounting, details are omitted.

(Retirement benefits)

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

1. Outline of retirement benefit plans

The parent company and domestic consolidated subsidiaries primarily provide a tax-qualified pension plan together with a lump-sum retirement benefit plan. The parent company and some domestic consolidated subsidiaries have also established a retirement benefit trust. In some cases, employees leaving the company may receive an additional severance payment beyond that computed based on the actuarial retirement benefit calculated using the relevant accounting standard.

2. Retirement benefit obligation

	As of March 31, 2006 (¥ million)
(A) Retirement benefit obligation	(49,868)
(B) Pension plan assets	38,834
(C) Unfunded retirement benefit obligation [(A) + (B)]	(11,033)
(D) Unrecognized actuarial differences	1,188
(E) Unrecognized prior service cost	(2,725)
(F) Net amount recorded on consolidated balance sheet [(C) + (D) + (E)]	(12,571)
(G) Prepaid pension costs	42
Accrued employees' retirement benefits [(F) – (G)]	(12,614)

Note:

Certain subsidiaries adopt a simplified method for calculating retirement benefit obligation.

3. Retirement benefit expense

	Fiscal year ended March 31, 2006 (¥ million)
(A) Service cost	1,597
(B) Interest cost	1,150
(C) Expected return on pension plan assets	(774)
(D) Amortization of actuarial differences	502
(E) Amortization of prior service cost	(198)
(F) Retirement benefit expense [(A) + (B) + (C) + (D) + (E)]	2,278

Note:

Retirement benefit expense incurred by consolidated subsidiaries that adopt simplified pension accounting methodology is recorded under "(A) Service cost."

4. Assumptions used in retirement benefit obligation calculations

(A) Method adopted for periodic distribution of projected retirement benefits	Equal amounts per period
(B) Discount rate	Principally 2.5%
(C) Expected rate of return on pension plan assets	Principally 2.5%
(D) Amortization period for actuarial differences*1	Principally 15 years
(E) Amortization period for prior service cost*2	15 years

Notes:

1. Actuarial differences are amortized on a straight-line basis from the following fiscal year based on the average remaining service period of employees expected to receive pension benefits as of the consolidated fiscal year-end.
2. 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.

Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

1. Outline of retirement benefit plans

The parent company and domestic consolidated subsidiaries primarily provide a tax-qualified pension plan together with a lump-sum retirement benefit plan. The company and some domestic consolidated subsidiaries have also established a retirement benefit trust. In some cases, employees leaving the company may receive an additional severance payment beyond that computed based on the actuarial retirement benefit calculated using the relevant accounting standard.

2. Retirement benefit obligation

	As of March 31, 2007 (¥ million)
(A) Retirement benefit obligation	(49,540)
(B) Pension plan assets	41,104
(C) Unfunded retirement benefit obligation [(A) + (B)]	(8,436)
(D) Unrecognized actuarial differences	1,139
(E) Unrecognized prior service cost	(2,527)
(F) Net amount recorded on consolidated balance sheet [(C) + (D) + (E)]	(9,824)
(G) Prepaid pension costs	39
Accrued employees' retirement benefits [(F) – (G)]	(9,863)

Note:

Certain subsidiaries adopt a simplified method for calculating retirement benefit obligation.

3. Retirement benefit expense

	Fiscal year ended March 31, 2007 (¥ million)
(A) Service cost	1,648
(B) Interest cost	1,134
(C) Expected return on pension plan assets	(963)
(D) Amortization of actuarial differences	249
(E) Amortization of prior service cost	(198)
(F) Retirement benefit expense [(A) + (B) + (C) + (D) + (E)]	1,871

Note:

Retirement benefit expense incurred by consolidated subsidiaries that adopt simplified pension accounting methodology is recorded under "(A) Service cost."

4. Assumptions used in retirement benefit obligation calculations

(A) Method adopted for periodic distribution of projected retirement benefits	Equal amounts per period
(B) Discount rate	Principally 2.5%
(C) Expected rate of return on pension plan assets	Principally 2.5%
(D) Amortization period for actuarial differences*1	Principally 15 years
(E) Amortization period for prior service cost*2	15 years

Notes:

1. Actuarial differences are amortized on a straight-line basis from the following fiscal year based on the average remaining service period of employees expected to receive pension benefits as of the consolidated fiscal year-end.
2. 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.

(Stock options)
Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

1. Description and changes in the size of stock options

(1) Description of stock options

	2002 Stock Options	2003 Stock Options	2004 Stock Options	2005 Stock Options
Category and number of people to whom stock options are granted	The company's directors: 10 The company's executive officers: 13 Directors of the company's consolidated subsidiaries: 26	The company's directors: 10 The company's executive officers: 13 Directors of the company's consolidated subsidiaries: 29	The company's directors: 10 The company's executive officers: 12 Directors of the company's consolidated subsidiaries: 25	The company's directors: 9 The company's executive officers: 10 Directors of the company's consolidated subsidiaries: 26
Number of options by stock type (Note)	275,000 shares of common stock	290,400 shares of common stock	269,500 shares of common stock	258,500 shares of common stock
Grant date	July 23, 2002	July 23, 2003	July 26, 2004	August 17, 2005
Vesting conditions	None	Same as left	Same as left	Same as left
Vesting period	Not specified	Same as left	Same as left	Same as left
Exercise period	July 16, 2004 to July 15, 2009	July 16, 2005 to July 15, 2010	July 17, 2006 to July 16, 2011	July 21, 2007 to July 20, 2012

Note: The company undertook a 1.1−for-1 common stock split on November 18, 2005. All figures concerning the number of shares in the above table reflect this stock split.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the year ended March 31, 2007. The number of stock options is translated into the number of shares.

1. Number of stock options

	2002 Stock Options	2003 Stock Options	2004 Stock Options	2005 Stock Options
Before vested (shares):				
As of March 31, 2006	—	—	269,500	258,500
Granted	—	—	—	—
Expired	—	—	—	—
Vested	—	—	269,500	—
Balance of options not vested	—	—	—	258,500
After vested (shares):				
As of March 31, 2006	100,100	174,900	—	—
Vested	—	—	269,500	—
Exercised	67,100	83,600	56,100	—
Expired	—	—	—	—
Balance of options not exercised	33,000	91,300	213,400	—

Note: The company undertook a 1.1−for-1 common stock split on November 18, 2005. All figures concerning the number of shares in the above table reflect this stock split.

2. Per share prices

	2002 Stock Options	2003 Stock Options	2004 Stock Options	2005 Stock Options
Exercise price (¥)	805	811	999	1,085
Average stock price upon exercise (¥)	1,232	1,237	1,266	—
Fair value per share at grant date (¥)	—	—	—	—

(Tax effect accounting)

Fiscal year ended March 31, 2006

1. The principal components of deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	(¥ million)
Allowance for employees' retirement benefits	7,395
Allowance for bonuses	1,771
Investment securities	989
Accrued sales incentives	962
Unrealized gains on fixed assets	892
Accrued enterprise tax	416
Depreciation and amortization	394
Accrued directors' retirement benefits	386
Allowance for repairs	340
Unrealized gains on inventories	299
Other	2,247
Deferred tax assets subtotal	16,099
Offsetting of deferred tax assets and deferred tax liabilities	(9,173)
Net deferred tax assets	6,925
Valuation allowance	(59)
Total deferred tax assets	6,865
Deferred tax liabilities	
Unrealized gains on other securities	(28,198)
Reserve for accelerated depreciation on fixed assets	(2,414)
Other	(269)
Deferred tax liabilities subtotal	(30,882)
Offsetting of deferred tax assets and deferred tax liabilities	9,173
Net deferred tax liabilities	(21,708)

2. The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect (corporate tax income tax, etc.) accounting is as follows:

Statutory effective tax rate	40.6%
(Adjustments)	
Equity in earnings of subsidiaries and affiliated companies	(2.4)%
Corporate income tax deductions	(1.9)%
Dividend and other income not counted for tax purposes	(0.3)%
Entertainment and other expenses not deductible for tax purposes	2.0%
Other	0.0%
Effective tax rate after application of tax effect accounting	38.0%

Fiscal year ended March 31, 2007

1. The principal components of deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	(¥ million)
Allowance for employees' retirement benefits	6,375
Allowance for bonuses	1,745
Investment securities	988
Accrued sales incentives	971
Unrealized gains on fixed assets	939
Inventories	626
Depreciation and amortization	404
Allowance for repairs	355
Accrued enterprise tax	352
Accrued directors' retirement benefits	350
Other	2,272
Deferred tax assets subtotal	15,383
Offsetting of deferred tax assets and deferred tax liabilities	(7,433)
Net deferred tax assets	7,950
Valuation allowance	(834)
Total deferred tax assets	7,116
Deferred tax liabilities	
Unrealized gains on other securities	(26,982)
Reserve for accelerated depreciation on fixed assets	(2,224)
Other	(497)
Deferred tax liabilities subtotal	(29,703)
Offsetting of deferred tax assets and deferred tax liabilities	7,433
Net deferred tax liabilities	(22,270)

2. The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect (corporate tax income tax, etc.) accounting is as follows:

The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is not shown, because the difference between the statutory and actual effective tax rates was less than five hundredths of the statutory rate.

(Segment information)

1. Business segment information

Fiscal Year Ended March 31, 2006

(¥ million)

	Flour milling	Processed food	Others	Total	Eliminations / corporate	Consolidated
I. Net Sales and Operating Income						
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
II. Assets, Depreciation and Amortization, and Capital Expenditures:						
Assets	112,187	140,451	52,228	304,868	95,031	399,899
Depreciation and amortization	5,646	5,528	1,022	12,197	(204)	11,993
Capital expenditures	6,236	5,680	2,454	14,371	(213)	14,158

Fiscal Year Ended March 31, 2007

(¥ million)

	Flour milling	Processed food	Others	Total	Eliminations / corporate	Consolidated
I. Net Sales and Operating Income						
Net sales						
(1) Net sales to external customers	154,722	220,545	42,922	418,190	–	418,190
(2) Internal sales and transfers	17,253	795	4,278	22,327	(22,327)	–
Total	171,976	221,340	47,200	440,517	(22,327)	418,190
Cost and Expenses	162,236	216,062	42,485	420,784	(21,778)	399,006
Operating Income	9,740	5,278	4,714	19,732	(548)	19,184
II. Assets, Depreciation and Amortization, and Capital Expenditures:						
Assets	123,075	143,089	50,313	316,478	91,959	408,437
Depreciation and amortization	5,847	5,874	1,046	12,768	(203)	12,565
Capital expenditures	6,940	5,781	1,599	14,321	(327)	13,993

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, transport and storage
3. Corporate assets included in the eliminations/corporate category were ¥104,580 million in FY2006 and ¥99,626 million in FY2007. The majority of the assets are held by the company as surplus funds (cash and marketable securities) and investment securities.
4. From the fiscal year under review, the company adopted the Accounting Standard for Directors' Bonuses (ASBJ Statement No. 4 issued on November 29, 2005), as stated in Changes in Basis of Presentation of the Consolidated Financial Statements. This adoption increased Cost and Expenses and decreased Operating Income by ¥34 million for the Flour and Milling segment, ¥56 million for the Processed Food segment, ¥26 million for the Others segment, and ¥55 million for Eliminations/Corporate, compared with the results that would have been obtained if said standard had not been adopted.

2. Geographical segment information

(Fiscal years ended March 31, 2006 and 2007)

Geographical segment information is omitted since the domestic business (Japan) accounts for more than 90% of total sales and total assets across all segments.

3. Overseas sales

(Fiscal years ended March 31, 2006 and 2007)

Overseas sales are omitted since the ratio of overseas sales to consolidated net sales is less than 10%.

(Business transactions with related parties)

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

Directors, auditors, and individual leading shareholders

Position	Name	Address	Capital invested (¥ million)	Type of business or job role	Voting rights (Company stake) (%)	Relationship		Nature of business transaction	Transaction value (¥ million)	Item	Year-end balance (¥ million)
						Other directorships	Commercial links				
Auditor	Morio Hatakeyama	—	—	Corporate auditor of the company	(Company stake) Direct: 0.0	—	—	Fee payment for legal advice	4	—	—

Note: No consumption tax amounts are included in the transaction value.

Transaction conditions and methods used to determine conditions

Prices and other conditions related to the transaction were similar to those pertaining to equivalent transactions conducted with parties without such a relationship to the company.

Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

There are no significant transactions to be reported.

(Per share information)

(Yen)

<table>
<tr><th colspan="2">Fiscal year ended March 31, 2006</th><th colspan="2">Fiscal year ended March 31, 2007</th></tr>
<tr><td>Net assets per share
Net income per share
Diluted net income per share</td><td>¥1,046.00
¥52.80
¥52.77</td><td>Net assets per share
Net income per share
Diluted net income per share</td><td>¥1,069.71
¥48.66
¥48.63</td></tr>
<tr><td colspan="2">The company undertook a 1.1 for 1 common stock split on November 18, 2005.
Per share information if this stock split had been conducted at the beginning of the fiscal year ended March 31, 2005 is as follows:

161st fiscal term
Net assets per share ¥948.11
Net income per share ¥52.79
Diluted net income per share ¥52.73</td><td colspan="2">―</td></tr>
</table>

Note 1. The basis of calculation for net assets per share is as follows:

Item	Fiscal year ended March 31, 2006 (As of March 31, 2006)	Fiscal year ended March 31, 2007 (As of March 31, 2007)
Total net assets, as stated on the Consolidated Balance Sheets (¥ million)	—	300,306
Net assets associated with common stock (¥ million)	—	270,974
Major components of the difference (¥ million): Minority interests	—	29,331
Number of common stock shares issued and outstanding (shares)	—	256,535,448
Number of treasury shares of common stock (shares)	—	3,220,188
Number of common stock shares used in the calculation of net assets per share (shares)	—	253,315,260

Note 2. The basis of calculation for net income per share and diluted net income per share is as follows:

Item	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Net income, as stated on Statements of Income (¥ million)	13,541	12,303
Main components of amounts not attributable to owners of common stock (¥ million) Directors' bonuses	175	—
Net income associated with common stock (¥ million)	13,366	12,303
Average number of shares of common stock during fiscal year (shares)	253,143,692	252,865,907
Adjustment to net income (¥ million)	—	—
Main components of increase in number of shares of common stock used in calculation of diluted net income per share (shares) New share subscription rights	137,735	145,454
Details of shares not included in calculation of diluted net income per share due to non-dilutive effect	One issue of convertible bonds issued by affiliate	—

(Subsequent events)

There are no applicable matters to be reported.

(Supplementary consolidated data)

(Borrowings)

Category	Outstanding value [Mar. 31, 2006] (¥ million)	Outstanding value [Mar. 31, 2007] (¥ million)	Average interest rate (%)	Repayment dates
Short-term debt	7,475	7,214	1.2329	—
Current portion of long-term debt	279	276	2.9959	—
Long-term debt (excluding current portion)	1,609	1,330	3.4192	2008–2036
Other interest-bearing liabilities	—	—	—	—
Total	9,363	8,822	—	—

Notes:

1. Components of long-term debt (excluding current portion) with repayments scheduled within five years after March 31, 2007 are detailed in the table below.

	Within 1-2 years (¥ million)	Within 2-3 years (¥ million)	Within 3-4 years (¥ million)	Within 4-5 years (¥ million)
Long-term debt	255	233	238	244

2. Average interest rates are computed as the weighted average interest rate on debt outstanding at the fiscal year-end.
3. The Nisshin Seifun Group (the holding company and consolidated subsidiaries) has negotiated specific credit facilities with its main financial institutions to ensure efficient procurement of working capital.

Total specific credit facilities	¥17,530 million	
Balance outstanding on March 31, 2007	—	
Credit facility fees for year ended March 31, 2007	¥17 million	(Amount included in "Other" category within non-operating expenses)

(2) Other borrowings

The company has no debts other than those detailed above.

(2) Non-consolidated Financial Statements

1. Non-consolidated financial statements

(1) Non-consolidated Balance Sheets

Item	See Note	Fiscal year ended March 31, 2006 (162nd fiscal term) Amount (¥ million)		Proportion of total (%)	Fiscal year ended March 31, 2007 (163rd fiscal term) Amount (¥ million)		Proportion of total (%)
Assets:							
I Current assets							
Cash and cash equivalents			21,910			16,531	
Trade notes and accounts receivable			120			237	
Marketable securities			13,939			12,915	
Prepaid expenses			22			128	
Deferred tax assets			513			473	
Other			2,498			2,977	
Total current assets			39,004	16.6		33,264	13.7
II Fixed assets							
(1) Property, plant and equipment, net	1						
Buildings			6,045			7,531	
Structures			290			273	
Machinery and equipment			539			536	
Vehicles			4			2	
Tools, fixtures and furnishings			572			490	
Land			10,756			10,758	
Construction in progress			1,860			1,491	
Property, plant and equipment, net			20,070	8.5		21,085	8.7
(2) Intangible assets							
Leasehold tenant rights			402			402	
Software			1,281			933	
Other			68			71	
Total intangible assets			1,753	0.7		1,407	0.6

Item	See Note	Fiscal year ended March 31, 2006 (162nd fiscal term) Amount (¥ million)		Proportion of total (%)	Fiscal year ended March 31, 2007 (163rd fiscal term) Amount (¥ million)		Proportion of total (%)
(3) Investments and other assets							
Investment securities			61,233			63,063	
Equity in affiliated companies			89,224			92,679	
Investments in capital			456			440	
Investments in capital of affiliated companies			307			458	
Long-term loans to employees			100			88	
Long-term loans to affiliated companies			23,046			29,609	
Long-term prepaid expenses			8			31	
Other			474			443	
Allowance for doubtful accounts			(130)			(137)	
Total investments and other assets			174,720	74.2		186,677	77.0
Total fixed assets			196,543	83.4		209,170	86.3
Total Assets			235,548	100.0		242,434	100.0

Item	See Note	Fiscal year ended March 31, 2006 (162nd fiscal term) Amount (¥ million)		Proportion of total (%)	Fiscal year ended March 31, 2007 (163rd fiscal term) Amount (¥ million)		Proportion of total (%)
Liabilities:							
I Current liabilities							
Current portion of long-term debt			7			6	
Other payables			427			659	
Accrued expenses			1,674			1,337	
Deposits received			1,507			1,472	
Reserve for directors' bonuses			—			55	
Other			49			49	
Total current liabilities			3,666	1.6		3,580	1.5
II Long-term liabilities							
Long-term debt			92			80	
Deferred tax liabilities			19,364			19,618	
Allowance for employees' retirement benefits			2,409			1,526	
Other			394			382	
Total long-term liabilities			22,260	9.4		21,608	8.9
Total liabilities			25,926	11.0		25,189	10.4
Shareholders' Equity:							
I Common stock	3		17,117	7.3		—	—
II Additional paid-in capital							
Legal capital surplus			9,500			—	
Total additional paid-in capital			9,500	4.0		—	—
III Retained earnings							
Legal retained surplus			4,379			—	
Voluntary reserves							
(1) Dividend reserve		2,000			—		
(2) Special depreciation reserve		17			—		
(3) Accelerated depreciation reserve		1,117			—		
(4) General reserves		112,770	115,904		—	—	
Appropriated earnings at year-end			33,563			—	
Total retained earnings			153,847	65.3		—	—
IV Unrealized holding gain on securities	5		32,277	13.7		—	—
V Treasury stock	4		(3,122)	(1.3)		—	—
Total shareholders' equity			209,621	89.0		—	—
Total Liabilities and Shareholders' Equity			235,548	100.0		—	—

		Fiscal year ended March 31, 2006 (162nd fiscal term)			Fiscal year ended March 31, 2007 (163rd fiscal term)		
Item	See Note	Amount (¥ million)		Item	See Note		Amount (¥ million)
Net Assets:							
I Shareholders' equity:							
Common stock			—	—		17,117	7.1
Additional paid-in capital							
Legal capital surplus		—			9,500		
Total additional paid-in capital			—	—		9,500	3.9
Retained earnings							
(1) Legal retained earnings		—			4,379		
(2) Other retained earnings							
Provision of reserve for dividends		—			2,000		
Reserve for special depreciation		—			2		
Reserve for advanced depreciation of fixed assets		—			1,002		
Provision for reserves		—			118,770		
Retained earnings brought forward		—			35,869		
Total retained earnings			—	—		162,024	66.8
Treasury common stock			—	—		(3,003)	(1.2)
Total shareholders' equity			—	—		185,638	76.6
II Valuation and translation adjustments							
Unrealized holding gain on securities			—	—		31,606	13.0
Total valuation and translation adjustments			—	—		31,606	13.0
Total net assets			—	—		217,245	89.6
Total Liabilities and Net Assets			—	—		242,434	100.0

(2) Non-consolidated Statements of Income

Item	See Note	Fiscal year ended March 31, 2006 (162nd fiscal term) Amount (¥ million)		Proportion of total (%)	Fiscal year ended March 31, 2007 (163rd fiscal term) Amount (¥ million)		Proportion of total (%)
I Operating revenues	1		20,940	100.0		22,246	100.0
II Operating expenses	2						
Salaries and wages		1,067			1,016		
Bonuses and allowances		1,619			1,639		
Retirement benefit expense		422			386		
Marketing and research costs		1,903			1,931		
Advertising and promotional costs		1,791			1,485		
Rental costs		954			995		
Depreciation expense		927			960		
Commission charges		—			702		
Other		2,306	10,993	52.5	2,197	11,315	50.9
Operating income			9,947	47.5		10,930	49.1
III Non-operating income							
Interest income	1	340			526		
Interest income from securities		10			60		
Dividend income		529			664		
Gain on sale of securities		—			300		
Gain on exchange rate differences		133			—		
Other		37	1,051	5.0	42	1,595	7.2
IV Non-operating expenses							
Interest expenses	1	6			10		
Loss on disposal of fixed assets		48			13		
Loss on valuation of membership rights	3	—			7		
Credit facility set-up fees		10			10		
Other		52	117	0.5	3	45	0.2
Ordinary income			10,881	52.0		12,480	56.1

Item	See Note	Fiscal year ended March 31, 2006 (162nd fiscal term) Amount (¥ million)		Proportion of total (%)	Fiscal year ended March 31, 2007 (163rd fiscal term) Amount (¥ million)		Proportion of total (%)
V Extraordinary income							
Gain on sale of fixed assets	4	382			289		
Gain on sale of investment securities		—			21		
Gain on liquidation of affiliated companies		—			1,381		
Gain on sale of shares in affiliated companies		76			—		
Gain on reversal of allowance for doubtful accounts		107	566	2.7	—	1,692	7.6
VI Extraordinary losses							
Loss on disposal of fixed assets	5	—	—	—	91	91	0.4
Income before income taxes			11,448	54.7		14,081	63.3
Income taxes — current		17			16		
Income taxes — deferred		362	379	1.8	752	768	3.5
Net income			11,068	52.9		13,312	59.8
Unappropriated retained earnings brought forward			24,122			—	
Earnings allocated to retirement of treasury common stock			16			—	
Interim dividend			1,611			—	
Unappropriated retained earnings			33,563			—	

(3) Non-consolidated Statement of Retained Earnings

Fiscal year [Date of approval by general meeting of shareholders]		Fiscal year ended March 31, 2006 (162nd fiscal term) [June 28, 2006]	
Item	See Note	Amount (¥ million)	
I Unappropriated retained earnings			33,563
II Reversal of voluntary reserves			
Reversal of reserve for special depreciation provision		9	
Reversal of reserve for advanced depreciation of fixed assets		63	73
Total			33,636
III Appropriations of retained earnings			
Dividends from retained earnings		¥11.00 per share	2,785
Directors' bonuses			55
Additions to voluntary reserves			
Reserve for advanced depreciation of fixed assets		66	
Provision for reserve		6,000	6,066
Total			8,906
IV Retained earnings carried forward			24,729

Notes:
1. 162nd fiscal term: On December 15, 2005, an interim dividend of ¥1,611 million (7 yen per share) was distributed.
2. The special depreciation provision and special account for advanced depreciation of fixed assets, are based on the Special Taxation Measures Law and other pertinent laws and ordinances.

(4) Non-consolidated Statement of Changes in Shareholders' Equity

	Shareholders' equity									
		Additional paid-in capital		Retained earnings						
					Other retained earnings					
	Common stock	Legal capital surplus	Total additional paid-in capital	Legal retained earnings	Provision of reserve for dividends	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Provision for reserves	Retained earnings brought forward	Total retained earnings
Balance as of March 31, 2006 (¥ million)	17,117	9,500	9,500	4,379	2,000	17	1,117	112,770	33,563	153,847
Changes in the fiscal year										
Reversal of reserve for special depreciation (Note)						(9)			9	–
Reversal of reserve for special depreciation						(4)			4	–
Provision of reserve for advanced depreciation of fixed assets (Note)							66		(66)	–
Reversal of reserve for advanced depreciation of fixed assets (Note)							(63)		63	–
Reversal of reserve for advanced depreciation of fixed assets							(117)		117	–
Provision for reserves								6,000	(6,000)	–
Dividends from retained earnings (Note)									(2,785)	(2,785)
Dividends from retained earnings (Interim)									(2,279)	(2,279)
Directors' bonuses (Note)									(55)	(55)
Net income									13,312	13,312
Purchase of treasury stock										
Disposal of treasury stock									(15)	(15)
Net change in non-shareholders' equity items for the fiscal year										
Total changes for the fiscal year (¥ million)	–	–	–	–	–	(14)	(114)	6,000	2,305	8,176
Balance as of March 31, 2007 (¥ million)	17,117	9,500	9,500	4,379	2,000	2	1,002	118,770	35,869	162,024

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury common stock	Total shareholders' equity	Unrealized gain (loss) on securities	Total valuation and translation adjustments	
Balance as of March 31, 2006 (¥ million)	(3,122)	177,343	32,277	32,277	209,621
Changes in the fiscal year					
Reversal of reserve for special depreciation (Note)		–			–
Reversal of reserve for special depreciation		–			–
Provision of reserve for advanced depreciation of fixed assets (Note)		–			–
Reversal of reserve for advanced depreciation of fixed assets (Note)		–			–
Reversal of reserve for advanced depreciation of fixed assets		–			–
Provision for reserves		–			–
Dividends from retained earnings (Note)		(2,785)			(2,785)
Dividends from retained earnings (Interim)		(2,279)			(2,279)
Directors' bonuses (Note)		(55)			(55)
Net income		13,312			13,312
Purchase of treasury stock	(86)	(86)			(86)
Disposal of treasury stock	205	189			189
Net change in non-shareholders' equity items for the fiscal year			(671)	(671)	(671)
Total changes for the fiscal year (¥ million)	118	8,295	(671)	(671)	7,624
Balance as of March 31, 2007 (¥ million)	(3,003)	185,638	31,606	31,606	217,245

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

(Significant accounting policies)

<table>
<tr><th>162nd fiscal term
(April 1, 2005 to March 31, 2006)</th><th>163rd fiscal term
(April 1, 2006 to March 31, 2007)</th></tr>
<tr><td>1. Valuation standards and methodology for securities
Held-to-maturity debt securities are stated at amortized cost.
Equity in subsidiaries and affiliated companies is stated at cost, with cost being determined by the moving average method.
Other securities:
Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).
Securities with no readily determinable market value are stated at cost, with cost being determined by the moving average method.
2. Valuation standards and methodology for derivatives
Derivative financial instruments are stated at fair market value.
3. Depreciation methods for fixed assets
Depreciation on property, plant and equipment 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.
Depreciation on intangible assets 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.
Depreciation on long-term prepaid expenses is computed in equal amounts over the course of the useful life.
4. Basis of material allowances
a. Allowance for doubtful accounts:
Provision is made 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.
b. ______________________</td><td>1. Valuation standards and methodology for securities
Held-to-maturity debt securities are same as the left column.
Equity in subsidiaries and affiliated companies is same as the left column.
Other securities:
Securities with a readily determinable market value are same as the left column.
Securities with no readily determinable market value are same as the left column.
2. Valuation standards and methodology for derivatives
Same as the left column.
3. Depreciation methods for fixed assets
Same as the left column.
Depreciation on intangible assets is same as the left column.
Depreciation on long-term prepaid expenses is same as the left column.
4. Basis of material allowances
a. Allowance for doubtful accounts:
Same as the left column.
(2) Allowance for directors' bonuses
Provision is made for directors' bonuses based on the estimated amounts of payment at the end of the fiscal year.
<Change in accounting policy>
From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Directors' Bonuses (ASBJ Statement No. 4 issued on November 29, 2005). The adoption of this standard decreased operating income, ordinary income and net income before income taxes by ¥55 million, respectively, compared with the results that would have been obtained if said accounting had not been adopted.</td></tr>
</table>

162nd fiscal term (April 1, 2005 to March 31, 2006)	163rd fiscal term (April 1, 2006 to March 31, 2007)
c. Allowance for employees' retirement benefits: Provision is made for employees' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at the end of the fiscal year. 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 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 fiscal year-end.	c. Allowance for employees' retirement benefits: Same as the left column.
d. Allowance for directors' retirement benefits: (Additional Information) During the fiscal year ended March 31, 2006, the company abolished the directors' retirement benefit system. With regard to reappointed directors, it was determined that retirement benefits applicable to the period in office up to the end of the Ordinary General Meeting of Shareholders held in June 2005, would be paid upon retirement. These unpaid retirement benefits have been reclassified under other long-term liabilities in the consolidated balance sheet.	d. Allowance for directors' retirement benefits:
5. Significant lease transactions Finance leases other than those that are deemed to transfer ownership of the leased assets to the lessee are accounted for using the same methods as those used for ordinary operating lease transactions.	5. Significant lease transactions Same as the left column.
6. Significant hedging transactions (1) 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. (2) Hedging methods: The company uses derivative transactions (including forward exchange contracts and currency purchase call options) to hedge currency risk exposure for all planned trading transactions that are denominated in foreign currencies. (3) Hedging policy: The company employs derivative financial instruments purely to manage fluctuations in foreign currency exchange rates. The company policy prohibits the use of derivative financial instruments for trading purposes. (4) Hedging evaluation: Since hedging methods and the target of each hedging transaction share the same conditions that apply at the start of hedging activities and throughout subsequent periods, the company's hedging approach enables exchange rate fluctuations to be offset completely. Hence, the company considers its hedging method to be highly effective.	6. Significant hedging transactions Same as the left column.
7. Consumption tax All accounting transactions are booked exclusive of any national or local consumption taxes.	7. Consumption tax Same as the left column.

(Changes in accounting policy)

162nd fiscal term (April 1, 2005 to March 31, 2006)	163rd fiscal term (April 1, 2006 to March 31, 2007)
(Accounting standards relating to impairment of fixed assets) From the fiscal year ended March 31, 2006, the company adopted the following accounting standards for impairment of fixed assets: "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets," (Business Accounting Council, August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan, October 31, 2003, Financial Accounting Standard Implementation Guidance No. 6). The adoption of these standards had no impact on operating results.	(Accounting standards relating to presentation of net assets in the balance sheet) From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005). The amount that corresponds to the total of the former Shareholders' Equity section would be ¥217,245 million. The Net Assets section of the non-consolidated balance sheet for the fiscal year ended March 31, 2007 is prepared according to the revised non-consolidated financial accounting rules.

(Changes in presentation)

162nd fiscal term (April 1, 2005 to March 31, 2006)	163rd fiscal term (April 1, 2006 to March 31, 2007)
The item "Gain on exchange rate differences" was listed as a separate component in the accounts for the year ended March 31, 2006 because it exceeded 10% of total non-operating expenses for that year. In the fiscal year ended March 31, 2005, when it equaled ¥75 million, it was included within the "Other" category.	The item "Commission charges" was listed as a separate component in the accounts for the fiscal year ended March 31, 2007 because it exceeded 5% of total operating expenses for that term. In the fiscal year ended March 31, 2006, when it equaled ¥300 million, it was included within the "Other" category. The item "Gain on exchange rate differences," which was listed as a separate component of non-operating expenses for the fiscal year ended March 31, 2007 is included within the "Other" category due to its reduced materiality for the fiscal year ended March 31, 2006, when it equaled ¥6 million.

(Notes to the non-consolidated financial statements)

(Notes to the Non-consolidated Balance Sheets)

<table>
<tr><th>162nd fiscal term
(April 1, 2005 to March 31, 2006)</th><th>163rd fiscal term
(April 1, 2006 to March 31, 2007)</th></tr>
<tr><td>1. Accumulated depreciation of property, plant and equipment ¥14,257 million

2. Guaranteed liabilities
<table><tr><th>Target of guarantee</th><th>Type of liability</th><th>Amount (¥ million)</th></tr><tr><td>(Employee housing loans)</td><td>Borrowings from financial institution</td><td>412</td></tr></table>
3. Number of authorized shares of common stock 932,856,000
Note: The total number of shares authorized for issue was reduced by an equivalent number in the event of any cancellation of shares in accordance with the provisions of the company's articles of association.
Total number of shares issued and outstanding 256,535,448

4. Number of shares of treasury common stock 3,299,143

5. Limitations on dividends
In accordance with the provisions of Part 3 of Article 124 of the Commercial Code of Japan, the application of mark-to-market valuation resulted in an increase in net assets of ¥32,277 million.</td><td>1. Accumulated depreciation of property, plant and equipment ¥14,311 million

2. Guaranteed liabilities
<table><tr><th>Target of guarantee</th><th>Type of liability</th><th>Amount (¥ million)</th></tr><tr><td>(Employee housing loans)</td><td>Borrowings from financial institution</td><td>338</td></tr></table>
3. ―――

4. ―――

5. ―――</td></tr>
</table>

(Notes to the Non-consolidated Statements of Income)

162nd fiscal term (April 1, 2005 to March 31, 2006)	163rd fiscal term (April 1, 2006 to March 31, 2007)
1. Principal transactions with affiliated companies were as follows: Operating income ¥20,827 million Interest income ¥328 million Interest expenses ¥1 million	1. Principal transactions with affiliated companies were as follows: Operating income ¥22,118 million Interest income ¥474 million Interest expenses ¥6 million
2. Total R&D expenditures: R&D spending contained in operating expenses ¥1,644 million	2. Total R&D expenditures: R&D spending contained in operating expenses ¥1,573 million
3. ________________________	3. Other non-operating expenses include an addition to the allowance for doubtful accounts of ¥7 million.
4. This figure mainly reflects gains on the sale of company-owned housing accommodation.	4. This figure mainly reflects gains on the sale of company-owned housing accommodation.
5. ________________________	5. This figure mainly reflects loss on disposal of buildings and structures.

(Notes to the Non-consolidated Statement of Changes in Net Assets)

For the 163rd fiscal term (April 1, 2006 to March 31, 2007)
Type and number of shares of treasury stock

	Number of shares at end of the 162nd fiscal term (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	Number of shares at end of the 163rd fiscal term (Thousands of shares)
Common stock	3,299	70	216	3,153

Notes:

1. The increase in the number of shares of treasury common stock consists of:
   70 thousand shares, as a result of repurchasing sub-MTU shares.
2. The decrease in the number of shares of treasury common stock consists of:
   9 thousand shares, as a result of selling sub-MTU shares, and
   206 thousand shares, as a result of the exercise of stock options.

(Leases)

<table>
<tr><th>162nd fiscal term
(April 1, 2005 to March 31, 2006)</th><th>163rd fiscal term
(April 1, 2006 to March 31, 2007)</th></tr>
<tr><td>
Details on finance leases other than those that transfer ownership of the leased assets to the lessee are given below.
1. The acquisition cost, accumulated depreciation and net leased property values at the year-end for the leased assets on an “as if capitalized” basis were as follows:
<table>
<tr><th></th><th>Acquisition cost (¥ million)</th><th>Accumulated depreciation (¥ million)</th><th>Net leased property (¥ million)</th></tr>
<tr><td>Vehicles and equipment</td><td>19</td><td>7</td><td>11</td></tr>
<tr><td>Tools, fixtures and furnishings</td><td>207</td><td>127</td><td>79</td></tr>
<tr><td>Other</td><td>10</td><td>7</td><td>2</td></tr>
<tr><td>Total</td><td>236</td><td>143</td><td>93</td></tr>
</table>
2. Outstanding obligations under finance leases at the year-end were as follows:
Due within one year ¥36 million
Due after one year ¥57 million
Total ¥93 million
Note: The values of the acquisition cost of leased assets and outstanding obligations under finance leases both include the imputed interest expense portion, since the year-end balance of finance lease obligations represented a small proportion of property, plant and equipment.
3. Lease payments and depreciation expense:
Lease payments ¥44 million
Depreciation expense ¥44 million
4. Calculation method for depreciation expense:
Depreciation expense is computed by the straight-line method over the useful life of the leased asset with a residual value of zero.
</td><td>
Details on finance leases other than those that transfer ownership of the leased assets to the lessee are given below.
1. The acquisition cost, accumulated depreciation and net leased property values at the year-end for the leased assets on an “as if capitalized” basis were as follows:
<table>
<tr><th></th><th>Acquisition cost (¥ million)</th><th>Accumulated depreciation (¥ million)</th><th>Net leased property (¥ million)</th></tr>
<tr><td>Vehicles and equipment</td><td>19</td><td>12</td><td>6</td></tr>
<tr><td>Tools, fixtures and furnishings</td><td>351</td><td>242</td><td>108</td></tr>
<tr><td>Other</td><td>22</td><td>20</td><td>1</td></tr>
<tr><td>Total</td><td>393</td><td>276</td><td>117</td></tr>
</table>
2. Outstanding obligations under finance leases at the year-end were as follows:
Due within one year ¥53 million
Due after one year ¥63 million
Total ¥117 million
Note: The values of the acquisition cost of leased assets and outstanding obligations under finance leases both include the imputed interest expense portion, since the year-end balance of finance lease obligations represented a small proportion of property, plant and equipment.
3. Lease payments and depreciation expense:
Lease payments ¥68 million
Depreciation expense ¥68 million
4. Calculation method for depreciation expense:
Same as the left column.
</td></tr>
</table>

(Securities)

162nd fiscal term (fiscal year ended March 31, 2006)

Equity securities in subsidiaries and affiliated companies with readily determinable market value

Type	Carrying amount (¥ million)	Fair market value (¥ million)	Difference (¥ million)
Equity securities in subsidiaries	2,635	18,873	16,238
Equity securities in affiliated companies	200	343	142
Total	2,836	19,216	16,380

163rd fiscal term (fiscal year ended March 31, 2007)

Equity securities in subsidiaries and affiliated companies with readily determinable market value

Type	Carrying amount (¥ million)	Fair market value (¥ million)	Difference (¥ million)
Equity securities in subsidiaries	2,635	17,144	14,509
Equity securities in affiliated companies	200	256	55
Total	2,836	17,401	14,564

(Tax effect accounting)

162nd fiscal term (April 1, 2005 to March 31, 2006)

1. The principal components of deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	(¥ million)
Allowance for employees' retirement benefits	2,309
Investment securities	225
Allowance for bonuses	207
License fees for trademark use	191
Accrued directors' retirement benefits	139
Marketing and research expenses	121
Other	786
Deferred tax assets subtotal	3,981
Offsetting of deferred tax assets and deferred tax liabilities	(3,468)
Net deferred tax assets	513

Deferred tax liabilities	
Unrealized gains on other securities	(22,061)
Reserve for accelerated depreciation on fixed assets	(765)
Other	(5)
Deferred tax liabilities subtotal	(22,832)
Offsetting of deferred tax assets and deferred tax liabilities	3,468
Net deferred tax liabilities	(19,364)

2. The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is as follows:

Statutory effective tax rate	40.6%
(Adjustments)	
Dividend and other income not counted for tax purposes	(37.7)%
Entertainment and other expenses not deductible for tax purposes	0.4%
Other	0.0%
Effective tax rate after application of tax effect accounting	3.3%

163rd fiscal term (April 1, 2006 to March 31, 2007)

1. The principal components of deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	(¥ million)
Allowance for employees' retirement benefits	1,979
Investment securities	222
Allowance for bonuses	208
Accrued directors' retirement benefits	134
Other	753
Deferred tax assets subtotal	3,299
Offsetting of deferred tax assets and deferred tax liabilities	(2,671)
Net deferred tax assets	627
Valuation allowance	(153)
Total deferred tax assets	473

Deferred tax liabilities	
Unrealized gains on other securities	(21,603)
Reserve for accelerated depreciation on fixed assets, etc.	(687)
Deferred tax liabilities subtotal	(22,290)
Offsetting of deferred tax assets and deferred tax liabilities	2,671
Net deferred tax liabilities	(19,618)

2. The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is as follows:

Statutory effective tax rate	40.6%
(Adjustments)	
Dividend and other income not counted for tax purposes	(36.8)%
Entertainment and other expenses not deductible for tax purposes	0.4%
Other	1.3%
Effective tax rate after application of tax effect accounting	5.5%

(Per share information)

(Yen)

162nd fiscal term (April 1, 2005 to March 31, 2006)		163rd fiscal term (April 1, 2006 to March 31, 2007)	
Net assets per share	¥827.55	Net assets per share	¥857.38
Net income per share	¥43.42	Net income per share	¥52.56
Diluted net income per share	¥43.40	Diluted net income per share	¥52.53
The company undertook a 1.1 for 1 common stock split on November 18, 2005. Per share information if this stock split had been conducted at the beginning of the fiscal year ended March 31, 2005 is as follows: 161st fiscal term Net assets per share ¥754.42 Net income per share ¥36.64 Diluted net income per share ¥36.63			

Note 1. The basis of calculation for net assets per share is as follows:

Item	162nd fiscal term Fiscal year ended March 31, 2006 (As of March 31, 2006)	163rd fiscal term Fiscal year ended March 31, 2007 (As of March 31, 2007)
Total net assets, as stated on the Balance Sheets (¥ million)	—	217,245
Net assets associated with common stock (¥ million)	—	217,245
Number of common stock shares issued and outstanding (shares)	—	256,535,448
Number of treasury shares of common stock (shares)	—	3,153,100
Number of common stock shares used in the calculation of net assets per share (shares)	—	253,382,348

Note 2.The basis of calculation for net income per share and diluted net income per share is as follows:

Item	162nd fiscal term Fiscal year ended March 31, 2006 (As of March 31, 2006)	163rd fiscal term Fiscal year ended March 31, 2007 (As of March 31, 2007)
Net income, as stated on Statements of Income (¥ million)	11,068	13,312
Main components of amounts not attributable to owners of common stock (¥ million)		
Directors' bonuses	55	—
Net income associated with common stock (¥ million)	11,013	13,312
Average number of shares of common stock during fiscal year (shares)	253,637,447	253,310,458
Adjustment to net income (¥ million)	—	—
Main components of increase in number of shares of common stock used in calculation of diluted net income per share (shares)		
Stock options	137,735	145,454
Details of shares not included in calculation of diluted net income per share due to non-dilutive effect	—	—

(Subsequent events)

There are no applicable matters to be reported.

(Supplementary data)

1. Securities-related data

(1) Equity securities holdings

		Issue (name of company stock)	Number of shares owned	Carrying amount (¥ million)
Investment securities	Other securities	Sumitomo Mitsui Financial Group, Inc.	7,473	7,997
		Mitsubishi UFJ Financial Group	5,680	7,554
		Sumitomo Trust & Banking Co., Ltd.	1,288,817	1,583
		Suruga Bank, Ltd.	833,910	1,280
		The Gunma Bank, Ltd.	1,507,620	1,258
		The Hyakugo Bank, Ltd.	1,360,013	1,029
		Mizuho Financial Group, Inc.	1,000	1,000
		Mizuho Preferred Capital (Cayman) 2 Limited	10	1,000
		The Awa Bank, Ltd.	371,865	249
		Nomura Holdings, Inc.	948,404	2,328
		Millea Holdings, Inc.	59,770	260
		Sompo Japan Insurance Inc.	173,250	254
		Yamazaki Baking Co., Ltd.	9,962,343	10,709
		Sumitomo Corporation	4,180,244	8,862
		Nissin Food Products Co., Ltd.	1,264,982	5,464
		Mitsubishi Corporation	1,538,474	4,207
		Nichirei Corporation	3,216,500	2,216
		Nisshinbo Industries, Inc.	1,139,800	1,683
		Marubeni Corporation	1,835,511	1,314
		Nosan Corporation	3,650,000	1,095
		Kikkoman Corporation	375,486	566
		Oriental Land Co., Ltd.	30,000	210
		The Nisshin OilliO Group, Ltd.	254,100	190
		Others (28 companies)	1,381,164	745
Total			35,386,418	63,063

(2) Debt securities holdings

Issue (name of corporate bond)			Total par value (¥ million)	Carrying amount (¥ million)
Marketable securities	Other securities	Japan Finance Corporation for Small and Medium Enterprises No. 159 (government guarantees)	1,000	1,001
		Kansai International Airport No. 40 (government guarantees)	1,000	999
		Financing Bills No. 433	1,000	999
		Treasury Bills No. 401	1,000	999
		Treasury Bills No. 409	1,000	997
		Electric Power Development No. 23 (government guarantees)	601	605
		Deposit Insurance Corporation No. 68 (government guarantees)	600	599
		Mitsubishi Estate No. 27 (unsecured)	500	502
		Public Enterprises No. 746 (government guarantees)	500	500
		NTT DoCoMo No. 13 (unsecured)	500	500
		Hitachi Capital No. 26 (unsecured)	500	500
		Sharp Corporation No. 17 (unsecured)	500	500
		Kikkoman Corporation No. 3 (unsecured)	500	499
		Denso Corporation No. 3 (unsecured)	500	499
		Honda Finance No. 3 (unsecured)	500	499
		Deposit Insurance Corporation No. 149 (government guarantees)	500	499
		Japan Finance Corporation for Small and Medium Enterprises No. 116 (government guarantees)	400	403
		Aisin Seiki No. 2 (unsecured)	300	305
		TEPCO No. 442	300	303
		Keio Corporation No. 19 (unsecured)	300	300
		Mitsui Sumitomo Insurance No. 1 (unsecured)	300	299
		TOYOTA FINANCE No. 5 (unsecured)	200	199
		Mitsubishi Corporation No. 51 (unsecured)	200	199
		Others (two)	200	203
Total			12,901	12,915

2. Property, plant and equipment

Asset type	Balance on March 31, 2006 (¥ million)	Value gains in year ended March 31, 2007 (¥ million)	Value losses in year ended March 31, 2007 (¥ million)	Balance on March 31, 2007 (¥ million)	Accumulated depreciation on March 31, 2007 (¥ million)	Depreciation in year ended March 31, 2007 (¥ million)	Value on March 31, 2007, net of depreciation (¥ million)
Property, plant and equipment							
Buildings	15,239	2,199	576	16,862	9,330	480	7,531
Structures	929	26	42	913	640	24	273
Machinery	1,847	113	153	1,805	1,269	92	536
Vehicles and equipment	13	—	—	13	10	1	2
Tools, fixtures and furnishings	3,680	95	225	3,550	3,059	166	490
Land	10,756	22	20	10,758	—	—	10,758
Construction in progress	1,860	2,153	2,522	1,491	—	—	1,491
Total property, plant and equipment	34,327	4,611	3,542	35,396	14,311	764	21,085
Intangible assets							
Leasehold tenant rights	402	—	—	402	—	—	402
Software	2,015	59	14	2,060	1,127	408	933
Other	80	4	0	85	13	1	71
Total intangible assets	2,499	64	14	2,549	1,141	410	1,407
Long-term prepaid expenses	23	31	10	45	13	7	31
Deferred assets							
—	—	—	—	—	—	—	—
Total deferred assets	—	—	—	—	—	—	—

Note:

Depreciation expense of ¥214 million related to the Research Center for Basic Science Research and Development, QE Center and Research Center for Production and Technology is included in marketing and research costs.

3. Other reserves

Category	Balance on March 31, 2006 (¥ million)	Value gains in year ended March 31, 2007 (¥ million)	Value losses in year ended March 31, 2007 (target use) (¥ million)	Value losses in year ended March 31, 2007 (other) (¥ million)	Balance on March 31, 2007 (¥ million)
Allowance for doubtful accounts (Note 1)	130	7	—	—	137
Allowance for directors' bonuses	—	55	—	—	55

4. Principal assets and liabilities

(1) Assets

a. Cash and deposits

Classification		Amount (¥ million)
Cash		—
Deposits	Current account deposits	278
	Ordinary bank deposits	2,253
	Time deposits	14,000
	Subtotal	16,531
Total		16,531

b. Receivables

Counterparty	Amount (¥ million)	Summary
Nisshin Flour Milling Inc.	103	Fees for contracted services, etc.
Nisshin Foods Inc.	71	Fees for contracted services, etc.
Nisshin Engineering Inc.	17	Fees for contracted services, etc.
Other	45	Fees for contracted services, etc.
Total	237	

The table below summarizes various data on the generation and recovery of receivables.

Carried forward from year ended March 31, 2005 (¥ million) [A]	Generated in year ended March 31, 2007 (¥ million) [B]	Recovered in year ended March 31, 2007 (¥ million) [C]	Balance on March 31, 2007 (¥ million) [D]	Recovery rate (%) [C]/([A] + [B])	Period of outstanding receivables (days) ([A] + [D]) x 0.5 / [B] / 365
120	11,658	11,541	237	98.0	5.6

Note:
Although consumption taxes are excluded from other figures in the company's accounts, the figure above for receivables generated in the year ended March 31, 2007 includes consumption taxes.

c. Equity in subsidiaries and affiliated companies

Company name	Amount (¥ million)
Nisshin Flour Milling Inc.	39,026
Nisshin Foods Inc.	22,516
Nisshin Associates Inc.	12,781
Marubeni Nisshin Feed Co., Ltd.	5,786
Nisshin Pharma Inc.	5,000
Other	7,569
Total	92,679

d. Long-term loans to subsidiaries and affiliated companies

Counterparty	Amount (¥ million)
Nisshin Flour Milling Inc.	21,980
Nisshin Pharma Inc.	3,870
Initio Foods, Inc.	2,450
Other	1,308
Total	29,609

(2) Liabilities

a. Deferred tax liabilities

Please refer to the notes on non-consolidated tax effect accounting for details (see page 109).

(3) Others

None

[6] Stock-Related Administration

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Date of record (final dividend)	March 31
Stock denominations	Share certificates are issued in lots of 1, 5, 10, 50, 100, 500, 1,000, and 10,000. Share certificates for specific numbers of shares other than those listed above are only available for lots of less than 100 shares.
Date of record (interim dividend)	September 30 March 31
Minimum trading unit (MTU)	500 shares
Transfer agent and registrar	
Handling office (main)	The Chuo Mitsui Trust & Banking Company, Ltd. (Head Office) 33-1, Shiba 3-chome, Minato-ku, Tokyo JAPAN
Custodian of shareholder register	The Chuo Mitsui Trust & Banking Company, Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo JAPAN
Transfer agent's handling office	The Chuo Mitsui Trust & Banking Company, Ltd. (branches throughout Japan) Japan Securities Agents, Ltd. (head office, branches throughout Japan)
Share transfer commission	Free of charge
Fee for issuance of new share certificates	¥250 per certificate (free of charge in cases of stock splits or merger-related issuance)
Purchases of sub-MTU holdings	
Handling office (main)	The Chuo Mitsui Trust & Banking Company, Ltd. (Head Office) 33-1, Shiba 3-chome, Minato-ku, Tokyo JAPAN
Custodian of shareholder register	The Chuo Mitsui Trust & Banking Company, Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo JAPAN
Transfer agent's handling office	The Chuo Mitsui Trust & Banking Company, Ltd. (branches throughout Japan) Japan Securities Agents, Ltd. (head office, branches throughout Japan)
Share purchase commissions	Commission rates for sub-MTU share purchases vary depending on the value per MTU (see below). For MTU values of ¥1,000,000 or less 1.150% For MTU values above ¥1,000,000 up to ¥5,000,000 0.900% For MTU values above ¥5,000,000 up to ¥10,000,000 0.700% For MTU values above ¥10,000,000 up to ¥30,000,000 0.575% For MTU values above ¥30,000,000 up to ¥50,000,000 0.375% (Commissions are rounded down to the nearest ¥1). The minimum value per MTU is set at ¥2,500.
Method of public notice	Public notice of the company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the *Nihon Keizai Shimbun*. The electronic public notice is presented on the company's Web site at http://www.nisshin.com.
Shareholder privileges	All shareholders and beneficial owners of record as of March 31 with holdings of at least 500 shares are entitled to receive complimentary supplies of Nisshin Seifun Group products.

Notes:

1. According to the company's Articles of Incorporation, sub-MTU shareholders do not have any rights except for those listed in Article 189-2 of the Company Law, the right of claim, the right to be allotted the shares and/or stock acquisition rights offered according to the number of shares held and the right to ask for sale of sub-MTU shares (top-up purchase) as stipulated in Article 166-1 of the Company Law.
2. The company introduced a system to enable shareholders to make top-up purchases of shares. The details of this scheme are outlined in the table below.

Handling office and locations	Please refer to the details above for sub-MTU share purchases.
Share top-up purchase commissions	Commission rates for top-up share purchases vary depending on the value per MTU (see below). For MTU values of ¥1,000,000 or less 1.150% For MTU values above ¥1,000,000 up to ¥5,000,000 0.900% For MTU values above ¥5,000,000 up to ¥10,000,000 0.700% For MTU values above ¥10,000,000 up to ¥30,000,000 0.575% For MTU values above ¥30,000,000 up to ¥50,000,000 0.375% (Commissions are rounded down to the nearest ¥1). The minimum value per MTU is set at ¥2,500.
Application deadlines	Shareholders may apply to make top-up share purchases up to 12 working days before March 31 or September 30 of each year, with the deadline for applications being March 31 and September 30, respectively. The company may also specify alternative application periods as necessary.

3. System for lapsed shares

Handling office and locations	Please refer to details above for sub-MTU share purchases.
Registration fee	Per application ¥8,600 Per share certificate ¥500

[7] Corporate Reference Data

(1) Information on the Parent Company of Nisshin Seifun Group Inc.

Nisshin Seifun Group Inc. has no parent company as stipulated in Article 24-7, Item 1, of the Securities and Exchange Law.

(2) Other Reference Data

The following publications were issued by the company (in Japanese) between the start of the fiscal year under review and the submittal of the Japanese version of this Securities Report.

(1)	Securities Report (including supplementary documentation)	For the 162nd fiscal term	Covering the period: April 1, 2005 to March 31, 2006	Submitted to Director, Kanto Local Finance Bureau: June 28, 2006.
(2)	Semi-annual Report	For the 163rd fiscal term (interim)	Covering the period: April 1, 2006 to September 30, 2006	Submitted to Director, Kanto Local Finance Bureau: December 15, 2006.
(3)	Shelf Registration Statement (share certificates, debenture bonds, etc.) and supplementary documentation			Submitted to Director, Kanto Local Finance Bureau: June 28, 2006
(4)	Amendment to Shelf Registration Statement			Submitted to Director, Kanto Local Finance Bureau: December 15, 2006
(5)	Reports on status of treasury stock purchases			Submitted to Director, Kanto Local Finance Bureau: April 13, 2006 May 12, 2006 June 12, 2006 July 13, 2006
(6)	Reports on status of treasury stock purchases (errata)			Submitted to Director, Kanto Local Finance Bureau: May 29, 2006

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

There are no significant matters to be reported under this heading.