



To Shareholders

# Business Report 2001

(April 1, 2000 to March 31, 2001)



**NISSHIN FLOUR MILLING CO., LTD.**

## C O N T E N T S

<b>Message from the President</b> .....	1
<b>About the Strategic Realignment</b> .....	3
<b>Nisshin Seifun Group on the Web</b> .....	7
<b>Topics</b> .....	9
<b>Group Overview</b> .....	11
<b>Review of Operations</b> .....	13
<b>Consolidated Financial Highlights/ Forecast for Consolidated Business Performance</b> .....	17
<b>Consolidated Financial Statements</b> .....	19
<b>Non-consolidated Financial Statements</b> .....	21
<b>Stock Information</b> .....	22

\*The financial data in this report are prepared from the financial statements issued for domestic reporting purpose in accordance with the provisions set forth in the Japanese Securities and Exchange Law and accounting principles generally accepted in Japan.



### **The business climate and our performance for the year**

During the year under review, the Japanese economy remained bereft of any signs of recovery in personal consumption, a situation reflecting a deeply rooted sense of uneasiness about the future. Growing deflationary pressures caused by a deceleration in capital investment and consumers' price sensitivity, stifled an improvement in corporate earnings. In addition, the slowdown in the American economy since the beginning of the year, plus mounting uncertainty about the prospects for the Japanese economy has compounded the sense of unease.

In the industry sectors in which we do business, consumers' price sensitivity has resulted in intensified competition for sales.

To operate successfully in this climate, we redoubled our marketing efforts to provide products and services that meet market needs. We also increased efficiency in every area of our business, including production, sales, administration, R & D and management, while maintaining our corporate-wide efforts to enhance our quality control systems.

As a result, our consolidated results for the year under review showed that we shipped a greater volume of products

overall despite sluggish consumption and a decline in flour prices. We achieved sales of ¥402,937 million, slightly higher than the previous year. The Flour Milling Division and Feed Division roughly equaled their earnings of the previous year. The other divisions, including Engineering and Mesh Cloths, recorded substantial gains. Profits fell in the Processed Food Division due to the downward trend in prices caused by the slump in consumer consumption. We posted operating income of ¥18,504 million, down 2.7% from the previous year, ordinary income of ¥19,652 million, a 3.4% decline, and net income of ¥11,136, a 2.9% rise.

In the summer of 2000 we announced our intention to conduct a strategic realignment to reorganize our management structure. At the board meeting held on April 2, 2001, a plan to convert Company's all business divisions into business companies was approved. The plan also includes changing the Company's name to Nisshin Seifun Group Inc., establishing it as a holding company. At an extraordinary general shareholders' meeting on April 27, 2001, plans were approved to amend the Articles of Incorporation to conform to the realignment, the division of the Company, and the transfer of businesses.

## Future outlook

Forecasts suggest the deceleration of corporate earnings will be prolonged as competition among companies intensifies in Japan. Also, there are concerns about the direction of consumer consumption in the future. There are few signs of economic recovery. We think that a full-scale economic recovery requires the elimination of anxiety regarding the future. This includes an improvement in the climate for employment and personal incomes and reform of the social security system.

Our business environment will undergo significant changes. The conversion to new accounting standards will mean greater transparency and the progress of information technology will transform our business operations. The advance of globalization and deregulation is expected to accelerate in all sectors. The international competitiveness of Japanese industry will face a rigorous test.

Competition among companies in Japan and around the world is becoming even more intense in the industry

sectors in which we are involved. We think the overall trend toward lower prices will continue. This requires that we respond by implementing further cost cutting measures while enhancing our product development capabilities.

Expectations are high for us to fulfill our social responsibilities as a company. We will respond by further enhancing our quality control systems and by satisfying the growing consumer preference for safe, health-enhancing food. We also will maintain our environment protection activities. This focus will inspire confidence and give us a competitive edge.

The entire Company has united to promote our NI-21 innovation campaign to enable us to keep in tune with the changing climate swiftly and flexibly. We intend to decisively increase the speed of responding to changes in the market environment by inaugurating our new corporate structure, involving the reorganization of all our divisions on July 2, 2001.

Nisshin Seifun Group Inc. will be a holding company. It will become the cornerstone of our efforts to match each of the new companies with their most appropriate market under the banner of self-sufficiency and alliance. We will work to maximize our enterprise value as a group and satisfy the expectations for the further expansion and development of our business.

Through these endeavors, we are determined to earn the continued support of our shareholders.



Osamu Shoda  
President  
June 2001

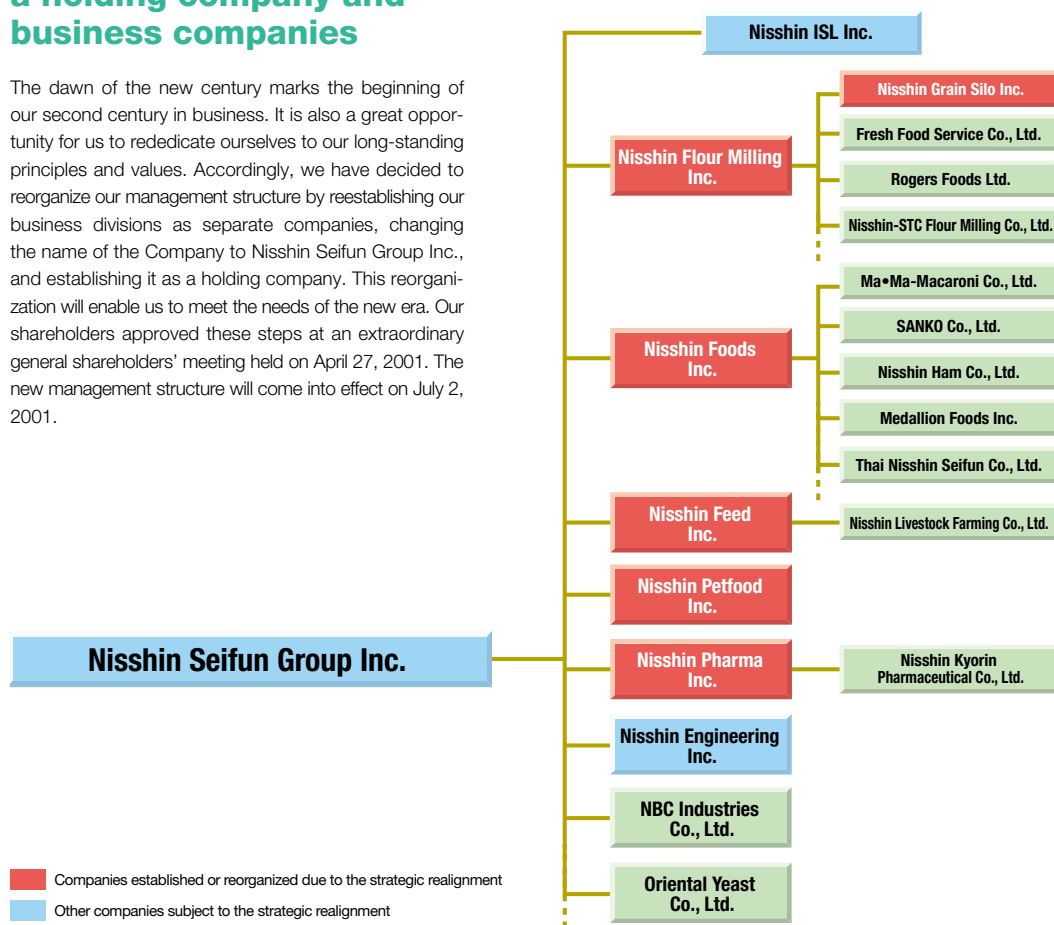
## About the Strategic Realignment

# Nisshin Seifun Group meets the challenge of the new century with a new group structure

### Reorganizing the group as a holding company and business companies

The dawn of the new century marks the beginning of our second century in business. It is also a great opportunity for us to rededicate ourselves to our long-standing principles and values. Accordingly, we have decided to reorganize our management structure by reestablishing our business divisions as separate companies, changing the name of the Company to Nisshin Seifun Group Inc., and establishing it as a holding company. This reorganization will enable us to meet the needs of the new era. Our shareholders approved these steps at an extraordinary general shareholders' meeting held on April 27, 2001. The new management structure will come into effect on July 2, 2001.

### Overview of Nisshin Seifun Group after the reorganization



## I. The background and objectives of the strategic realignment

While the trend toward globalization accelerates and brings far-reaching change to the Japanese economy, our businesses also have to deal with intensifying competition throughout the world. Overcoming this competition and achieving further development requires that we take several steps. They include reforming our operations and anticipating changes in the business climate, optimizing each of our businesses according to the needs of its field and format, and ensuring prompt, flexible business operations. In other words, we must make each of our businesses the best fit for the market, and rapidly introduce a business configuration geared to the accomplishment of that.

The specific measure we have adopted to achieve these objectives is to inaugurate a new group structure in which our business divisions are reestablished as business companies under the aegis of a holding company.

This measure will enable us to meet the expectations of our shareholders and indeed of all our stakeholders. Nisshin Seifun Group Inc., and the constituent group companies will become a corporate group able to seize the opportunities presented by the 21st century.

## II. Overview of the group reorganization

Nisshin Seifun Group will inaugurate a new group structure comprising a holding company and a group of business companies by splitting up and decentralizing the current structure.

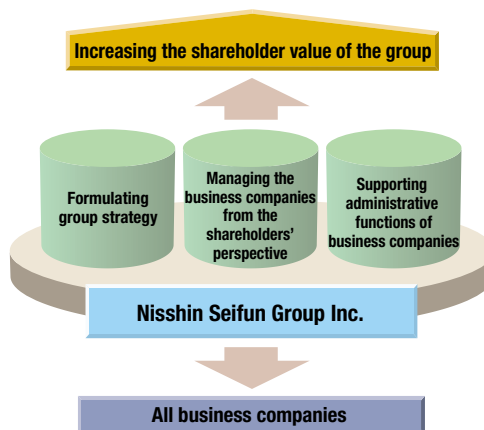
### (1) The holding company

#### • Nisshin Seifun Group Inc.

The legal status of Nisshin Flour Milling Co., Ltd. will be conveyed unchanged to the new company, Nisshin Seifun Group Inc., which will remain a listed company. The new company will fulfill its responsibilities to its shareholders and investors while respecting autonomy of each business company. To achieve this, the role of the holding company will be to formulate strategies for developing the overall business of the group, distributing the group's resources, providing support to the entire group, and responding to social demands regarding the environment and other issues. Another important role of the holding company will be to provide and support the specialized staff required by each business company, thereby avoiding any bloating of indirect operations as a consequence of the subdivision.

The current Nisshin Information System Co., Ltd. will be reestablished as Nisshin ISL Inc. In addition to its duties of designing and operating computer systems, it will be responsible for handling and improving distribution. The company will strengthen and expand efforts for the overall improvement of the group's information technology and distribution.

### Mission of the holding company



# About the Strategic Realignment

## (2) Business companies

### • (New) Nisshin Flour Milling Inc.

The new Nisshin Flour Milling Inc. will be responsible for the current Flour Milling Division's work of manufacturing and selling flour, bran and bakery mix. In addition, Nisshin Grain Silo Inc. will be established to operate the current company's silo business, including storage work, loading and unloading, and harbor transport operations. It will be a subsidiary of the new Nisshin Flour Milling Inc.

### • (New) Nisshin Foods Inc.

The Processed Food Division will absorb the current Nisshin Foods Co., Ltd., and assume control of Sanko Co., Ltd. These will be reorganized into the new Nisshin Foods Inc., which will handle processed food products of all temperatures.

### • (New) Nisshin Feed Inc.

The Feed Division will absorb the current Nisshin Feed Co., Ltd. and be reorganized as the new Nisshin Feed Inc., which will handle the manufacture and sale of feed for livestock and aquaculture.

### • (New) Nisshin Petfood Inc.

The Pet Food Division will absorb the current Nisshin Pet Food Co., Ltd., and be reorganized as the new Nisshin Petfood Inc. It will handle the manufacture and sale of pet foods.

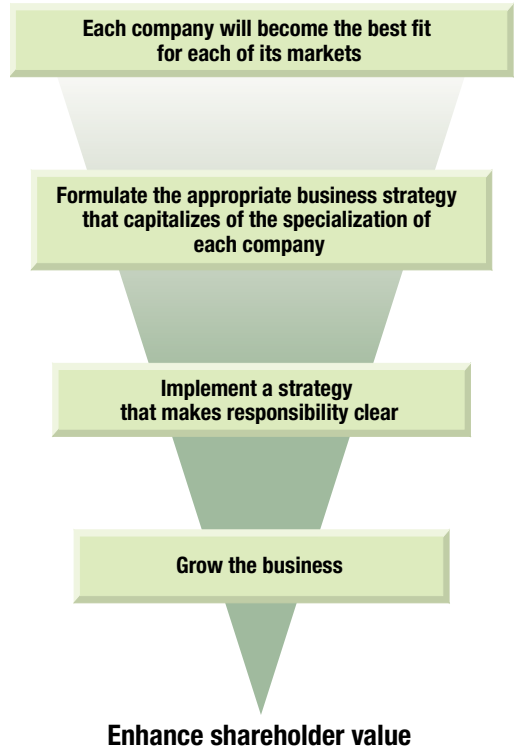
### • Nisshin Pharma Inc.

The Pharmaceutical Division will become Nisshin Pharma Inc., which will conduct business in the division's three current fields—pharmaceuticals, fine chemicals, and health-care foods. Nisshin Kyorin Pharmaceutical Co., Ltd. which already has been made a separate entity and conducts the pharmaceutical business, will be an affiliated company.

### • Nisshin Engineering Inc.

Nisshin Engineering Inc. already has been made a subsidiary entity. This reorganization will provide the company with greater independence in business operations.

## Mission of each business company



### III. Future development—aiming for self-sufficiency and alliance

Under this new structure, the holding company's philosophy will be "The basis of business is built on trust" and "In tune with the changing climate". The company principle will be "to contribute to a healthy and fruitful life for all". We will fulfill our responsibilities to our shareholders as a listed company.

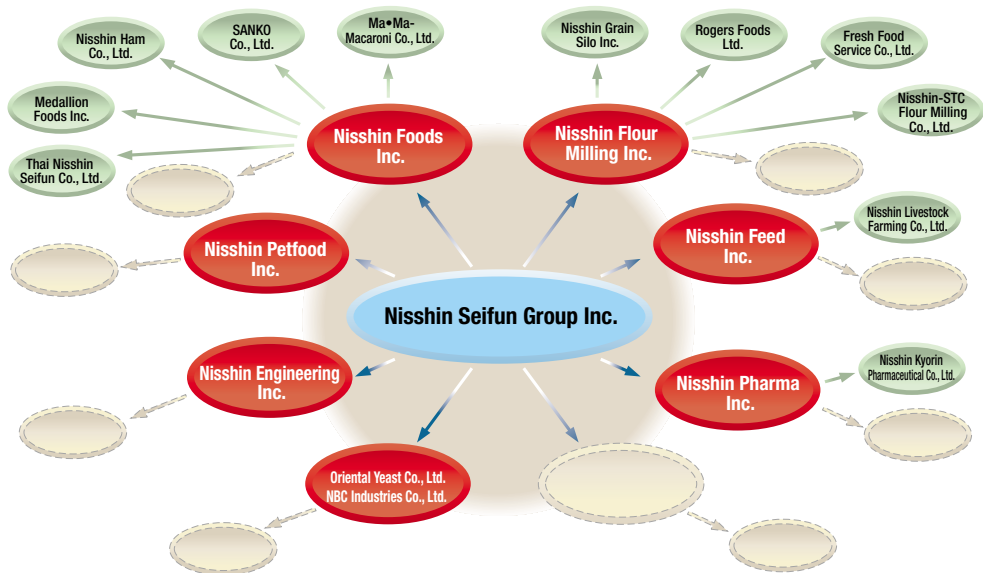
The holding company will hold 100% of the stock of the newly established or reorganized companies, formulate and execute an operational strategy based on the perspective of group operations, and provide services to the business companies. In addition, it will respond to challenges and social issues that are common to all business companies, including environmental management, distribution, information technology, quality assurance, and globalization. The holding company will both support and supervise the entire group.

Each of the business companies will share the holding

company's philosophy and principle. They will operate as autonomous companies with broad discretionary authority, based on the corporate principle they determine themselves. They will exercise their autonomy in accordance with the characteristics of their businesses and their business environment. They will endeavor to compete successfully by optimizing the ways in which they conduct business and their organizational structures. Their objective will be to continually expand their operations and promote their respective business activities.

This group reorganization will enable the business companies to establish a firm business foundation in their respective areas of operation. Our objective will be to move forward with our operations and become a corporate group that continues growing in the 21st century under the banner of self-sufficiency and alliance.

#### Expansion of the group





# Nisshin Seifun Group on the Web

Access it at <http://www.nisshin.com>

Nisshin Seifun Group created this website to disseminate information worldwide on foods containing flour. The site is a storehouse of knowledge about flour and is filled with information about the Company and its new products, pets, health-care food, e-commerce, investor relations, and employment opportunities.



## Grotta Azzurra

In addition to fantastic scenes from the Grotta Azzurra in southern Italy, this page also features enticing images of food and travel. You also can view our television commercials over the web.



## Ma•Ma-Italian Cooking Course

This site provides access to the rich world of pasta, guided by cooking adviser Yoko Arimoto. Learn valuable hints, including everything from pasta recipes to secrets about pasta.



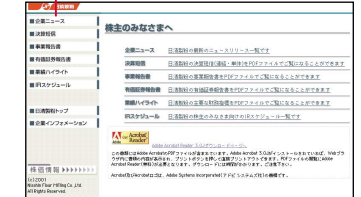
## Confectionery Encyclopedia

This is a site for people who have a sweet tooth. It is filled with information about making confectionery of all kinds. Of course you will find out about cakes and desserts from around the world, but there is also a section listing and describing the tools you will need for making them. We also provide a board so that members can exchange information.



## RUN & CARAT Club

The concept of this page is to enable your pets to live long and healthy lives. The page provides a lot of information for pet lovers, including a diagnosis of the compatibility between pets and their owners and a calorie analysis.



## To shareholders

This page is for the active disclosure of information to all our investors and shareholders. Visitors can view business reports, and financial reports. It also includes highlights of our revenues and earnings over the past five years.



## Topics

### Ceremony celebrating the Company's 100th anniversary

A magnificent ceremony and celebratory party marking the 100th anniversary of the Company's founding was held in January 2001, just after the start of the 21st century. There were 2,000 guests in attendance, with 1,100 people representing our customers, business associates, and government officials, and 900 former and current officers and employees representing Nisshin Flour Milling.



### "Oishisa Kando Report" published

On the occasion of the Company's 100th anniversary, we published this report to disseminate, both inside and outside the Company, messages about food from Nisshin Flour Milling Group employees. We solicited messages from the employees on many topics, including "Flavors I Remember Well", "Recipes with a Home-Cooked Flavor", "Overseas Experiences", and "Recommended Restaurants". This publication is so popular that it is sometimes featured in newspapers and magazines.



### Nisshin Flour Milling Environmental Report published

We have continued to contribute to environmental protection through corporate activities of all kinds, both as a member of the international community and as a company providing food products. We published the Nisshin Flour Milling Environmental Report in April 2000 to profile our long-standing activities regarding environmental issues and to express our commitment to further promote environmental protection in the future.

We are working to heighten the awareness of every one of our employees about environmental issues and to enhance our environmental protection activities in each of our business sectors.



## 100 Years of Nisshin Flour Milling History published

We have published the history of our first 100 years in business, a project on which we have been working for some time. Nisshin Flour Milling previously published histories marking its 55th, 70th, 80th, and 90th anniversaries, but for the 100th anniversary, we reevaluated the previous company histories from a contemporary perspective, summarized them, and compiled a description of our first 100 years in business in one volume.



## Commemorative advertising

We ran advertising commemorating our first 100 years in business in newspapers throughout Japan from January to October 2000. Our corporate logo is the image of a ribbon. Associating the logo with a red ribbon symbolizing happiness, this advertising highlighted how greatly the Company values its ties with customers. The advertising profiled our consumer products based on the theme of the ties between parent and child, among members of a family, and between husband and wife.



## Partenope Pizzeria of Fresh Food Service Co., Ltd. opened in August 2000

*Partenope*, the name of this pizzeria chain, is the old Italian name for Naples—just as Edo is the former name of Tokyo. The main menu item is Neapolitan-style pizza. This pizza is baked in stone ovens imported from Italy. It is a delicious culinary experience, crispy on the outside and chewy on the inside.

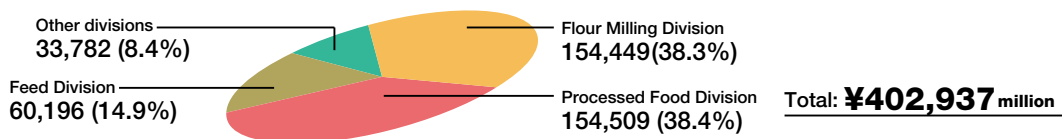
There are some 50 items on the menu. They include antipasto, pasta, vegetarian dishes, and desserts. We hope Italian cuisine will win an even greater following in Japan in future through the spread of Neapolitan-style pizza and the experience of dining out in a pizzeria. We also hope to expand the market for flour by creating a new pizza market in Japan.



## Group Overview

The following is a description of the businesses of Nisshin Flour Milling Group and the relationships among the consolidated subsidiaries and affiliated companies.

### Sales by division (¥ million)



### Flour Milling Division

The Company produces flour, and bran as by-products and sells them through special agency agreements. The consolidated subsidiary Fresh Food Service Co., Ltd., primarily sells frozen foods and their ingredients, and operates eating and drinking establishments serving food using flour-based commercial ingredients. Nisshin Flour Milling also sells commercial ingredients and some flour to this company.

Both the consolidated subsidiary Yamajo Shoji Co., Ltd. and Ishikawa Co., Ltd., an affiliated company accounted for under the equity method, are Nisshin Flour Milling sales agents under special agreements. Nisshin Flour Milling also purchases packaging materials from Ishikawa.

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

### Processed Food Division

Nisshin Flour Milling produces and sells flour for consumer use, as well as pre-mix and other processed food products. The consolidated subsidiary Nisshin Foods Co., Ltd. sells frozen foods that it procures from Nisshin Flour Milling and other companies. The consolidated subsidiary Ma-Ma-Macaroni Co., Ltd. produces pasta using the flour we produce as the primary ingredient. Nisshin Flour Milling then sells this pasta. The consolidated subsidiary SANKO Co., Ltd. produces and sells chilled and prepared dishes, and also directly operates shops in department stores. The consolidated subsidiary Nisshin Ham Co., Ltd. produces and sells processed meat products.

The consolidated subsidiaries Medallion Foods Inc. in the U.S. produce pasta and Thai Nisshin Seifun Co., Ltd. in Thailand produce pasta sauce and frozen food products. Nisshin Flour Milling is the primary importer and seller of these products. Thai Nisshin Technomic Co., Ltd. is a consolidated subsidiary that manufactures pre-mix and sells it in Southeast Asia.

### Feed Division

The feed and pet food that Nisshin Flour Milling produces or procures is sold by the consolidated subsidiaries Nisshin Feed Co., Ltd. and Nisshin Pet Food Co., Ltd. Also, the consolidated subsidiary Nisshin Livestock Farming Co., Ltd. produces and sells pigs for breeding and for food.

### Other divisions

#### (1) Pharmaceuticals

Nisshin Flour Milling manufactures and sells pharmaceuticals. In addition, Nisshin Kyorin Pharmaceutical Co., Ltd., an affiliated company accounted for under the equity method, sells some of the pharmaceuticals we manufacture.

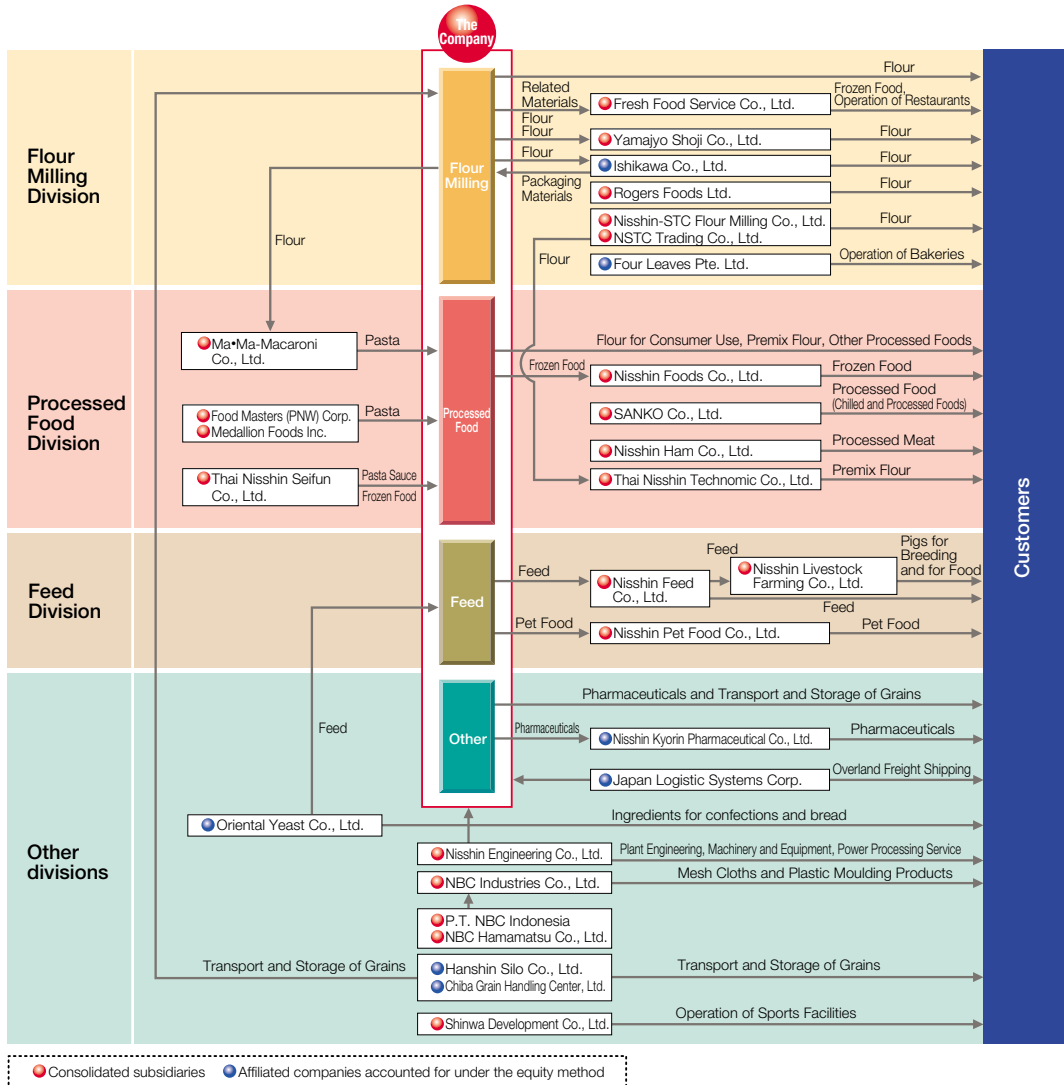
#### (2) Engineering

The consolidated subsidiary Nisshin Engineering Co., Ltd. designs, inspects, and installs on a subcontract basis the production and processing facilities for grain, food products, and chemical products. It also manufactures and sells powder processing machines, and conducts powder processing operations.

#### (3) Others

The consolidated subsidiary NBC Industries Co., Ltd. manufactures and sells mesh cloths and plastic moulding products. Oriental Yeast Co. Ltd., an affiliated company accounted for under the equity method, manufactures and sells ingredients for confections and bread. Hanshin Silo Co., Ltd. and Chiba Grain Handling Center, Ltd., companies accounted for under the equity method, conduct transport and storage operations for grains, and handle some of Nisshin Flour Milling's grain materials. Japan Logistic Systems Corp., a company accounted for under the equity method, is an overland freight shipping company. It ships and stores some of our products. The consolidated subsidiary Shinwa Development Co., Ltd. operates sports facilities.

## Business structure



# Review of Operations

## Flour Milling Division

### <Review>

Overall demand for flour was sluggish during the year under review. In response to these market conditions, we enriched relationship marketing with our customers by redoubling our efforts to develop flour-related products with the users. As a result of these efforts and our efforts to optimize the sales and marketing structure through ties with our sales agencies, flour shipments exceeded those of the previous year.

We worked to energize the flour market and expand demand for food products containing flour. One such example is Fresh Food Service Co., Ltd.'s opening in August 2000 of the *Partenope*, Neapolitan pizzeria that offer a new dining experience.

Prices were stagnant for bran by-products due to slumping grain markets overseas.

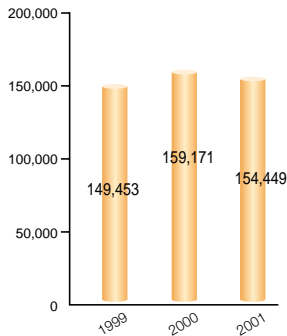
The government-set sales price for wheat used as an ingredient was reduced in February 2000. In response, we lowered our price for flour in March 2000.

### <Prospects for the current year>

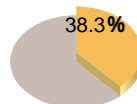
With flour consumption stagnant, the prolonged period of weak consumer confidence is expected to further dampen prospects in the domestic market. In order to expand sales of flour, we are implementing various measures in line with our efforts to optimize the sales and marketing system, including the relationship marketing concept and flour distribution measures. We also are increasing efficiency in every sector, including production, sales, and distribution, in an effort to boost revenue.

### Trends in sales

(¥ million)



### Composition of sales



A bread seminar introducing our brand-new flour products to commemorate the Company's 100<sup>th</sup> anniversary. The lecture topic was "What's Next?"



Tatebayashi Plant has received ISO14001 certification for its environmental management system.



## New products



### ●“Neapolitan” with Roux Ma•Ma-’s Sweet Vegetable Sauce

(Processed Food Division: Pasta sauce for consumer use)

The base of this zesty pasta sauce is ripened tomatoes with pure olive oil and seasoned vegetables added. Its roux contains the pulp of the tomatoes, bacon, onions, carrots, and green peppers. This Neapolitan-style flavor is a perfect match for freshly cooked spaghetti, and cannot be obtained with ketchup alone. It comes in a convenient bottle that enables customers to use as much as they like whenever they want.

(On sale February 2001)



### ●Ma•Ma-Calorie Off Select Meat Sauce with Stewed Ripe Tomatoes

(Processed Food Division: Pasta sauce for consumer use)

This rich, full-bodied canned meat sauce has roughly 42% fewer calories than a typical sauce of this type (according to the Fourth Revised Standard Tables of Food Composition of Japan). We use beef and pork mincemeat with a high percentage of red meat and fry the ingredients without oil to create this delicious, low-calorie sauce.

(On sale February 2001)

## Processed Food Division

### <Review>

Shipments during the year under review were brisk, particularly those of pasta sauce, tempura batter mix, okonomiyaki mix, pancake mix, and dried noodles. The amounts shipped of consumer flour, frying batter mix, and pasta were lower than in the previous year, however.

The downturn in consumption and the intensification of competition between companies has resulted in very severe market conditions. Consequently, our revenue was lower than in the previous year. We endeavored to vitalize the market and expand sales through new product development to meet market needs and aggressive marketing activities, which enabled us to post higher sales than in the previous year.

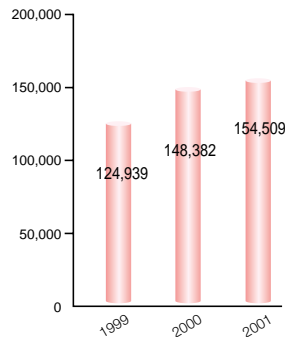
In August 2000 we released 16 new products and improved versions of 74 products, including our upscale pasta and pasta sauce series Grotta Azzurra, and our full-line Nissin Okashi Hyakka brand for consumer confectionery products. Further, we launched sales of 28 additional new products and improved versions of 48 products February 2001, including the Ma•Ma-Calorie Off Select series.

We also achieved significant sales growth for our frozen food products, primarily frozen pasta for the consumer market.

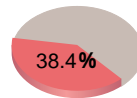
### <Prospects for the current year>

Consumers' price sensitivity will likely strengthen due to the downturn in consumption, and we expect competition to intensify in the food products industry. We will develop and market new products that meet the needs of the market for safe, health-enhancing food whose attributes inspire confidence, aggressively implement sales promotion measures, build production facilities, and further enhance quality control to boost our market share and profits.

### Trends in sales (¥ million)



### Composition of sales



The Smile Party, an event commemorating our first 100 years in business.



### •Ma•Ma-Sauté Spaghetti Meat & Neapolitan Double Sauce

(Processed Food Division: Frozen food product for consumer use)

This meat sauce is an exquisite combination of a hearty portion of meat and sautéed Neapolitan spaghetti sauce noted for its appetizing aroma. The flavor is superb and distinctive.

(On sale February 2001)



### •Frozen Handmade Dim-sum Dishes for Boxed Lunches Shao-mai with a Generous Portion of Vegetables

(Processed Food Division: Frozen food product for consumer use)

We have developed a unique new crust for this product. Whether you warm up the dish in a microwave or take your time and heat it on a cooking range, the crust will still stay moist and chewy. The paste on the inside has been flavored with Kaisen XO Jan seasoning in the distinctive Chinese style. Ingredients of four different colors — carrots, kidney beans, Jew's ears, and hard scrambled egg — make it a treat for the eyes.

(On sale February 2001)



# Review of Operations

## Feed Division

### <Review>

We mounted vigorous sales promotion activities amidst heavy sales competition, but shipments of livestock feed were down slightly from the year before. In October 2000 we lowered the price of livestock feed to reflect the reduced price of the ingredients, but had to increase prices once again in January 2001 following the subsequent depreciation of the yen.

Our shipments of feed for eel farming declined from the previous year in reaction to the bumper harvest of young eels in the previous year. There was sharp growth in shipments of feed for yellowtail tuna, however, and both shipments and revenue for feed for fish farming were higher than in the previous year.

We have been steadily expanding our business ties with Nihon Nosan Kogyo K.K. in the areas of production and distribution. Also, we are increasing efficiency in every aspect of the business.

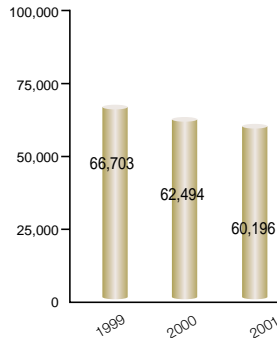
Shipments and revenue in the pet food category declined from previous year due to intensified competition.

### <Prospects for the current year>

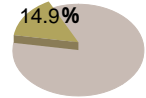
The intensification of sales competition is likely to continue for feeds, with little or no growth in shipments in the domestic market. Our aim is to steadily increase sales by differentiating our livestock products. We also are working to boost profits through low cost operations.

In the pet food category, we are striving to increase profitability by enhancing the attractiveness of our products and by cutting costs.

## Trends in sales (¥ million)



## Composition of sales



"Herb pigs" raised on herb feed

## New products

### ●RUN Communication

(Feed: Dog food)

We have increased the digestibility and absorbability of this dry dog food by using ingredients finished with a micro-grinding method, in which carefully-selected ingredients are finely ground. Your pet will love the ingredients used for the toppings. They include the white meat of chicken, beef, cheese, and dried seafood. The food has been prepared to provide a good balance of nutritional ingredients for your dog's health, such as collagen, polyphenol, and vitamin E.

(On sale March 2001)



### ●Carat Kaiseki 2 Dish

(Feed: Cat food)

To this dry food, which contains finely ground, carefully selected ingredients, we have provided a variety of toppings, each consisting of two ingredients. These are the small fish/crab kamaboko topping, the chicken/beef topping, the small fish/bonito flake topping, and the chicken/cheese topping. This food is sure to satisfy the tastes of finicky cats.

(On sale March 2001)

## Other divisions

### <Review>

In the Pharmaceuticals Division, Nisshin Kyorin Pharmaceutical's shipments of *Pentasa* tablets for the treatment of Ulcerative Colitis, Crohn's Disease, continued to be buoyant. Shipments of the health-care food *Livlon Daily Pack* soared, but shipments for the drug component *coenzyme Q<sub>10</sub>* were below the level of the previous year.

The engineering business continued to be brisk from the previous year thanks to strong sales of devices, such as liquid crystal spacer dispersion systems, and powder processing, including superfine powder processing, because of customers' increased IT-related investments.

NBC Industries's mainstay mesh cloths products for screen printing and for cellular telephones maintained strong growth. Plastic moulding products also performed well, as shipments for automobile filters far outpaced those of the previous year. The division achieved a sharp increase in revenue as a result.

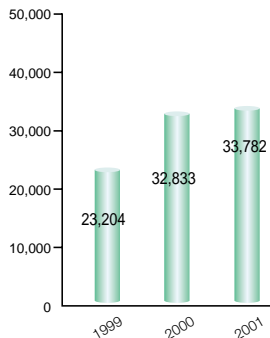
### <Prospects for the current year>

In the pharmaceuticals sector, we will work to establish a strong position of Nisshin Kyorin's pharmaceutical business. Our efforts to improve earnings will focus on the drug component *coenzyme Q<sub>10</sub>* and the health-care food *Livlon Daily Pack*.

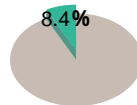
In the engineering sector, we will endeavor to win more business than in the previous year.

We also expect that sales for NBC Industries will exceed those of the previous year due to the continuing growth of the information and communication equipment industry.

## Trends in sales (¥ million)



## Composition of sales



International Powder Industry Exhibition

## ●Glutamine Peptide GP-1

(Pharmaceuticals Division: Health-care food materials for commercial use)

With "health" as our key word, we were the first Japanese company to develop and commercialize supplementary glutamine ingredients for food products. This success was the fruit of many years of research focused on the large amount of glutamine contained in wheat gluten. We are selling this product to companies in the food processing industry for use in food products for sports enhancement, protein-enriched food products, and food products for the elderly.

(On sale July 2000)

\* The glutamine in Glutamine Peptide GP-1 is an amino acid that exists in large quantities in the human body. This is a required amino acid during such conditions as illness, fatigue, or stress.



# Consolidated Financial Highlights

\*The accompanying financial data are prepared for domestic reporting purpose.

## Consolidated Financial Highlights (Years Ended March 31)

	1997	1998	1999	2000	2001	change	%change
Net sales (¥ million)	363,977	364,420	364,301	402,881	402,937	+ 55	0.0%
Operating income (¥ million)	10,432	11,700	13,808	19,014	18,504	(509)	(2.7%)
Operating income to net sales (%)	2.9	3.2	3.8	4.7	4.6	(0.1)	
Ordinary income (¥ million)	12,154	13,476	15,923	20,351	19,652	(699)	(3.4%)
Ordinary income to net sales (%)	3.3	3.7	4.4	5.1	4.9	(0.2)	
Net income (¥ million)	6,280	6,789	7,327	10,822	11,136	+ 313	+ 2.9%
Net income to net sales (%)	1.7	1.9	2.0	2.7	2.8	+ 0.1	
Total assets (¥ million)	254,744	264,030	268,798	291,524	294,474	+ 2,950	+ 1.0%
Shareholders' equity (¥ million)	155,057	160,250	165,988	184,558	186,138	+ 1,579	+ 0.8%
Shareholders' equity ratio (%)	60.9	60.7	61.8	63.3	63.2	(0.1)	-
Return on equity (%)	4.1	4.3	4.5	6.0	6.0	0.0	
Net income per share (¥)	25.07	26.99	29.13	43.10	45.07	+ 1.97	-
Shareholders' equity per share (¥)	616.44	637.10	659.90	738.45	762.84	+ 24.39	-
Cash dividends per share (¥)	6	6	6	10	8	(2)	-

## Forecast for Consolidated Business Performance

\*The accompanying financial data are prepared for domestic reporting purpose.

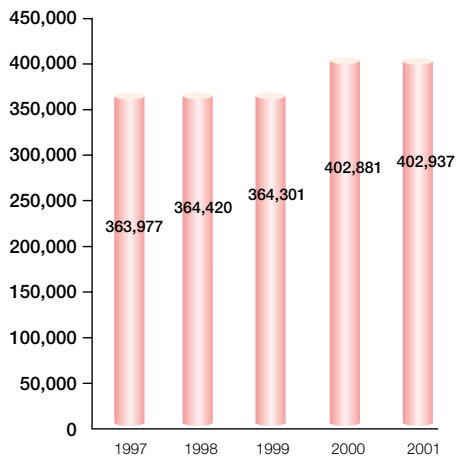
### Forecast for Consolidated Business Performance in Fiscal 2002

	2001	2002 (estimate)	change	% change
Net sales (¥ million)	402,937	410,000	+ 7,063	+ 1.8%
Ordinary income (¥ million)	19,652	20,000	+ 348	+ 1.8%
Net income (¥ million)	11,136	11,200	+ 64	+ 0.6%

Note: The contents of this report are based on various premises and do not constitute a promise or guarantee of the realization of the planned results or policies described herein.

• **Net Sales**

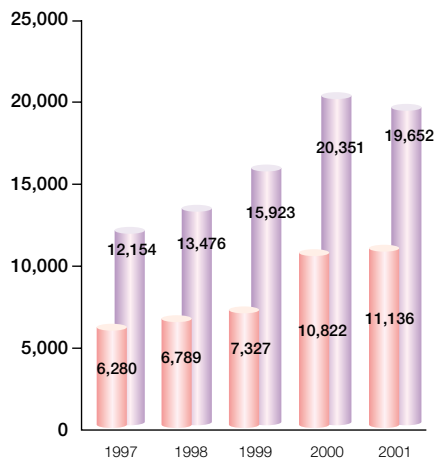
(¥ million)



• **Ordinary Income**

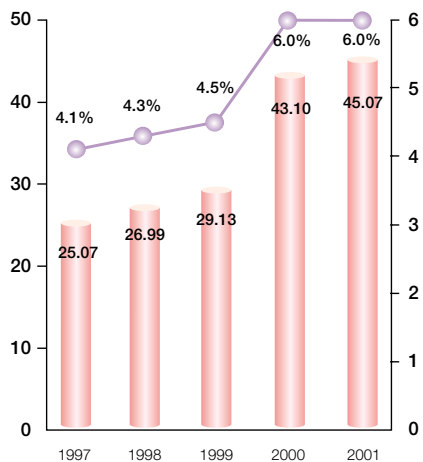
• **Net Income**

(¥ million)



• **Net Income per Share (¥)**

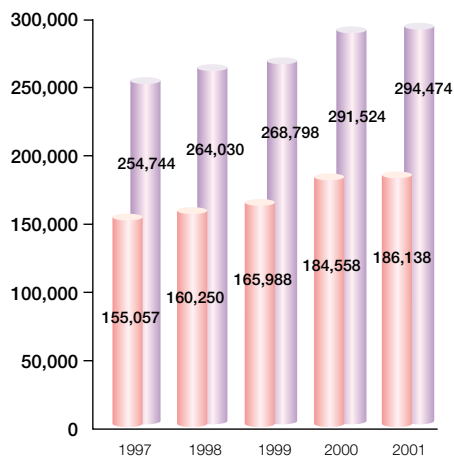
• **Return on Equity (%)**



• **Total Assets**

• **Shareholders' Equity**

(¥ million)



# Consolidated Financial Statements

\*The accompanying financial statements are prepared for domestic reporting purpose.

## Consolidated Balance Sheets

As of March 31, 2001 and 2000

(¥ million)

Items	2000	2001	change	Items	2000	2001	change
<b>Assets</b>				<b>Liabilities</b>			
Current assets	146,308	148,382	2,074	Current liabilities	56,443	61,443	5,000
Cash on hand and in banks	45,137	41,828	(3,308)	Notes and accounts payable	23,551	27,955	4,403
Notes and accounts receivable	54,080	56,631	2,551	Short-term debt	4,403	5,102	699
Marketable securities	10,709	10,183	(525)	Accrued income taxes	4,270	3,637	(633)
Inventories	28,867	31,647	2,779	Accrued expenses	13,853	14,206	353
Deferred tax assets	3,268	3,376	107	Other current liabilities	10,364	10,541	177
Other current assets	4,566	5,013	446	Non-current liabilities	38,372	34,477	(3,895)
Allowance for doubtful accounts	(323)	(299)	23	Bonds	383	369	(14)
Fixed assets	143,707	146,091	2,383	Convertible bonds	5,458	5,458	-
Tangible fixed assets	93,516	93,965	448	Long-term debt	3,953	1,810	(2,142)
Buildings and structures	36,616	35,822	(794)	Allowance for employees' retirement benefits	19,659	-	(19,659)
Machinery and equipment	27,900	26,821	(1,078)	Accrued employees' retirement benefits	-	16,750	16,750
Land	26,019	26,413	393	Allowance for directors' retirement benefits	-	878	878
Construction in progress	825	2,863	2,038	Allowance for repairs	1,183	1,224	40
Other tangible fixed assets	2,154	2,043	(110)	Guaranteed deposits received	7,515	7,842	326
Intangible fixed assets	2,030	2,497	466	Other non-current liabilities	219	145	(74)
Other intangible fixed assets	2,030	2,497	466	<b>Total liabilities</b>	<b>94,816</b>	<b>95,921</b>	<b>1,105</b>
Investments and other assets	48,160	49,628	1,468	Minority interests	12,149	12,414	264
Investment in securities	33,935	37,243	3,308	Minority interests	12,149	12,414	264
Long-term loans	2,543	1,810	(733)	Shareholders' equity			
Deferred tax assets	7,472	6,776	(696)	Common stock	17,117	17,117	-
Other investments and other assets	4,659	4,240	(418)	Capital surplus	9,446	9,446	-
Allowance for doubtful accounts	(450)	(442)	8	Retained earnings	158,034	160,592	2,558
Translation adjustments	1,508	-	(1,508)	Foreign currency translation adjustments	-	(979)	(979)
					184,599	186,178	1,579
				Treasury common stock	(4)	(3)	0
				Treasury common stock owned by subsidiaries	(36)	(36)	-
				<b>Total shareholders' equity</b>	<b>184,558</b>	<b>186,138</b>	<b>1,579</b>
<b>Total assets</b>	<b>291,524</b>	<b>294,474</b>	<b>2,950</b>	<b>Total liabilities and shareholders' equity</b>	<b>291,524</b>	<b>294,474</b>	<b>2,950</b>

Note: The amounts recorded are rounded down to the nearest one million yen.

## Consolidated Statements of Income

For the years ended March 31, 2001 and 2000

(¥ million)

Items	2000	2001	change
Net sales	402,881	402,937	55
Cost of sales	279,936	280,362	425
Gross profit	122,945	122,575	(370)
Selling, general and administrative expenses	103,931	104,070	138
Operating income	19,014	18,504	(509)
Non-operating income	2,753	2,806	52
Interest income	308	351	42
Dividend income	1,032	950	(81)
Equity in net income of affiliated companies	670	502	(168)
Other income	742	1,002	260
Non-operating expenses	1,415	1,658	242
Interest expenses	464	385	(79)
Other expenses	950	1,272	321
Ordinary income	20,351	19,652	(699)
Extraordinary income	3,500	10,955	7,454
Gain on disposal of fixed assets	1,193	1,223	29
Gain on sale of investment in securities	2,307	2,492	185
Gain on establishment of employees' retirement benefit trust	—	7,176	7,176
Other extraordinary income	—	62	62
Extraordinary losses	3,241	9,716	6,474
Loss on disposal of fixed assets	595	607	12
Loss on devaluation of investment in securities	254	—	(254)
Amortization of prior service cost relating to additional pension benefits	1,295	—	(1,295)
Provision for employees' retirement allowance	808	—	(808)
Costs for Y2K solutions	171	—	(171)
Amortization of net retirement benefit obligation at transition	—	8,304	8,304
Loss on devaluation of memberships	117	539	422
Other extraordinary losses	—	264	264
Income before income taxes and minority interests	20,610	20,891	280
Income taxes — current	9,315	8,291	(1,023)
Income taxes — deferred	(540)	584	1,124
Minority interests	1,013	878	(134)
Net income	10,822	11,136	313

Note: The amounts recorded are rounded down to the nearest one million yen.

## Consolidated Statements of Retained Earnings

For the years ended March 31, 2001 and 2000

(¥ million)

Items	2000	2001	change
Retained earnings at beginning of the year	149,308	158,034	8,726
Retained earnings at beginning of the year	139,430	158,034	18,604
Cumulative effect of adoption of tax effect accounting	9,878	—	(9,878)
Increase in retained earnings	2,913	—	(2,913)
Increase in retained earnings due to addition of consolidated subsidiaries	1,901	—	(1,901)
Increase in retained earnings due to addition of companies to which the equity method is applied	1,011	—	(1,011)
Decrease of retained earnings	5,009	8,578	3,568
Cash dividend paid	1,760	2,482	721
Bonuses to directors	81	88	7
Decrease in retained earnings due to decrease in the number of companies to which the equity method is applied	2,115	—	(2,115)
Earnings allocated to retirement of treasury common stock	1,051	6,006	4,955
Net income	10,822	11,136	313
Retained earnings at end of the year	158,034	160,592	2,558

Note: The amounts recorded are rounded down to the nearest one million yen.

## Consolidated Statement of Cash Flows

For the years ended March 31, 2001 and 2000

(¥ million)

Items	2000	2001	change
Cash flows from operating activities			
Income before income taxes and minority interests	20,610	20,891	280
Depreciation and amortization	9,530	9,258	(271)
Gain on establishment of employees' retirement benefit trust	—	(7,176)	(7,176)
Amortization of the balance upon change of pension accounting	—	8,304	8,304
Income taxes paid	(9,812)	(8,920)	891
Other	(8,028)	(6,216)	1,811
Net cash provided by operating activities	12,300	16,141	3,841
Cash flows from investing activities			
Purchases of fixed assets	(7,451)	(10,596)	(3,144)
Other	1,396	(2,001)	(3,398)
Net cash used in investing activities	(6,054)	(12,597)	(6,542)
Cash flows from financing activities			
Payments for short-term debt (net of proceeds from borrowings)	(17,162)	(724)	16,437
Payments for acquisition of treasury common stocks for elimination of retained earnings	(1,051)	(6,006)	(4,955)
Cash dividend paid	(1,760)	(2,482)	(721)
Other	(241)	(844)	(602)
Net cash used in financing activities	(20,215)	(10,058)	10,157
Effect of exchange rate changes on cash and cash equivalents	112	64	(48)
Decrease in cash and cash equivalents	(13,857)	(6,450)	7,406
Cash and cash equivalents at beginning of the year	31,880	24,214	(7,666)
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	6,191	—	(6,191)
Cash and cash equivalents at end of the year	24,214	17,763	(6,450)

Notes:

1. The amounts recorded are rounded down to the nearest one million yen.
2. The relationship between the balance of cash and cash equivalents at the fiscal year-end and the amount in the consolidated balance sheet item.

(¥ million)

	2000	2001
Cash on hand and in banks	45,137	41,828
Securities	10,709	10,183
Total	55,846	52,012
Time deposits deposited for periods exceeding three months	(20,923)	(24,535)
Securities and bonds with original maturities exceeding three months	(10,709)	(9,713)
Cash and cash equivalents at end of the year	24,214	17,763



# Non-Consolidated Financial Statements

\*The accompanying financial data are prepared for domestic reporting purpose.

## Non-Consolidated Balance Sheets

As of March 31, 2001 and 2000

(¥ million)

Items	2000	2001	change	Items	2000	2001	change
Assets	229,235	229,458	223	Liabilities	65,824	65,261	(562)
Current assets	105,020	104,388	(632)	Current liabilities	38,097	40,341	2,244
Cash on hand and in banks	31,876	29,889	(1,987)	Notes and accounts payable	14,693	16,048	1,355
Notes and accounts receivable	35,011	35,383	371	Short-term debt	44	636	592
Securities	10,595	9,117	(1,477)	Accrued expenses	10,833	10,992	159
Inventories	22,109	23,382	1,273	Deposits received	8,173	7,850	(323)
Other	5,427	6,615	1,187	Other	4,352	4,813	460
Fixed assets	124,214	125,070	855	Non-current liabilities	27,727	24,919	(2,807)
Tangible fixed assets	75,457	75,532	75	Convertible bonds	5,458	5,458	—
Buildings and structures	28,064	27,190	(873)	Long-term debt	982	335	(647)
Machinery	21,648	20,831	(816)	Allowance for employees' retirement benefits	15,297	—	(15,297)
Land	23,350	23,219	(130)	Accrued employees' retirement benefits	—	12,396	12,396
Other	2,394	4,291	1,896	Other	5,988	6,729	741
Intangible fixed assets	1,910	2,374	463	Shareholders' equity	163,411	164,197	786
Investments	46,846	47,163	317	Common stock	17,117	17,117	—
Investment securities	23,589	25,659	2,070	Legal reserve	13,825	13,825	—
Investment in subsidiaries	5,692	5,895	202	Retained earnings	132,467	133,253	786
Long-term loans	9,224	8,398	(826)	Voluntary reserve	101,633	106,910	5,276
Other	8,340	7,211	(1,128)	Unappropriated retained earnings	30,833	26,343	(4,490)
				[Net income]	[9,314]	[9,335]	[21]
Total assets	229,235	229,458	223	Total liabilities and shareholders' equity	229,235	229,458	223

Note: The amounts recorded are rounded down to the nearest one million yen.

## Non-Consolidated Statements of Income

For the years ended March 31, 2001 and 2000

(¥ million)

Items	2000	2001	change
Operating revenues	322,266	317,086	(5,180)
Operating expenses	308,794	304,075	(4,718)
Operating income	13,471	13,010	(461)
Non-operating income	2,511	2,514	2
Non-operating expenses	942	1,175	232
Ordinary income	15,040	14,349	(691)
Extraordinary income	3,399	11,007	7,607
Extraordinary losses	2,163	9,075	6,912
Income before income taxes	16,276	16,280	4
Income taxes (current, deferred)	6,961	6,944	(17)
Net income	9,314	9,335	21
Unappropriated retained earnings brought forward	12,312	23,995	11,682
Increase in retained earnings due to acquisition	1,231	—	(1,231)
Cumulative effect of adoption of tax effect accounting	7,975	—	(7,975)
Reversal of voluntary reserve in line with adoption of tax effect accounting	2,056	—	(2,056)
Earnings allocated to retirement of treasury common stock	1,051	6,006	4,955
Interim dividend	1,006	981	(24)
Unappropriated retained earnings	30,833	26,343	(4,490)

Note: The amounts recorded are rounded down to the nearest one million yen.

## Appropriation of Retained Earnings

For the years ended March 31, 2000 and 2001

(¥ million)

Items	2000	2001	change
Unappropriated retained earnings	30,833	26,343	(4,490)
Reversal of special depreciation provision	60	55	(4)
Reversal of reserve for advanced depreciation of fixed assets	173	200	27
Reversal of reserve for special account for advanced depreciation of fixed assets	28	26	(2)
Total	31,096	26,626	(4,470)
This was appropriated as follows.			
Dividends	1,501 (Ordinary dividend of ¥ 4 per share, Dividend of ¥ 2 per share commemorating the centennial of the founding of the Company)	977 (Ordinary dividend of ¥ 4 per share)	(524)
Directors' bonuses	60	60	—
Reserve for advanced depreciation of fixed assets	297	213	(84)
Reserve for special account for advanced depreciation of fixed assets	242	264	21
Special reserve	5,000	5,000	—
Earnings carried forward to the following year	23,995	20,111	(3,883)

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- On December 8, 2000 an interim dividend of ¥981 million (¥ 4 per share) was distributed.
- The special depreciation provision, special account for advanced depreciation of fixed assets, and reserve for special account for advanced depreciation of fixed assets are based on the Special Taxation Measures Law and other pertinent laws and ordinances.

## Stock Information (As of March 31, 2001)

### Total number of shares authorized to be issued:

472,778,000 shares (a decrease of 5,922,000 shares from the end of the preceding fiscal year)

### Total number of shares issued and outstanding:

244,320,044 shares (a decrease of 5,922,000 shares from the end of the preceding fiscal year)

(The reductions in the total number of shares authorized to be issued by the Company and the total numbers of shares issued and outstanding were due to retirement of stock.)

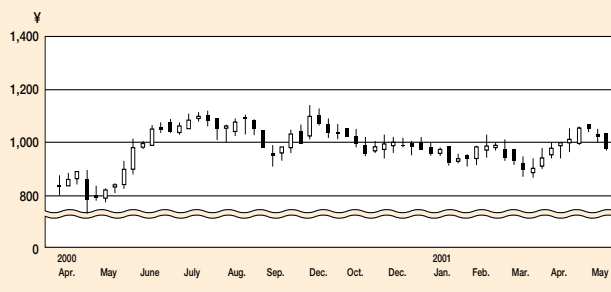
### Number of shareholders

14,044 (a decrease of 1,612 shareholders from the end of the preceding fiscal year)

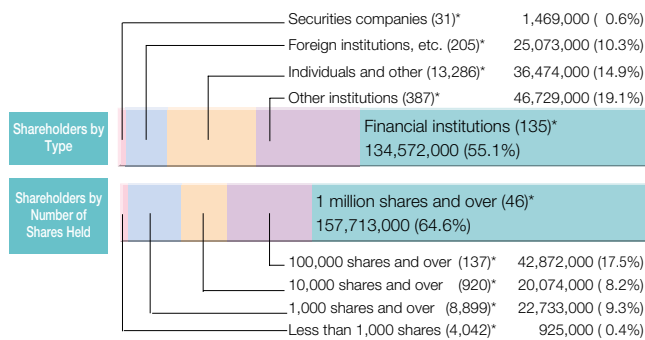
### Major shareholders: (top 10)

Name	Number of Shares Held (thousand)	Ratio of Share Holdings (%)
Nippon Life Insurance Company	14,075	5.7
Yamazaki Baking Co., Ltd.	12,764	5.2
The Fuji Bank, Ltd.	11,421	4.6
The Sumitomo Bank, Ltd.	8,431	3.4
The Dai-ichi Kangyo Bank, Ltd.	8,416	3.4
Morgan Trust Bank, Ltd. (tax free account)	6,797	2.7
The Asahi Bank, Ltd.	6,714	2.7
The Bank of Tokyo-Mitsubishi, Ltd.	5,469	2.2
Mitsubishi Corporation	5,347	2.1
Nisshin Flour Milling Employees' Stock Holdings	4,780	1.9

### •Stock Prices



### •Composition of shareholders



\* Number of shareholders

## Corporate Data (As of March 31, 2001)

**Corporate name:** NISSHIN FLOUR MILLING CO., LTD.  
**Head office:** 25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo  
**Foundation:** October 1900  
**Paid-in capital:** ¥17,117,856,746  
**Main business:** Production and sales of the products listed below:

<b>Flour Milling Division:</b>	Flour and bran
<b>Processed Food Division:</b>	Pasta, pasta sauce, pre-mix, flour for consumer use, processed food products, dry noodles
<b>Feed Division:</b>	Feed, pet food
<b>Other divisions: (Pharmaceuticals):</b>	Bulk pharmaceutical chemicals, pharmaceutical products, health-care foods

(Transport and storage)

### Board of directors:

**President:** Osamu Shoda  
**Senior managing director:** Hidetaka Niikura  
**Managing director:** Tsutomu Kawaguchi  
**Managing director:** Chikara Saito  
**Managing director:** Takehiko Shigemori  
**Managing director:** Haruo Yamasaki  
**Managing director:** Akihiro Watanabe  
**Managing director:** Takeo Ito  
**Managing director:** Hiroshi Hasegawa  
**Managing director:** Hirohisa Shimizu  
**Managing director:** Noburu Fukushima  
**Managing director:** Ryuji Nakamura  
**Managing director:** Ippei Murakami  
**Director:** Matasaburo Hashimoto  
**Director:** Osamu Kojima  
**Director:** Hiroshi Takeba  
**Director:** Takahiko Shio  
**Director:** Masaru Nakamura  
**Director:** Katsusuke Shimizu  
**Director:** Shizuo Sakano  
**Director:** Akio Ishizuka  
**Director:** Akihiisa Sasaki  
**Director:** Ryoei Miyashita  
**Director:** Hiroshi Sadoi  
**Director:** Hitoshi Sugiyama  
**Statutory auditor:** Masao Kitamura  
**Statutory auditor:** Masakazu Kiyoi  
**Statutory auditor:** Daiji Takei  
**Auditor:** Kaichiro Nezu  
**Auditor:** Morio Hatakeyama

**Number of employees:** 2,450

### Offices and laboratories:

**Head Office:**  
25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo  
**Institutes and Laboratories:**  
QE Center, Fundamental Research Laboratory, Technical Research Laboratory, Tsukuba Research Institute, Nasu Research Institute, Inspection Center, Food Research Laboratory, Fine-chemical Research Laboratory  
**Hokkaido Head Office:**  
Sapporo Sales Department, Sapporo Food Sales Department, Kitami Plant, Hakodate Plant, Otaru Feed Plant  
**Tobu Head Office:**  
Tokyo Sales Department, Tokyo Food Sales Department, Tokyo Food Sales Office, Kanto Sales Department, Kanto Food Sales Office, Yokohama Food Sales Office, Sendai Sales Department, Sendai Food Sales Department, Tatebayashi Plant, Chiba Plant, Tsurumi Plant  
**Chubu Head Office:**  
Nagoya Sales Department, Nagoya Food Sales Department, Okayama Plant, Sakaide Plant  
**Seibu Head Office:**  
Osaka Sales Department, Osaka Food Sales Department, Osaka Food Sales Office, Chushikoku Sales Department, Hiroshima Food Sales Office, Sakaide Food Sales Office, Kobe Plant, Higashi-nada Plant, Okayama Plant, Sakaide Plant  
**Kyushu Head Office:**  
Fukuoka Sales Department, Fukuoka Food Sales Department, Tosu Plant, Chikugo Plant, Kagoshima Feed Plant  
**Ueda Plant, Komoro Plant**

## Investor Information

### Fiscal year-end

March 31

### Record date for shareholders entitled to receive payment of dividends

March 31

### Record date for shareholders entitled to receive payment of interim dividends

September 30

### Ordinary general meeting of shareholders

June

### Newspaper for public notices

The Nihon Keizai Shimbun issued in Tokyo

### Share trading unit

1,000 shares

### Transfer agent and registrar

The Chuo Mitsui Trust and Banking Company, Ltd.

3-33-1 Shiba, Minato-ku, Tokyo Japan

### Transfer agent

The Chuo Mitsui Trust and Banking Company, Ltd.

Stock Transfer Agency Department (Stock Transfer Operation Center)

2-8-4 Izumi, Suginami-ku, Tokyo  
168-0063, Japan

Tel: (03) 3323-7111

### Transfer agent handling office

The Chuo Mitsui Trust and Banking Company, Ltd., branches throughout Japan  
Japan Securities Agents, Ltd.,  
Head office and branches

### Notice:

To request the forms necessary for change of address, transfer of shares, or dividend payment instructions, telephone the transfer agent (toll-free number within Japan: 0120-87-2031). Lines are open twenty-four hours a day.

# NISSHIN FLOUR MILLING CO., LTD.

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