



To Shareholders

Business Report 2003

(April 1, 2002 to March 31, 2003)



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.

I am happy to report to you that in the year under review we were able to successfully post increases in both consolidated revenues and income. Specifically, net sales climbed 1.3% over last year to ¥402,313 million, operating income rose 13.6% to ¥17,706 million, ordinary income jumped 14.1% to ¥19,937 million, and net income increased 13.3% to ¥10,575 million. Despite challenging business conditions marked by further globalization and greater competition, we were able to turn in this strong performance by developing new market-savvy products, stepping up sales promotions and cutting costs across the Group.

Because of our success this year, I am also happy to announce that we will be able to share more of it with you. We increased the per-share dividend one yen, paying five yen at year-end. The dividend at the interim was four yen per share, so this brings the total dividend for the year to nine yen.

The news on the Japanese economy, however, is not so bright. In the year under review, harsh conditions stubbornly persisted, as consumer spending, under deflationary pressure, settled down into a long-term slump, capital investment stagnated, employment and income environments deteriorated, and crashing stock prices rekindled financial instabilities. Tomorrow's headlines are also less than optimistic. The Japanese economy is desperately trying to find a way to stem the deflationary tide, but the operating environment is expected to worsen as chaotic conditions continue.

Such conditions pose a tremendous challenge, but we are ready to meet it. We will continue to work to maximize corporate value and earn the respect of customers, shareholders and society as a whole.

To these ends, we plan to continue to expand the range of our business activities by ensuring that our group companies respond quickly and flexibly to their respective markets. More specifically, given its paramount importance and recent calls for greater corporate accountability, we have made food safety a high priority commitment across the entire Group. We are working to further strengthen quality assurance practices in this area, especially in regards to the traceability of our products. The environment is another of our chief concerns. We are devoting our energies to reducing waste products and carbon-dioxide emissions, and to a variety of other environmental conservation activities. Finally, the Company is committed to strong corporate governance and is working to ensure compliance in all of its activities.

Thank you for your continued support.



Osamu Shoda
President
June 2003

Interview with the President

Osamu Shoda, president of Nisshin Seifun Group Inc., answers questions related to business conditions and company performance in the year under review, and comments on key points in the medium-term management plan implemented in April 2002, as well as the Company's current efforts to achieve the plan's objectives.

Medium-term management plan and performance in the year under review



What is contained in the three-year medium-term management plan Nisshin Seifun began implementing in April of last year?

The medium-term management plan consists of four strategies and represents the first stage of our efforts to ensure the growth of the Group over the long term. With it, we hope to increase earnings and at the same time establish sustainable patterns of growth for Nisshin Seifun Group as a whole.

The first of its four strategies is to lower costs across the board. This is a basic policy that will lead to improved earnings in each of our businesses. Our second strategy is to develop next-generation products and construct a new business model. The entire Group is committed to creating new products that are next-generation in the true sense of the word, not simply upgrades of existing products. The third strategy we have adopted is to review our existing portfolio of businesses. We will look closely at each of our businesses and determine which are market leaders and which are capable of becoming leaders. The Group as a whole and

each business entity will closely examine their activities given these considerations and distribute their management resources accordingly. Our fourth strategy is to establish a 21st century model for our personnel, finance, globalization, environment, information technology, and food product safety related policies.

Medium-term strategies



We will faithfully execute this medium-term plan and work to meet the expectations of all our stakeholders.

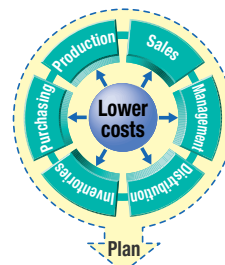


How did the Company perform in the year under review, the initial year of the medium-term management plan?

I am pleased to report we have taken bold steps to fulfill the objectives laid out in our medium-term management plan, as earnings for the year exceeded the levels targeted by it. The effects of our efforts to lower costs across the board were immediate and served as the major driving force behind the gain in earnings. This result was due to the dedicated, systematic efforts of the Group as a whole, which involved more than simply measures to counter deflation. We believe that these results significantly influenced or altered the consciousness of our employees.

In the area of new product development as well, each division launched sales of new products, mainly led by health-related items, and these initiatives are beginning to bear fruit. We also began to review our portfolio of businesses in the year under review. In April 2003, we made Oriental Yeast Co., Ltd. a consolidated subsidiary, and in October 2003, we will implement the decision to integrate the management of our Feed Division and Marubeni Feed Co., Ltd. As a result of these initiatives, we have begun to move dynamically forward toward reorganizing the Group and forming new relationships outside of it.

Initiatives to reduce costs across the board



- ◆ Clarify areas of improvement
- ◆ Set chronological and monetary improvement targets
- ◆ Determine implementation and management responsibilities



Support structure
(investment in facilities
and systems)

Interview with the President

Future direction and strategies to achieve the objectives of the medium-term management plan

What is your approach in regards to globalization?

Q
A

The medium-term management plan represents the start of our second, accelerating wave of globalization initiatives. The Group has already moved into China with last year's launch of a pre-mixing plant in Qingdao. We also have plans to construct a new flour milling plant in the outskirts of Vancouver, B.C. for the overseas Canadian subsidiary Rogers Foods Ltd. The new plant is scheduled to begin operations in the fall of 2004 and will double our North American flour milling capacity. Based on these initiatives, we are also steadily setting up operation bases primarily in Pacific Rim countries. In the future, we plan to organically link those bases, connecting points to form lines, and integrating lines to form networks.



President Shoda

In addition to investing overseas, we are responding to globalization by promoting an internal form of globalization within the Group. Our group businesses are chiefly Japan-based, so we still take measure of ourselves with domestic yardsticks. This is something that needs to change. By looking at Japan through the lens of the world, we should be able to deepen the knowledge and widen the perspective of our organization, and give rise to new strengths that support the growth of the Group.

Q
A

What is your basic approach to group personnel policy?

Exceptional, talented administrators are necessary to the whole organization, and we are currently providing training for them. To ensure growth, it is critical that we develop business

executives rather than administrators. In fact, whether or not we can develop excellent business executives is a key determinant of successful future growth. The reorganization we implemented in 2001 was the first step in this process, and we plan to promote further training for personnel from this vantage point.



What is the outlook for the coming year and what are the prospects for achieving the objectives set out in the medium-term plan?

Fiscal 2004 is a pivotal year in the medium-term management plan. We will faithfully execute our strategies and make it a year of even greater earnings gains.

It is necessary for us to recognize that the Japanese economy as a whole is mired in extremely difficult conditions. Deflation is also expected to continue to lower prices. Given this environment, our initial efforts to lower costs across the board must only be the beginning. We plan to keep our guard up and pursue new leads in order to achieve the objectives of the plan. Further, we are working to speed up new product development processes so that new initiatives are more quickly reflected in performance. We also will not be content with our present portfolio of businesses, and will optimize resource distribution in all areas, including those we are already engaged in.

Our lineup of healthy products

Nisshin Foods Inc.
pasta sauce
Pure Made



Nisshin Pharma Inc.
health food
Co-Q LivLon



Nisshin Flour Milling Inc.
bread flour
Légendaire



Feature: G-Mill – the 21st century, state-of-the-art flour milling facility goes online at the Tsurumi Plant



The Tsurumi Plant



G-Mill

In the year 2000, Nisshin Seifun celebrated the 100th anniversary of its founding, and, responding to accelerating globalization in its second century, took new steps toward becoming the world's leading flour company. These steps began with construction of G-Mill, a facility that leverages the flour milling technologies we have developed over the past century. G-Mill brings together a number of cutting-edge technologies and is truly a state-of-the-art facility appropriate to the new century. It is a concrete manifestation of our post-reorganization Flour Milling Company's guiding commitment to safety, health and the environment.

We are now able to more efficiently produce high quality flour and more precisely respond to the diversifying needs of our customers. Based on our overriding concern for the customer, we will continue to reduce costs while further strengthening our system of quality control.

G-Mill Highlights

- It has the largest per-day flour milling capacity in Japan at 500 tons. This brings the total daily milling capacity of the Tsurumi Plant to 2,150 tons, which is equivalent to the amount of flour consumed in one day by 17 million people. The plant is now one of the largest flour mills in the world.
- It's the first flour mill that is fully air-conditioned and pressurized, minimizing contamination by foreign substances.
- Locating the quality control center on the first floor has enabled collaboration with the production lines for smooth product development and thorough quality control.
- It has improved efficiency of the pneumatic conveyance of flour, a process that accounts for one-third of all energy use, and other energy-saving features that use the latest technology.



Sifter

The sifter sifts the wheat crushed by the rollers to separate the endosperm, or the part that gets turned into white flour, from the germ and bran portions.



Purifier

Ultra-fine particles of bran that were not separated out by the sifter are removed by vibration and blowing, so that only high-quality endosperm remains.

State-of-the-art quality control center

A quality control center is located on the first floor of the main building of G-Mill. It combines quality assurance and product development functions, and uses top-of-the-line inspection devices in support of safety initiatives.



Processing laboratory

G-Mill is furnished with a laboratory that experiments with and creates prototypes of processed foods made from flour such as bread and noodles. Here, the taste, smell, color and texture of prototype foods are tested to ensure the proper flour has been produced.

Automated storehouse boasts overwhelming storage capacity

The automated storehouse is one of the largest in Japan and can store up to 504,400 commercial-use sacks, each weighing 25kgs. Expanded at the same time G-Mill was being built, its storage capacity is 1.5 times more than previous levels. All loading and storage is handled by a computerized system.



Largest roller mills in Japan

G-Mill uses 35 state-of-the-art roller mills from Buhler, the largest of such facilities in Japan. Wheat passes between two rollers moving in opposite directions and is finely crushed. It is then sifted and crushed again even more finely by a smooth surfaced roller.



Topics

Construction and operation of industry-first pre-mixing plant in China

In December 2002, we launched full-fledged operations at a new commercial pre-mixing plant in the Shandong Province City of Qingdao. This represents the first expansion into China for the Japanese pre-mixing industry. Through the new subsidiary, Qingdao Nisshin Seifun Foods Co., Ltd., we are working to expand our business portfolio by supplying high quality pre-mix that precisely meets the needs of Japanese-affiliated frozen food manufacturers. Using this advance into China as a springboard, the Group plans to increase its business opportunities under its overseas business strategy, focusing on expansion in Pacific Rim countries.



Qingdao Nisshin Seifun Foods Co., Ltd.



Decision made to consolidate the management of Marubeni Feed with Nisshin Feed

With competition for sales intensifying year after year in the formula feed industry, we made the decision to consolidate the management of Marubeni Feed Co. Ltd. with Nisshin Feed Inc. When combined, the companies have the top share for any trading company in both feed for livestock and aquafarming. The consolidated companies plan to quickly develop new policies and a new corporate culture that fit the needs of the market. The strengths of both companies will be fully leveraged, and they will devote their efforts to further growth as the industry's leading formula food company in both name and reality.

Special shareholders' benefits

Beginning this year, Nisshin Seifun will provide a token of appreciation in the form of a Group product to shareholders with more than 1,000 shares as of March 31. This year's gift is the health food supplement Power LivLon from Nisshin Pharma, a company devoted to developing health food businesses. For more details, please see the information we plan to send out in the beginning of July on special shareholders' benefits.



Power LivLon

Exhibiting at FOODEX JAPAN 2003 Promoting the health-orientation of the Group

Nisshin Seifun Group is guided by a mission to contribute to a healthy and fruitful life for all. The Flour Milling Division, the Processed Food Division and the rest of the group companies are also united in their commitment to the values of self-sufficiency and alliances, as they actively develop and market next-generation products. Nisshin Seifun Group provides a comprehensive line of products that recognize the value of good health. They include wheat flour that is developed from an entirely new, health-oriented standpoint, whole-wheat flour that is both healthy and delicious, pasta sauces made with aseptic processes that bring out the flavor of the ingredients, and LivLon brand products that support healthy living, including the much-discussed coenzyme Q₁₀.



Nisshin Seifun's health-themed exhibit at FOODEX JAPAN 2003

Outline of the Group

Nisshin Seifun Group comprises the holding company, the Flour Milling Division, the Processed Food Division, the Feed Division, and Other divisions. In addition to Nisshin Seifun, the Group includes 42 subsidiaries and 25 affiliated companies. The organizational diagram below shows Nisshin Seifun, 29 consolidated subsidiaries and 7 equity-method affiliates.

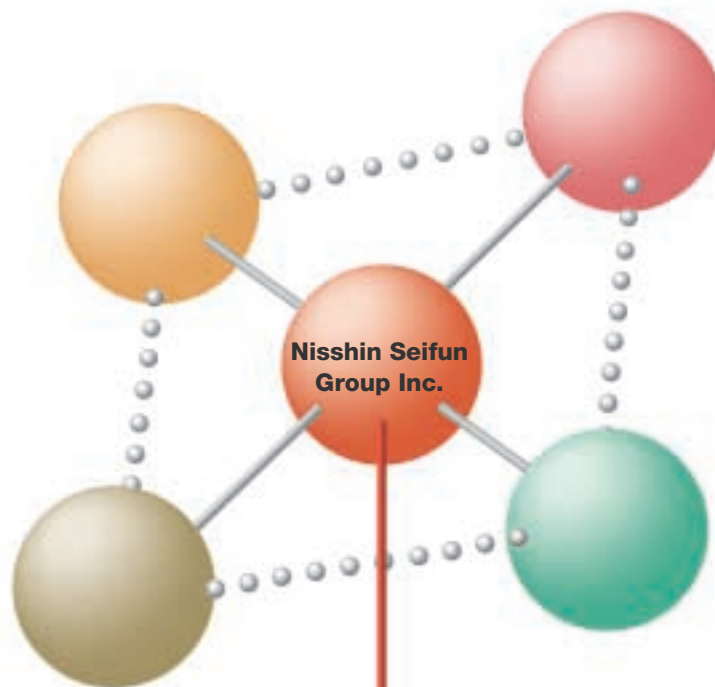
Organization of Nisshin Seifun and Group Companies

(as of March 31, 2003)

Employees (as of March 31, 2003)	
Flour Milling Division	1,340
Processed Food Division	1,808
Feed Division	320
Other divisions / across the Group divisions	912
Nisshin Seifun Group Inc.	265
Total	4,645

- Flour Milling Division**
- ◆ **Nisshin Flour Milling Inc.**
 - ◆ Fresh Food Service Co., Ltd.
 - ◆ Yamajo Shoji Co., Ltd.
 - ◆ Rogers Foods Ltd. (Canada)
 - ◆ Nisshin-STC Flour Milling Co., Ltd. (Thailand)
 - ◆ NSTC Trading Co., Ltd. (Thailand)
 - ◆ Ishikawa Co., Ltd.
 - ◆ Four Leaves Pte. Ltd. (Singapore)

- Feed Division**
- ◆ **Nisshin Feed Inc.**
 - ◆ Nisshin Livestock Farming Co., Ltd.
 - ◆ **Nisshin Petfood Inc.**



- ◆ Nisshin ISL Inc.
- ◆ Nisshin Real Estate Inc.

◆ Consolidated subsidiary ◆ Equity-method affiliates

Note: Core companies in each division are indicated in bold.

Processed Food Division

- ◆ **Nisshin Foods Inc.**
- ◆ Ma-Ma-Macaroni Co., Ltd.
- ◆ SANKO Co., Ltd.
- ◆ Daisen Ham Co., Ltd.
- ◆ Food Master (PNW) Corp. (U.S.A.)
- ◆ Medallion Foods Inc. (U.S.A.)
- ◆ Thai Nisshin Seifun Co., Ltd. (Thailand)
- ◆ Thai Nisshin Technomic Co., Ltd. (Thailand)
- ◆ Qingdao Nisshin Seifun Foods Co., Ltd. (China)

Other divisions

1. Pharmaceuticals

- ◆ **Nisshin Pharma Inc.**
- ◆ Nisshin Kyorin Pharmaceutical Co., Ltd.

2. Engineering

- ◆ **Nisshin Engineering Inc.**

3. Others

- ◆ **NBC Inc.**
- ◆ NBC Hamamatsu Co., Ltd.
- ◆ CNK Inc.
- ◆ P.T. NBC Indonesia (Indonesia)
- ◆ Dynamesh Inc. (U.S.A.)
- ◆ Nisshin Grain Silo Inc.
- ◆ Shinwa Development Co., Ltd.

◆ **Oriental Yeast Co., Ltd.**

- ◆ Japan Logistic Systems Corp.
- ◆ Hanshin Silo Co., Ltd.
- ◆ Chiba Grain Handling Center, Ltd.

Reorganizing the Group in the coming year

The Nisshin Seifun Group is restructuring its business portfolio in the following two ways in order to promote alliances inside and outside the Group that strengthen the competitiveness of our businesses.

1. Oriental Yeast Co., Ltd. established as a consolidated subsidiary in April 2003

With yeast at the core of its activities, Oriental Yeast develops businesses based on yeast-related technologies in processed foods and other areas. The company boasts the leading market share in yeast products, and also is aggressively promoting its bio-related business. Its activities in this area include life science and immunity products that utilize gene modification technology, and various projects in support of bio-research such as genetic analysis, for which demand has been mounting since the coding of the human genome. Oriental Yeast is also promoting businesses that leverage the functions inherent in yeast, a field which straddles processed foods and life sciences, as it continues to enhance its presence in the market.

Making Oriental Yeast a consolidated company will enable closer partnerships to be established with flour milling, processed food, pharmaceuticals and other related businesses of the Group, and we expect to take advantage of the resulting synergies.

2. Management of Marubeni Feed to be consolidated with Nisshin Feed in October 2003

Nisshin Seifun Group decided to integrate the management of our Feed Division with Marubeni Feed Co., Ltd. in a move to further develop the formula feed business and bolster its competitiveness. By combining the managements of the two companies, sales of the resulting new company will top ¥100 billion, making it the leading trading company in both livestock and fish feed. The new company will seek competitive superiority in costs, sales, quality assurance and every other possible area by effectively maximizing use of the combined management resources of the two companies.

Review of Operations

Flour Milling Division

<Business Results>

Despite slumping overall demand, shipments of flour exceeded last year's levels owing to our efforts to expand sales. In October of last year, full-fledged operations commenced at our new 21st century, state-of-the-art, large-scale mill at the Tsurumi Plant. With the opening of this facility, we are able to produce high-quality flour more efficiently, precisely respond to the diversifying needs of our customers, and more aggressively promote lower production costs. In November, we introduced new products onto the market that spotlight the healthy attributes of flour, Légendaire and Men no Hina Uta, as we endeavored to create new markets for flour and expand existing ones. Additionally, So Shoku Club, an interactive communication system we set up for our customers to promote relationship management, has quickly brought resolutions to management-related issues involving customers, has seen its membership numbers steadily rise, and has provided exceptional support for our sales activities.

Sales volumes and prices of the by-product bran turned in solid performances, as domestic demand for bran used in animal feed was buoyant and import volumes of competitor products decreased.

<Prospects for the Next Fiscal Year>

Competition will likely intensify with domestic demand for flour reaching its peak and imports of flour products on the rise. Despite the circumstances, we plan to work to increase our market share by marketing tailor-made solutions using the interactive So Shoku Club communication system and further strengthen our relationships with customers. We will also devote our efforts to expanding new markets for flour through stepped-up sales of new products that spotlight the healthy nature of flour.

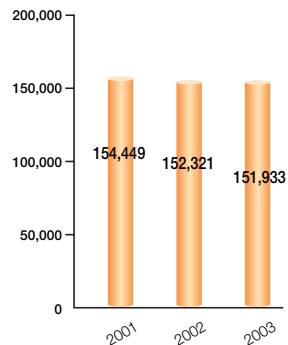
In addition, we plan to aggressively lower production costs, taking advantage of our new highly-efficient, state-of-the-art mill at the Tsurumi Plant that recently began full operations. We will also further lower costs in distribution, purchasing, sales and every other possible area, as we work to secure earnings.

Further, we have decided to start construction work on a new flour milling facility for the Canadian subsidiary Rogers Foods, and we are currently developing strategies with the aim of entering the U.S. market.

Presently, agricultural-related negotiations are underway at the WTO. The outcome of these talks could exert a major influence on the flour industry. In addition to the initiatives outlined above, we plan to expedite structural reforms and build an organization that can firmly withstand the pressures of international competition.

Net sales

(¥ million)



Exhibiting at the MOBAC (Machinery of Bakery and Confectionery) Show



Training session on how to improve bakery performance

Processed Food Division

<Business Results>

With prices falling under deflationary pressures and competition intensifying, we operated in a market environment marked by extremely harsh conditions. We made thorough cost cuts by restructuring, developed new products that match market needs, and aggressively promoted marketing activities, and as a result, shipments of food for household use, including pasta and pasta sauces, *okonomiyaki* mix, and frozen food products, exceeded the levels attained last year. Moreover, in the area of food for commercial use, shipments of both pasta and tempura flour turned in solid performances. The high quality Italian pasta De Cecco also posted solid growth in shipments.

In February 2003, we launched a number of new products onto the market including, household-use whole wheat flour rich in dietary fiber and iron that was developed with the increasingly health-conscious consumer in mind, and Pront Mini, a quick-fixing pasta for convenience-minded customers. In addition, we strengthened our lineup of Japanese-style pasta sauces, an area where demand is growing steadily, and introduced 12 updated and 30 new products to the market under our Grotta Azzurra brand of high quality pasta and pasta sauces, which included enhancements to our short pasta menu lineup. In the area of frozen foods, we expanded our range of frozen pasta and added a variety of items to our boxed lunch series. In addition, we launched 12 new items and eight updated products under the Grotta Azzurra brand in an effort to build a lineup of products in this area. Also, at the end of last year, we constructed and began operations at a new pre-mixing factory in China, a country into which Japan-affiliated frozen food manufacturers are entering at a remarkable pace.

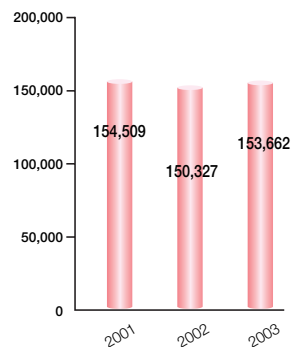
<Prospects for the Next Fiscal Year>

Under the prolonged influence of deflation, competition in the food industry is only expected to grow more intense. We plan to develop and launch new products that respond to the needs of consumers for safe, healthy and reliable products. We will aggressively promote sales activities as well as deepen and expand our businesses by

making Oriental Yeast Co., Ltd. a subsidiary. Additionally, in the rapidly growing area of prepared food, we will aggressively work to acquire market share by introducing new products and brands that match the needs of consumers. To do so, we will rely heavily on group company SANKO Co., Ltd., the leading domestic manufacturer of Japanese-style prepared foods. Furthermore, we will continue to strengthen and enhance quality control, and work under a quality assurance system that ensures the trust and peace of mind of consumers. Finally, we plan to secure earning by reviewing production and purchasing practices, improving distribution and implementing other comprehensive cost cutting measures.

Net sales

(¥ million)



Exhibiting at the Super Market Trade Show

Review of Operations

Feed Division

<Business Results>

Despite intensifying competition, shipments of livestock feed surpassed last year's levels and revenues increased markedly as a result of comprehensive cost cutting measures and aggressive efforts to expand sales. In the area of fish feed, we dedicated ourselves to sales and marketing activities, but shipments came up short of the levels posted the year previous due to declining overall demand because of a prolonged slump in the price of fish and other factors.

For some time, we have formulated feed mixed with herbs, and have promoted sales and development of livestock products raised on herb-containing feed and distinguished by high quality meat. We now have launched an integrated brand for herbal feed-related businesses, Herb Mura, and are consolidating our strategies in this area.

Additionally, we held discussions to come to agreement on matters related to the integration of our management with Marubeni Feed Co. Ltd.

Shipments of pet food exceeded last year's levels due to efforts to enhance our product lineup and expand sales of core and value-added products.

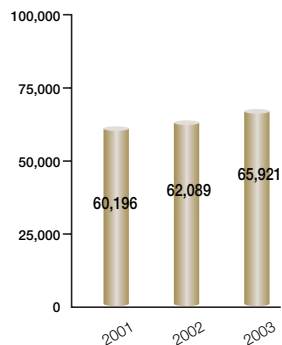
<Prospects for the Next Fiscal Year>

For the formula feed business, we plan to devote efforts to upping sales and further enhancing our R&D capabilities, primarily in the area of herbal technologies. We will also seek to secure earnings by working to thoroughly reduce costs in all areas of operations, from production to sales. We are actively moving towards attaining the leading share in this industry through the consolidation of our management with Marubeni Feed Co., Ltd.

In the area of pet food, we will aggressively launch new market-savvy products and strengthen our revenue base through comprehensive cost reductions.

Net sales

(¥ million)



Event commemorating the launch of the Herb Mura brand

Other divisions

<Business Results>

Shipments for the Pharmaceuticals Division were buoyant, owing in part to the launch of a new water-soluble product with coenzyme Q₁₀, a new ingredient that has garnered considerable attention in field of health foods. Additionally, Nisshin Kyorin Pharmaceutical Co., Ltd. saw continued strong growth in shipments of its Pentasa tablets for the treatment of the rare diseases ulcerative colitis and Crohn's disease.

The Engineering Division worked to increase orders, but due to a harsh economic environment marked by stagnating investment in facilities, sales came up short of year-ago levels.

NBC Inc.'s sales, benefiting from continued positive trends abroad, surpassed those posted last year.

<Prospects for the Next Fiscal Year>

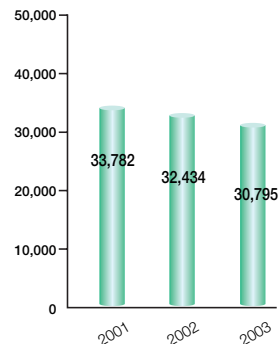
With consumer health consciousness on the rise, the Pharmaceutical Division expects new growth in the market now that a new water-soluble type of coenzyme Q₁₀ has been developed which allows it to be used in a variety of products other than supplements, including beverages and beauty creams. We plan to work to expand sales of coenzyme Q₁₀ health food products and the LivLon series of products. Nisshin Kyorin Pharmaceutical also will work to increase sales of its Pentasa tablets.

The Engineering Division will endeavor to ensure orders exceed the levels of the previous year and work for sales growth in equipment and in the area of powder processing.

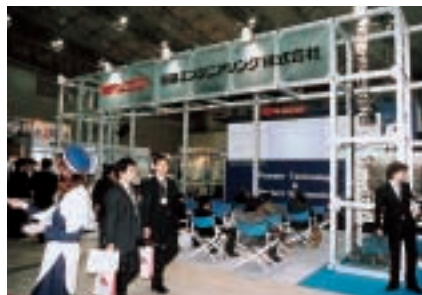
NBC Inc. will devote efforts to increasing sales of various types of products that use mesh technologies such as mesh cloths and plastic moulding filters.

Net sales

(Y million)



Nisshin Pharma
exhibiting at the 13th
Food Design Show



Nisshin Engineering
exhibiting at POWTEX
(International Powder
Technology Exhibition)
2002

Consolidated Financial Highlights

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

Consolidated Financial Highlights (Years ended March 31)

	1999	2000	2001	2002	2003	Change	% change
Results of operations							
Net sales (¥ million)	364,301	402,881	402,937	397,173	402,313	+ 5,139	+ 1.3%
Operating income (¥ million)	13,808	19,014	18,504	15,593	17,706	+ 2,113	+ 13.6%
Ordinary income (¥ million)	15,923	20,351	19,652	17,467	19,937	+ 2,469	+ 14.1%
Net income (¥ million)	7,327	10,822	11,136	9,334	10,575	+ 1,240	+ 13.3%
Profit ratio							
Operating income to net sales (%)	3.8%	4.7%	4.6%	3.9%	4.4%	+ 0.5%	—
Ordinary income to net sales (%)	4.4%	5.1%	4.9%	4.4%	5.0%	+ 0.6%	—
Net income to net sales (%)	2.0%	2.7%	2.8%	2.4%	2.6%	+ 0.2%	—
Return on equity (%)	4.5%	6.0%	6.0%	4.2%	5.0%	+ 0.8%	—
Financial position							
Total assets (¥ million)	268,798	291,524	294,474	340,637	316,330	(24,307)	(7.1%)
Shareholders' equity (¥ million)	165,988	184,558	186,138	215,354	211,197	(4,156)	(1.9%)
Shareholders' equity ratio (%)	61.8%	63.3%	63.2%	63.2%	66.8%	+ 3.6%	—
Per share data							
Net income per share (¥)	29.13	43.10	45.07	38.40	44.29	+ 5.89	—
Shareholders' equity per share (¥)	659.90	738.45	762.84	904.15	904.80	+ 0.65	—
Cash dividends per share (¥)	6	10	8	8	9	+ 1	—

Note: Accounting Standard for Net Income Per Share (Accounting Standard No. 2) and Application Guidelines for Accounting Standard for Net Income Per Share (Application Guideline for Accounting Standard No. 4) have been applied beginning in the consolidated fiscal year under review. The application of these standards had negligible effect on the consolidated financial statements.

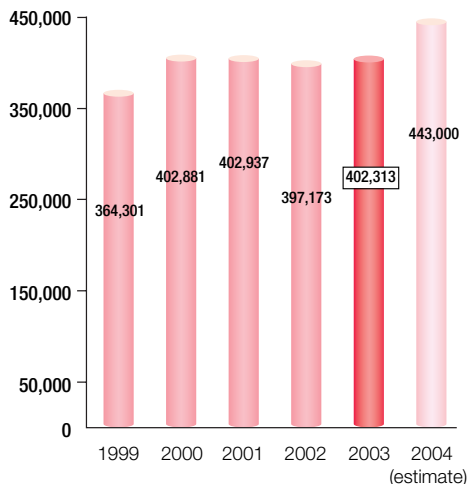
Forecast for Consolidated Business Performance

Forecast for Consolidated Business Performance in Fiscal 2004

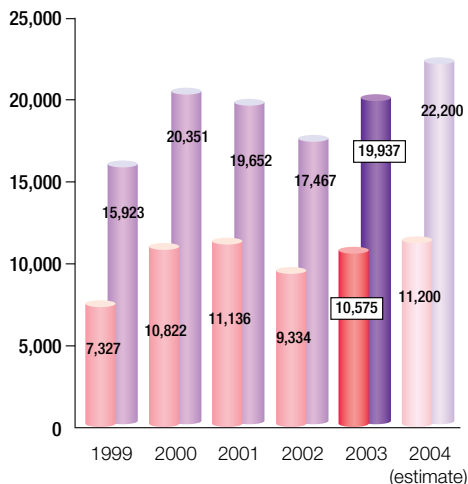
	2003	2004 (estimate)	Change	% change
Net sales (¥ million)	402,313	443,000	+ 40,687	+ 10.1%
Ordinary income (¥ million)	19,937	22,200	+ 2,263	+ 11.4%
Net income (¥ million)	10,575	11,200	+ 625	+ 5.9%

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.

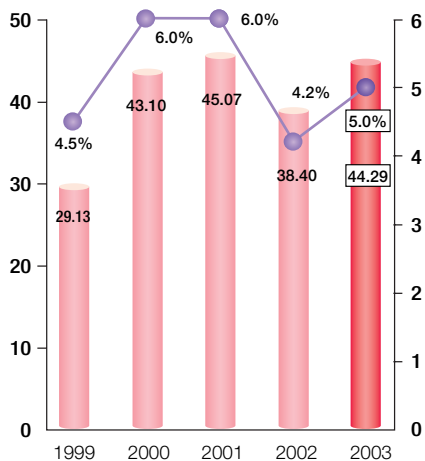
Net Sales (¥ million)



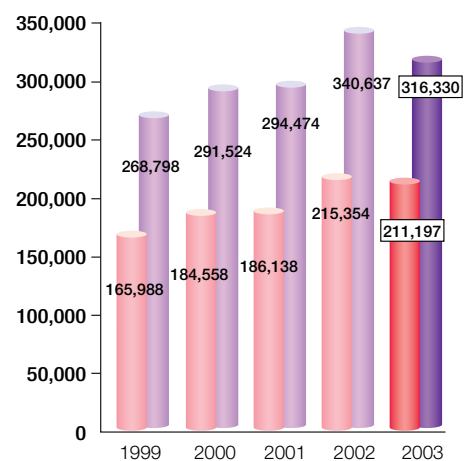
Ordinary Income **Net Income** (¥ million)



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, 2002 and 2003 (¥ million)

Items	2002	2003	Change
Assets			
Current assets	153,577	146,843	(6,733)
Fixed assets	187,060	169,486	(17,573)
Total assets	340,637	316,330	(24,307)
Liabilities			
Current liabilities	70,764	58,680	(12,084)
Non-current liabilities	41,411	33,071	(8,340)
Total liabilities	112,176	91,751	(20,424)
Minority interests			
Minority interests	13,106	13,380	273
Shareholders' equity			
Common stock	17,117	17,117	—
Capital surplus	9,446	9,446	—
Retained earnings	165,265	172,189	6,924
Difference in valuation of other securities	24,035	14,795	(9,240)
Foreign currency translation adjustments	(382)	(687)	(304)
Treasury common stock	(127)	(1,663)	(1,536)
Total shareholders' equity	215,354	211,197	(4,156)
Total liabilities and shareholders' equity	340,637	316,330	(24,307)

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- Due to revisions in the rules for consolidated financial statements stemming from revisions in the Commercial Code, there have been changes in the format of the shareholders' equity section beginning in the year under review. Entries from the previous year are also displayed in the new format.

Consolidated Statements of Cash Flows

For the years ended March 31, 2002 and 2003 (¥ million)

Items	2001	2002	Change
Cash flows from operating activities	13,068	11,050	(2,017)
Cash flows from investing activities	23,110	(1,312)	(24,423)
Cash flows from financing activities	(4,772)	(10,890)	(6,117)
Effect of exchange rate changes on cash and cash equivalents	74	(124)	(199)
Increase (decrease) in cash and cash equivalents	31,480	(1,277)	(32,758)
Cash and cash equivalents at beginning of the year	17,763	50,066	32,303
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	822	—	(822)
Cash and cash equivalents at end of the year	50,066	48,789	(1,277)

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- Funds on hand, including fund management assets, amount to ¥51,985 million, down ¥6,935 million over the end of the previous year.

Consolidated Statements of Income

For the years ended March 31, 2002 and 2003 (¥ million)

Items	2002	2003	Change
Net sales	397,173	402,313	5,139
Cost of sales	278,418	282,974	4,555
Gross profit	118,755	119,339	583
Selling, general and administrative expenses	103,162	101,632	(1,529)
Operating income	15,593	17,706	2,113
Non-operating income	3,003	3,302	298
Non-operating expenses	1,129	1,071	(57)
Ordinary income	17,467	19,937	2,469
Extraordinary income	4,742	4,004	(738)
Extraordinary losses	4,732	4,270	(461)
Income before income taxes and minority interests	17,477	19,671	2,193
Income taxes—current	7,891	10,100	2,209
Income taxes—deferred	(561)	(1,836)	(1,275)
Minority interests	813	831	18
Net income	9,334	10,575	1,240

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

Consolidated Statements of Retained Earnings

For the years ended March 31, 2002 and 2003 (¥ million)

Items	2002	2003	Change
Capital surplus			
Capital surplus at the beginning of the year	9,446	9,446	—
Capital surplus at the end of the year	9,446	9,446	—
Retained earnings			
Retained earnings at the beginning of the year	160,592	165,265	4,672
Increase in retained earnings	10,634	11,437	803
Decrease in retained earnings	5,961	4,513	(1,448)
Retained earnings at the end of the year	165,265	172,189	6,924

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- Due to revisions in the rules for consolidated financial statements stemming from revisions in the Commercial Code, there have been changes in the format of the consolidated statements of retained earnings. Entries from the previous year are also displayed in the new format.

Non-Consolidated Financial Statements

The large year-on-year decrease in operating revenues and the year-on-year increases in operating income, ordinary income, and net income are primarily due to the effects of spinning-off the Company's divisions into separate corporate entities and forming a holding company in July 2001.

Non-Consolidated Balance Sheets

For the years ended March 31, 2002 and 2003

(¥ million)

Items	2002	2003	Change
Assets			
Current assets	45,657	40,898	(4,759)
Fixed assets	174,468	159,026	(15,442)
Total assets	220,126	199,925	(20,201)
Liabilities			
Current liabilities	21,382	16,440	(4,942)
Non-current liabilities	17,487	10,628	(6,859)
Total liabilities	38,870	27,068	(11,802)
Shareholders' equity			
Common stock	17,117	17,117	—
Capital surplus	9,446	9,446	—
Retained earnings	135,029	136,046	1,016
Difference in valuation of other securities	19,754	11,862	(7,891)
Treasury common stock	(91)	(1,616)	(1,524)
Total shareholders' equity	181,256	172,856	(8,399)
Total liabilities and shareholders' equity	220,126	199,925	(20,201)

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- Due to revisions in the Commercial Code, there have been changes in the format of the shareholders' equity section beginning this year. Entries from the previous year are also displayed in the new format.

Non-Consolidated Statements of Income

For the years ended March 31, 2002 and 2003

(¥ million)

Items	2002	2003	Change
Operating revenues	86,185	15,030	(71,154)
Net sales	77,864	—	(77,864)
Operating revenues	8,321	15,030	6,709
Operating expenses	84,467	11,803	(72,663)
Cost of sales	56,608	—	(56,608)
Selling, general and administrative expenses	18,783	—	(18,783)
Operating expenses	9,075	11,803	2,728
Operating income	1,718	3,227	1,509
Non-operating revenues	1,758	1,461	(297)
Non-operating expenses	396	185	(211)
Ordinary income	3,080	4,503	1,423
Extraordinary income	4,608	3,123	(1,484)
Extraordinary losses	2,287	1,495	(792)
Income before income taxes	5,401	6,131	730
Income taxes—current	1,110	1,270	160
Income taxes—deferred	952	(610)	(1,562)
Net income	3,338	5,472	2,133
Unappropriated retained earnings brought forward	20,111	19,815	(295)
Earnings allocated to retirement of treasury common stock	3,928	2,517	(1,410)
Interim dividend	977	948	(28)
Unappropriated retained earnings	18,544	21,821	3,277

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

Appropriation of Retained Earnings

For the years ended March 31, 2002 and 2003

(¥ million)

Items	2002	2003	Change
Unappropriated retained earnings	18,544	21,821	3,277
Reversal of special depreciation provision	78	77	(1)
Reversal of reserve for advanced depreciation of fixed assets	1,754	29	(1,724)
Reversal of reserve for special account for advanced depreciation of fixed assets	488	—	(488)
Total	20,866	21,929	1,063
This was appropriated as follows.			
Dividends	953	1,168	214
Directors' bonuses	35	40	5
Reserve for advanced depreciation of fixed assets	4	197	193
Reserve for special account for advanced depreciation of fixed assets	57	1	(56)
Earnings carried forward to the following year	19,815	20,522	706

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- On December 10, 2002 an interim dividend of 948 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.

New Products

- **Nisshin Whole-Wheat Flour (for bread, and for confections and cooking)**

(Nisshin Foods: Household-use flour)

In order to make this whole-wheat flour, wheat is milled whole including the nutrient-rich outer layer of the wheat known as bran, so the dietary fiber and iron content of this household-use flour is greater than regular flour. This whole-wheat flour also tastes delicious and is easy to eat because we finely grind the bran portion. Two types are available, strong flour, which is perfect for making bread, and weak flour, which can be used for confections and in cooking.

(On sale in February 2003)



- **Expanding the flavor and aroma of Ma•Ma-Peperoncini Pasta with Bacon and Eryngii Mushrooms**

(Nisshin Foods: Frozen one dish pasta)

We introduced a new addition to our popular lineup of one dish pasta, the mildly aromatic garlic pasta peperoncini. We have created an authentic peperoncini with the spicy flavor of hot red peppers in olive oil, the rich flavor of bacon and a hint of anchovies, and the slight crispiness of eryngii mushrooms. It can be prepared by simply heating the inner package in the microwave.

(On sale in February 2003)



- **RUN Meal Mix for Dogs Seven Years and Up**
- **Carat Mix for Older Cats**

(Nisshin Petfood: Dog and cat food)

We introduced new formulas of dog and cat food packed with B vitamins that help maintain the health of older dogs and cats. They include a well-balanced blend of nutrients like milk calcium, brewers yeast, which has drawn attention to its healthy properties, and other vitamins and minerals.

(On sale in March 2003)



- **Ma•Ma-Japanese-style, Fresh Cod Roe-flavored Pasta Sauce**

(Nisshin Foods: Household-use pasta sauce)

Demand is growing for sauces in Japanese flavors and for sauces that come in pastes. With Ma•Ma-Japanese-style pasta sauces, delicious, authentic Japanese pasta can be easily enjoyed by simply dressing freshly boiled spaghetti with the sauce. An abundant lineup of products is available, with flavors including fresh cod roe, mustard-processed fresh cod roe and fresh cod roe cream.

(On sale in February 2003)



- **Arabiata Sauce perfect for Grotto Azzurra Short Pasta**
- **Grotto Azzurra Penne Rigate**

(Nisshin Foods: Household-use pasta and pasta sauce)

It is quite common in Italy to enjoy not only spaghetti, but also short pasta with pasta sauces. Through our high-quality pasta and pasta sauce brand Grotto Azzurra, we have introduced a way to enjoy short pasta in the true Italian fashion by launching new short pasta and sauces specially designed for each other.

(On sale in February 2003)



- **Beauty Balance**

(Nisshin Pharma: Dietary supplement)

Beauty Balance is a beauty-enhancing dietary supplement taken in the afternoon and at night. The daytime supplement consists of one package with four capsules that include the attention-garnering coenzyme Q₁₀, vitamin C, vitamin E, and beta-carotene. The nighttime package consists of six pills that include two capsules of extracts of the recently much-discussed herb valerian, and four tablets of collagen and chondroitin.

(On sale in March 2003)



Stock Information (As of March 31, 2003)

Total number of shares authorized to be issued:

464,072,000 shares (a decrease of 2,996,000 shares from the end of the previous fiscal year)*

Total number of shares issued and outstanding:

235,614,044 shares (a decrease of 2,996,000 shares from the end of the previous fiscal year)*

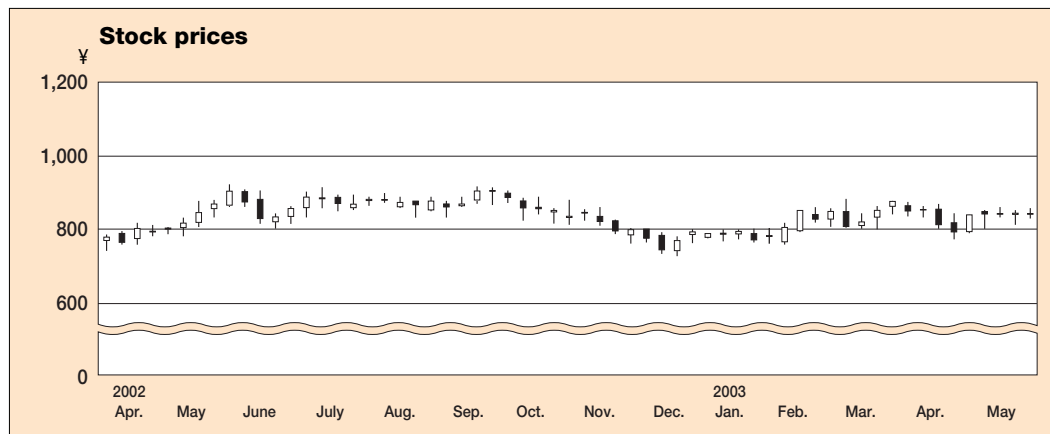
*The reductions in the total number of shares authorized to be issued by the Company and the total numbers of shares issued and outstanding were due to retirement of stock.

Number of shareholders:

13,994 (a decrease of 1,188 shareholders from the end of the previous fiscal year)

Major shareholders (top 10):

Name	Number of Shares Held (thousand)	Ratio of Voting rights (%)
Nippon Life Insurance Company	13,799	6.0
Yamazaki Baking Co., Ltd.	12,764	5.5
Mizuho Corporate Bank, Ltd.	11,489	4.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,388	4.9
Japan Trustee Services Bank, Ltd. (Trust Account)	8,905	3.8
Sumitomo Mitsui Banking Corporation	6,431	2.7
Mitsubishi Corporation	6,347	2.7
Morgan Trust Bank, Ltd. (Tax free account)	5,692	2.4
Mizuho Bank, Ltd.	5,276	2.2
UFJ Trust Bank Ltd. (Trust Account A)	4,808	2.0



Composition of Shareholders

Shareholders by Type

Financial institutions (140)*	129,310,000 (54.9%)
Other institutions (373)*	46,464,000 (19.7%)
Individuals and other (13,234)*	37,915,000 (16.1%)
Foreign institutions, etc. (219)*	20,938,000 (8.9%)
Securities companies (28)*	984,000 (0.4%)

Shareholders by Number of Shares Held

1 million shares and over (44)*	153,042,000 (65.0%)
100,000 shares and over (119)*	38,133,000 (16.2%)
10,000 shares and over (970)*	21,132,000 (9.0%)
1,000 shares and over (9,227)*	22,471,000 (9.5%)
Less than 1,000 shares (3,634)*	834,000 (0.3%)

* Number of shareholders

Corporate Data (As of March 31, 2003)

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:

- 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, Mesh cloths, others)
- Research and Development, Surveys
- Leasing and management of real estate
- 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: Hiroshi Hasegawa

Managing director: Noburu Fukushima

Managing director: Ryuji Nakamura

Director: Masaru Nakamura

Corporate auditor: Masao Kitamura

Corporate auditor: Daiji Takei

Corporate auditor: Yoshio Nishiyama

Corporate auditor: Morio Hatakeyama

Number of Employees: 265

Offices and Laboratories:

Head Office:

Kanda-Nishiki-cho, Chiyoda-ku, Tokyo

Institutes and Laboratories:

Oi-machi, Iruma-gun, Saitama Prefecture

Technical Research Laboratory

Fundamental Research Laboratory

QE Center

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

Notice:

- To request forms for a change of address, for purchasing shares in less than the allotted trading unit, for transferring shares, or for designating an account for dividends to be remitted, please contact the transfer agent toll-free in Japan at 0120-87-2031 or go to the website http://www.chuomitsui.co.jp/person/p_06.html. Requests taken 24 hours a day.
- In the case a share certificate is lost, it can now be reissued through a system whereby the lost certificate is made null and void. This replaces the previous system in which a judgment of exclusion had to be obtained through a public summons. Please contact the transfer agent for information on necessary procedures.
- The Company has implemented a system whereby shares numbering less than the trading unit can be purchased. Shareholders with shares numbering less than the trading unit (less than 1,000) can apply to purchase the number of shares required to bring the number held up to the trading unit. Please contact the transfer agent for applications. (If using the central depository system, please contact the securities company handling the trade.)

NISSHIN SEIFUN GROUP INC.

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