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(Securities Code: 2002)  
June 6, 2016

## To Those Shareholders with Voting Rights

Hiroshi Oeda  
Director and President  
Nisshin Seifun Group Inc.  
25, Kanda-Nishiki-cho 1-chome,  
Chiyoda-ku, Tokyo JAPAN

## CONVOCAION NOTICE OF THE 172<sup>nd</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 172<sup>nd</sup> Ordinary General Meeting of Shareholders of Nisshin Seifun Group Inc. (the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by one of the following methods. Please review the “Reference Documents for the General Meeting of Shareholders,” and exercise your voting rights by 7:00 p.m. (JST), Monday, June 27, 2016.

### [Voting in Writing (by Postal Mail)]

Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return the form by no later than the aforementioned deadline for the exercise of voting rights.

### [Voting Electronically (via the Internet)]

Please refer to the enclosed “Exercising your Voting Rights via the Internet,” and vote for or against each of the proposals at the voting rights exercise website (<http://www.web54.net>) by no later than the aforementioned deadline for the exercise of voting rights.

- 1. Date and Time:** Tuesday, June 28, 2016 at 10:00 a.m. (Reception from 8:30 a.m.)  
**2. Place:** Tokyo Marriott Hotel, B1 The GOTENYAMA Ballroom  
4-7-36, Kitashinagawa, Shinagawa-ku, Tokyo
- 3. Agenda of the Meeting:**
- Matters to be reported:**
1. Business Report and Consolidated Financial Statements for the 172<sup>nd</sup> fiscal term (from April 1, 2015 to March 31, 2016) and results of audits on the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board
  2. Non-consolidated Financial Statements for the 172<sup>nd</sup> fiscal term (from April 1, 2015 to March 31, 2016)
- Proposals to be resolved:**
- Proposal No.1:** Dividends from Surplus  
**Proposal No.2:** Amendment of Parts of the Articles of Incorporation  
**Proposal No.3:** Election of Fourteen (14) Directors  
**Proposal No.4:** Determination of Amount and Nature of Remuneration of Directors in the Form of Stock Options  
**Proposal No.5:** Issuance of Subscription Rights to Shares as Stock Options

### 4. Matters concerning the Exercise of Voting Rights

Handling of multiple voting

- (1) If you exercise your voting rights via the Internet more than once, your final vote shall be deemed valid.
- (2) If you exercise your voting rights by two different methods, that is, via the Internet as well as by mailing

the Voting Rights Exercise Form, the vote via the Internet shall be deemed valid.

**5. Other Matters concerning this Convocation Notice**

Of the documents to be provided with this Convocation Notice, the Consolidated Statement of Changes in Net Assets, the Notes to the Consolidated Financial Statements, the Non-consolidated Statement of Changes in Net Assets, and the Notes to the Non-consolidated Financial Statements are provided at the Company's website (<http://www.nisshin.com/ir/stock/meeting>) in accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation, and they are therefore not attached herewith. The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Independent Auditor and the Audit & Supervisory Board Members consist of the Consolidated Statement of Changes in Net Assets, the Notes to the Consolidated Financial Statements, the Non-consolidated Statement of Changes in Net Assets, and the Notes to the Non-consolidated Financial Statements on the Company's aforementioned website, as well as the documents included with this Convocation Notice.

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- If you are attending the meeting in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. To conserve paper resources, please bring this Convocation Notice with you.
  - If a proxy is attending the meeting on your behalf, the proxy shall present written proof of his/her power of representation and the Voting Rights Exercise Form at the reception desk on arrival at the meeting. You may appoint only one proxy, who shall be a shareholder of the Company with voting rights.
  - Modifications, if any, to the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders will be posted on the Company's website (<http://www.nisshin.com/ir/stock/meeting>).

## **Business Report**

(From April 1, 2015 to March 31, 2016)

### **1. Overview of the Corporate Group**

#### **(1) Business Progress and Results**

##### [1] Business Environment and Performance of the Group

During the fiscal year ended March 31, 2016, the Japanese economy showed signs of a modest recovery, as effects from government-backed economic policies led to improvement in corporate performance and the country's employment and personal income landscape. At the same time, uncertainty overseas continued, fueled largely by an economic slowdown in China and other developing countries. Similarly, the business environment in industries relevant to the Company remained challenging, largely reflecting a continued preference for lower-priced options among consumers and higher prices for raw materials and distribution costs. These industries are also likely to be impacted by the Trans-Pacific Partnership (TPP) trade agreement largely agreed upon in October 2015, which will require that we continue to pay close attention to trends and respond appropriately.

Under these conditions, the Group launched initiatives under a new management plan, dubbed "NNI-120 II," scheduled to conclude in the fiscal year ending March 31, 2021. Together with an emphasis on restructuring the earnings foundation in core businesses, the Group is aiming for solid profit growth through self-sustained business growth, including that of acquired businesses, and new strategic investments, while taking a more proactive stance to shareholder returns.

The Group took steps to aggressively launch and expand sales of new products in each business in a bid to energize markets, and worked to strengthen its business structure both domestically and abroad. In Japan, as seen most notably with the start of full-scale operations at the Chita Plant's (flour milling) new production line, we made advances in consolidating production at large-scale plants located near ports to reinforce our cost competitiveness. Meanwhile, frozen pasta shipments commenced following the start of operations at a new frozen food production site in Kobe. In January 2016, we opted to acquire new shares of Joyous Foods Co., Ltd. and convert it to a subsidiary in order to strengthen our prepared dishes and other prepared foods businesses. In the overseas business, along with promotion of Post Merger Integration (PMI) following the acquisition of four U.S. flour milling plants, construction to enhance production capacity at a flour milling plant in Canada is proceeding, with increased production scheduled to begin in autumn 2017. We also marked steady progress on a range of other initiatives, including the start of operations and shipments at a pasta production site in Turkey.

As a result, consolidated net sales for the fiscal year ended March 31, 2016, increased 5.8% year on year to ¥556,701 million, mainly atop expansion in the overseas business and domestic sales growth. Overseas sales, meanwhile, exceeded ¥100,000 million, resulting in an overseas sales ratio of roughly 20%. In terms of profits, operating income was ¥23,769 million, up 16.1% year on year. Ordinary income increased by 10.0% to ¥28,099 million, and profit attributable to owners of parent increased by 9.5% to ¥17,561 million. The growth in profits reflected the strong performance of new products in the processed foods business and brisk sales primarily in the prepared dishes and other prepared foods, yeast and biotechnology, and healthcare foods businesses, in addition to growth in the overseas business. These factors offset high prices for raw materials and higher depreciation expenses for strategic investments.

With respect to dividends, one of the basic policies of the new management plan is to maintain a payout ratio of at least 40% on a consolidated basis. Consequently, the Company plans to pay a full-year dividend of ¥24 per share, up ¥2 from the previous fiscal year, also in line with initial projections.

##### [2] Review of Operations of the Group

In the domestic market, the Nisshin Seifun Group strove to strengthen sales promotion activities and enhance productivity in all of its business fields, as well as continuously implementing cost reductions and ensuring appropriate profits commensurate with purchasing costs. The Group aggressively implemented measures to expand its business in overseas markets as well.

In new product development, the Nisshin Seifun Group continues to develop high-value-added products that are novel and unique, while also focusing on new market development.

Moreover, in order to deliver high-quality, safe and reliable products, the Nisshin Seifun Group strives for further improvement and enhancement of its quality control systems.

The following is a review of operations by business segment of the Nisshin Seifun Group.

#### **Flour Milling Segment**

In the flour milling business, shipments of commercial wheat flour in Japan increased steadily year on year, thanks to aggressive sales expansion measures, including the launch of new products tailored to customer needs.

Growth came amid an adverse market environment characterized by a continued preference for lower-priced options among consumers. Also in June 2015 and January 2016, the Company revised its commercial wheat flour prices in response to the government's decision to change the prices of five classes of imported wheat. On average, the Government's price for imported wheat rose 3.0% in April 2015 and fell by 5.7% in October 2015.

From the perspectives of production and distribution, we continued to carry out measures to enhance productivity and reduce fixed and other costs. In tandem, we are moving ahead with efforts to concentrate production at large-scale plants located near ports in Japan. In the Chubu region, with the start of full-scale operations at the new production line at the Chita Plant we correspondingly suspended part of the production line at the Nagoya Plant. In the Kansai region, construction to increase holding capacity by 25% at a raw wheat silo operated by Hanshin Silo Co., Ltd., located adjacent to the Higashinada Plant, was completed in April 2015. Similarly, in the Kanto region, we are moving to increase raw wheat silo capacity by 25% at the Tsurumi Plant by June 2016.

The price of bran, a byproduct of the milling process, was weaker throughout the period.

In the overseas business, we pushed ahead with PMI efforts for four flour milling plants in the United States acquired by our U.S. subsidiary Miller Milling Company, LLC, and strengthened our sales network as we drove forward steps to identify new customers. To meet growing demand on the west coast of North America, construction is moving forward to boost by 80% the production capacity of Canadian subsidiary Rogers Foods Ltd.'s Chilliwack Plant, located on the outskirts of Vancouver. The plant is scheduled to begin enhanced operations in autumn 2017. Consequently, the overseas business enjoyed steady expansion, centered on the North America region.

As a result, net sales of the Flour Milling Segment increased 10.6% year on year to ¥262,463 million. Operating income, meanwhile, rose 21.5% to ¥9,244 million, mainly as robust contributions from overseas subsidiaries overcame higher depreciation expenses accompanying the start of operations of the Chita Plant's new production line.

### **Processed Food Segment**

In the processed food business, for household-use products, we launched *Nisshin Cooking Flower* and other new market-building products designed to address needs arising from an increase in eating alone and demand for meals that are easy to prepare, and developed sales promotion measures—most notably TV commercials—and took other proactive initiatives designed to stimulate consumption. In commercial-use products, we launched new products tailored to customer needs and carried out proposal activities geared toward garnering new customers. In the prepared dishes and other prepared foods business, we pursued stronger product development capabilities to attract new customers, coupled with progress on measures to expand shipments of prepared foods to volume retailers. These actions prompted brisk growth, most notably in new products for household use and prepared dishes and other prepared foods. Nevertheless, sales in the processed food business were lower overall compared to a year earlier due to a more adverse sales environment, largely reflecting belt-tightening efforts among consumers. In the overseas business, we pursued product proposals aimed at obtaining new customers, mainly in the Southeast Asian market, lifting sales higher compared to the previous fiscal year.

In July 2015 and February 2016, we instituted price revisions for household-use wheat flour and commercial prepared mix, a move largely prompted by price revisions for commercial-use wheat flour in June 2015 and January 2016.

In terms of production, we continued with additional measures to strengthen product safety. We also strengthened cost competitiveness and took steps to develop a new production framework with the aim of optimizing production sites worldwide. Shipments also commenced at a production plant for pasta sauces and other cooked and processed foods in Vietnam, a pasta plant in Turkey, and a frozen food production plant in Kobe, Japan. In a move to further strengthen foundations in the prepared dishes and other prepared foods business, we opted to acquire new shares of Joyous Foods Co., Ltd. in January 2016, converting it into a subsidiary.

In the yeast and biotechnology business, sales improved year on year, reflecting growth in shipments of diagnostic reagents mainly in the biotechnology business section.

In the healthcare foods business, sales improved year on year, reflecting brisk sales of consumer products driven by aggressive sales promotion measures, coupled with robust shipments of raw materials for pharmaceuticals.

As a result, net sales of the Processed Food Segment increased 0.7% from the previous fiscal year to ¥246,703 million. Operating income climbed 18.3% to ¥11,507 million, as strong performance of new products in the processed food business and brisk shipments in the prepared dishes and other prepared foods, yeast and biotechnology, and healthcare foods businesses, along with contributions from the overseas subsidiaries, offset an increased depreciation expense burden accompanying the start of operations at new plants.

## Others Segment

In the pet food business, shipments mainly of *JP Style* brand and other premium pet food were brisk chiefly due to sales expansion efforts, including the launch of new products and TV commercials, resulting in higher sales compared to the previous fiscal year.

In the engineering business, sales increased year on year due to growth in orders in the mainstay plant engineering business, mainly from the promotion of proposal-based marketing.

In the mesh cloths business, sales exceeded the previous fiscal year's level, primarily reflecting strong shipments of mesh cloth used primarily in solar panels.

As a result, while net sales of the Others Segment increased 8.3% to ¥47,534 million, operating income decreased 11.0% to ¥3,152 million, primarily due to higher personnel- and materials-related costs.

## (2) Issues to be Addressed

Japan's food industry is grappling with an increasingly challenging business environment, including market contraction as the country's population declines, and rising prices for raw materials. Adding to these concerns is global competition, which is projected to accelerate depending on the outcome of international trade negotiations, including the Trans-Pacific Partnership (TPP), for which a negotiated agreement was largely reached in October 2015, and economic partnership agreements (EPA).

Under these circumstances, the Nisshin Seifun Group will continue to fulfill its mission of securing stable supplies of safe and reliable wheat flour and other staple foods. At the same time, we will move quickly to implement the strategies contained in our new management plan to stimulate business growth.

### [1] Domestic Business Strategies

Regarding the flour milling business, while continuing efforts to stably supply products, we will develop products that accurately capture customer needs and promote value-added services that offer total solutions to customers, further strengthening customer relationships. We will continue to strengthen cost competitiveness by concentrating production at large-scale plants located near ports. In addition, with the aim of further promoting the storage and stable supply of raw wheat, we are taking steps to boost raw wheat silo capacity. Following on from completion of the raw wheat silo operated by Hanshin Silo Co., Ltd. in April 2015 in the Kansai region, silo construction is progressing steadily at the Tsurumi Plant in the Kanto region, with operations scheduled to begin in June 2016.

In the processed food business, we will pursue measures to boost brand loyalty by launching new products to address needs arising from an increase in eating alone and demand for meals that are easy to prepare, coupled with aggressive sales promotion efforts. At the same time, we will push for greater expansion in the growth fields of prepared dishes and other prepared foods and the frozen food product businesses. In the prepared dishes and other prepared foods business, in an effort to greatly expand the "Integrated Prepared Foods Business," we acquired new shares in Joyous Foods Co., Ltd. in January 2016, converting it into a subsidiary. We will continue to take steps going forward to groom the prepared dishes and other prepared foods business into one of the Group's core businesses.

In the yeast, biotechnology, healthcare foods, pet food, engineering and mesh cloths businesses, our plan is to seek growth by product and technology developments that will culminate in groups of businesses with real presence in their respective industries.

### [2] Overseas Business Strategies

In the flour milling business, we will focus on promoting Post Merger Integration (PMI) at four flour milling plants acquired by U.S.-based subsidiary Miller Milling Company, LLC. In tandem, we are committed to achieving independent growth in the U.S. market via sales expansion measures that leverage the Group's strengths in flour milling technology and proposal capabilities. Elsewhere, construction is moving forward to boost by 80% the production capacity of Canadian subsidiary Rogers Foods Ltd.'s Chilliwack Plant, scheduled to begin enhanced operations in autumn 2017. With this move, together with U.S.-based subsidiary Miller Milling Company, LLC, we are moving to expand our business foundations across North America. We will also focus on further expansion of the business base developed to date in existing businesses in New Zealand and Thailand.

In the processed food business, we envisage further expansion of the commercial prepared mix business given projected growth in the Asian market. In terms of production, along with bolstering cost competitiveness, by utilizing our newly developed global production system as a base, we are leveraging production technology and expertise in high-level quality control cultivated by the Group over many years to pursue additional business expansion in pasta, pasta sauces and frozen foods.

Moreover, in the flour milling, processed food, and bakery-related businesses in particular, we will move with speed to promote business expansion in new domains, either through the Company's own proprietary efforts or through M&A and alliance opportunities.

### [3] R&D Strategies and Cost Strategies

The Group takes on the perspective of its customers in the development of new products, and is engaged in the creation of basic and core technologies in new domains. High value-added products that are novel and unique will be developed continuously. In research, we will clarify our priority research domains in order to promote the commercialization and practical application of research results. At the same time, we will establish research themes closely aligned with business strategies to increase efficiency and speed.

Regarding raw material and energy markets, for which significant fluctuations are expected to continue, the Nisshin Seifun Group will work to reduce production and procurement costs and build an operational foundation that properly reflects changing costs.

### [4] Measures Addressing Systemic Changes in Wheat Policy, and Others

With an agreement largely reached regarding TPP negotiations in October 2015, wheat has seen the state-level trading system and non-framework tax rate currently in force upheld, and so will experience a phased reduction in the markup (gain collected by government upon import) within the existing WTO framework. Wheat flour, meanwhile, has seen the establishment of a new import framework based on state-level trade. Where secondary processed wheat flour products are concerned, the reduction or abolishment of import duties depending on product category is expected to cause border import control mechanisms to degrade, which could impact the flour milling and processed food businesses. Furthermore, the advancement of EPAs and other international trade negotiations is expected to have a profound impact on related industries. The Group will take appropriate steps to stay abreast of upcoming changes as they emerge, while continuing to develop a robust corporate structure domestically and abroad that will enable it to win out against global competition.

### [5] Corporate Social Responsibility (CSR)

The Nisshin Seifun Group has fulfilled its responsibilities as a corporate citizen in all its business activities and aims to retain its status as a corporate entity that plays an increasingly essential role in society. To this end, the Group established a Social Committee to study and develop basic attitudes and tangible actions with regard to all stakeholders.

The Group has positioned implementation of CSR activities, such as quality assurance systems, environmental conservation and enhanced compliance through internal control, as one of its top management priorities and is taking thoroughgoing steps to ensure a Group-wide commitment.

Regarding quality assurance (QA), to ensure the delivery to customers of safe and reliable products, we are strengthening our hand in the areas of food safety and food defense. The CR (Consumer Relations) Office, which is charged with the responsibilities of identifying consumer mindsets and social trends while providing timely and appropriate direction as to what actions need to be taken, will actively collect relevant consumer administrative information as well as consumer opinion and their needs. In this manner, every effort is made to enhance Group customer relations. Furthermore, to secure the stable supply of safe and reliable wheat flour and other staple foods, we have enhanced our disaster preparations through our business continuity planning (BCP).

Regarding environmental preservation, we have always taken the initiative in working to reduce the environmental burden through energy saving, reduction of waste and responding to power-related issues.

For internal control, the Group is doing more than what is required by the Financial Instruments and Exchange Act by extensively reconstructing its internal control systems group-wide. These systems are monitored by a dedicated department to maintain their integrity and seek further improvements.

Further, the Group, as a member of society, will make efforts to widen its range of social contribution activities. We will continue to support restoration of the areas affected by earthquake disasters, make regional contributions through the Nisshin Seifun (Flour Milling) Museum as a regional tourism resource and educational asset, and support the activities of the WFP (World Food Program).

In such ways, the Nisshin Seifun Group will continue to fulfill its corporate social responsibilities.

The Nisshin Seifun Group will steadily tackle the above challenges and ensure the further development of the Group. Our shareholders' continued support is greatly appreciated.

**(3) Consolidated Business Results and Summary of Assets**

(Millions of yen)

Fiscal term Fiscal Years ended March 31	169 <sup>th</sup> FY2013	170 <sup>th</sup> FY2014	171 <sup>st</sup> FY2015	172 <sup>nd</sup> FY2016 (Current)
Net sales	455,566	495,930	526,144	556,701
Ordinary income	24,742	25,579	25,544	28,099
Profit attributable to owners of parent	13,688	15,098	16,036	17,561
Profit per share (¥)	45.53	50.21	53.28	58.25
Total assets	461,851	471,039	549,307	550,305
Net assets	317,436	334,092	378,715	386,485

Notes: 1. The Company conducted a 1.1-for-1 stock split of shares of common stock as of October 1, 2013. In addition, the Company conducted a 1.1-for-1 stock split of shares of common stock as of October 1, 2014. Therefore, profit per share was calculated on the assumption that said stock split was conducted at the beginning of the 169<sup>th</sup> fiscal term.

2. The Company has adopted the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21; September 13, 2013), etc., thereby renaming “net income” as “profit attributable to owners of parent” from the fiscal year under review.

**(4) Capital Expenditures**

The capital expenditures for the fiscal year ended March 31, 2016 decreased ¥3,474 million from the previous year to ¥15,534 million, based on actual expenditures.

The principal capital expenditures were put into the construction work on the addition of a new production line at the Chita Plant of Nisshin Flour Milling Inc. and the expansion of production capacity.

**(5) Financing**

The Company did not raise additional funds in terms of capital increases or bond issues during the fiscal year ended March 31, 2016.

**(6) Major Subsidiaries and Acquisition****[1] Major Subsidiaries and Affiliates**

Company Name	Capital Stock	Share of Voting Rights	Main Businesses
(Subsidiaries)	¥ million	%	
Nisshin Flour Milling Inc.	14,875	100.0	Production and sales of wheat flour
Miller Milling Company, LLC	86	100.0	Production and sales of wheat flour
Champion Flour Milling Ltd.	3,491	100.0	Production and sales of wheat flour
Nisshin Foods Inc.	5,000	100.0	Sales of pasta, wheat flour for household use, frozen foods, and other products; production and sales of prepared mix products
Nisshin Seifun Premix Inc.	400	100.0	Production and sales of prepared mix products
Ma•Ma-Macaroni Co., Ltd.	350	68.1	Production and sales of pasta and frozen foods
Initio Foods Inc.	487	100.0	Production and sales of prepared dishes and frozen foods; direct operation of concessions in stores including department stores
Oriental Yeast Co., Ltd.	2,617	100.0	Production and sales of cake and bread ingredients and biochemical products; life science business
Nisshin Pharma Inc.	2,689	100.0	Production and sales of healthcare foods and pharmaceuticals
Nisshin Petfood Inc.	1,315	100.0	Production and sales of pet foods
Nisshin Engineering Inc.	107	100.0	Design, contracted construction and management of production; sales of machinery for powder grinding
NBC Meshtec Inc.	1,992	100.0	Manufacturing and sales of mesh cloths and forming filters
(Affiliates)			
Marubeni Nisshin Feed Co., Ltd.	5,500	40.0	Production and sales of compound feed
Tokatsu Foods Co., Ltd.	100	49.0	Production and sales of cooked foods such as bento lunch boxes and other prepared foods

Note: The voting rights in Miller Milling Company, LLC, and Nisshin Seifun Premix Inc. are held by subsidiaries of the Company. In addition, the voting rights in Champion Flour Milling Ltd., Ma•Ma-Macaroni Co., Ltd., and Initio Foods Inc., are held by the Company and its subsidiaries.

**[2] Status of Significant Acquisition**

There are no applicable matters to be reported.



**(7) Principal Businesses** (As of March 31, 2016)

The following is a description of the businesses and their principal products of the Nisshin Seifun Group. The Company, as the holding company, controls and manages the Group companies operating these businesses.

Business Segment	Principal Products
Flour Milling Segment	wheat flour, bran
Processed Food Segment	prepared mix products, wheat flour for household use, pasta, pasta sauce, frozen foods, chilled foods, cake and bread ingredients, biochemical products, life science business, healthcare foods
Others Segment	pet food; design, management, and contracted construction of facilities; mesh cloths

**(8) Principal Offices** (As of March 31, 2016)

- [1] The Company Head Office (Chiyoda-ku, Tokyo)  
Institutes and Laboratories (Fujimino)  
Research Center for Production and Technology  
Research Center for Basic Science Research and Development  
QE Center
- [2] Flour Milling Segment  
Nisshin Flour Milling Inc. Head Office (Chiyoda-ku, Tokyo)  
Cereal Science Research Center of Tsukuba (Tsukuba)  
Sapporo Sales Department (Sapporo), Sendai Sales Department (Sendai),  
Kanto Sales Department (Chuo-ku, Tokyo), Tokyo Sales Department (Chuo-ku, Tokyo),  
Nagoya Sales Department (Nagoya), Osaka Sales Department (Osaka),  
Chushikoku Sales Department (Okayama), Fukuoka Sales Department (Fukuoka)  
Hakodate Plant (Hakodate), Chiba Plant (Chiba),  
Tsurumi Plant (Kawasaki), Nagoya Plant (Nagoya), Chita Plant (Chita),  
Higashinada Plant (Kobe), Okayama Plant (Okayama), Sakaide Plant (Sakaide),  
Fukuoka Plant (Fukuoka)  
Miller Milling Company, LLC Head Office (Minnesota, U.S.A.)  
Winchester Plant (Virginia, U.S.A.), Fresno Plant (California, U.S.A.)  
Los Angeles Plant (California, U.S.A.), Oakland Plant (California, U.S.A.)  
Saginaw Plant (Texas, U.S.A.), New Prague Plant (Minnesota, U.S.A.)  
Champion Flour Milling Ltd. Head Office (New Zealand)  
Mt. Maunganui Plant (New Zealand), Christchurch Plant (New Zealand)
- [3] Processed Food Segment  
Nisshin Foods Inc. Head Office (Chiyoda-ku, Tokyo)  
Hokkaido Sales Department (Sapporo), Tohoku Sales Department (Sendai),  
Metropolitan Sales Department (Chuo-ku, Tokyo),  
Wide Area Sales Department (Chiyoda-ku, Tokyo),  
Chubu Sales Department (Nagoya), Kansai Sales Department (Osaka),  
Chushikoku Sales Department (Hiroshima), Kyushu Sales Department (Fukuoka),  
Tatebayashi Plant (Tatebayashi)  
Nisshin Seifun Premix Inc. Head Office (Chuo-ku, Tokyo)  
Nagoya Plant (Nagoya)  
Ma•Ma-Macaroni Co., Ltd. Head Office (Utsunomiya)  
Utsunomiya Plant (Utsunomiya), Kobe Plant (Kobe)  
Initio Foods Inc. Head Office (Chiyoda-ku, Tokyo)  
Kumagaya Plant (Kumagaya), Shiraoka Plant (Shiraoka), Higashi-Osaka Plant (Higashi-Osaka)  
Oriental Yeast Co., Ltd. Head Office (Itabashi-ku, Tokyo)  
Tokyo Plant (Itabashi-ku, Tokyo), Osaka Plant (Suita), Biwa Plant (Nagahama)  
Nisshin Pharma Inc. Head Office (Chiyoda-ku, Tokyo)  
Health Care Research Center (Fujimino), Ueda Plant (Ueda)
- [4] Others Segment  
Nisshin Petfood Inc. Head Office (Chiyoda-ku, Tokyo)  
Nisshin Engineering Inc. Head Office (Chuo-ku, Tokyo)

NBC Meshtec Inc. Head Office (Hino)  
Yamanashi Tsuru Plant (Tsuru), Shizuoka Kikugawa Plant (Kikugawa)

**(9) Employees of the Group** (As of March 31, 2016)

Business Segment	Number of Employees	Year-on-Year Change
Flour Milling Segment	1,550	(13)
Processed Food Segment	3,745	237
Others Segment	776	75
Corporate (Across the Group divisions)	369	(5)
Total	6,440	294

**(10) Major Creditors and Loans Payable** (As of March 31, 2016)

There are no major creditors.

## 2. Outline of the Company

### (1) Shares (As of March 31, 2016)

- [1] Total number of shares authorized to be issued 932,856,000 shares
- [2] Total number of shares issued and outstanding 304,357,891 shares  
(Including 2,593,363 shares of treasury stock)
- [3] Number of shareholders 20,982  
(Decreased 1,164 from the previous term-end)
- [4] Major shareholders (Top 10)

Name	Number of Shares Held	Shareholding Ratio
	(thousands)	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,723	6.5
Nippon Life Insurance Company	19,387	6.4
Yamazaki Baking Co., Ltd.	16,988	5.6
Japan Trustee Services Bank, Ltd. (Trust Account)	14,153	4.6
Mizuho Bank, Ltd.	11,310	3.7
Mitsubishi Corporation	8,448	2.7
Marubeni Corporation	6,284	2.0
Sumitomo Corporation	6,091	2.0
Sumitomo Mitsui Banking Corporation	5,585	1.8
The Norinchukin Bank	5,432	1.8

Note: Treasury stock (of 2,593,363 shares) is not included in shareholding ratio calculation.

## (2) Subscription Right to Shares

[1] Status of subscription rights to shares as of March 31, 2016

	Number of subscription rights to shares granted	Type and number of shares issuable upon exercise of subscription rights to shares	Issuance price upon exercise of subscription rights to shares	Persons granted subscription rights to shares	Amount payable upon exercise of subscription rights to shares	Exercise period
7-1st subscription rights to shares (Granted on August 18, 2009)	13	Common Stock 15,730 shares (1,210 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,132,560 per subscription right to shares	August 19, 2011 – August 1, 2016
7-2nd subscription rights to shares (Granted on August 18, 2009)	28	Common Stock 33,880 shares (1,210 shares per subscription right to shares)	Without charge	Executive Officers of the Company and Directors of its consolidated subsidiaries	¥1,132,560 per subscription right to shares	August 19, 2011 – August 1, 2016
8-1st subscription rights to shares (Granted on August 18, 2010)	12	Common Stock 14,520 shares (1,210 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,099,890 per subscription right to shares	August 19, 2012 – August 1, 2017
8-2nd subscription rights to shares (Granted on August 18, 2010)	36	Common Stock 43,560 shares (1,210 shares per subscription right to shares)	Without charge	Executive Officers of the Company and Directors of its consolidated subsidiaries	¥1,099,890 per subscription right to shares	August 19, 2012 – August 1, 2017
9-1st subscription rights to shares (Granted on August 18, 2011)	25	Common Stock 30,250 shares (1,210 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,026,080 per subscription right to shares	August 19, 2013 – August 1, 2018
9-2nd subscription rights to shares (Granted on August 18, 2011)	68	Common Stock 82,280 shares (1,210 shares per subscription right to shares)	Without charge	Executive Officers of the Company and Directors of its consolidated subsidiaries	¥1,026,080 per subscription right to shares	August 19, 2013 – August 1, 2018
10-1st subscription rights to shares (Granted on August 16, 2012)	36	Common Stock 43,560 shares (1,210 shares per subscription right to shares)	Without charge	Directors of the Company	¥958,320 per subscription right to shares	August 17, 2014 – August 1, 2019
10-2nd subscription rights to shares (Granted on August 16, 2012)	81	Common Stock 98,010 shares (1,210 shares per subscription right to shares)	Without charge	Executive Officers of the Company and Directors of its consolidated subsidiaries	¥958,320 per subscription right to shares	August 17, 2014 – August 1, 2019
11-1st subscription rights to shares (Granted on August 20, 2013)	72	Common Stock 87,120 shares (1,210 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,224,520 per subscription right to shares	August 21, 2015 – August 3, 2020
11-2nd subscription rights to shares (Granted on August 20, 2013)	173	Common Stock 209,330 shares (1,210 shares per subscription right to shares)	Without charge	Executive Officers of the Company and Directors of its consolidated subsidiaries	¥1,224,520 per subscription right to shares	August 21, 2015 – August 3, 2020

	Number of subscription rights to shares granted	Type and number of shares issuable upon exercise of subscription rights to shares	Issuance price upon exercise of subscription rights to shares	Persons granted subscription rights to shares	Amount payable upon exercise of subscription rights to shares	Exercise period
12-1st subscription rights to shares (Granted on August 19, 2014)	96	Common Stock 105,600 shares (1,100 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,274,900 per subscription right to shares	August 20, 2016 – August 2, 2021
12-2nd subscription rights to shares (Granted on August 19, 2014)	211	Common Stock 232,100 shares (1,100 shares per subscription right to shares)	Without charge	Executive Officers of the Company and Directors of its consolidated subsidiaries	¥1,274,900 per subscription right to shares	August 20, 2016 – August 2, 2021
13-1st subscription rights to shares (Granted on August 19, 2015)	111	Common Stock 111,000 shares (1,000 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,748,000 per subscription right to shares	August 20, 2017 – August 1, 2022
13-2nd subscription rights to shares (Granted on August 19, 2015)	215	Common Stock 215,000 shares (1,000 shares per subscription right to shares)	Without charge	Executive Officers of the Company and Directors of its consolidated subsidiaries	¥1,748,000 per subscription right to shares	August 20, 2017 – August 1, 2022

Conditions for exercise of the above subscription rights to shares:

- 1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the “holders”) shall 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) at the time of the exercise of the subscription rights to shares. However, the holders who 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) may exercise the rights up until two (2) years after stepping aside or two (2) years after the commencement of the exercise period of the subscription rights to shares, whichever is later.
- 2) An heir of the holder shall be allowed to inherit the subscription rights to shares, provided that he/she completes the procedures to change the holder.
- 3) Subscription rights to shares may not be transferred, securitized or otherwise disposed of under any circumstances.
- 4) Where a holder is dismissed from the position of Director or Executive Officer, or under certain other circumstances, the exercise of the subscription rights to shares may be deemed inappropriate considering the purpose of the granting of rights, and in such case said rights will be forfeited immediately.

[2] Subscription rights to shares granted as remuneration for performance of duty and held by directors of the Company as of March 31, 2016

Segment	Name	Number of subscription rights to shares	Number of persons holding subscription rights to shares
Directors (excluding Outside Directors)	7-1st subscription rights to shares	0	0
	8-1st subscription rights to shares	2	1
	9-1st subscription rights to shares	15	2
	10-1st subscription rights to shares	21	4
	11-1st subscription right to shares	55	8
	12-1st subscription rights to shares	81	11
	13-1st subscription rights to shares	101	12
Outside Directors	7-1st subscription rights to shares	0	0
	8-1st subscription rights to shares	0	0
	9-1st subscription rights to shares	0	0
	10-1st subscription rights to shares	0	0
	11-1st subscription right to shares	5	1
	12-1st subscription rights to shares	5	1
	13-1st subscription rights to shares	10	2

The details of the above subscription rights to shares are described in [1].

[3] Subscription rights to shares granted as remuneration for performance of duty to employees during the fiscal year ended March 31, 2016.

There are no applicable matters to be reported.

### (3) Members of the Boards

[1] Directors and Audit & Supervisory Board Members (As of March 31, 2016)

Title	Name	Position	Significant Positions Concurrently Held
Representative Director and President	Hiroshi Oeda		
Director and Vice President	Kazuo Ikeda		
Senior Managing Director	Masao Nakagawa	Division Executive, Finance and Accounting Division	
Senior Managing Director	Michinori Takizawa	Division Executive, General Administration Division	
Managing Director	Takashi Harada	Division Executive, R&D and Quality Assurance Division	
Managing Director	Akira Mori	Division Executive, Corporate Planning Division	
Managing Director	Koichi Iwasaki		Director and President (Representative Director), Nisshin Foods Inc.
Managing Director	Nobuki Kemmoku		Director and President (Representative Director), Nisshin Flour Milling Inc.
Director *	Satoshi Odaka	Division Executive, Technology and Engineering Division	
Director	Masashi Nakagawa		Director and President (Representative Director), Oriental Yeast Co., Ltd.
Director	Takao Yamada		Senior Managing Director, Nisshin Flour Milling Inc.
Director	Kiyoshi Sato		Director and President (Representative Director), Nisshin Pharma Inc.
Director	Akio Mimura		Senior Advisor and Honorary Chairman, Nippon Steel & Sumitomo Metal Corporation Chairman, The Japan Chamber of Commerce and Industry Chairman, The Tokyo Chamber of Commerce and Industry Outside Director, Development Bank of Japan Inc. Outside Director, Innovation Network Corporation of Japan Outside Director, Tokio Marine Holdings, Inc. Outside Director, Japan Post Holdings Co., Ltd.
Director *	Kazuhiko Fushiya		Chairman, The Institute of Internal Auditors - Japan
Audit & Supervisory Board Member (Full-time)	Yasuhiko Masaki		
Audit & Supervisory Board Member (Full-time)	Kazuya Yoshinare		
Audit & Supervisory Board Member	Tetsuo Kawawa		Attorney; Managing Partner, Kawawa Law Offices

Title	Name	Position	Significant Positions Concurrently Held
Audit & Supervisory Board Member	Satoshi Ito		Certified Public Accountant; Managing Partner, Ito Certified Public Accountant Offices Outside Audit & Supervisory Board Member, NEC Corporation Outside Audit & Supervisory Board Member, Sumitomo Mitsui Financial Group, Inc.
Audit & Supervisory Board Member *	Motoo Nagai		Outside Audit & Supervisory Board Member (Full-time), Nissan Motor Co., Ltd. Outside Director, Organo Corporation

- Notes:
1. Directors Akio Mimura and Kazuhiko Fushiya are Outside Directors.
  2. Audit & Supervisory Board Members Tetsuo Kawawa, Satoshi Ito, and Motoo Nagai are Outside Audit & Supervisory Board Members.
  3. The Company selects all of the Outside Directors and Outside Audit & Supervisory Board Members as Independent Directors and Independent Audit & Supervisory Board Members, respectively, in accordance with its “Independent Standards of Outside Directors and Audit & Supervisory Board Members” (posted on the Company’s website (<http://www.nisshin.com/ir/vision/governance/independence.pdf>)) formulated pursuant to criteria concerning independence as defined by the Tokyo Stock Exchange, providing the necessary notification thereto.
  4. Audit & Supervisory Board Member Kazuya Yoshinare has work experience in finance and accounting at the Company and substantial knowledge of finance and accounting.
  5. Audit & Supervisory Board Member Satoshi Ito, who has the qualification as a Certified Public Accountant, has experience in and substantial knowledge of finance and accounting.
  6. The following is a list of changes in the Directors and Audit & Supervisory Board Members of the Company and their titles in the fiscal year ended March 31, 2016.
    - 1) As of June 25, 2015, the term of office of Directors Yasuhiko Ogawa and Ariyoshi Okumura expired and they retired from office, and Audit & Supervisory Board Member Kazuhiko Fushiya resigned from office. The Directors and the Audit & Supervisory Board Member with an asterisk (\*) were newly elected and took office at the 171<sup>st</sup> Ordinary General Meeting of Shareholders, held on the same day.
    - 2) As of June 25, 2015, Masao Nakagawa and Michinori Takizawa took office as Senior Managing Directors, and Takashi Harada, Akira Mori, and Nobuki Kemmoku took office as Managing Directors.
  7. The following is a list of changes in significant positions concurrently held in the fiscal year ended March 31, 2016.

Director	Hiroshi Oeda	Took office as a Director and Chairman, Nisshin Flour Milling Inc. (April 1, 2015) Resigned as a Director and Chairman, Nisshin Flour Milling Inc. (August 20, 2015)
Director	Nobuki Kemmoku	Took office as a Director and President (Representative Director), Nisshin Flour Milling Inc. (April 1, 2015)
Director	Takao Yamada	Took office as a Senior Managing Director, Nisshin Flour Milling Inc. (April 1, 2015)
Director	Kazuo Ikeda	Retired as a Director and President (Representative Director), Nisshin Seifun Premix Inc. (June 25, 2015)
Audit & Supervisory Board Member	Satoshi Ito	Resigned as an Outside Audit & Supervisory Board Member, Sumitomo Mitsui Banking Corporation (June 26, 2015)
Audit & Supervisory Board Member	Motoo Nagai	Resigned as an Outside Audit & Supervisory Board Member, Organo Corporation Took office as an Outside Director, Organo Corporation (June 26, 2015)



[2] Amount of remuneration for Directors and Audit & Supervisory Board Members

Total amount of remuneration for Directors and Audit & Supervisory Board Members for the fiscal year ended March 31, 2016

Directors : Sixteen (16)	¥324 million
Audit & Supervisory Board Members: Six (6)	¥53 million
Outside Directors and Outside Audit & Supervisory Board Members: Six (6) (Included in the above)	¥48 million

- Notes: 1. The above number of Directors and Audit & Supervisory Board Members includes two (2) Directors and one (1) Audit & Supervisory Board Member who retired from office during the fiscal year ended March 31, 2016.
2. The total amount of remuneration for Directors includes the subscription rights to shares granted in the form of stock options as remuneration for the fiscal year ended March 31, 2016.

[3] Outside Directors and Outside Audit & Supervisory Board Members

1. Significant positions concurrently held in other companies, etc. and relationship between the Company and said companies, etc.

Significant positions concurrently held in other companies, etc., are mentioned above [1] and there is no significant business relationship or special relationship between the Company and the above-identified companies of concurrently held positions.

2. Principal activities in the fiscal year ended March 31, 2016

1) Director Akio Mimura

Mr. Mimura attended 11 out of 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2016. He made remarks, asked questions and contributed opinions regarding purposes and contents of matters resolved and reported from a managerial perspective with broad experience.

2) Director Kazuhiko Fushiya

Mr. Fushiya attended all meetings of the Board of Directors held since taking office as a Director. He made remarks, asked questions and contributed opinions regarding purposes and contents of matters resolved and reported based on experience and discernment acquired through holding important posts at the Ministry of Finance (MOF), etc.

3) Audit & Supervisory Board Member Tetsuo Kawawa

Mr. Kawawa attended 11 out of 13 meetings of the Board of Directors and 11 out of 13 meetings of the Audit & Supervisory Board held in the fiscal year ended March 31, 2016. He made remarks, asked questions and contributed opinions regarding purposes and contents of matters resolved and reported mainly from a technical perspective as an attorney.

4) Audit & Supervisory Board Member Satoshi Ito

Mr. Ito attended 11 out of 13 meetings of the Board of Directors and 12 out of 13 meetings of the Audit & Supervisory Board held in the fiscal year ended March 31, 2016. He made remarks, asked questions and contributed opinions regarding purposes and contents of matters resolved and reported mainly from a technical perspective as a Certified Public Accountant.

5) Audit & Supervisory Board Member Motoo Nagai

Mr. Nagai attended all meetings of the Board of Directors and 10 out of 11 meetings of the Audit & Supervisory Board held since taking office as an Audit & Supervisory Board Member. He made remarks, asked questions and contributed opinions regarding purposes and contents of matters resolved and reported, drawing on his experience and insights gained through his career as a manager of financial institutions.

3. Outline of liability limitation agreement

The Company has concluded an agreement with each Outside Director and Outside Audit & Supervisory Board Member which limits the amount of liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the sum of the amount set forth in each item of Article 425, Paragraph 1 thereof provided that the duties of each are performed in good faith and without gross negligence on the part thereof.

#### (4) Independent Auditor

[1] Name of the independent auditor: Ernst & Young ShinNihon LLC

[2] Compensation to the independent auditor for the fiscal year ended March 31, 2016

1. Compensation paid to the independent auditor: ¥54 million
2. Total of cash and other financial profits payable by the Company and its subsidiaries: ¥171 million

Notes: 1. The audit contract between the Company and the independent auditor does not and practically cannot separate the amount of compensation for the audit under the Companies Act from the amount of compensation for the audit under the Financial Instruments and Exchange Act. Therefore, the compensation described in the above 1 is the sum of both amounts.

2. Some subsidiaries of the Company have their financial statements and related documents audited by auditors other than Ernst & Young ShinNihon LLC.

[3] Content of non-audit services

The Company and its subsidiaries entrust “the services with regard to guidance and advice on accounting and internal control matters” to the independent auditor, which can be defined as non-audit services that are other than the services defined in Article 2, Paragraph 1 of the Certified Public Accountants Act.

[4] Reasons for the Audit & Supervisory Board’s approval on compensation to the independent auditor

The Audit & Supervisory Board has given its approval as prescribed under Article 399, Paragraph 1 of the Companies Act, as the compensation to the independent auditor was considered reasonable based on the verification and review of the relevant matters including the status of execution of duties by the independent auditor in the previous fiscal year, details of the audit plan in the fiscal year under review and the basis of calculating the estimated compensation.

[5] Policy for decisions on dismissal or non-reappointment of independent auditor

The Audit & Supervisory Board will dismiss the independent auditor in the event that any of the reasons stipulated in each item of Article 340, Paragraph 1 of the Companies Act are deemed applicable to the independent auditor and such action is considered necessary, subject to the unanimous consent of the Audit & Supervisory Board Members.

In addition, the Audit & Supervisory Board will decide the details of a proposal for the dismissal or non-reappointment of the independent auditor to be submitted to the General Meeting of Shareholders, as stipulated in Article 344 of the Companies Act, in the event that any of the reasons stipulated in Article 340 of the Companies Act, or any concomitant reasons, are deemed applicable to the independent auditor and such action is considered necessary. Furthermore, the Audit & Supervisory Board may also decide the details of a proposal for the non-reappointment of the independent auditor to be submitted to the General Meeting of Shareholders, as stipulated in Article 344 of the Companies Act, in the event that the non-reappointment of the independent auditor is considered appropriate in overall consideration of various factors including the audit quality provided and the status of execution of duties by the independent auditor.

[6] Business suspension order imposed on the independent auditor in the past two years

Outline of the penalty announced on December 22, 2015 by the Financial Services Agency

1. The party on which the order was imposed: Ernst & Young ShinNihon LLC
2. Description of the penalty
  - Suspension of business operations concerning conclusion of new engagement contracts: Three months (From January 1, 2016 to March 31, 2016)
  - Business improvement administrative order (for improvement of the operation management system)
3. Reasons for the penalty
  - In the course of the audit of the financial statements of TOSHIBA CORPORATION for the fiscal years ended March 31, 2010, 2012 and 2013, seven certified public accountants of Ernst & Young ShinNihon LLC failed to exercise due care and attested the financial statements with material misstatements as free of such misstatements.
  - The auditing firm’s management was found to be significantly inappropriate.

### 3. Systems and Policies of the Company

#### (1) Systems to Ensure Appropriate Business Execution and the Status of Operation of Systems Concerned

The internal control systems of the Company are based on the establishment of a chain of command and clarification of authority and responsibility in operational departments, management control by the department heads or managers in operational departments, internal checks between departments (i.e. operations division and accounting division), as well as the following systems.

[1] Systems for ensuring the compliance of the performance of duties of directors and employees of the Company and its subsidiaries with laws and the Articles of Incorporation

- 1) The Nisshin Seifun Group has formulated the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines.” The presidents and directors of the Company and its subsidiaries must recognize their duty to comply with the Corporate Code of Conduct and Employee Action Guidelines and take the lead in following the rules and publicizing them to the people concerned. The presidents and directors must also endeavor to understand internal and external opinions at all times and adjust their internal systems accordingly to enhance their effectiveness, while promoting corporate ethics throughout their companies.
- 2) Audit & Supervisory Board Members of the Company and its subsidiaries audit the performance of duties by each director, and oversee directors to verify whether they construct and operate the internal control systems in an appropriate manner.
- 3) The Internal Control Department, directly supervised by the representative director of the Company, leads efforts to enhance and operate the internal control systems of the Nisshin Seifun Group. As an independent organization, the Internal Control Department evaluates the internal control systems of the Nisshin Seifun Group and performs internal audits of the Group’s business operations.
- 4) The Social Committee of the Company addresses all the 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 at the Group and ensuring awareness of compliance with laws, the Articles of Incorporation and social norms.
- 5) The Nisshin Seifun Group shall not bow to unreasonable demands of antisocial forces that threaten the order and safety of civil society and takes organized countermeasures in collaboration with external specialized institutions.
- 6) The Company operates and maintains the Compliance Hotline System, which was established as a measure for the Nisshin Seifun Group employees, etc., to directly report any acts of non-compliance so that such acts can be detected early and dealt with.

(Status of operation of said systems)

- The Nisshin Seifun Group has introduced the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” in the Group companies including overseas subsidiaries and affiliates as the Group’s common basis for discipline, whereby striving to ensure awareness of these guidelines.
- The Company is promoting awareness among employees of the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” along with the Compliance Hotline System through human resources training programs.
- The Internal Control Department of the Company is conducting the internal control evaluation at each Group company and verifying the level of awareness and the status of compliance with the internal rules.
- The Company held three meetings of the Social Committee during the fiscal year under review to discuss a comprehensive range of CSR issues, including compliance, whereby promoting the Nisshin Seifun Group’s CSR measures.
- The Company also organizes the Normative Ethics Committee, whereby ensuring that no unreasonable payment is made to antisocial forces and examining the appropriateness of donations.

[2] Rules and systems for managing the danger of loss to the Company and its subsidiaries

- 1) For issues concerning business operations at the Nisshin Seifun Group, approval and reporting procedures must be determined according to their level of importance, impact, etc., and evaluation of such issues, including risk assessment thereof, are made in advance.
- 2) In line with the Nisshin Seifun Group Risk Management Rules, the Nisshin Seifun Group conducts the risk evaluation and reviews measures against risks, and the Company’s Risk Management Committee supervises the overall risk management efforts of the Nisshin Seifun Group by confirming and providing guidance to ensure that its subsidiaries have appropriate control over the risks that are evaluated by themselves, and that no risks are ignored.
- 3) In line with the Nisshin Seifun Group Crisis Control Rules, employees, etc., must report any emergence or possibility of crises to a specified contact within the Nisshin Seifun Group to ensure the early detection and handling of the danger of loss.

Should crises occur, the Company must set up a countermeasures headquarters immediately to handle such crises in an appropriate manner to minimize damages.

- 4) Audit & Supervisory Board Members of the Company and its subsidiaries must take the necessary measures, such as giving advice and making recommendations to Directors, whenever they recognize the possibility that each director may bring about significant damage or serious accidents.

(Status of operation of said systems)

- Each Nisshin Seifun Group company conducts the risk evaluation and reviews measures against risks in accordance with the Nisshin Seifun Group Risk Management Rules. In addition, a planning subcommittee of the Risk Management Committee of the Company conducts the Group-wide verification of the results of the review at each Group company and reports the results to the Risk Management Committee for deliberation thereat.
- An internal reporting system is in place in line with the Nisshin Seifun Group Crisis Control Rules, whereby employees, etc., of the Nisshin Seifun Group may report any emergence or possibility of crises to a specified contact desk.

- [3] Systems for ensuring that the duties of directors of the Company and its subsidiaries are performed efficiently

- 1) For the Company and its subsidiaries, the range of responsibility and authority is clarified, for example, by identifying matters to be resolved by and reported to the Board of Directors and matters of request for approval of presidents and directors in charge. This enables directors to perform their duties in a prompt and appropriate manner.
- 2) The Nisshin Seifun Group clarifies its business strategies and their potential directions, according to which the Group companies formulate their profit plans on a yearly basis. The term of office of directors is set at 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.

(Status of operation of said systems)

- The Nisshin Seifun Group formulated the new management plan “NNI-120 II” with the final year being the fiscal year ending March 31, 2021. The Group aims to achieve steady growth of profits by carrying out the revised basic strategies with a primary focus on restructuring the earnings foundation for the Group’s core businesses and promoting self-sustained growth, including that of acquired business.
- Each Group company formulates its profit plans for the fiscal year in line with its business strategies, while implementing measures to improve performance based on the monthly business performance review at its Board of Directors.

- [4] Systems for ensuring that proper business operations are conducted within the Nisshin Seifun Group that consists of the Company and its subsidiaries

- 1) The Nisshin Seifun Group has adopted a holding company structure under which the holding company, the Company, oversees and evaluates the actions of subsidiaries with the best interests of the shareholders in mind.
- 2) For important issues concerning the business operations of subsidiaries, the Nisshin Seifun Group sets the standards for issues to be discussed by or reported to the Board of Directors of the Company.
- 3) The Nisshin Seifun Group has formulated the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines,” in which the Corporate Principle, the Basic Management Policy, the Basic Stance toward Stakeholders, the Corporate Code of Conduct and Employee Action Guidelines are specified, and awareness of them throughout the Group is promoted.
- 4) The procedures and methods for creation of the Nisshin Seifun Group’s financial reports, including the consolidated financial statements, are stipulated to eliminate wrongful acts and errors and ensure the reliability of such reports.
- 5) Audit & Supervisory Board Members of the Company and the Group companies hold meetings of the Audit & Supervisory Board Members’ Liaison Committee of the Nisshin Seifun Group, and share issues to be addressed.
- 6) The Company provides special audits, such as of facilities, safety, environment and quality assurance, for the Nisshin Seifun Group.
- 7) The Internal Control Department, directly supervised by the representative director of the Company, leads efforts to enhance and operate the internal control systems of the Nisshin Seifun Group. As an independent organization, the Internal Control Department evaluates the internal control systems of the Nisshin Seifun Group and perform internal audits of the Group’s business operations.
- 8) Each subsidiary of the Nisshin Seifun Group establishes its own Internal Control Committee, headed by the president, which leads efforts to enhance and operate its internal control systems.

(Status of operation of said systems)

- For important issues concerning the business operations of subsidiaries, the Nisshin Seifun Group refers issues to be discussed by or reported to the Board of Directors of the Company in accordance with the “Matters to be Resolved by and Reported to the Board of Directors” as well as the “Standards for Issues Concerning Subsidiaries to be Discussed by the Board of Directors.”
- With respect to the internal controls for the purpose of ensuring the reliability of financial reporting, operation procedures at each Group company are documented in order to verify the presence of effective control under the Nisshin Seifun Group’s unified policy, while the Internal Control Department evaluates the status of enhancement and operation of such controls.
- With respect to the internal controls for purposes other than financial reporting, specialized departments of the Company conduct audits on respective areas, including facilities, safety, environmental conservation and quality assurance, to verify that each operation is implemented appropriately.

[5] Systems for ensuring the preservation and management of information in relation to the Company’s directors’ performance of their duties

The minutes of the meetings of Board of Directors, approval documents, and other documents and information relating to the performance of duties by directors are preserved and managed appropriately as confidential information in accordance with the relevant regulations.

(Status of operation of said systems)

The minutes of the meetings of Board of Directors and approval documents of the Company are preserved and managed appropriately as confidential information in accordance with the Confidential Information Management Rules.

[6] Provisions concerning the employees requested to assist the Company’s Audit & Supervisory Board Members in performing their duties, the independence of such employees from directors and ensuring the effectiveness of directions given to such employees

- 1) The Audit & Supervisory Board appoints Audit & Supervisory Board Member assistants who assist Audit & Supervisory Board Members in performing their duties. The Audit & Supervisory Board Member assistants assist Audit & Supervisory Board Members in performing audits under the direction of Audit & Supervisory Board Members, and personnel changes and other matters concerning the Audit & Supervisory Board Member assistants require the consent of Audit & Supervisory Board Members.
- 2) Directors pay close attention to ensure that no unreasonable constraints exist that could potentially hinder the independence of the Audit & Supervisory Board Member assistants in performing their duties.

(Status of operation of said systems)

Audit & Supervisory Board Member assistants who are independent from Directors assist Audit & Supervisory Board Members in performing their duties in order to enhance the effectiveness of the audit function of the Audit & Supervisory Board Members. In addition, the Company pays close attention to ensure that no unreasonable constraints that could potentially hinder the independence of the Audit & Supervisory Board Member assistants in performing their duties are exercised by Directors.

[7] Systems for reporting to Audit & Supervisory Board Members of the Company by directors and employees of the Company, directors, Audit & Supervisory Board Members and employees of its subsidiaries and individuals who receive reports from these individuals

- 1) Audit & Supervisory Board Members of the Company attend the meetings of the Board of Directors and other important meetings, including meetings of the Group Management Meeting, the Credit Management Committee, and the Normative Ethics Committee, and state their opinions as appropriate.
- 2) The Audit & Supervisory Board of the Company may ask for reporting from the independent auditors, directors, the Internal Control Department and others at its meetings as the need arises.
- 3) When directors of the Company or its subsidiaries recognize anything that could cause significant damage or serious accidents to their respective companies, they shall immediately report that to their respective Audit & Supervisory Board Members. At the same time, Audit & Supervisory Board Members of each subsidiary shall also report that to the Company’s Audit & Supervisory Board Members.
- 4) The results of audits conducted by subsidiaries’ Audit & Supervisory Board Members shall also be reported to the Company’s Audit & Supervisory Board.
- 5) The results of internal control evaluations and internal audits conducted by the Company’s Internal Control Department are also reported to the Company’s Audit & Supervisory Board.
- 6) The results of special audits by the Company, such as of facilities, safety, environment and quality assurance, are also reported to the Company’s Audit & Supervisory Board.
- 7) Any information obtained through the Compliance Hotline is reported immediately to Audit & Supervisory Board Members of the Company.

- 8) Documents for taking over the duties of outgoing Division Executives of the Company and the presidents of its subsidiaries are submitted to the Audit & Supervisory Board of the Company.
- 9) All approval documents of the Company and its subsidiaries are returned to their respective Audit & Supervisory Board Members.

(Status of operation of said systems)

- Audit & Supervisory Board Members of the Company attend the meetings of the Board of Directors and other important meetings, including the Group Management Meetings and the Credit Management Committee meetings, and state their opinions as appropriate.
- Audit & Supervisory Board Members and the Internal Control Department of the Company report to each other information including audit results as they conduct audits, while Audit & Supervisory Board Members and dedicated audit staff at the Group's main operating companies report their audit results to the Audit & Supervisory Board Members and the Internal Control Department of the Company, whereby enhancing mutual collaboration.
- Audit & Supervisory Board Members of the Company held two meetings of the Audit & Supervisory Board Members' Liaison Committee of the Nisshin Seifun Group during the fiscal year under review, as attended by the Audit & Supervisory Board Members of the Group's main operating companies and the Internal Control Department, exchanging opinions on audit cases in an effort to share awareness of the issues to be addressed and enhance audit quality across the Group.

- [8] Systems for ensuring that individuals reporting to the Company's Audit & Supervisory Board Members will not be treated disadvantageously for such reporting

Individuals reporting any of the previously addressed items, including those reporting via the Compliance Hotline, will not be treated disadvantageously, through personnel systems or in any other way, for such reporting.

(Status of operation of said systems)

The Compliance Hotline Rules stipulate a provision to the effect that individuals who used the Compliance Hotline for the purpose of whistle-blowing shall not be treated disadvantageously, and such provision is posted on the Company's Intranet and communicated across the board.

- [9] Provisions regarding policies guiding procedures for the prepayment or reimbursement of expenses incurred by the Company's Audit & Supervisory Board Members in the execution of their duties and other expenses incurred in the execution of such duties or related obligations

Anticipated expenses incurred by the Audit & Supervisory Board Members in the execution of their duties are budgeted; expenses incurred or related obligations beyond the budget, excluding such expenses deemed unnecessary for execution of the duties of the Audit & Supervisory Board Members, shall be dealt with immediately by the Company pursuant to Article 388 of the Companies Act.

(Status of operation of said systems)

Anticipated expenses incurred by the Audit & Supervisory Board Members of the Company in the execution of their duties are budgeted, and expenses incurred beyond the budget are dealt with immediately by the Company pursuant to Article 388 of the Companies Act.

- [10] Other systems for ensuring that the audits of Audit & Supervisory Board Members of the Company are conducted efficiently

Audit & Supervisory Board Members 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 Audit & Supervisory Board Members and other important audit issues.

(Status of operation of said systems)

Audit & Supervisory Board Members of the Company hold regular meetings with representative director and exchange opinions on important audit issues, etc.

## **(2) 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 and reliable food on a continuous basis. To secure and improve 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 Acquisition Proposal on the Company's shareholders, the management of the Nisshin Seifun Group and all of the Group's stakeholders; the purchaser's views regarding corporate social responsibility, including the matter of food safety; and that a reasonable time-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 improving 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 employees' 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 business partners/customers 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 using a gratis allotment of subscription rights to shares (hereinafter "the Plan"), in line with Article 49 of its Articles of Incorporation and the "Renewal of the Resolution to Approve Gratis Allotment of Subscription Rights to Shares for Securing and Improving Corporate Value of the Company and the Common Interests of the Shareholders," which was approved by the 171<sup>st</sup> Ordinary General Meeting of Shareholders held on June 25, 2015 with the aim of securing and improving the corporate value of the Company and the common interests of the shareholders. The outline of the Plan is as follows.

- 1) The Board of Directors shall ask any party who attempts a Specified Acquisition to present a written Acquisition Proposal to ask for a resolution of the Board of Directors not to take countermeasures including the gratis allotment of the subscription rights to shares defined in 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. In the interests of prompt implementation of the Plan, the Board of Directors may establish a reply period and request the provision of additional information in respect to any parties making a proposal to acquire shares of the Company. Even in this case, the reply period shall be set with an upper limit of within 60 business days starting from the day on which the provision of information was requested of the Proposed Acquirer by the Board of Directors and the Corporate Value Committee shall commence its deliberation and discussion upon the expiry of such reply period.  
"Specified Acquisition" means i) an act of purchasing the Company's share certificates, etc., that would result in the holding 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 holding 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 Acquisition Proposal, the financial means of the Proposed Acquirer, possible influences on the Company's stakeholders and information related to Items 4) A) through G) below 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 the Outside Directors and the Outside Audit & Supervisory Board Members of the Company.
- 3) The Corporate Value Committee deliberates the Acquisition Proposal and discusses whether to issue a resolution to recommend that the Board of Directors make the Confirmation Resolution regarding the Acquisition Proposal (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) upon the receipt of the Acquisition Proposal by the Board of Directors. However, this period can be extended up to 30 business days for a reasonable reason, and in that case, such reason and the expected period of extension 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. It should be noted that the Corporate Value Committee must issue a Recommendation Resolution with regard to any Acquisition Proposal that meets the requirements of Items A) through G) below, and furthermore, shall issue a Recommendation Resolution with regard to any Acquisition Proposal that, although not meeting all said requirements, is deemed suitable with a view to securing and improving corporate value and the common interests of the shareholders.
- A) 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 or customers and employees.
- B) The scheme and content, etc., of the deal proposed by the Acquisition Proposal comply with the relevant laws and regulations.
- C) 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.
- D) 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.
- E) 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 Japanese currency as compensation and set no upper limit to the number of shares to be purchased, or a longer period of days up to a maximum of 30 business days if required for reasonable reasons—is secured.
- F) The conditions of the acquisition proposed by the Acquisition Proposal are not insufficient or inappropriate with a view to the corporate value of the Company and the common interests of the shareholders.
- G) 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. If the Corporate Value Committee issues the Recommendation Resolution, the Board of Directors must make the Confirmation Resolution promptly, unless there are particular reasons that are obviously against the director's duty of care. Countermeasures, such as the gratis allotment of Subscription Rights to Shares, cannot be implemented against the Acquisition Proposal for which the Confirmation Resolution is made.
- 6) In the event that a 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 announce its appearance, issue a resolution that determines the necessary conditions for effecting a gratis allotment of Subscription Rights to Shares, including the record and effective dates for such allotment, and execute the gratis allotment of Subscription Rights to Shares. "Subscription Rights to Shares" is defined as the subscription rights to



shares whose exercise is restricted for the Specified Acquirer and its related parties, which are collectively defined as the Specified Acquirer.

If 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 3 business days prior to the record date for the gratis allotment, the Board of Directors can defer effecting a gratis allotment of Subscription Rights to Shares.

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

[4] Judgment of the Board of Directors and its reasons

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

- 1) The Plan received prior approval of the shareholders at the 171<sup>st</sup> Ordinary General Meeting of Shareholders on June 25, 2015, pursuant to the provision of Article 49 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, a 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, shall deliberate 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 a Confirmation Resolution upon receipt of a Recommendation Resolution to that effect from the Corporate Value Committee, unless there are particular reasons that are clearly against the directors' duty of care.
- 4) To enhance the objectivity of judgment relating to the Plan, 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) A) through G) 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 171<sup>st</sup> Ordinary General Meeting of Shareholders, the validity of its approval resolution 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 subscription rights to shares, etc.) and rationality (to gain the understanding of shareholders, investors and other stakeholders) specified in the "Securing and/or Improving Corporate Value and Common Interests of Shareholders: Takeover Defense Guidelines" released on May 27, 2005, by the Ministry of Economy, Trade and Industry and the Ministry of Justice. Moreover, the Plan is in accordance with the recommendations of the June 30, 2008 report of the Ministry of Economy, Trade and Industry's Corporate Value Study Group entitled "Takeover Defense Measures in Light of Recent Environmental Changes."

### **(3) Policy on Dividends from Surplus**

The Company aims to meet the expectations of shareholders to distribute profits, taking into consideration the current and future profitability of its business and financial position, by undertaking the continuous payment of dividends based on a targeted payout ratio of at least 40% on a consolidated basis (increased from the previous dividend payout ratio of at least 30% from the fiscal year under review).

As a further return of profits to shareholders, the Company plans to pay a full-year dividend of ¥24 per share, an increase of ¥2 from the previous fiscal year. Accordingly, the Company will submit to the Ordinary General Meeting of Shareholders a proposal for the distribution of surplus to pay a year-end dividend of ¥12 per share. There was no adjustment made to the dividend per share following the stock splits conducted during the two previous fiscal years, and there was an actual increase in the total dividends paid. In addition, the year-end dividend was also increased in the previous fiscal year, resulting in a projected increase in dividends for a third consecutive term.

With the aim of raising future corporate value, the Company allocates retained earnings for aggressive strategic investment in priority fields that offer the potential for growth and expansion outlined under its new medium-term management plan, “NNI-120 II.” The Company will also adopt a more aggressive posture on dividends, and conduct the purchase of treasury stock and other shareholder return-related measures flexibly by taking into account demand for funds for strategic investments and other uses.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
<b>(ASSETS)</b>		<b>(LIABILITIES)</b>	
<b>Current assets</b>	<b>233,398</b>	<b>Current liabilities</b>	<b>106,802</b>
Cash and deposits	61,665	Notes and accounts payable – trade	51,348
Notes and accounts receivable – trade	72,871	Short-term loans payable	15,219
Short-term investment securities	13,790	Income taxes payable	5,227
Inventories	72,038	Accrued expenses	18,534
Deferred tax assets	5,127	Other	16,472
Other	8,115	<b>Noncurrent liabilities</b>	<b>57,017</b>
Allowance for doubtful accounts	(210)	Long-term loans payable	4,386
<b>Noncurrent assets</b>	<b>316,907</b>	Deferred tax liabilities	22,621
<b>Property, plant and equipment</b>	<b>151,339</b>	Provision for repairs	1,480
Buildings and structures, net	56,657	Net defined benefit liability	21,892
Machinery, equipment and vehicles, net	43,079	Long-term deposits received	5,385
Land	42,152	Other	1,250
Construction in progress	5,222	<b>Total liabilities</b>	<b>163,820</b>
Other, net	4,227	<b>(NET ASSETS)</b>	
<b>Intangible assets</b>	<b>18,489</b>	<b>Shareholders' equity</b>	<b>308,987</b>
Goodwill	8,610	<b>Capital stock</b>	<b>17,117</b>
Other	9,879	<b>Capital surplus</b>	<b>12,834</b>
<b>Investments and other assets</b>	<b>147,077</b>	<b>Retained earnings</b>	<b>281,324</b>
Investment securities	140,347	<b>Treasury stock</b>	<b>(2,289)</b>
Net defined benefit asset	214	<b>Accumulated other comprehensive income</b>	<b>64,387</b>
Deferred tax assets	3,841	<b>Valuation difference on available-for-sale securities</b>	<b>55,974</b>
Other	2,798	<b>Deferred gains or losses on hedges</b>	<b>(301)</b>
Allowance for doubtful accounts	(124)	<b>Foreign currency translation adjustment</b>	<b>9,859</b>
		<b>Remeasurements of defined benefit plans</b>	<b>(1,144)</b>
		<b>Subscription rights to shares</b>	<b>147</b>
		<b>Non-controlling interests</b>	<b>12,962</b>
		<b>Total net assets</b>	<b>386,485</b>
<b>Total assets</b>	<b>550,305</b>	<b>Total liabilities and net assets</b>	<b>550,305</b>

## Consolidated Statement of Income

(For the Year Ended March 31, 2016)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		556,701
<b>Cost of sales</b>		402,218
<b>Gross profit</b>		<b>154,483</b>
<b>Selling, general and administrative expenses</b>		130,713
<b>Operating income</b>		<b>23,769</b>
<b>Non-operating income</b>		
Interest income	201	
Dividends income	2,303	
Equity in earnings of affiliates	1,446	
Rent income	308	
Other	355	4,615
<b>Non-operating expenses</b>		
Interest expenses	172	
Other	113	285
<b>Ordinary income</b>		<b>28,099</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	113	
Gain on sales of investment securities	7	121
<b>Extraordinary losses</b>		
Loss on retirement of noncurrent assets	757	757
<b>Profit before income taxes</b>		<b>27,462</b>
<b>Income taxes – current</b>	<b>8,496</b>	
<b>Income taxes – deferred</b>	<b>534</b>	<b>9,031</b>
<b>Profit</b>		<b>18,431</b>
<b>Profit attributable to non-controlling interests</b>		<b>869</b>
<b>Profit attributable to owners of parent</b>		<b>17,561</b>

**NON-CONSOLIDATED FINANCIAL STATEMENTS**

**Non-consolidated Balance Sheet**

(As of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
<b>(ASSETS)</b>		<b>(LIABILITIES)</b>	
<b>Current assets</b>	<b>33,071</b>	<b>Current liabilities</b>	<b>8,557</b>
Cash and deposits	24,201	Lease obligations	197
Accounts receivable – trade	235	Accounts payable – other	207
Short-term investment securities	6,000	Accrued expenses	1,561
Prepaid expenses	174	Deposits received	6,465
Deferred tax assets	423	Provision for directors' bonuses	81
Income taxes receivable	1,557	Other	44
Other	479	<b>Noncurrent liabilities</b>	<b>22,533</b>
<b>Noncurrent assets</b>	<b>277,600</b>	Lease obligations	450
<b>Property, plant and equipment</b>	<b>24,066</b>	Deferred tax liabilities	18,230
Buildings	6,587	Provision for retirement benefits	3,780
Structures	560	Other	70
Machinery and equipment	509	<b>Total liabilities</b>	<b>31,090</b>
Vehicles	7	<b>(NET ASSETS)</b>	
Tools, furniture and fixtures	371	<b>Shareholders' equity</b>	<b>238,953</b>
Land	15,227	<b>Capital stock</b>	<b>17,117</b>
Lease assets	674	<b>Capital surplus</b>	<b>9,705</b>
Construction in progress	127	Legal capital surplus	9,500
<b>Intangible assets</b>	<b>682</b>	Other capital surplus	205
Leasehold right	398	<b>Retained earnings</b>	<b>214,412</b>
Software	75	Legal retained earnings	4,379
Lease assets	148	Other retained earnings	210,032
Other	59	Reserve for dividends	2,000
<b>Investments and other assets</b>	<b>252,851</b>	Reserve for advanced depreciation of noncurrent assets	2,197
Investment securities	79,441	Reserve for special account for advanced depreciation of noncurrent assets	16
Stocks of subsidiaries and affiliates	132,364	General reserve	170,770
Investments in capital	317	Retained earnings brought forward	35,048
Investments in capital of subsidiaries and affiliates	666	<b>Treasury stock</b>	<b>(2,281)</b>
Long-term loans receivable from subsidiaries and affiliates	39,652	<b>Valuation and translation adjustments</b>	<b>40,481</b>
Other	435	<b>Valuation difference on available-for-sale securities</b>	<b>40,481</b>
Allowance for doubtful accounts	(25)	<b>Subscription rights to shares</b>	<b>147</b>
		<b>Total net assets</b>	<b>279,581</b>
<b>Total assets</b>	<b>310,672</b>	<b>Total liabilities and net assets</b>	<b>310,672</b>

**Non-consolidated Statement of Income**

(For the Year Ended March 31, 2016)

(Millions of yen)

Item	Amount	
<b>Operating revenue</b>		18,924
<b>Operating expenses</b>		12,416
<b>Operating income</b>		<b>6,508</b>
<b>Non-operating income</b>		
Interest income	488	
Dividends income	1,380	
Other	64	1,933
<b>Non-operating expenses</b>		
Interest expenses	11	
Other	27	39
<b>Ordinary income</b>		<b>8,402</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	30	30
<b>Extraordinary losses</b>		
Loss on retirement of noncurrent assets	83	83
<b>Profit before income taxes</b>		<b>8,349</b>
<b>Income taxes – current</b>	<b>161</b>	
<b>Income taxes – deferred</b>	<b>32</b>	<b>194</b>
<b>Profit</b>		<b>8,154</b>

## **Reference Documents**

### **for the General Meeting of Shareholders**

#### **Proposals and References**

##### **Proposal No.1: Dividends from Surplus**

Regarding dividends from the Company's surplus, the Company wishes to meet shareholders' expectations with continuous dividends based on a dividend payout ratio of at least 40% (increased from the previous dividend payout ratio of at least 30% from the fiscal year under review) on a consolidated basis, while taking into account its current and future earnings status and financial position.

The Company proposes the year-end dividend from the surplus for the fiscal year under review as detailed below. This will result in the annual dividend, consisting of the interim and year-end dividends, of ¥24 per share for the fiscal year under review, an increase of ¥2 from the previous fiscal year.

The Company conducted stock splits in the previous fiscal year and the fiscal year before, but did not correspondingly adjust the dividend per share, resulting in an actual increase in dividends. In addition, the Company increased the year-end dividend for the previous fiscal year. Accordingly, the Company will have achieved an increase in dividends for three consecutive fiscal years if this proposal is approved.

- (1) Type of dividend  
Cash
- (2) Matters related to the allocation of dividend and total amount thereof  
¥12 per share of the Company's common stock  
Total amount of dividends: ¥3,621,178,500
- (3) Effective date of dividend payment  
June 29, 2016

## Proposal No.2: Amendment of Parts of the Articles of Incorporation

### 1. Reason for the Amendment

Following the enforcement on May 1, 2015 of the “Act Partially Amending the Companies Act” (Act No. 90 of 2014) that revised the scope of persons with whom the Company may conclude a liability limitation agreement, partial amendments shall be made to Article 30, Paragraph 2 and Article 40, Paragraph 2 of the current Articles of Incorporation so that the Company may conclude a liability limitation agreement with Directors not engaged in execution of business operations and Audit & Supervisory Board Members, including those who are not Outside Audit & Supervisory Board Members. Furthermore, we have received consent from all Audit & Supervisory Board Members concerning the submission of the proposal for the amendments to Article 30, Paragraph 2 of the current Articles of Incorporation to this Ordinary General Meeting of Shareholders.

### 2. Details of the Amendment

The relevant current article and the proposed amendment are described below.

(Underline indicates changes.)

Current Article	Proposed Amendment
<p>(Exemption from Liabilities of Directors) Article 30</p> <p>30.1 Pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt a Director (including a person who was formerly a Director) from their liability for damages set forth in Article 423, paragraph 1 of the Companies Act, to the extent legally allowed.</p> <p>30.2 Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>an Outside Director</u> which limits their liability for damages set forth in Article 423, paragraph 1 of the Companies Act; provided, however, that the maximum amount of liability for damages under such agreement shall be as prescribed by laws and regulations.</p>	<p>(Exemption from Liabilities of Directors) Article 30</p> <p>30.1 Pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt a Director (including a person who was formerly a Director) from their liability for damages set forth in Article 423, paragraph 1 of the Companies Act, to the extent legally allowed.</p> <p>30.2 Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>individual Directors (excluding executive Directors, etc.)</u> which limits their liability for damages set forth in Article 423, paragraph 1 of the Companies Act; provided, however, that the maximum amount of liability for damages under such agreement shall be as prescribed by laws and regulations.</p>
<p>(Exemption from Liabilities of Audit &amp; Supervisory Board Members) Article 40</p> <p>40.1 Pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt an Audit &amp; Supervisory Board Member (including a person who was formerly an Audit &amp; Supervisory Board Member) from their liability for damages set forth in Article 423, paragraph 1 of the Companies Act, to the extent legally allowed.</p> <p>40.2 Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>an Outside Audit &amp; Supervisory Board Member</u> which limits their liability for damages set forth in Article 423, paragraph 1 of the Companies Act; provided, however, that the maximum amount of liability for damages under such agreement shall be as prescribed by laws and regulations.</p>	<p>(Exemption from Liabilities of Audit &amp; Supervisory Board Members) Article 40</p> <p>40.1 Pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt an Audit &amp; Supervisory Board Member (including a person who was formerly an Audit &amp; Supervisory Board Member) from their liability for damages set forth in Article 423, paragraph 1 of the Companies Act, to the extent legally allowed.</p> <p>40.2 Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>individual Audit &amp; Supervisory Board Members</u> which limits their liability for damages set forth in Article 423, paragraph 1 of the Companies Act; provided, however, that the maximum amount of liability for damages under such agreement shall be as prescribed by laws and regulations.</p>



### Proposal No.3: Election of Fourteen (14) Directors

At the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of all fourteen (14) Directors will expire. It is proposed that fourteen (14) Directors be elected.

The candidates for Directors are as follows.

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company [Significant Positions Concurrently Held]	Number of the Company's Shares Held
1	Renomination  Hiroshi Oeda (March 12, 1957)	April 1980      Joined the Company June 2009      Director April 2011      Director and President (to the present) April 2012      Director and President, Nisshin Flour Milling Inc. April 2015      Director and Chairman, Nisshin Flour Milling Inc.	79,013 shares
2	Renomination  Kazuo Ikeda (September 14, 1947)	April 1971      Joined the Company June 2004      Director Director and President, Nisshin Foods Inc. June 2009      Managing Director June 2011      Senior Managing Director June 2012      Director and Vice President (to the present) Director and Chairman, Nisshin Foods Inc. October 2012   Director and President, Nisshin Seifun Premix Inc. June 2014      Director, Nisshin Foods Inc. (to the present)	71,162 shares
3	Renomination  Masao Nakagawa (August 17, 1953)	April 1977      Joined the Company June 2008      Executive Officer Senior Managing Director, Nisshin Foods Inc. June 2012      Managing Director and Division Executive (Finance and Accounting Division) June 2015      Senior Managing Director and Division Executive (Finance and Accounting Division) (to the present)	31,581 shares
4	Renomination  Michinori Takizawa (March 27, 1954)	April 1976      Joined the Company June 2012      Director and Division Executive (Corporate Planning Division) June 2013      Managing Director and Division Executive (General Administration Division) June 2015      Senior Managing Director and Division Executive (General Administration Division) (to the present)	25,693 shares
5	Renomination  Takashi Harada (February 9, 1957)	April 1979      Joined the Company June 2010      Director and Division Executive (R&D and Quality Assurance Division) June 2015      Managing Director and Division Executive (R&D and Quality Assurance Division) January 2016   Managing Director, Division Executive (R&D and Quality Assurance Division) and General Manager (R&D Promotion Department) (to the present)	20,570 shares
6	Renomination  Akira Mori (December 16, 1956)	April 1979      Joined the Company June 2013      Director and Division Executive (Corporate Planning Division) June 2015      Managing Director and Division Executive (Corporate Planning Division) (to the present)	15,730 shares

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company [Significant Positions Concurrently Held]	Number of the Company's Shares Held
7	Renomination  Koichi Iwasaki (September 12, 1956)	April 1980      Joined the Company June 2007      Director, Nisshin Foods Inc. June 2010      Executive Officer Managing Director, Nisshin Foods Inc. June 2012      Director Director and President, Nisshin Foods Inc. (to the present) June 2014      Managing Director (to the present) [Director and President (Representative Director), Nisshin Foods Inc.]	32,670 shares
8	Renomination  Nobuki Kemmoku (February 13, 1961)	April 1984      Joined the Company June 2005      Director, Nisshin Flour Milling Inc. June 2008      General Manager (Accounting Department of Finance and Accounting Division) September 2011   Managing Director, Nisshin Flour Milling Inc. June 2012      Executive Officer June 2013      Director Senior Managing Director, Nisshin Flour Milling Inc. April 2015      Director and President, Nisshin Flour Milling Inc. (to the present) June 2015      Managing Director (to the present) [Director and President (Representative Director), Nisshin Flour Milling Inc.]	24,805 shares
9	Renomination  Satoshi Odaka (November 18, 1958)	April 1983      Joined the Company April 2012      Director and Division Executive (Production Division), Nisshin Flour Milling Inc. June 2012      Executive Officer June 2015      Director and Division Executive (Technology and Engineering Division) (to the present)	12,221 shares
10	Renomination  Masashi Nakagawa (February 19, 1955)	April 1978      Joined Oriental Yeast Co., Ltd. June 2003      Director and General Manager (Life Science Department of Bio Business Division), Oriental Yeast Co., Ltd. June 2005      Director and Division Executive (Bio Business Division), Oriental Yeast Co., Ltd. June 2007      Managing Director and Division Executive (Food Business Division), Oriental Yeast Co., Ltd. June 2009      Managing Director (In charge of Operations & Planning Division), Oriental Yeast Co., Ltd. June 2011      Director and President, Oriental Yeast Co., Ltd. (to the present) June 2012      Director (to the present) [Director and President (Representative Director), Oriental Yeast Co., Ltd.]	25,410 shares

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company [Significant Positions Concurrently Held]	Number of the Company's Shares Held
11	Renomination  Takao Yamada (September 27, 1960)	<p>April 1983      Joined the Company</p> <p>June 2011      Director and General Manager (Tokyo Sales Department), Nisshin Flour Milling Inc.</p> <p>June 2012      Executive Officer</p> <p>June 2013      Director (to the present)</p> <p>                    Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc.</p> <p>April 2015      Senior Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc. (to the present)</p> <p>[Senior Managing Director, Nisshin Flour Milling Inc.]</p>	15,246 shares
12	Renomination  Kiyoshi Sato (August 19, 1956)	<p>April 1979      Joined the Company</p> <p>June 2008      Director and General Manager (Business Development Department), Nisshin Pharma Inc.</p> <p>February 2010   Director, Division Executive (Research and Development Division) and General Manager (Business Development Department), Nisshin Pharma Inc.</p> <p>June 2014      Director (to the present)</p> <p>                    Director and President, Nisshin Pharma Inc. (to the present)</p> <p>[Director and President (Representative Director), Nisshin Pharma Inc.]</p>	19,360 shares
13	Renomination Outside Director Independent Director  Akio Mimura (November 2, 1940)	<p>April 1963      Joined Fuji Iron &amp; Steel Co., Ltd.</p> <p>June 1993      Director, Nippon Steel Corporation (NSC)</p> <p>April 1997      Managing Director, NSC</p> <p>April 2000      Representative Director and Executive Vice President, NSC</p> <p>April 2003      Representative Director and President, NSC</p> <p>June 2006      Audit &amp; Supervisory Board Member</p> <p>April 2008      Representative Director and Chairman, NSC</p> <p>June 2009      Director (to the present)</p> <p>October 2012   Director and Senior Advisor, Nippon Steel &amp; Sumitomo Metal Corporation</p> <p>June 2013      Senior Advisor, Nippon Steel &amp; Sumitomo Metal Corporation</p> <p>November 2013 Senior Advisor and Honorary Chairman, Nippon Steel &amp; Sumitomo Metal Corporation (to the present)</p> <p>[Senior Advisor and Honorary Chairman, Nippon Steel &amp; Sumitomo Metal Corporation]</p> <p>[Chairman, The Japan Chamber of Commerce and Industry]</p> <p>[Chairman, The Tokyo Chamber of Commerce and Industry]</p> <p>[Outside Director, Development Bank of Japan Inc.]</p> <p>[Outside Director, Innovation Network Corporation of Japan]</p> <p>[Outside Director, Tokio Marine Holdings, Inc.]</p> <p>[Outside Director, Japan Post Holdings Co., Ltd.]</p>	26,620 shares

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company [Significant Positions Concurrently Held]	Number of the Company's Shares Held
14	Renomination Outside Director Independent Director  Kazuhiko Fushiya (January 26, 1944)	<p>April 1967      Joined the Ministry of Finance (MOF)</p> <p>July 1996      Director-General of the Financial Bureau, MOF</p> <p>June 1998      Director-General of the Financial Planning Bureau, MOF</p> <p>July 1999      Commissioner, National Tax Agency</p> <p>July 2001      Deputy Governor, National Life Finance Corporation</p> <p>July 2002      Assistant Chief Cabinet Secretary</p> <p>January 2006   Commissioner, Board of Audit of Japan</p> <p>February 2008   Commissioner (President), Board of Audit of Japan</p> <p>January 2009   Retired</p> <p>June 2009      Audit &amp; Supervisory Board Member</p> <p>June 2015      Director (to the present) [Chairman, The Institute of Internal Auditors - Japan]</p>	0 shares

Notes: 1. No actual conflict of interest exists between the Company and any of the above candidates.

2. Information on candidates for Outside Director

- (1) Both Mr. Akio Mimura and Mr. Kazuhiko Fushiya are candidates for Outside Directors. The Company selects them as Independent Directors due to them both satisfying the “Independent Standards of Outside Directors and Audit & Supervisory Board Members,” which are stipulated by the Company based on the requirements for independent directors/audit & supervisory board members set forth by the Tokyo Stock Exchange (and posted on the Company’s website (<http://www.nisshin.com/ir/vision/governance/independence.pdf>)) and has provided the necessary notification thereto.
- (2) Concerning Mr. Akio Mimura, we ask for his reelection as an Outside Director since we have been obtaining his advice and counsel for the operations and execution of the Company made possible by his rich experience and a wide range of knowledge as a corporate manager.
- (3) Concerning Mr. Kazuhiko Fushiya, we ask for his reelection as an Outside Director since we have been obtaining his advice and counsel for the operations and execution of the Company made possible by his rich experience and professional knowledge as he has successively held important positions at the Ministry of Finance and other governmental organizations. Although he has no experience in participating directly in corporate management, except by serving as an Outside Director or Outside Audit & Supervisory Board Member, we believe, for the aforementioned reasons, that he can adequately fulfill the duties of an Outside Director.
- (4) Mr. Akio Mimura is currently an Outside Director for the Company, whose term in office will be about seven years at the time of the conclusion of this Ordinary General Meeting of Shareholders. Furthermore, he was an Outside Audit & Supervisory Board Member for the Company before his appointment as an Outside Director and so has been with the Company for about ten years since his appointment as an Outside Audit & Supervisory Board Member.
- (5) Mr. Kazuhiko Fushiya is currently an Outside Director for the Company, whose term in office will be about one year at the time of the conclusion of this Ordinary General Meeting of Shareholders. Furthermore, he was an Outside Audit & Supervisory Board Member for the Company before his appointment as an Outside Director and so has been with the Company for about seven years since his appointment as an Outside Audit & Supervisory Board Member.
- (6) Under the provision of Article 427, Paragraph 1 of the Companies Act, the Company has concluded a liability limitation agreement with both Mr. Akio Mimura and Mr. Kazuhiko Fushiya which limits the amount of liability for damages set forth in Article 423, Paragraph 1 thereof, to the sum of the amount set forth in each item of Article 425, Paragraph 1 thereof, provided that their duties are performed in good faith and without gross negligence on their part.

#### **Proposal No.4: Determination of Amount and Nature of Remuneration of Directors in the Form of Stock Options**

For the purpose of further promoting shareholder-value-oriented management, shareholders are requested to approve the allotment of subscription rights to shares to Directors of the Company as remuneration in the form of stock options capped at 45 million yen in annual amount (including the Outside Directors' portion amounting to 4.1 million yen). The amount of remuneration, etc. concerning subscription rights to shares will be calculated by multiplying the fair value of each subscription right to shares computed based on the Black-Scholes model by the number of subscription rights to shares allotted to Directors.

The aforementioned capped amount will be separate from the amount of remuneration of Directors approved at the 162<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 28, 2006.

The approval of Proposal No.3 in its original form will result in the number of Directors subject to the Proposal being 14 (including 2 Outside Directors).

The details of the subscription rights to shares allotted as stock options are as follows.

##### 1. Number of subscription rights to shares

The maximum number shall be 111 units. (The number of shares per unit of stock options shall be 1,000 shares of common stock of the Company. If the number of shares has been adjusted as set forth in 2 (1), similar adjustments shall be made.)

##### 2. Nature of subscription rights to shares

###### (1) Number of shares to be issued or transferred upon exercise of subscription rights to shares

The maximum number of shares shall be 111,000 shares of common stock of the Company.

If stock split (including gratis allotment, hereinafter the same) or stock consolidation is performed by the Company after the day on which subscription rights to shares are allotted (hereinafter referred to as "allotment date"), the number of shares to be issued or transferred shall be adjusted according to the following formula. However, the said adjustment shall be made only with respect to the number of shares to be issued or transferred for which subscription rights to shares have not yet been exercised at that point in time, and any fractional shares arising as a result of the adjustment shall be rounded off.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Stock split or consolidation ratio}$$

Furthermore, in the event of unavoidable circumstances in which the number of shares to be issued or transferred upon the exercise of subscription rights to shares needs to be adjusted such as in cases where the Company undergoes a merger (excluding cases in which the Company ceases to exist as a result of the merger) or becomes a wholly-owning parent company through a share exchange after the allotment date, the number of shares to be issued or transferred upon the exercise of subscription rights to shares may be adjusted within reasonable bounds.

###### (2) Valuation method of assets invested upon exercise of subscription rights to shares

The value of assets invested upon exercise of each subscription right to shares shall be obtained by multiplying the amount to be paid per share determined as follows (hereinafter referred to as "exercise price") by the number of shares to be issued or transferred upon the exercise of each subscription right to shares set forth in 1.

The exercise price shall be equal to 1.025 times the average closing price of the Company's shares on the Tokyo Stock Exchange in regular trading on each day (excluding days on which no trading takes place) of the month preceding the month in which the allotment date falls, with fractional amounts less than one yen being rounded up to the nearest yen.

However, if the amount resulting from the calculation above is less than the closing price of the Company's shares on the Tokyo Stock Exchange in regular trading on the allotment date (if no trading takes place, then the most recent date on which trading took place), the said closing price shall be the exercise price.

If the Company performs a stock split or consolidation after the allotment date, the exercise price shall be adjusted in accordance with the following formula, and fractional amounts less than one yen resulting from the adjustment shall be rounded up to the nearest yen.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Stock split or consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury stock disposal below the market price (excluding any share issuance or treasury stock disposal associated with the exercise of subscription rights to shares) after the allotment date, the exercise price shall be adjusted in accordance with the following formula, and fractional amounts less than one yen resulting from the adjustment shall be rounded up to the nearest yen.

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

In the above formula, “Number of shares already issued” shall be equal to the total number of the Company’s shares issued and outstanding, less the total number of shares of treasury stock owned by the Company. In the case of disposal of treasury stock, “Number of newly issued shares” shall be read as “Number of shares of treasury stock to be disposed,” “Amount to be paid per share” as “Disposal value per share,” and “Share price before new issuance” as “Share price before disposal.”

Furthermore, in the event of unavoidable circumstances in which the exercise price needs to be adjusted such as in cases where the Company undergoes a merger (excluding cases in which the Company ceases to exist as a result of the merger) or becomes a wholly-owning parent company through a share exchange after the allotment date, the exercise price may be adjusted within reasonable bounds.

(3) Exercise period of subscription rights to shares

Period commencing two years after the allotment date and ending August 1, 2023.

(4) Increase in capital stock and legal capital surplus if shares are issued upon exercise of subscription rights to shares

In cases where shares are issued upon the exercise of subscription rights to shares, one-half of the maximum limit for the increase in capital stock, etc. calculated under the provision of Article 17, Paragraph 1 of the Corporate Accounting Rules (fractional amounts less than one yen resulting from the calculation, if any, shall be rounded up to the nearest yen) shall be declared as capital stock and the remainder shall be declared as legal capital surplus.

(5) Restrictions on acquisition of subscription rights to shares by transfer

Acquisition of subscription rights to shares by transfer shall require the approval of the Board of Directors.

(6) Reasons for acquisition of subscription rights to shares

If a proposal for the approval of a merger agreement under which the Company ceases to exist, a proposal for the approval of a share exchange agreement under which the Company becomes a wholly-owned subsidiary or a proposal for the approval of a share-transfer plan is approved at the General Meeting of Shareholders, the Company may acquire subscription rights to shares gratis.

(7) Conditions for exercise of subscription rights to shares

- [1] Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the “holders”) shall 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) at the time of the exercise of the subscription rights to shares. However, the holders who 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) may exercise the rights up until two years after stepping aside or two years after the commencement of the exercise period of subscription rights to shares, whichever is later.
- [2] In the event of the death of the holder, the heir of the holder shall be allowed to inherit the subscription rights to shares and exercise the rights under the same terms and conditions as the holder provided that he/she finalizes the inheritance of the rights within ten months of the death of the holder and completes the procedures to change the holder with the Company within the said period. However, inheritance of the subscription rights to shares from the new holder shall not be permitted.
- [3] Subscription rights to shares may not be transferred, securitized or otherwise disposed of under any circumstances.
- [4] Where a holder is dismissed from the position of Director or Executive Officer or voluntarily resigns (except for reasons of illness or disability), receives a criminal sanction no less than imprisonment, or takes office as a director or advisor of a competitor, or under certain other circumstances, the exercise of the subscription rights to shares may be deemed inappropriate considering the purpose of the granting of rights, and in such case said rights will be forfeited immediately.

(8) Treatment of subscription rights to shares upon reorganization

If the issuance of subscription rights to shares of the company set forth below is stipulated in an agreement or plan, etc. made upon reorganization, the subscription rights to shares of the company set forth below shall be issued according to the ratio at which the companies involved are reorganized.

- [1] Merger (limited to cases in which the Company ceases to exist)  
Joint-stock corporation (*Kabushiki-kaisha*) surviving after the merger or Joint-stock corporation (*Kabushiki-kaisha*) established as a result of the merger
- [2] Absorption-type demerger (*kyushu-bunkatsu*)  
Joint-stock corporation (*Kabushiki-kaisha*) inheriting all or some of the Company’s rights and obligations concerning its business
- [3] Incorporation-type demerger (*shinsetsu-bunkatsu*)  
Joint-stock corporation (*Kabushiki-kaisha*) founded as a result of incorporation-type demerger (*shinsetsu-bunkatsu*).
- [4] Share exchange  
Joint-stock corporation (*Kabushiki-kaisha*) acquiring all of the Company’s issued shares
- [5] Share transfer  
Joint-stock corporation (*Kabushiki-kaisha*) established through a share transfer

3. Payment of money in exchange for subscription rights to shares

No payment of money in exchange for subscription rights to shares shall be required.

4. Other matters

Other matters relating to subscription rights to shares shall be determined by resolution of the Board of Directors.

## **Proposal No.5: Issuance of Subscription Rights to Shares as Stock Options**

Shareholders are asked to give approval for entrusting the Board of Directors of the Company with the task of determining the terms of offering subscription rights to shares granted as stock options upon especially favorable terms to Executive Officers of the Company and some Directors of its consolidated subsidiaries (excluding overseas subsidiaries) under the provisions of Articles 236, 238 and 239 of the Companies Act.

### 1. Reason for need to invite subscribers to subscription rights to shares under especially favorable conditions

The Company intends to grant subscription rights to shares as stock options to its Executive Officers and some Directors of its consolidated subsidiaries (excluding overseas subsidiaries), without contribution, with the aim of motivating them and raising their morale to improve the Company's business performance on a consolidated basis and further promoting shareholder-value-oriented management.

### 2. The nature and the maximum number of subscription rights to shares and other such terms of the offer that may be determined based on entrustment to the Board of Directors subject to the resolution of the General Meeting of Shareholders are as follows.

#### (1) The maximum number of subscription rights to shares

The maximum number shall be 228 units. (The number of shares per unit of stock options shall be 1,000 shares of common stock of the Company. If the number of shares has been adjusted as set forth in (2) [1], similar adjustments shall be made.)

#### (2) Nature of subscription rights to shares

##### [1] Number of shares to be issued or transferred upon exercise of subscription rights to shares

The maximum number of shares shall be 228,000 shares of common stock of the Company.

If stock split (including gratis allotment, hereinafter the same) or stock consolidation is performed by the Company after the day on which subscription rights to shares are allotted (hereinafter referred to as "allotment date"), the number of shares to be issued or transferred shall be adjusted according to the following formula. However, the said adjustment shall be made only with respect to the number of shares to be issued or transferred for which subscription rights to shares have not yet been exercised at that point in time, and any fractional shares arising as a result of the adjustment shall be rounded off.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Stock split or consolidation ratio}$$

Furthermore, in the event of unavoidable circumstances in which the number of shares to be issued or transferred upon the exercise of subscription rights to shares needs to be adjusted such as in cases where the Company undergoes a merger (excluding cases in which the Company ceases to exist as a result of the merger) or becomes a wholly-owning parent company through a share exchange after the allotment date, the number of shares to be issued or transferred upon the exercise of subscription rights to shares may be adjusted within reasonable bounds.

##### [2] Valuation method of assets invested upon exercise of subscription rights to shares

The value of assets invested upon exercise of each subscription right to shares shall be obtained by multiplying the amount to be paid per share determined as follows (hereinafter referred to as "exercise price") by the number of shares to be issued or transferred upon the exercise of each subscription right to shares set forth in (1).

The exercise price shall be equal to 1.025 times the average closing price of the Company's shares on the Tokyo Stock Exchange in regular trading on each day (excluding days on which no trading takes place) of the month preceding the month in which the allotment date falls, with fractional amounts less than one yen being rounded up to the nearest yen.

However, if the amount resulting from the calculation above is less than the closing price of the Company's shares on the Tokyo Stock Exchange in regular trading on the allotment date (if no trading takes



place, then the most recent date on which trading took place), the said closing price shall be the exercise price.

If the Company performs a stock split or consolidation after the allotment date, the exercise price shall be adjusted in accordance with the following formula, and fractional amounts less than one yen resulting from the adjustment shall be rounded up to the nearest yen.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Stock split or consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury stock disposal below the market price (excluding any share issuance or treasury stock disposal associated with the exercise of subscription rights to shares) after the allotment date, the exercise price shall be adjusted in accordance with the following formula, and fractional amounts less than one yen resulting from the adjustment shall be rounded up to the nearest yen.

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

In the above formula, “Number of shares already issued” shall be equal to the total number of the Company’s shares issued and outstanding, less the total number of shares of treasury stock owned by the Company. In the case of disposal of treasury stock, “Number of newly issued shares” shall be read as “Number of shares of treasury stock to be disposed,” “Amount to be paid per share” as “Disposal value per share,” and “Share price before new issuance” as “Share price before disposal.”

Furthermore, in the event of unavoidable circumstances in which the exercise price needs to be adjusted such as in cases where the Company undergoes a merger (excluding cases in which the Company ceases to exist as a result of the merger) or becomes a wholly-owning parent company through a share exchange after the allotment date, the exercise price may be adjusted within reasonable bounds.

[3] Exercise period of subscription rights to shares

Period commencing two years after the allotment date and ending August 1, 2023.

[4] Increase in capital stock and legal capital surplus if shares are issued upon exercise of subscription rights to shares

In cases where shares are issued upon the exercise of subscription rights to shares, one-half of the maximum limit for the increase in capital stock, etc. calculated under the provision of Article 17, Paragraph 1 of the Corporate Accounting Rules (fractional amounts less than one yen resulting from the calculation, if any, shall be rounded up to the nearest yen) shall be declared as capital stock and the remainder shall be declared as legal capital surplus.

[5] Restrictions on acquisition of subscription rights to shares by transfer

Acquisition of subscription rights to shares by transfer shall require the approval of the Board of Directors.

[6] Reasons for acquisition of subscription rights to shares

If a proposal for the approval of a merger agreement under which the Company ceases to exist, a proposal for the approval of a share exchange agreement under which the Company becomes a wholly-owned subsidiary or a proposal for the approval of a share-transfer plan is approved at the General Meeting of Shareholders, the Company may acquire subscription rights to shares gratis.

[7] Conditions for exercise of subscription rights to shares

- (A) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the “holders”) shall 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) at the time of the exercise of subscription rights to shares. However, the holders who 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) may exercise the rights up until two years after stepping aside or two years after the commencement of the exercise period of subscription rights to shares, whichever is later.
- (B) In the event of the death of the holder, the heir of the holder shall be allowed to inherit the subscription rights to shares and exercise the rights under the same terms and conditions as the holder provided that he/she finalizes the inheritance of the rights within ten months of the death of the holder and completes the procedures to change the holder with the Company within the said period. However, inheritance of the subscription rights to shares from the new holder shall not be permitted.
- (C) Subscription rights to shares may not be transferred, securitized or otherwise disposed of under any circumstances.
- (D) Where a holder is dismissed from the position of Director or Executive Officer or voluntarily resigns (except for reasons of illness or disability), receives a criminal sanction no less than imprisonment, or takes office as a director or advisor of a competitor, or under certain other circumstances, the exercise of the subscription rights to shares may be deemed inappropriate considering the purpose of the granting of rights, and in such case said rights will be forfeited immediately.

[8] Treatment of subscription rights to shares upon reorganization

If the issuance of subscription rights to shares of the company set forth below is stipulated in an agreement or plan, etc. made upon reorganization, the subscription rights to shares of the company set forth below shall be issued according to the ratio at which the companies involved are reorganized.

- (A) Merger (limited to cases in which the Company ceases to exist)  
Joint-stock corporation (*Kabushiki-kaisha*) surviving after the merger or Joint-stock corporation (*Kabushiki-kaisha*) established as a result of the merger
- (B) Absorption-type demerger (*kyushu-bunkatsu*)  
Joint-stock corporation (*Kabushiki-kaisha*) inheriting all or some of the Company’s rights and obligations concerning its business
- (C) Incorporation-type demerger (*shinsetsu-bunkatsu*)  
Joint-stock corporation (*Kabushiki-kaisha*) founded as a result of incorporation-type demerger (*shinsetsu-bunkatsu*).
- (D) Share exchange  
Joint-stock corporation (*Kabushiki-kaisha*) acquiring all of the Company’s issued shares
- (E) Share transfer  
Joint-stock corporation (*Kabushiki-kaisha*) established through a share transfer

(3) Payment of money in exchange for subscription rights to shares

No payment of money in exchange for subscription rights to shares shall be required.

(4) Other matters

Other matters relating to subscription rights to shares shall be determined by resolution of the Board of Directors.

End