



To Shareholders

Business Report 2002

(April 1, 2001 to March 31, 2002)



NISSHIN SEIFUN GROUP INC.

Message from the President



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* 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.

In the year ended March 31, 2002 we laid the foundations for a promising future. We made substantial changes to the structure of our company, forming a holding company and spinning off our business divisions into separate autonomous entities. At the heart of these changes lies the conviction that different kinds of businesses require different forms of organization in order to maximize their competitiveness and enhance overall corporate value. The advantages of the new structure are numerous — quicker decision-making, more flexible responses to changes in the market, more customer-oriented initiatives — and it is already beginning to show its worth. We were able to quickly and efficiently implement countermeasures to dampen the effects of price deflation due in no small measure to the dynamic responses of the new group companies. I would like to thank every stakeholder personally for helping us make this transition a smooth and successful one.

While our prospects remain bright, the reluctance of the economy to mount a recovery in fiscal 2001 put a strain on our earnings for the year. Less disposable income, a worsening employment environment, and more uncertainty about the future heightened consumer sensitivity to price, and this combined with continued deflation put a great deal of pressure on us to lower prices in order to stay competitive. As a result, though net sales were down only 1.4% from the previous year at ¥397,173 million, operating income

decreased by 15.7% to ¥15,593 million, and net income declined 16.2% from the previous year to ¥9,334 million.

Though signs point to an economy that is beginning to bottom out, assurances are few that we will witness a full-scale upturn in the near future. Despite the dim outlook for the economy as a whole we are confident that new product development and continued cost cuts will lead to a recovery in both sales and earnings for the coming year. We have especially high expectations for new lines of healthy and convenient food products as we make the transition from a foodstuffs supplier to a meal solutions provider.

Finally, I would like to make a few comments about safety, something we take very seriously. We have made concrete enhancements to our system of quality assurance and are working to raise the awareness level of each and every employee. Our customers and their families deserve nothing less than our most dedicated efforts in these areas.

Thank you for your continued support.



Osamu Shoda
President
June 2002

Interview with the President

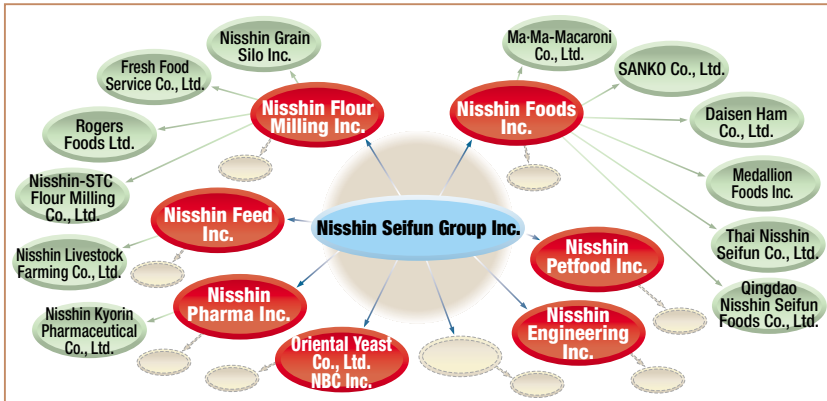
Osamu Shoda, president of Nisshin Seifun Group Inc., comments on the reorganization of the company, fiscal 2001 results, prospects for the future, and safety issues.

Reorganization

Q Nearly a year has passed since the company was reorganized. What was the thinking behind the move and what do you hope to achieve with it?

A Like most companies, Nisshin Seifun has a hand in an array of businesses. While there is some overlap, each of the businesses faces different market conditions, serves a different customer base, and provides a different line-up of products. For a business to be competitive it must structure itself so that it is ideally suited to respond to the unique environment in which it operates. The aim of the reorganization is to put our businesses in a better position to respond quickly and closely to changing markets by providing them a greater degree of autonomy while allowing them to more freely form collaborative alliances inside and outside the Group. In fact, “self-sufficiency” and “alliance” are the primary concepts shaping the structure of the new organization. The new changes also reflect the conviction that the people who know a business best, those with a day-to-day working knowledge of it, should be in charge of plotting its course. I am confident that our employees will make the most of the new organization, as it is their actions in response to it that will ultimately determine our future success.

Expansion of the Group



Operating Results for Fiscal 2001

Q What factors affected performance in fiscal 2001? What are the prospects for performance going forward?

A Our performance this year was affected less by falling sales volumes than by the deflation in prices that occurred across many sectors of the economy. We were hit especially hard in the first quarter. By the second quarter though we started to see some benefits emerge from our efforts to counteract the drop in prices. Rigorous cost-cutting, new marketing initiatives and other measures turned us around by the second half, so that our profits in that period were on par with last year. Going forward, the biggest challenge we face is shifting demographics. On top of changes in social and family structure and in eating and purchasing habits, the population as a whole is set to begin to gradually decline. Only a new kind of Japanese company that combines the best of the past with the best from abroad will be capable of staying ahead of these changes, compete competitively and prosper. We are diligently working to becoming that company.



G-Mill at the Tsurumi Plant of Nisshin Flour Milling will be completed in autumn 2002

Interview with the President

Future Strategy

Q What can we expect from fiscal 2002? What are some of your strategies over the medium term?

A First of all, we don't expect the pressure being exerted by deflation to let up this year. To increase our income we are developing a series of new products, and are continuing to streamline our organization, cutting costs on all fronts from purchasing and distribution to sales. Over the medium term, we are focusing our resources on areas with a high potential for growth and future profitability. Current initiatives center on extending our business to new lines of healthy and convenient food products — two areas we predict will become

increasingly in demand. Our success in a wider sense though will also depend on our ability to meet the expectations of a changing society by continuing to lower our impact on the environment, contribute to conservation efforts, and ensure the safety of our products.



Q What about in the key business units?

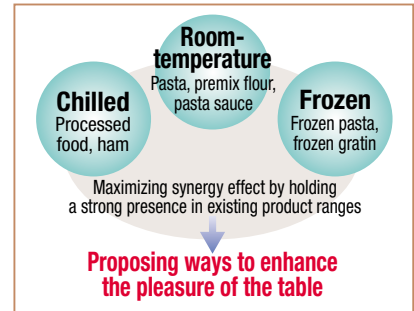
A The Flour Milling Division already enjoys outstanding productivity and an overwhelmingly large share of the market in Japan. Instead of resting on our laurels however we are continuing to cut costs across the spectrum, with productivity set to increase still further when the state-of-the-art G-Mill at the Tsurumi Plant goes on line this



"So Shoku Club" Two-Way Communication System of the Flour Milling Division

autumn. To raise our market share we are instituting new strategies for renewing our focus on customer relationships. These include the web-based *So Shoku Club*, an interactive site which facilitates the exchange of information with our customers. The Processed Food Division is also spearheading our drive to become a top provider of comprehensive meal solutions. We are moving beyond supplying separate and distinct products to providing the lineups of products – frozen, chilled, and at room-temperature – needed to create complete meals for a variety of lifestyles. In the other divisions as well we are developing a number of new initiatives to increase market presence and bolster competitiveness.

Direction of the Processed Food Division



Q What is the Nisshin Seifun Group doing to ensure the safety of its products and retain the trust of its customers?

A First of all, let me say that the safety of our food products is an utmost concern. It is also a pressing matter for the industry as a whole. Since April of this year for example new regulations have gone into effect requiring the labeling of allergens. We are committed to responding to any safety concerns our customers may have as promptly and effectively as possible. On the manufacturing side, we are boosting investment, enhancing guidelines, and increasing awareness of safety-related issues. We have also made substantial improvements to our research organization and are continuing to promote health foods and other products that contribute to greater health.

Product Lineup that Contributes to Healthy Life

“To contribute to a healthy and fruitful life for all” is Nisshin Seifun Group’s company principle. The following is a selection of our products based on this principle.

Products of Nisshin Foods Inc.

The Nisshin Foods Ma-Ma-Calorie Off Select series of pasta sauce was developed in response to growing consumer awareness of the need to take in the nutrients that contribute to a healthy diet. Ma-Ma-Calorie Off Select pasta sauces have 40% fewer calories yet contain the same sauce ingredients and the same delicious flavor. The Ma-Ma-Pure Made series of pasta sauce is sterilized by flash heating and sealed in a sterile aluminum pouch using aseptic manufacturing processes. The flavor, texture, and nutrients of the ingredients are preserved and the delicious taste of the sauce shines through.



Ma-Ma-Calorie Off Select carbonara sauce



Ma-Ma-Pure Made Bolognese sauce

Products of Nisshin Pharma Inc.

The Livlon series of health supplements from Nisshin Pharma were named after the book of health and longevity secrets, *Look Younger, Live Longer* by Dr. G. Hauser.



Co-Q Livlon contains the coenzyme CoQ₁₀, which increases cellular energy production ability.



Guruko Design chicken consommé soup

is a health food product that contains wheat albumin to slow carbohydrate consumption and regulate blood-sugar levels.



Colo Balance is a food for specified health uses whose main ingredient comes from the psyllium, which is rich in fiber, can aid in reducing the absorption of cholesterol and in improving stomach conditions.



Power Livlon 8 consists of eight capsules and tablets containing the four minerals and 12 vitamins that Japanese are most likely to be deficient in.

Products of Nisshin Feed Inc.

Nisshin Feed's "Herb Pork" comes from pigs that were raised on feed combined with a mix of four herbs. This popular product is free from the distinctive odor of pork and has a light flavor. In addition, their Health Support Vitamin D Enriched Eggs have been available on the market as food for specified health uses. Vitamin D is well known for its ability to aid in the absorption of Calcium in the body and assistance in the formation of healthy bones.



"Herb Pork" pigs raised on herb feed.



Health Support Vitamin D Enriched Eggs assist in strong bone growth.

Products of Nisshin Petfood Inc.

Nisshin Petfood has brought the concept of health care products to its line of healthy pet food, RUN-Health Care for dogs and Carat-Health Care for cats. This multi-nutritious pet food line can be easily matched to the developmental stage and health of pet cats and dogs and contains such ingredients as vitamin E, DHA, and polyphenol, which is attracting attentions of the health-conscious.



For mature dogs
(Dog food)
RUN-Health Care series



Light Calorie for Obese Cats
(Cat food)
Carat-Health Care series

Topics

Announcement of group's realignment

On July 2, 2001, Nisshin Seifun Group made a fresh start with the reorganization of the group. To commemorate the event and to get the newly formed Nisshin Seifun Group off to a great start, anniversary advertisements were run in national newspapers. In addition to this, a new rooftop billboard was created at the head office in order to spread the group's principle, "to contribute to a healthy and fruitful life for all."



Anniversary advertisement

Company rooftop billboards



Publication of the Nisshin Seifun Group Environmental Report 2001

We published the *Nisshin Seifun Group Environmental Report 2001* to introduce our corporate activities in environmental protection and to show our continued commitment to being an even stronger leader in this movement from this point forward. We have received high evaluations in our activities in curbing global warming and conserving energy, reducing waste and recycling, producing environmentally-friendly products, and expanding eco-business.



The Kamifukuoka Research Laboratories (left) and Tsukuba Research Institute (right) have received ISO14001 environmental management system certification.



Nisshin Seifun Group Environmental Report 2001

Chilled foods expansion

Nisshin Foods is aggressively working toward achieving business expansion in food products in all temperature ranges, including room-temperature, frozen, and chilled foods. In particular, we will achieve growth in the chilled foods industry by fully applying the considerable know-how of the market leader in Japanese-style prepared foods, Sanko Co., Ltd. We are also developing new business operations through Japanese prepared food stores like Yushintei and Hyakuwan that accurately respond to consumer needs and are aimed at department stores and large retailers.



A newly opened *Hyakuwan* shop in a department store



Contributing to growth in demand for flour products by developing pizza market

With consumer preferences and hang-ups towards foods deepening, in recent years authentic Neapolitan-style pizza has become a hot topic. The group company Fresh Food Service Co., Ltd. is achieving growth in the flour product market by reestablishing a market for pizza through its popular chain of southern Italian cuisine restaurants, Partenope. In March 2002 we made a presentation at the International Food and Beverage Exhibition (FOODEX JAPAN 2002), taken place in the largest scale in Asia, with "Authentic Neapolitan-style pizza system and Italian ingredients" as the theme. Our proposal for a system capable of being implemented in a variety of shops for freezing and baking genuine Neapolitan-style pizza gathered much praise.



Pizzeria-Trattoria *Partenope*,
Ebisu, Tokyo



Exhibit at FOODEX JAPAN
2002



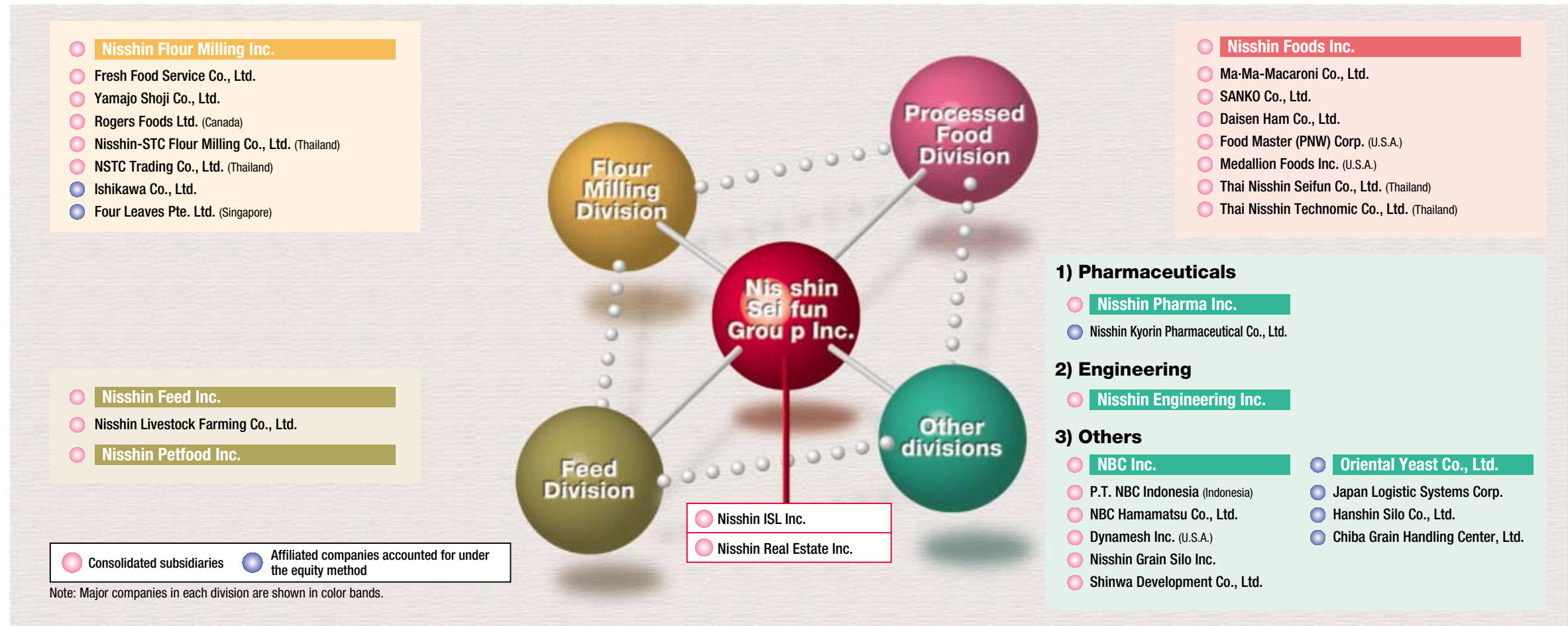
Outline of the Group

On July 2, 2001, Nisshin Flour Milling Co., Ltd. split off its business divisions and formed the holding company Nisshin Seifun Group Inc. This Group consists of the holding company and Flour Milling, Processed Food, Feed, and other divisions and is composed of the holding company, 41 subsidiaries and 28 affiliated companies. The following business system chart shows the 27 consolidated subsidiaries and the 7 affiliated companies accounted for under the equity method.

Business structure of the Group (As of March 31, 2002)

Number of employees (As of March 31, 2002)

Flour Milling Division	1,394
Processed Food Division	1,727
Feed Division	342
Other/across the Group divisions	939
Nisshin Seifun Group Inc.	282
Total	4,684



Review of Operations

Flour Milling Division

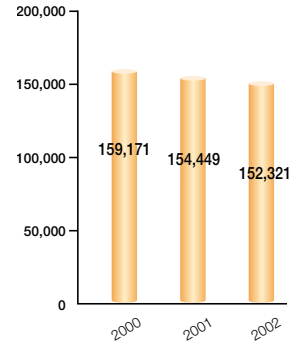
<Business Results>

Flour shipments fell slightly from the previous year due to a slowdown in food consumption and an increase in imports of flour-based products. In a market with overall sluggish demand for flour, we implemented plans to cut costs further in manufacturing and distribution and to strengthen the sales structure while expanding sales through cooperation with our sales agencies. Construction of a new high-efficiency G Mill in the Tsurumi Plant is underway smoothly and is expected to be completed by the fall of this year as originally planned. In addition, we have seen a steady increase in use of our membership website, "So Shoku Club," which was established in July of last year to deepen customer and partner relationships by making a wide variety of information and services available. This website is steadily expanding as a two-way communication system with customers, such as solving the management problems of customers in a speedy means. Due to a reduction in imports and strong domestic demand for feed, there was a firm increase in the price of bran.

<Prospects for the Next Fiscal Year>

We will seek to expand flour sales by taking action to strengthen its sales and marketing system using the relationship marketing concept. At the same time, through upgrades to the IT-driven two-way communication website, "So Shoku Club," we will put into use a business response solution that will allow ourselves to quickly respond to the business needs of our clients together with them. The Group also is increasing efficiency in every sector, including production, sales, and distribution, in an effort to secure revenue.

Trends in sales (¥ million)



Industry communication event with the theme "So Shoku Age"

New Products

●Frozen Potato Cup Burger Lunch Topped with Ketchup

(Nisshin Foods: Frozen hamburger for lunch box)



A juicy 100% chicken meat burger topped with ketchup and placed in a cup made out of potato. This delicious and rich chicken burger and potato that kids love can be enjoyed at the same time. Unlike paper-packed foods, there is no package to waste because of the edible potato cup.

This treat is environment-friendly and has better quality and more volume worth saving cost of package, making hit product you have never seen before.

(On sale February 2002)

●Frozen Mushroom and Brassica Campestris Rice

(Nisshin Foods: Frozen rice dish)



We took the popular pasta flavor of mushroom and brassica campestris and turned it into a frozen rice dish. This juicy flavorful dish is made by frying rice in a soy sauce base with brassica campestris, generous portion of chicken, and *maitake*, *shitake*, and *enokitake* mushrooms. A

single serving is easily prepared by heating it in the microwave in its original packaging.

(On sale February 2002)

Processed Food Division

<Business Results>

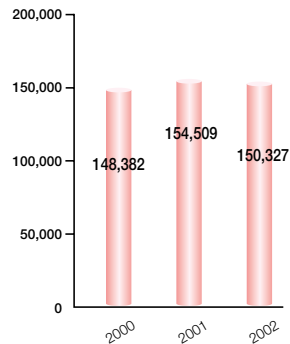
Shipments during the year under review were stable, particularly those of pasta sauce, *okonomiyaki* mix, and frozen foods for household use. However, the results for flour for household use, pasta, and frying batter mix were lower than those of the previous year. The continued downturn in consumption and the intensification of competition between companies, coupled with increased the increasing preference for low prices among consumers has resulted in very severe market conditions for processed foods. It has necessarily been an uphill battle to show a profit. We have made great efforts to revitalize and expand our markets through the development of new products designed to meet the needs of the market and an intense marketing campaign, while at the same time engaging in thorough cost-cutting measures.

In February 2002 the Group entered the frozen rice market by utilizing the know-how cultivated from years of experience with frozen pasta. The Group also released a total of 38 new products including its high-quality pasta and pasta sauce series, Grotta Azzurra. Furthermore, it plans to expand sales in the chilled food business through the development of Japanese-style prepared foods targeted at department stores and large retailers. Putting into play the years of experience with Japanese-style prepared foods that SANKO Co., Ltd. brings to the Group, this product line will feature a varied menu and the freshest ingredients.

<Prospects for the Next Fiscal Year>

We are developing and putting into place new products that accurately respond to consumer needs. We are also implementing aggressive sales campaigns, strengthening our top brands, and actively developing business activities across the room-temperature, chilled, and frozen prepared food industries. Furthermore, we are implementing thorough cost-cutting measure, including reviewing production and purchasing processes and improving distribution channels in order to achieve a revitalization of profits.

Trends in sales (¥ million)



Japan Foodservice Show Exhibition

●Grotta Azzurra Spaghetti with Pomodoro Sauce

(Nisshin Foods: Frozen one-dish pasta)



A new frozen pasta based on our high-quality pasta and pasta sauce brand Grotta Azzurra. This Pomodoro sauce spaghetti is made with fresh shrimp and squid, *shimeji* and *maitake* mushrooms, and a tomato sauce base all wonderfully blended with white wine. The subtle superiority in flavor comes from hidden touches like flavorful sun-dried salt from Sicily and extra virgin olive oil. The taste, texture,

and color of the seafood, tomatoes, and mushrooms in this full flavored frozen pasta are preserved until the moment of eating.

(On sale February 2002)

Review of Operations

Feed Division

<Business Results>

Overall demand for fish feed mixture grew as a result of proactive sales expansion measures in addition to a shortage of live feed. In particular, yellowtail and sea bream formula feed shipments increased sharply over the previous year. While intense sales competition continued in the livestock feed industry due to sluggish prices in livestock product prices, shipments were at the same level as last year as a result of firm sales activities.

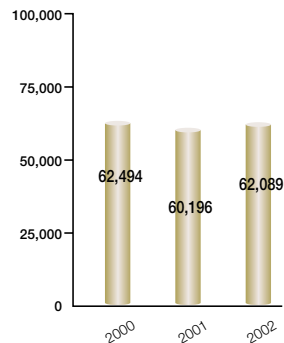
Shipments of pet food fell slightly from the previous year in a climate of intensified business competition despite vigorous sales expansion efforts centered on value-added products.

<Prospects for the Next Fiscal Year>

Bovine spongiform encephalopathy (BSE), commonly known as “mad cow disease” has caused a great deal of anxiety in the marketplace. Nisshin Seifun's brand differentiation delivers confidence to consumers through messages like “Herb Pork.” In addition to this new dimension to our steadily expanding sales, we are also striving to grow profits by increasing efficiency in our sales and production operations.

We are also working towards achieving improved profits in the pet food industry through the intensified development of premium products and thorough cost-cutting.

Trends in sales (¥ million)



An extruder and a packaging process at the ISO9002-certified Tsurumi Plant of Nisshin Petfood

New Products

●Carat Kaiseki 2 Dish Food “Oishisa Awase (mixture of flavor)”

(Nisshin Petfood: Cat food)



Carat Kaiseki 2 Dish series of dry cat food packaged in packets is unequalled in the quality of its ingredients, preparation, nutrients, flavor, and appearance. New products that combined two types of flavor powders, “scallop paste and tuna flakes” and “scallop paste and chicken breast with carrots” become available to create a menu with more variety.

(On sale March 2002)

●RUN Communication Beef Cubes with Vegetables

(Nisshin Petfood: Dog food)



RUN Communication Beef Cubes with Vegetables is a new addition to the nutritious gourmet line of RUN Communication dog food released last year. This new product adds beef cubes that dogs crave and vitamin-full cabbage as toppings to a mixed-type dry dog food to create a nutrient rich mixed food dogs can't resist.

(On sale March 2002)

Other divisions

<Business Results>

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. Furthermore, the Livlon series of health care foods, including Guruko Design Livlon, a food for specified health uses, made favorable progress. The Group also brought to market a new product based on the health care food ingredient CoQ₁₀.

In the Engineering Division, sales of powder processing equipment fell from the previous year while sales from plant-related construction operations increased.

NBC Inc., former NBC Industries Co., Ltd., manufactures and sells mesh cloths for screen printing and industrial materials use. Sales fell slightly from the previous year due to the slump in IT-related manufacturing.

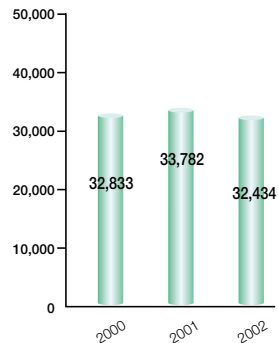
<Prospects for the Next Fiscal Year>

In the Pharmaceuticals Division, the Group will work to establish a strong market position for Nisshin Kyorin's pharmaceutical business. With the market for health care products growing steadily, its efforts to achieve higher profits will focus on expanding sales mainly through new products incorporating a health care food ingredient that was just approved by the Ministry of Health, Labor and Welfare, CoQ₁₀.

While orders for plant engineering in the previous year is increasing, engineering businesses will work to expand sales of powder processing equipment and to expand overall sales in the powder processing field.

NBC Inc. will seek to increase usage of the entire range of products that utilize mesh technologies.

Trends in sales (¥ million)



International Powder Industry Exhibition

●Co-Q Livlon

(Nisshin Pharma: Health care food)



Based on the coenzyme Q₁₀ (CoQ₁₀), the health food supplement Co-Q Livlon is now on sale. CoQ₁₀ is an indispensable component in the energy production process and occurs naturally in the human body. In Europe and America supplements based on CoQ₁₀ are growing in usage and popularity for combating heart disease, aging, and fatigue and for improving appearance and to enhance sports performance. In the 1970's, Nisshin Seifun was the first company to manufacture CoQ₁₀ in large volumes. Until recently CoQ₁₀ has been used in Japan in pharmaceuticals for heart disease, but beginning in 2001 it has been certified for use in food products and a wide variety of new food products and ingredients are anticipated. We have developed CoQ₁₀ soft capsules to increase their solubility inside the body and absorption factor.

(On sale December 2001)

Consolidated Financial Highlights

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

Consolidated Financial Highlights (Years ended March 31)

	1998	1999	2000	2001	2002	Change	% change
Results of operations							
Net sales (¥ million)	364,420	364,301	402,881	402,937	397,173	(5,764)	(1.4%)
Operating income (¥ million)	11,700	13,808	19,014	18,504	15,593	(2,911)	(15.7%)
Ordinary income (¥ million)	13,476	15,923	20,351	19,652	17,467	(2,184)	(11.1%)
Net income (¥ million)	6,789	7,327	10,822	11,136	9,334	(1,802)	(16.2%)
Profit ratio							
Operating income to net sales (%)	3.2%	3.8%	4.7%	4.6%	3.9%	(0.7%)	—
Ordinary income to net sales (%)	3.7%	4.4%	5.1%	4.9%	4.4%	(0.5%)	—
Net income to net sales (%)	1.9%	2.0%	2.7%	2.8%	2.4%	(0.4%)	—
Return on equity (%)	4.3%	4.5%	6.0%	6.0%	4.2%	(1.8%)	—
Financial position							
Total assets (¥ million)	264,030	268,798	291,524	294,474	340,637	+ 46,163	+ 15.7%
Shareholders' equity (¥ million)	160,250	165,988	184,558	186,138	215,354	+ 29,216	+ 15.7%
Shareholders' equity ratio (%)	60.7%	61.8%	63.3%	63.2%	63.2%	0.0%	—
Per share data							
Net income per share (¥)	26.99	29.13	43.10	45.07	38.40	(6.67)	—
Shareholders' equity per share (¥)	637.10	659.90	738.45	762.84	904.15	+ 141.31	—
Cash dividends per share (¥)	6	6	10	8	8	0	—

Forecast for Consolidated Business Performance

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

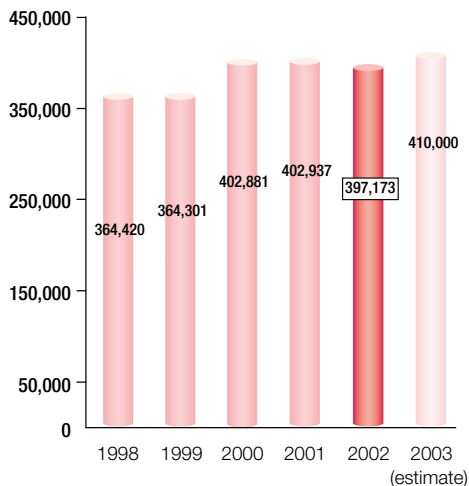
Forecast for Consolidated Business Performance in Fiscal 2003

	2002	2003 (estimate)	Change	% change
Net sales (¥ million)	397,173	410,000	+ 12,827	+ 3.2%
Ordinary income (¥ million)	17,467	19,700	+ 2,233	+ 12.8%
Net income (¥ million)	9,334	10,400	+ 1,066	+ 11.4%

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.

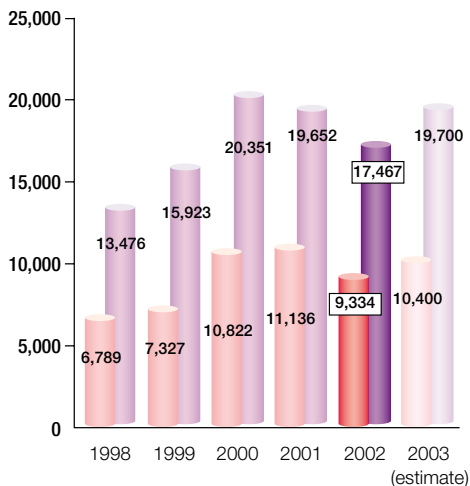
• **Net Sales**

(¥ million)



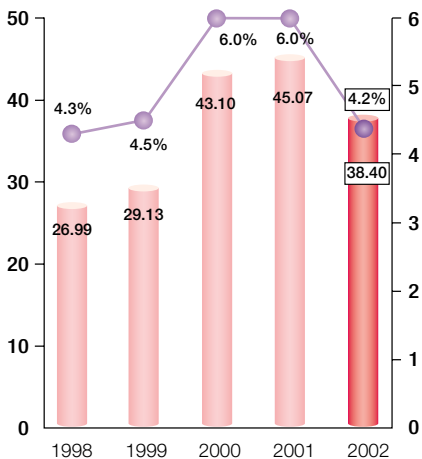
• **Ordinary Income** • **Net Income**

(¥ million)



• **Net Income per Share** (¥)

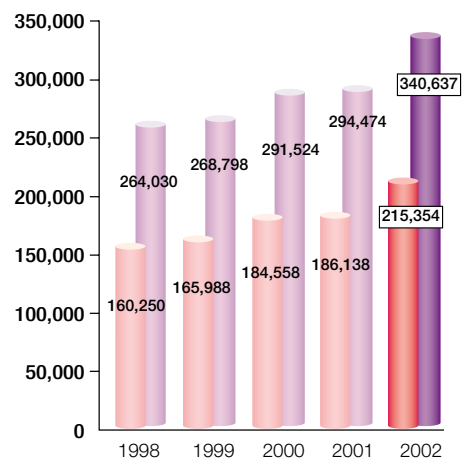
• **Return on Equity (ROE)** (%)



• **Total Assets**

• **Shareholders' Equity**

(¥ million)



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.

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31, 2001 and 2002

(¥ million)

Items	2001	2002	Change
Assets			
Current assets	148,382	153,577	5,194
Fixed assets	146,091	187,060	40,968
Total assets	294,474	340,637	46,163
Liabilities			
Current liabilities	61,443	70,764	9,320
Non-current liabilities	34,477	41,411	6,934
Total liabilities	95,921	112,176	16,254
Minority interests	12,414	13,106	692
Shareholders' equity			
Common stock	17,117	17,117	—
Capital surplus	9,446	9,446	—
Retained earnings	160,592	165,265	4,672
Difference in valuation of other securities	—	24,035	24,035
Foreign currency translation adjustments	(979)	(382)	596
Treasury common stock	(3)	(91)	(87)
Treasury common stock owned by subsidiaries	(36)	(36)	—
Total shareholders' equity	186,138	215,354	29,216
Total liabilities and shareholders' equity	294,474	340,637	46,163

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- The valuation methods for determining cash values for other marketable securities for the consolidated fiscal year under review were applied based on accounting standards for financial instruments. As a result, the difference in valuation of other securities came to ¥24,035 million, deferred tax liabilities came to ¥17,096 million, and minority interests came to ¥22 million.

Consolidated Statements of Income

For the years ended March 31, 2001 and 2002

(¥ million)

Items	2001	2002	Change
Net sales	402,937	397,173	(5,764)
Cost of sales	280,362	278,418	(1,943)
Gross profit	122,575	118,755	(3,820)
Selling, general and administrative expenses	104,070	103,162	(908)
Operating income	18,504	15,593	(2,911)
Non-operating income	2,806	3,003	197
Non-operating expenses	1,658	1,129	(529)
Ordinary income	19,652	17,467	(2,184)
Extraordinary income	10,955	4,742	(6,212)
Extraordinary losses	9,716	4,732	(4,983)
Income before income taxes and minority interests	20,891	17,477	(3,413)
Income taxes—current	8,291	7,891	(400)
Income taxes—deferred	584	(561)	(1,145)
Minority interests	878	813	(65)
Net income	11,136	9,334	(1,802)

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 2002

(¥ million)

Items	2001	2002	Change
Retained earnings at beginning of the year	158,034	160,592	2,558
Increase in retained earnings	—	1,300	1,300
Decrease of retained earnings	8,578	5,961	(2,616)
Net income	11,136	9,334	(1,802)
Retained earnings at end of the year	160,592	165,265	4,672

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2001 and 2002

(¥ million)

Items	2001	2002	Change
Cash flows from operating activities	16,141	13,068	(3,072)
Cash flows from investing activities	(12,597)	23,110	35,708
Cash flows from financing activities	(10,058)	(4,772)	5,285
Effect of exchange rate changes on cash and cash equivalents	64	74	10
Increase (decrease) in cash and cash equivalents	(6,450)	31,480	37,931
Cash and cash equivalents at beginning of the year	24,214	17,763	(6,450)
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	—	822	822
Cash and cash equivalents at end of the year	17,763	50,066	32,303

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- Funds on hand, including fund management assets, amount to ¥58,920 million, up ¥2,226 million over the end of the previous year.

Non-Consolidated Financial Statements

Since our company split its business divisions into separate companies and became a holding company on July 2, 2001, operating revenues for the period from July 2001 to March 2002 were transferred to the companies concerned, so sales and profits both greatly declined.

Non-Consolidated Balance Sheets

For the years ended March 31, 2001 and 2002 (¥ million)

Items	2001	2002	Change
Assets			
Current assets	104,388	45,657	(58,730)
Fixed assets	125,070	174,468	49,398
Total assets	229,458	220,126	(9,332)
Liabilities			
Current liabilities	40,341	21,382	(18,958)
Non-current liabilities	24,919	17,487	(7,431)
Total liabilities	65,261	38,870	(26,390)
Shareholders' equity			
Common stock	17,117	17,117	—
Legal reserve	13,825	13,825	—
Retained earnings	133,253	130,649	(2,604)
Difference in valuation	—	19,754	19,754
Treasury common stock	—	(91)	(91)
Total shareholders' equity	164,197	181,256	17,058
Total liabilities and shareholders' equity	229,458	220,126	(9,332)

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- The valuation methods for determining cash values for other marketable securities for the fiscal year under review were applied based on accounting standards for financial instruments. As a result, the difference in valuation of other securities of ¥19,754 million and deferred tax liabilities of ¥14,187 million are included in the balance sheet.

Non-Consolidated Statements of Income

For the years ended March 31, 2001 and 2002 (¥ million)

Items	2001	2002	Change
Operating revenues	317,086	86,185	(230,900)
Net sales	317,086	77,864	(239,221)
Operating revenues	—	8,321	8,321
Operating expenses	304,075	84,467	(219,608)
Cost of sales	231,075	56,608	(174,467)
Selling, general and administrative expenses	73,000	18,783	(54,216)
Operating expenses	—	9,075	9,075
Operating income	13,010	1,718	(11,292)
Non-operating revenues	2,514	1,758	(755)
Non-operating expenses	1,175	396	(778)
Ordinary income	14,349	3,080	(11,269)
Extraordinary income	11,007	4,608	(6,398)
Extraordinary losses	9,075	2,287	(6,788)
Income before income taxes	16,280	5,401	(10,879)
Income taxes—current	6,238	1,110	(5,128)
Income taxes—deferred	706	952	245
Net income	9,335	3,338	(5,996)
Unappropriated retained earnings brought forward	23,995	20,111	(3,883)
Earnings allocated to retirement of treasury common stock	6,006	3,928	(2,078)
Interim dividend	981	977	(3)
Unappropriated retained earnings	26,343	18,544	(7,798)

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- Our company split its business divisions into separate companies and became a holding company on July 2, 2001. Consequently, "net sales" under "operating revenues" and "cost of sales" and "selling, general and administrative expenses" under "operating expenses" refer to the sale of products, goods, etc. before the split-off and "operating revenues" under "operating revenues" and "operating expenses" under "operating expenses" refer to revenues and expenses after the split-off. Also, "operating revenues" include brand usage fee income, real estate rental income, etc.

Appropriation of Retained Earnings

For the years ended March 31, 2001 and 2002 (¥ million)

Items	2001	2002	Change
Unappropriated retained earnings	26,343	18,544	(7,798)
Reversal of special depreciation provision	55	78	23
Reversal of reserve for advanced depreciation of fixed assets	200	1,754	1,553
Reversal of reserve for special account for advanced depreciation of fixed assets	26	488	461
Total	26,626	20,866	(5,760)
This was appropriated as follows.			
Dividends	977	953	(23)
	(Ordinary dividend of ¥4 per share)	(Ordinary dividend of ¥4 per share)	
Directors' bonuses	60	35	(25)
Reserve for advanced depreciation of fixed assets	213	4	(209)
Reserve for special account for advanced depreciation of fixed assets	264	57	(207)
Special reserve	5,000	—	(5,000)
Earnings carried forward to the following year	20,111	19,815	(295)

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- On December 10, 2001 an interim dividend of 977 million yen (4 yen 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, 2002)

Total number of shares authorized to be issued:

467,068,000 shares (a decrease of 5,710,000 shares from the end of the preceding fiscal year)*

Total number of shares issued and outstanding:

238,610,044 shares (a decrease of 5,710,000 shares from the end of the preceding fiscal year)*

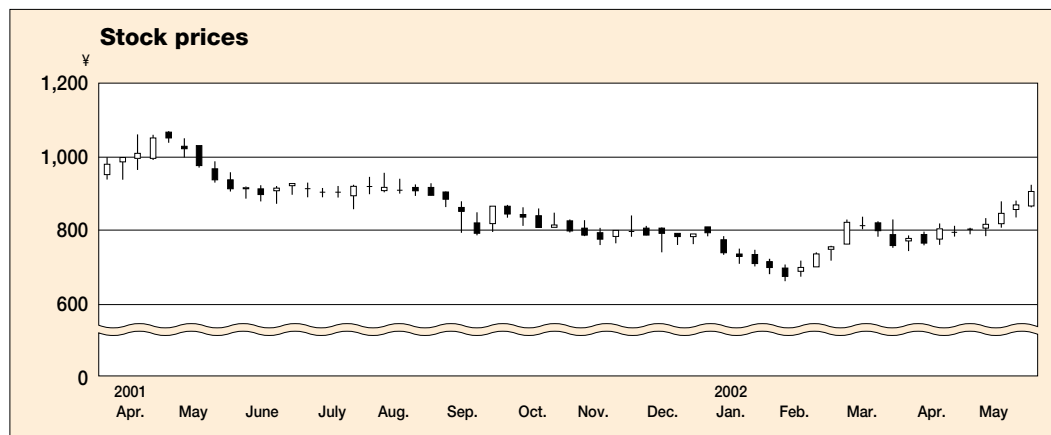
*The reductions in the total number of shares authorized to be issued by the Company and the total numbers of shares issued and outstanding were due to retirement of stock.

Number of shareholders:

15,182 (a increase of 1,138 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	5.8
Yamazaki Baking Co., Ltd.	12,764	5.3
The Fuji Bank, Ltd.	10,421	4.3
Morgan Trust Bank, Ltd. (tax free account)	9,772	4.0
The Dai-ichi Kangyo Bank, Ltd.	8,416	3.5
Sumitomo Mitsui Banking Corporation	7,431	3.1
Mitsubishi Corporation	6,347	2.6
The Mitsubishi Trust and Banking Corporation	6,030	2.5
Japan Trustee Services Bank, Ltd.	4,951	2.0
Nisshin Seifun Group Employees' Stock Holdings	4,708	1.9



Composition of Shareholders

Shareholders by Type

Financial institutions (138)*	127,342,000 (53.4%)
Other institutions (400)*	47,772,000 (20.0%)
Individuals and other (14,391)*	39,133,000 (16.4%)
Foreign institutions, etc. (216)*	23,194,000 (9.7%)
Securities companies (37)*	1,166,000 (0.5%)

Shareholders by Number of Shares Held

1 million shares and over (43)*	151,081,000 (63.3%)
100,000 shares and over (132)*	39,776,000 (16.7%)
10,000 shares and over (1,017)*	22,348,000 (9.4%)
1,000 shares and over (10,250)*	24,540,000 (10.3%)
Less than 1,000 shares (3,740)*	863,000 (0.3%)

* Number of shareholders

Corporate Data/Investor Information

Corporate Data (As of March 31, 2002)

- Corporate name:** Nisshin Seifun Group Inc.
Head office: 25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo
Foundation: October 1900
Paid-in capital: ¥17,117,856,746
Main business:
1. Control and management of the operations of divisions in the following industries through stock ownership
 - Flour Milling Division
 - Processed Food Division
 - Feed Division
 - Other divisions (Pharmaceuticals, Engineering, others)
 2. Research and Development, Surveys
 3. Leasing and management of real estate
 4. Industrial Property Rights Acquisition, Preservation, Management, Usage Management and Assignment

Board of Directors:

President: Osamu Shoda

Senior

managing director: Hidetaka Niikura

Managing director: Haruo Yamasaki

Managing director: Akihiro Watanabe

Managing director: Takeo Ito

Managing director: Ippei Murakami

Managing director: Takehiko Shigemori

Managing director: Hiroshi Hasegawa

Managing director: Noburu Fukushima

Managing director: Ryuji Nakamura

Corporate auditor: Masao Kitamura

Corporate auditor: Daiji Takei

Corporate auditor: Morio Hatakeyama

Number of Employees: 282

Offices and Laboratories:

Head Office:

25, Kanda-Nishiki-cho 1-chome, Chiyoda-ku, Tokyo

Institutes and Laboratories:

Oi-machi, Iruma-gun, Saitama Prefecture

Technical Research Laboratory
Fundamental Research Laboratory
QE Center

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 24 hours a day.

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

(Balance sheets and statements of income are posted on <http://www.nisshin.com/kessan/> instead of newspapers.)

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

Tel: (03) 3323-7111

Transfer agent's handling office:

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

NISSHIN SEIFUN GROUP INC.

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