

**MATTERS DISCLOSED ON THE INTERNET
RELATED TO THE
CONVOCATION NOTICE OF
THE 174th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Subscription Rights to Shares

Consolidated Statement of Changes in Net Assets

Notes to the Consolidated Financial Statements

Non-consolidated Statement of Changes in Net Assets

Notes to the Non-consolidated Financial Statements

(from April 1, 2017 to March 31, 2018)

Nisshin Seifun Group Inc.

We provide shareholders with the Subscription Rights to Shares, 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, posted on the Company's website (<https://www.nisshin.com/english/shareholders/meeting.html>), in accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation.

Subscription Rights to Shares

[1] Status of subscription rights to shares as of March 31, 2018

| | Number of subscription rights to shares granted | Class 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 |
|--|---|--|---|--|---|----------------------------------|
| 9-1st subscription rights to shares (Granted on August 18, 2011) | 3 | Common Stock 3,630 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) | 22 | Common Stock 26,620 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) | 7 | Common Stock 8,470 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) | 22 | Common Stock 26,620 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) | 29 | Common Stock 35,090 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) | 61 | Common Stock 73,810 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 |
| 12-1st subscription rights to shares (Granted on August 19, 2014) | 54 | Common Stock 59,400 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) | 142 | Common Stock 156,200 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) | 97 | Common Stock 97,000 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) | 210 | Common Stock 210,000 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 |

| | Number of subscription rights to shares granted | Class 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 |
|--|---|--|---|--|---|----------------------------------|
| 14-1st subscription rights to shares (Granted on August 15, 2016) | 111 | Common Stock 111,000 shares (1,000 shares per subscription right to shares) | Without charge | Directors of the Company | ¥1,753,000 per subscription right to shares | August 16, 2018 – August 1, 2023 |
| 14-2nd subscription rights to shares (Granted on August 15, 2016) | 228 | Common Stock 228,000 shares (1,000 shares per subscription right to shares) | Without charge | Executive Officers of the Company and Directors of its consolidated subsidiaries | ¥1,753,000 per subscription right to shares | August 16, 2018 – August 1, 2023 |

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, 2018

| Segment | Name | Number of subscription rights to shares | Number of persons holding subscription rights to shares |
|---|--------------------------------------|---|---|
| Directors (excluding Outside Directors) | 9-1st subscription rights to shares | 0 | 0 |
| | 10-1st subscription rights to shares | 7 | 2 |
| | 11-1st subscription rights to shares | 19 | 3 |
| | 12-1st subscription rights to shares | 34 | 6 |
| | 13-1st subscription rights to shares | 66 | 9 |
| | 14-1st subscription rights to shares | 71 | 9 |
| Outside Directors | 9-1st subscription rights to shares | 0 | 0 |
| | 10-1st subscription rights to shares | 0 | 0 |
| | 11-1st subscription rights to shares | 0 | 0 |
| | 12-1st subscription rights to shares | 1 | 1 |
| | 13-1st subscription rights to shares | 9 | 2 |
| | 14-1st 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, 2018

There are no applicable matters to be reported.

Consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period | 17,117 | 12,898 | 293,165 | (2,026) | 321,154 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (8,088) | | (8,088) |
| Profit attributable to owners of parent | | | 21,339 | | 21,339 |
| Purchase of treasury shares | | | | (10,164) | (10,164) |
| Disposal of treasury shares | | (3) | | 495 | 491 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 0 | | | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | — | (3) | 13,250 | (9,669) | 3,577 |
| Balance at the end of current period | 17,117 | 12,894 | 306,415 | (11,695) | 324,732 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of current period | 65,475 | 93 | 7,836 | (939) | 72,466 | 175 | 13,009 | 406,805 |
| Changes of items during the period | | | | | | | | |
| Dividends from surplus | | | | | | | | (8,088) |
| Profit attributable to owners of parent | | | | | | | | 21,339 |
| Purchase of treasury shares | | | | | | | | (10,164) |
| Disposal of treasury shares | | | | | | | | 491 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 3,991 | (567) | (1,483) | 138 | 2,079 | 13 | 1,318 | 3,411 |
| Total changes of items during the period | 3,991 | (567) | (1,483) | 138 | 2,079 | 13 | 1,318 | 6,988 |
| Balance at the end of current period | 69,467 | (473) | 6,352 | (800) | 74,546 | 189 | 14,327 | 413,794 |

Notes to the Consolidated Financial Statements

I. Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries: 47 companies

- Names of principal subsidiaries: Nisshin Flour Milling Inc., Miller Milling Company, LLC, Champion Flour Milling Ltd., Nisshin Foods Inc., Nisshin Seifun Premix Inc., Ma•Ma-Macaroni Co., Ltd., Initio Foods Inc., Joyous Foods Co., Ltd., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Petfood Inc., Nisshin Engineering Inc., NBC Meshtec Inc.
- Of the remaining subsidiaries, Nisshin Managerial Technology Center Co., Ltd. and three other companies are not consolidated. The assets, net sales, profit/loss and retained earnings of each non-consolidated subsidiary are small, and the aggregate effect on the consolidated financial statements is immaterial.

(2) Important changes in scope of consolidation

- During the consolidated fiscal year ended March 31, 2018, there was no change in scope of consolidation.

2. Scope of the equity method

(1) Subsidiaries and affiliates accounted for by the equity method: 10 companies (1 non-consolidated subsidiary and 9 affiliates)

- Names of principal subsidiaries and affiliates accounted for by the equity method: Marubeni Nisshin Feed Co., Ltd., Tokatsu Foods Co., Ltd., Japan Logistic Systems Corp.
- The contributions to consolidated profit/loss, consolidated retained earnings and other consolidated financial statements of three non-consolidated subsidiaries and five affiliates not accounted for by the equity method are negligible and immaterial in the aggregate.

(2) The financial statements for the accounting period of the company concerned are used in the cases of those subsidiaries and affiliates accounted for by the equity method whose accounting period differs from the consolidated accounting period.

3. Accounting periods of consolidated subsidiaries

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

| Company name | Year-end |
|---|-------------|
| Rogers Foods Ltd. | January 31 |
| Thai Nisshin Seifun Co., Ltd. and 19 others | December 31 |

4. Accounting principles

(1) Valuation standards and methodology for material assets

[1] Securities:

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

Other securities

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

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

[2] Derivatives:

Derivative financial instruments are stated at fair market value.

[3] Inventories:

Wheat flour and bran are stated at cost, with cost being determined mainly by the retail cost method, with balance sheet values reflecting write-downs for decreased profitability; other products are stated at cost, with cost being determined mainly by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability.

Raw materials are stated at cost, with cost being determined by the first-in, first-out method, and balance sheet values reflecting write-downs for decreased profitability.

- (2) Depreciation methods for material depreciable assets
- [1] Property, plant and equipment (excluding leased assets):
The Company and domestic consolidated subsidiaries mainly apply the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016. Foreign consolidated subsidiaries mainly apply the straight-line method.
- [2] Intangible assets (excluding leased assets):
Depreciation is computed by the straight-line method. Software used in-house is depreciated over its estimated useful life (within five years) based on the straight-line method.
- [3] Leased assets:
Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.
- (3) Basis of material allowances
- Allowance for doubtful accounts:
The Company and domestic consolidated subsidiaries provide for possible credit losses stemming from monetary receivables. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific dubious accounts. Specific receivables are generally deemed irrecoverable in the case of foreign consolidated subsidiaries.
- (4) Accounting treatment of retirement benefits
- Regarding its retirement benefit asset and liability, in order to maintain retirement benefits for employees leaving the Company and already retired pension recipients, the Company subtracts pension plan assets from its projected benefit obligation, based on estimates as of the end of the consolidated fiscal year ended March 31, 2018.
- [1] Imputation method for retirement benefit estimates
In calculating projected benefit obligation, the method for imputing the applicable period until the end of the consolidated fiscal year ended March 31, 2018 for the estimated retirement benefit is determined by the benefit calculation standard.
- [2] Treatment method for actuarial differences and expenses related to prior service cost
Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the fiscal year-end.
Actuarial differences are amortized on a straight-line basis from the following consolidated fiscal year over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the consolidated fiscal year-end.
- (5) Significant hedging transactions
- [1] Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any monetary claims, obligations or similar items denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.
- [2] Hedging methods: Derivative transactions
(including forward exchange contracts and currency purchase put/call options)
Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies
- [3] The Company employs hedging methods only for hedged items purely to manage fluctuations in foreign currency exchange rates.
- [4] Hedging evaluation
Since hedging methods and hedged items of each hedging transaction share the same conditions that apply at the start of hedging activities and throughout subsequent periods, the Company's hedging approach enables exchange rate fluctuations to be offset completely. Hence, the Company considers its hedging method to be highly effective.
- (6) Goodwill amortization and amortization periods
Goodwill is amortized using the straight-line method over a period of mainly 10 years beginning with the day on which it is realized. However, when the amount of goodwill is immaterial, it is amortized in total in the fiscal year it is realized.
- (7) Consumption tax
All accounting transactions are booked exclusive of any national or local consumption taxes.

II. Additional Information

(Stock-based Remuneration Plan)

From the consolidated fiscal year ended March 31, 2018, the Company has introduced a new stock-based remuneration plan (the “Plan”) for the Directors and the Executive Officers of the Company and the Directors of the major subsidiaries of the Company (the “Eligible Directors, etc.”).

For the Company shares vested in the Eligible Directors, etc. under the Plan, transfer and other disposal are prohibited for three years from the time of vesting based on the share vesting rules. The Plan is intended to improve motivation of the Eligible Directors, etc. to contribute to enhanced medium- to long-term corporate value and the awareness of management with an emphasis on the shareholders through the interests of the Eligible Directors, etc. aligned with those of the shareholders.

Accounting treatments concerning the Plan are in compliance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No.30, revised on March 26, 2015).

(1) Outline of transactions

Under the Plan, the Company shares vested in the Eligible Directors, etc. are acquired by a trust established by the Company (the “Trust”) using the money that the Company and the major subsidiaries contribute, and are vested in the Eligible Directors, etc. through the Trust. The Company shares calculated by a specific calculation method and cash for tax purpose, which are determined based on the stock remuneration base amount set out according to the positions and other factors of the Eligible Directors, etc., are vested in and granted to the Eligible Directors, etc. each year.

(2) The Company shares remaining in the trust

The Company shares remaining in the Trust are recorded at book value in the Trust (excluding the amount of incidental expenses) as treasury shares under net assets. At the end of the consolidated fiscal year ended March 31, 2018, the book value of the corresponding treasury shares was ¥7 million and the number thereof was 4,000 shares.

III. Notes to the Consolidated Balance Sheet

| | |
|--|------------------|
| 1. Reduction entry of property, plant and equipment purchased with government subsidy and others | |
| Accumulated reduction entry of property, plant and equipment: | ¥351 million |
| 2. Accumulated depreciation of property, plant and equipment: | ¥275,602 million |
| 3. Components of inventories | |
| Merchandise and finished goods: | ¥24,241 million |
| Work in process: | ¥5,657 million |
| Raw materials and supplies: | ¥41,983 million |

IV. Notes to the Consolidated Statement of Change in Net Assets

| | |
|---|--------------------|
| 1. Class and number of issued shares at the end of the consolidated fiscal year | |
| Common stock: | 304,357,891 shares |

2. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2017.

- Dividends on common stock

| | |
|---------------------------------|----------------|
| [1] Total dividends to be paid: | ¥3,926 million |
| [2] Dividend per share: | ¥13 |
| [3] Record date: | March 31, 2017 |
| [4] Effective date: | June 29, 2017 |

The following resolution was made at the meeting of the Board of Directors held on October 26, 2017.

- Dividends on common stock

| | |
|---------------------------------|--------------------|
| [1] Total dividends to be paid: | ¥4,161 million |
| [2] Dividend per share: | ¥14 |
| [3] Record date: | September 30, 2017 |
| [4] Effective date: | December 4, 2017 |

(Note) Total dividends to be paid include ¥1 million of the dividends to the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

- (2) Dividends for which the record date came during the consolidated fiscal year ended March 31, 2018, but for which the effective date will come during the following consolidated fiscal year

The following resolution will be proposed at the Ordinary General Meeting of Shareholders to be held on June 27, 2018.

- Dividends on common stock

| | |
|---------------------------------|-------------------|
| [1] Total dividends to be paid: | ¥4,455 million |
| [2] Source of dividends: | Retained earnings |
| [3] Dividend per share: | ¥15 |
| [4] Record date: | March 31, 2018 |
| [5] Effective date: | June 28, 2018 |

3. Class and number of shares to be issued or transferred upon exercise of the subscription rights to shares as of the consolidated fiscal year-end (excluding those whose exercise period has not commenced)

| | | |
|--|--------------|----------------|
| 9-1st subscription rights to shares (August 18, 2011) | Common stock | 3,630 shares |
| 9-2nd subscription rights to shares (August 18, 2011) | Common stock | 26,620 shares |
| 10-1st subscription rights to shares (August 16, 2012) | Common stock | 8,470 shares |
| 10-2nd subscription rights to shares (August 16, 2012) | Common stock | 26,620 shares |
| 11-1st subscription rights to shares (August 20, 2013) | Common stock | 35,090 shares |
| 11-2nd subscription rights to shares (August 20, 2013) | Common stock | 73,810 shares |
| 12-1st subscription rights to shares (August 19, 2014) | Common stock | 59,400 shares |
| 12-2nd subscription rights to shares (August 19, 2014) | Common stock | 156,200 shares |
| 13-1st subscription rights to shares (August 19, 2015) | Common stock | 97,000 shares |
| 13-2nd subscription rights to shares (August 19, 2015) | Common stock | 210,000 shares |

V. Notes to Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Group policy concerning cash holdings and temporary surplus funds for strategic investment and the like going forward dictates that such funds be used for marketable securities and time deposits with specific rates of yield and not for the purpose of securing gains from sales or speculative transactions. Furthermore, the said policy also requires that funds be secured by the most suitable method given prevailing market conditions, with loans from banks utilized for short-term financing requirements, and loans from banks, the issuance of bonds, capital increase and the like utilized for long-term financing needs.

In terms of investment securities, the Group has a policy for retaining stocks when such retaining contributes to medium- to long-term improvement in corporate value and is reasonable in terms of facilitating and strengthening business tie-ups and joint businesses or building and strengthening long-term and stable business relationships.

The Group utilizes derivatives only as a hedge against the forms of risk detailed hereinafter but not for the purpose of securing gains from sales and speculative transactions.

(2) Details of financial instrument, associated risk, and risk management systems

Cash and deposits are principally used for time deposits while marketable securities generally take the form of bonds, and in both cases, therefore, the Group is exposed to the credit risk of the issuer and deposit holder and the risk of market price fluctuation. With the aim of minimizing and diversifying this risk, the internal rules of each Group company place limits on investment assets, issuers and deposit holders, investment periods, issuer and holder-specific investment amounts, and the like.

In terms of operating receivables in the form of notes and accounts receivable – trade, the Group is exposed to the credit risk of the corresponding customers. As a countermeasure, the internal rules of each Group company establish systems for managing due dates and balances on an individual business partner basis and for regularly reassessing the financial standing of major business partners, thus ensuring that settlement concerns stemming from a worsening of the financial position of any such business partner or customer can be rapidly identified and addressed.

Investment securities are stocks related to business or capital tie-ups and the like with business partners, which are exposed to the risk of market price fluctuation. Thus, systems have been established to regularly determine actual market value, and with respect to principal stocks retained, to verify yearly at the Board of Directors the rationality of retaining stocks over a medium- to long-term period considering return as well as risk, after examining their trading situations, revenue and financial conditions, shareholder returns, creditworthiness, and other factors.

Notes and accounts payable – trade which constitute operating liabilities, expose the Group to liquidity risk; nevertheless, most have a payment period of no longer than one year, and each Group company

deploys a number of different measures, such as the preparation of cash flow management plans and the like, in order to manage this risk.

Turning to derivative transactions, the Group utilizes forward exchange contracts, currency option transactions and the like for specific assets and liabilities denominated in foreign currencies, where this includes notes and accounts receivable – trade and notes and accounts payable – trade, with the aim of hedging the risk of future foreign-exchange fluctuation. Meanwhile, certain overseas consolidated subsidiaries manage the future risk of fluctuation in wheat prices, etc., using wheat futures, etc. Transactions such as these expose the Group to risk associated with general market fluctuation. As a means of minimizing such risk, each Group company acts in line with internal rules that prohibit the scale of any such dealings from exceeding actual demand, and furthermore, place limits on derivative transactions in the form of a fixed ratio of the total value thereof. It should also be noted that currency option transactions are restricted to the purchases of options only by said internal rules. Furthermore, such transactions are executed by the Finance and Accounting Division of the Company principally in line with the instructions of the administrative divisions of operating companies with which foreign-exchange fluctuation risk is associated. At certain consolidated subsidiaries, however, the corresponding finance department executes transactions based principally on the instructions of various internal administrative divisions. In order to effectively monitor and control derivative transactions of this nature, the Group has implemented systems that require the Finance and Accounting Division of the Company and the finance departments of individual subsidiaries to obtain a derivative-transaction balance statement from banks and other similar institutions on a monthly basis, to cross-check this statement with actual balances, and among other measures, to submit a report to the Division Executive of the Finance and Accounting Division of the Company or the director in charge of the finance department and the director in charge of the administration department of each subsidiary. Furthermore, as the Group only conducts derivative transactions with financial institutions with high credit ratings, the risk of defaulting on contracts on the part of the counterparty is considered to be close to non-existent.

(3) Supplementary explanation concerning the market value of financial instruments

In the case of financial instruments with no determinable value based on market price, a fair value calculated in a reasonable manner is included. As fluctuation is factored into this calculated value, the selection of differing preconditions and the like may cause the fair value to change.

2. Market value of financial instruments

The book value, market value and difference between each for major balance sheet items as of March 31, 2018 (the balance sheet date) are presented as follows. Details of those balance sheet items whose market values are deemed highly difficult to determine are not included. (Please refer to Note 2).

(Millions of yen)

| | Book value (*1) | Market value (*1) | Difference |
|---|-----------------|-------------------|------------|
| (1) Cash and deposits | 91,635 | 91,635 | — |
| (2) Notes and accounts receivable – trade | 79,676 | 79,676 | — |
| (3) Securities and investment securities | | | |
| Other securities | 135,910 | 135,910 | — |
| (4) Notes and accounts payable – trade | (58,492) | (58,492) | — |
| (5) Derivative transactions (*2) | (716) | (716) | — |

(*1) Liabilities are shown in parentheses.

(*2) Net claims and debts resulting from derivative transactions are indicated as net amounts. Figures of total net debt are indicated in parentheses.

Note 1: Calculation method for the market values of financial instruments, Securities and derivative transactions.

(1) Cash and deposits, and (2) Notes and accounts receivable – trade

Given the short settlement period of the above items, the market value and book value are almost the same, and therefore, the corresponding book values are used.

(3) Securities and investment securities

Shares are recorded at the stock-exchange price, and bonds are recorded at either the stock-exchange price or the price indicated by the transacting financial institution in question.

(4) Notes and accounts payable – trade

Given the short settlement period of the above items, the market value and book value are almost the same, and therefore, the corresponding book values are used.

(5) Derivative transactions

The market values of derivatives are recorded as the closing price for the corresponding futures or the price indicated by the transacting financial institution in question. It should be noted that forward exchange contracts and other foreign exchange contracts in which contracted exchange rates are

applied are grouped together with hedged accounts receivable and accounts payable, and the market value of the hedged accounts receivable and accounts payable includes the values of the corresponding accounts receivable and accounts payable.

Note 2: Financial instruments whose market values are deemed to be highly difficult to determine
Unlisted securities (book value ¥27,363 million) are deemed extremely difficult to value given the lack of a market value and the considerable cost that would be involved in estimating future cash flow. For this reason, these shares are not included in (3) Securities and investment securities.

VI. Notes to Per Share Information

1. Net assets per share ¥1,344.68 (Note 1)

2. Earnings per share ¥71.47 (Note 2)

Note 1: When calculating net assets per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded from the number of shares of common stock issued and outstanding at the end of the consolidated fiscal year. As of March 31, 2018, 4,000 Company shares were held in the aforementioned trust.

Note 2: When calculating earnings per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded when calculating the average number of shares of common stock during the fiscal year. For the consolidated fiscal year ended March 31, 2018, the average number of shares of common stock for the Company shares held in the aforementioned trust was 22,246 shares.

VII. Other Notes

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

Non-consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|--|
| | Capital stock | Capital surplus | | | Retained earnings | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings Reserve for dividends |
| Balance at the beginning of current period | 17,117 | 9,500 | 268 | 9,768 | 4,379 | 2,000 |
| Changes of items during the period | | | | | | |
| Provision of reserve for advanced depreciation of non-current assets | | | | | | |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | | |
| Dividends from surplus | | | | | | |
| Profit | | | | | | |
| Purchase of treasury shares | | | | | | |
| Disposal of treasury shares | | | (3) | (3) | | |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes of items during the period | — | — | (3) | (3) | — | — |
| Balance at the end of current period | 17,117 | 9,500 | 264 | 9,764 | 4,379 | 2,000 |

| | Shareholders' equity | | | |
|--|---|-----------------|-----------------------------------|-------------------------|
| | Retained earnings | | | |
| | Other retained earnings | | | Total retained earnings |
| | Reserve for advanced depreciation of non-current assets | General reserve | Retained earnings brought forward | |
| Balance at the beginning of current period | 2,160 | 170,770 | 42,164 | 221,475 |
| Changes of items during the period | | | | |
| Provision of reserve for advanced depreciation of non-current assets | 436 | | (436) | — |
| Reversal of reserve for advanced depreciation of non-current assets | (34) | | 34 | — |
| Dividends from surplus | | | (8,088) | (8,088) |
| Profit | | | 19,557 | 19,557 |
| Purchase of treasury shares | | | | |
| Disposal of treasury shares | | | | |
| Net changes of items other than shareholders' equity | | | | |
| Total changes of items during the period | 401 | — | 11,066 | 11,468 |
| Balance at the end of current period | 2,562 | 170,770 | 53,231 | 232,943 |

(Millions of yen)

| | Shareholders' equity | | Valuation and translation adjustments | | | Subscription rights to shares | Total net assets |
|--|----------------------|----------------------------|---|------------------------------------|---|-------------------------------|------------------|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments | | |
| Balance at the beginning of current period | (2,018) | 246,342 | 48,943 | — | 48,943 | 175 | 295,461 |
| Changes of items during the period | | | | | | | |
| Provision of reserve for advanced depreciation of non-current assets | | — | | | | | — |
| Reversal of reserve for advanced depreciation of non-current assets | | — | | | | | — |
| Dividends from surplus | | (8,088) | | | | | (8,088) |
| Profit | | 19,557 | | | | | 19,557 |
| Purchase of treasury shares | (10,164) | (10,164) | | | | | (10,164) |
| Disposal of treasury shares | 495 | 491 | | | | | 491 |
| Net changes of items other than shareholders' equity | | | 2,419 | (96) | 2,323 | 13 | 2,336 |
| Total changes of items during the period | (9,669) | 1,795 | 2,419 | (96) | 2,323 | 13 | 4,131 |
| Balance at the end of current period | (11,688) | 248,137 | 51,363 | (96) | 51,266 | 189 | 299,593 |

Notes to the Non-consolidated Financial Statements

I. Significant Accounting Policies

1. Valuation standards and methodology for securities

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

Equity in subsidiaries and affiliated companies: Stated at cost determined by the moving average method.

Other securities:

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

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

2. Valuation standards and methodology for derivatives

Derivative financial instruments are stated at fair market value.

3. Depreciation methods for non-current assets

Property, plant and equipment (excluding leased assets):

Depreciation on property, plant and equipment (excluding leased assets) is computed by the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016.

Intangible assets (excluding leased assets):

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

Leased assets:

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

4. Basis of material allowances

Allowance for doubtful accounts:

The Company provides for possible credit losses stemming from monetary receivables. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific dubious accounts.

Provision for directors' bonuses:

Provision is made for directors' bonuses based on the estimated amounts during the fiscal year ended March 31, 2018.

Provision for retirement benefits:

Provision is made for employees' and already retired pension recipients' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at the fiscal year-end.

[1] Imputation method for retirement benefit estimates

In calculating projected benefit obligation, the method for imputing the applicable period until the end of the fiscal year ended March 31, 2018 for the estimated retirement benefit is determined by the benefit calculation standard.

[2] Treatment method for actuarial differences and expenses related to prior service cost

Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (15 years) expected to receive pension benefits as of the fiscal year-end.

Actuarial differences are amortized on a straight-line basis from the following fiscal year over a period equaling the average remaining service period of employees (15 years) expected to receive pension benefits as of the fiscal year-end.

If the pension plan assets at the end of the fiscal year ended March 31, 2018 exceeded the projected benefit obligation less actuarial differences and others, the amount in excess was recognized as prepaid pension cost and included in "Other" under "Investments and other assets."

5. Hedging transactions

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

(2) Hedging methods: Derivative transactions
(including forward exchange contracts and currency purchase put/call options)

Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies.

(3) The Company employs hedging methods only for hedged items purely to manage fluctuations in foreign currency exchange rates.

(4) Hedging evaluation

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

6. Other significant matters regarding basis of presentation of non-consolidated financial statements

(1) Accounting treatment of retirement benefits

Unsettled amounts of unrecognized actuarial differences and unrecognized prior service cost relating to retirement benefits are accounted for in a different method from that applied to account for those in the consolidated financial statements.

(2) Consumption tax

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

II. Additional Information

(Stock-based Remuneration Plan)

The note is omitted because the same information is provided in the Notes to the Consolidated Financial Statements (Additional Information).

III. Notes to the Non-consolidated Balance Sheet

| | |
|--|-----------------|
| 1. Accumulated depreciation of property, plant and equipment | ¥18,441 million |
| 2. Monetary claims and liabilities to affiliated companies | |
| Short-term monetary claims | ¥521 million |
| Short-term monetary liabilities | ¥6,866 million |

IV. Notes to the Non-consolidated Statement of Income

Transactions with affiliated companies

Operating transactions

Operating revenues ¥29,981 million

Operating expenses ¥789 million

Transactions other than operating transactions ¥440 million

V. Notes to the Non-consolidated Statement of Changes in Net Assets

Class and number of treasury shares as at the fiscal year-end

Common stock 7,344,775 shares

(Note) The number of treasury shares of common stock at the end of the fiscal year ended March 31, 2018 includes 4,000 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

VI. Notes to Tax Effect Accounting

The Principal components of deferred tax assets and deferred tax liabilities are as follows.

(Millions of yen)

| | |
|---|-----------------|
| Deferred tax assets | |
| Provision for retirement benefits | 1,040 |
| Investment securities | 482 |
| Provision for bonuses | 161 |
| Other | 372 |
| Gross deferred tax assets | <u>2,056</u> |
| Amount offset by deferred tax liabilities | <u>(1,045)</u> |
| Deferred tax assets, net | 1,010 |
| Valuation allowance | <u>(601)</u> |
| Total deferred tax assets | 409 |
| | |
| Deferred tax liabilities | |
| Valuation difference on available-for-sale securities | (22,207) |
| Reserve for advanced depreciation of non-current assets | (1,129) |
| Retirement benefit trust repayment securities | <u>(964)</u> |
| Gross deferred tax liabilities | <u>(24,302)</u> |
| Amount offset by deferred tax assets | <u>1,045</u> |
| Deferred tax liabilities, net | (23,256) |

VII. Notes to Related Party Transactions
Subsidiaries, Affiliated Companies, etc.

(Millions of yen)

| Category | Name of Company, etc. | Percentage of Voting Rights, etc. | Transactions with Related Party | Nature of Transactions | Transaction Value (Note 1) | Item | Year-end Balance |
|--------------|----------------------------|-----------------------------------|--|---|----------------------------|---|------------------|
| Subsidiaries | Nisshin Flour Milling Inc. | Direct holding 100.0 | Licensing of trademark, etc., Lending and receipt of funds, Leasing of commercial land, etc., Concurrent serving of officers | Receipt of license fee for trademark, etc. (Note 2) | 4,701 | — | — |
| | | | | Receipt of funds (Note 3) | 9,998 | Deposits received | 704 |
| | | | | Payment of interests (Note 3) | 0 | Accrued expenses | 0 |
| | | | | Lending of investment funds (Note 4) | 225 | Long-term loans receivable from subsidiaries and associates | 25,775 |
| | | | | Repayment of investment funds | 1,535 | | |
| | | | | Receipt of interests (Note 4) | 260 | Other under Current assets | 21 |
| | Nisshin Foods Inc. | Direct holding 100.0 | Licensing of trademark, etc., Lending and receipt of funds, Leasing of commercial land, etc., Concurrent serving of officers | Receipt of funds (Note 3) | 7,245 | Deposits received | 416 |
| | | | | Payment of interests (Note 3) | 0 | Accrued expenses | 0 |
| | Oriental Yeast Co., Ltd. | Direct holding 100.0 | Licensing of trademark, etc., Lending and receipt of funds, Concurrent serving of officers | Lending of investment funds (Note 4) | 5,873 | Long-term loans receivable from subsidiaries and associates | 6,256 |
| | | | | Receipt of interests (Note 4) | 36 | | |
| | Nisshin Engineering Inc. | Direct holding 100.0 | Licensing of trademark, etc., Receipt of funds, Leasing of offices, Concurrent serving of officers | Receipt of funds (Note 3) | 6,289 | Deposits received | 190 |
| | | | | Payment of interests (Note 3) | 0 | Accrued expenses | 0 |

| Category | Name of Company, etc. | Percentage of Voting Rights, etc. | Transactions with Related Party | Nature of Transactions | Transaction Value (Note 1) | Item | Year-end Balance |
|--------------|-----------------------|-----------------------------------|--|-------------------------------------|----------------------------|---|------------------|
| Subsidiaries | NBC Meshtec Inc. | Direct holding 100.0 | Licensing of trademark, etc., Lending and receipt of funds, Concurrent serving of officers | Lending of working capital (Note 5) | 4,687 | Long-term loans receivable from subsidiaries and associates | 4,242 |
| | | | | Receipt of interests (Note 5) | 46 | Other under Current assets | 3 |

Transaction conditions and methods used to determine conditions

Note 1: No consumption tax amounts are included in the transaction value.

Note 2: License fee for trademark, etc. is determined by multiplying the net sales, etc. of Nisshin Flour Milling Inc. by a certain rate.

Note 3: Receipt of funds is transactions through cash management system (CMS), and the transaction value presented is the average balance during the fiscal year. The interest rates are reasonably determined taking market interest rates into consideration.

Note 4: The lending rates on investment funds are reasonably determined taking market interest rates into consideration.

Note 5: Lending of working capital is transactions through cash management system (CMS), and the transaction value presented is the average balance during the fiscal year. The interest rate is reasonably determined taking market interest rates into consideration.

Directors, Major Individual Shareholders, etc.

| Category | Name of company, etc., or individual | Percentage of Voting Rights, etc. | Transactions with Related Party | Nature of Transactions | Transaction Value | Item | Year-end Balance |
|-------------------------------------|--------------------------------------|-----------------------------------|---------------------------------|--|-------------------|------|------------------|
| Director and his/her close relative | Akio Mimura | Directly held 0.0 | Director of the Company | Exercise of subscription rights to shares (Note 1) | ¥11 million | — | — |
| | Masashi Nakagawa | Directly held 0.0 | Director of the Company | Exercise of subscription rights to shares (Note 1) | ¥10 million | — | — |

Transaction conditions and methods used to determine conditions

Note 1: This refers to the exercise during the fiscal year ended March 31, 2018 of stock options granted by the resolutions of the Ordinary General Meeting of Shareholders held on June 26, 2013, and June 26, 2014. The “Transaction Value” represents the amount determined by multiplying the number of shares granted by the exercise of the stock options during the fiscal year ended March 31, 2018 by the exercise price.

VIII. Notes to Per Share Information

- | | | |
|------------------------|-----------|----------|
| 1. Net asset per share | ¥1,008.05 | (Note 1) |
| 2. Earnings per share | ¥65.48 | (Note 2) |

Note 1: When calculating net assets per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded from the number of shares of common stock issued and outstanding at the end of the fiscal year.

As of March 31, 2018, 4,000 Company shares were held in the aforementioned trust.

Note 2: When calculating earnings per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded when calculating the average number of shares of common stock during the fiscal year.

For the fiscal year ended March 31, 2018, the average number of shares of common stock for the Company shares held in the aforementioned trust was 22,246 shares.

IX. Other Notes

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