



To Shareholders

# Business Report 2004

(April 1, 2003 to March 31, 2004)



## A Message from the Management

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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.



**Osamu Shoda**  
Chairman

**Hiroshi Hasegawa**  
President

We are pleased to report to you that on a consolidated basis we achieved our highest levels ever for both net sales and ordinary income. Net sales increased 7.9% over last year to ¥434,125 million, while ordinary income grew 14.8% to ¥22,893 million. Our efforts further resulted in a 9.5% increase in net income, which climbed to ¥11,575 million. Despite challenging conditions marked by prolonged sluggish demand and greater competition due to the advance of globalization, we were able to post such strong results by strategically allocating resources to core businesses and growth areas, by working to aggressively promote sales, and by continuing to make substantial cost reductions in every possible area.

Thanks to these successes, we will be able to return still more earnings to our shareholders. After increasing the per-share dividend by one yen last year, we have decided to raise it by another two yen this year and pay an annual dividend of 11 yen.

The Japanese economy has also met with some success of late, particularly in consumer spending and capital investment. Such partial victories however have not been able to fully mitigate the difficulties caused by ongoing deflation and stagnating employment and income environments, so the conditions our companies face day to day continue to be less than forgiving. Looking ahead, domestic demand is expected to be stronger, but there will continue to be uncertainty in our operating environment due in part to fears of a downturn in the U.S. economy.

As we enter the final year of our medium-term management plan, we will stay resolute in the face of such an environment. Led by our holding company, Nisshin Seifun Group Inc., we intend to quickly and flexibly respond to the market in each of our business divisions and faithfully put into practice our corporate slogan,

“Delivering Good Health and Reliability,” in order to further expand our operations. In so doing, we will work to fully maximize the corporate value of the Group as a whole and continue to earn the positive appraisal of customers, shareholders and society at large.

To accomplish these objectives, we plan to actively develop and launch new products tailored to market needs in each of our Group companies. We also will endeavor to build an innovative new business involving providing customers with new meal options. Specifically, this entails supplying freshly prepared side dishes and related solutions to general merchandising retailers and operating directly-managed delicatessen-type stores. This business is set to play a central role in our traditional Processed Food Division thanks to the establishment in March 2004 of Initio Foods Inc., a strategic company in the prepared foods business. In addition to these activities, we intend to promote Group globalization strategies, bolster environmental conservation initiatives, continue to raise awareness of compliance-related issues, and further enhance our product safety measures and the quality assurance systems of which they are a part.

We thank you for your support over the past year and will do everything in our power to meet your expectations in the year to come.

正田 修  
長谷川 浩嗣

**Osamu Shoda**  
Chairman

**Hiroshi Hasegawa**  
President

June 2004

## Interview with the Chairman and the President

An interview was conducted with Mr. Shoda, the chairman, and Mr. Hasegawa, the president. They were asked to explain the new management structure that started in June 2004, give an overview of business in the year in question, and discuss the future direction of the group.

### Regarding the New Management Structure

**Q** Mr. Shoda recently became chairman and Mr. Hasegawa was appointed the new president. Could you please tell us the intentions of the new structure?

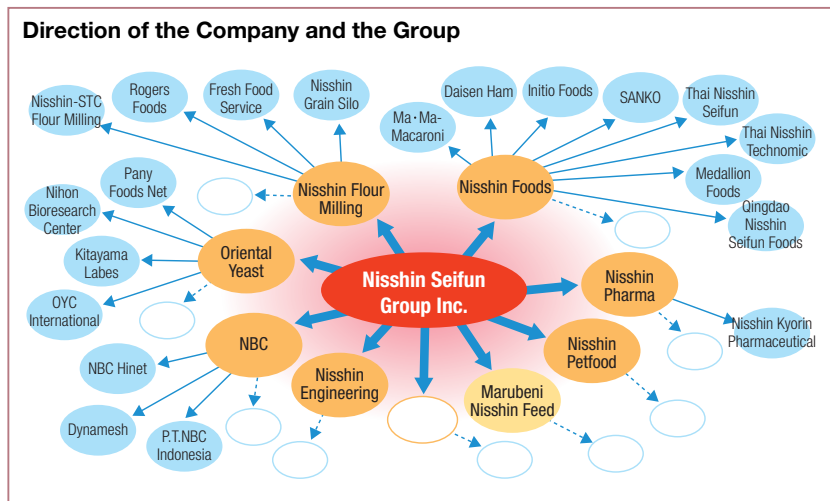
**A** **Chairman:** During my 18 years as president of Nisshin Flour Milling Co. Ltd. and Nisshin Seifun Group Inc. we promoted a variety of policies rooted in the philosophy that only through change can a company survive and grow, that is, a philosophy of staying in tune with the changing climate. Structural reforms of production and management divisions, overseas business development, conversion to a holding company management structure, revising business portfolios—all

were policies promoted based on this philosophy, and the results of these policies have contributed greatly to our operating performance. Three years have passed since the switch to a holding company management structure and in that time it has become entrenched in the Group. In order to achieve greater growth over the medium term, we made changes to our business portfolio during the year under review, such as consolidating the managements of Nisshin Feed Inc. and Marubeni Feed Co., Ltd. and making Oriental Yeast Co., Ltd. a subsidiary.

On June 25, Hiroshi Hasegawa became the next president of Nisshin Seifun Group Inc. and under the new management structure, a new management plan will be drawn up for the coming years based on a new outlook and sensibility. As

chairman of the board of directors, I will take part in affairs related to the direction of the Company and the Group. I would like to thank all shareholders for your support during my time as president, and I think we can all expect even greater growth from the Group in the future.

**President:** I have served as president of Nisshin Foods Inc. for the three years since the holding company management structure was implemented. It is a business in which growth can still be expected and I planned to devote my energies to the company's further



development, so it came as a complete surprise when I was named president of Nisshin Seifun Group Inc. However, I believe in tackling anything that may arise with a positive outlook, so I agreed to accept this new responsibility.

While following the course laid out by Chairman Shoda during his presidency, we will further increase our speed, emphasizing the importance of timeliness, and create an even more innovative corporate group. In so doing we will achieve growth—the priority of the Group’s next stage of development. Specifically, we plan to faithfully execute the policies of the final year, the year ending March 31, 2005, of the current medium-term management plan. And, we will draw up a new management plan to take effect in the



**Osamu Shoda**  
Chairman

**Hiroshi Hasegawa**  
President

following year.

“Clear, proper and strong” will be my motto and I will constantly devote all my energy to the development of the Group in order to meet shareholder expectations.

## Initiatives and Results in the Year Ended March, 31 2004

**Q** We will ask Chairman Shoda about company performance in the year under review. Could you please give us a summary of the Group’s performance and talk about some of the initiatives in which the Group was actively involved?

**A** **Chairman:** With regard to our activities during the year ended March 2004, the first item deserving special mention that I would like to report to our shareholders is our efforts at selecting profitable and promising businesses and concentrating investment in them with a view to the future growth potential of our business portfolio. In that regard, we executed two initiatives to revise our business portfolio, making Oriental Yeast a consolidated subsidiary and merging the managements of Nisshin Feed and Marubeni Feed. We expect that including Oriental Yeast within

the scope of consolidation, in particular, will greatly contribute to the Group’s future development because our ties with that company will be strengthened. The effects of the revised business portfolio, stable revenues in the Flour Milling Division, and strong performances by Nisshin Pharma Inc. and Nisshin Petfood Inc. driven by sales growth focused primarily on new products led to substantial increases in both revenue and income for the Group as a whole. It should be emphasized that the Group was able to increase its income after absorbing the cost of new facilities investment for food safety and factors exerting upward pressure on costs such as depreciation on the state-of-the-art, large-capacity mill at the Tsurumi Plant, which is operated to further strengthen the international competitiveness of the Flour Milling Division. I think this is a significant achievement that should be recognized.

## Interview with the Chairman and the President

### Future Strategy and Direction Ahead of Achievement of the Medium-Term Management Plan

**Q** Various developments can be seen ahead of wheat policy reform, both domestically and abroad. Could you please discuss the impact of these developments on the Flour Milling Division and initiatives to cope with them?

**A** **Chairman:** As far as global developments are concerned, it is necessary to pay close attention to agricultural negotiations at the World Trade Organization (WTO) and trends in the free trade agreements countries conclude with each other. Domestically, the issue has been raised of closing the gap between prices in Japan and overseas, as the selling price of wheat by the government to flour milling companies is relatively high compared to international prices, and deliberations have begun on the basic structure of the government's wheat policy. Led by the Flour Milling Division, the Group has already, for the past 20 years, conducted Nisshin Innovation (NI) activities, promoting the construction of a robust corporate structure capable of withstanding global competition by increasing the speed of structural improvements and globalization initiatives. Going forward as well we will further bolster our competitiveness, and I think that no matter what takes place we will be able to demonstrate our competitive superiority in cost structure, quality, customer relations and every other area.

**Q** President Hasegawa, a new company, Initio Foods Inc. was established for the prepared foods business, an area in which you have been centrally involved since your time as president of Nisshin Foods. Could you tell us what the Group's strategy is in this area?

**A** **President:** The prepared foods market is a rare growth area in the food products industry, so the Group as a whole also plans to aggressively commit management resources to this area. General merchandising retailers, which will be the primary customers of Initio Foods, are concerned about their deli-style product lineups, merchandizing and in-store processing operations. Along with supplying a wide variety of freshly prepared, Japanese, Western and Chinese dishes, the company will also offer solutions to these concerns. That is, Initio Foods will actively develop its business by establishing a wholly new business model. The company also plans to expand the scope of solutions it offers by operating



directly-managed delicatessen-type stores and accumulating the expertise it cultivates at them. This is one of the Group's promising areas of business and can be expected to grow to a fair size in the short-term future.

**Q** Please discuss initiatives and issues for the business divisions as you work to achieve the objectives of the medium-term management plan.

**A** **President:** As Chairman Shoda mentioned, in the Flour Milling Division, we plan to steadfastly respond to systematic changes and at the same time achieve growth through upping our domestic share and expanding overseas businesses. A new flour milling plant is scheduled to go online this fall at our Canadian subsidiary, Rogers Foods Ltd., and with this we will double our flour milling capacity in North America. The Processed Food Division plays the role of growth-driver for the Group and we will aggressively develop new products and put them out on the market. Additionally, we will work to expand the prepared foods business through the above-mentioned Initio Foods and SANKO Co., Ltd., and further promote conversion of our operations toward meal proposal-based activities by developing businesses in each of the temperature ranges, room temperature, frozen and chilled. In addition to the Flour Milling and Processed Food Divisions, we also anticipate market growth in Nisshin Pharma's health food business and Oriental Yeast's bio business. We plan to commit management resources to these areas and cultivate them as core businesses. In other divisions as well, we anticipate further business expansion by putting out new products and materials.

**Q** What are the Group's performance forecasts for the year ending March 2005 and what are the prospects for achieving the objectives of the medium-term management plan?

**A** **President:** The second year of our three-year medium-term management plan has passed and the earnings we posted surpassed the plan for that year. In the coming year, we will achieve the earnings objective of the medium-term plan and will execute management strategies appropriately. Although sales in the first half will decrease under the impact of switching the formula feed business over to an equity-method affiliate attending management consolidation, we will implement policies aimed at creation of next-generation products and new business models in each division.

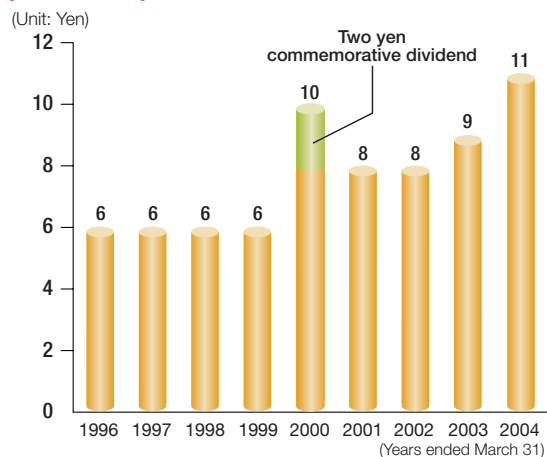
Additionally, along with faithfully achieving the goals of the current plan, we will draw up a new management plan from a fresh perspective to go into effect beginning April 2005. Rooted in the recognition that only through change can a company survive and grow, we will optimally distribute management resources, including to areas where activities have already begun, without remaining content with our present business portfolio. Through this and by making new strategic investments and promoting alliances both inside and outside the Group, we will work toward the further growth of the Group as a whole.

## Feature: Redistributing Profits to Shareholders

Nisshin Seifun's basic policy is to provide a stable dividend and redistribute profits to shareholders after taking into consideration present and future earnings and financial position. In the year under review, we increased the per-share dividend by two yen and acquired two million shares of treasury stock in order to return even more earnings to shareholders. Additionally, in the previous year we established the Special Shareholder Benefit Program in which health food supplements are provided to shareholders who desire them in order for shareholders to learn about some of the Group's growth areas.

### Per-Share Dividend

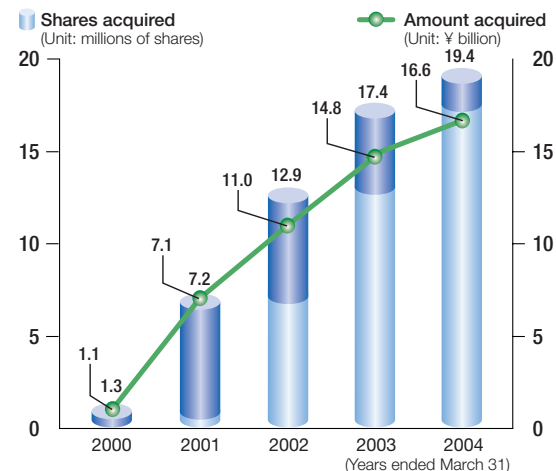
Achieved five yen dividend increase in the five years since year ended March 31, 1999



Note: Year ended March 31, 2000 includes a two-yen dividend commemorating the Company's 100th anniversary.

### Treasury Stock Acquisition

Have steadily and flexibly acquired treasury stock



Notes: 1. The dark blue portion of the bar in each year indicates newly acquired shares.  
2. The line graph indicates the cumulative amount acquired.

### Special Shareholder Benefit Program

Nisshin Seifun will provide a Group product to shareholders with at least 1,000 shares as of March 31, 2004 as a token of our appreciation. Shareholders may choose between Co-Q LivLon and Power LivLon. Both products are from Nisshin Pharma, which develops health food businesses, and we encourage recipients to give them a try. For details, please refer to the Special Shareholder Benefit Program Guide, which is to be sent out at the beginning of July.



Co-Q LivLon



Power LivLon



## Feature: Food Product Safety Initiatives — Safety and Quality Assurance for Nisshin Seifun Group Products

Nisshin Seifun Group's policy regarding food product safety and quality assurance rests on taking the customer's perspective in assuring quality and confirming the safety of food products from the raw material stage to the final product. We have implemented ISO 9001, HACCP and the AIB Consolidated Standards for Food Safety in order to improve the level of our quality management. We have also introduced auditing and guidance systems for the product safety and quality management systems at our plants. Moreover, since 2003, we have appointed quality assurance managers at each of our companies and manufacturing plants and have been constructing a company-wide quality assurance system. Nisshin Seifun Group will work to deliver good health and reliability to customers through these activities and by ensuring that each and every employee working at the Group understands and puts into practice the Group's policies and initiatives concerning food product safety and quality assurance.

### Quality Examination Center



Quality Examination Center

With advanced analytical capacities, the Quality Examination Center conducts safety tests from the raw material stage to the final product. It also performs surveys of manufacturing plants. The center further functions to approve use of raw materials and manufacture and sale of products from a position that transcends any one of our companies. In December 2003, Nisshin Seifun became the first food manufacturer in Japan to acquire ISO 17025 accreditation, an international standard related to agricultural chemical analysis.

### Quality Assurance Training



A training session

Since 2003, we have been carrying out advanced education and training for all research and development divisions, plants and sales divisions so that all employees working in Nisshin Seifun Group deepen their understanding of the Group's food safety and quality assurance policies and put those policies into practice.

### ISO and AIB Food Product Quality Inspection Registration

Since 1996, we have proceeded with acquiring ISO 9001 accreditation, an international quality assurance management standard. Additionally, in December 2003, Nisshin Flour Milling's Chita Plant acquired the highest ranking, "Superior," on an audit based on American Institute of Baking (AIB) Consolidated Standards for Food Safety, which is conducted by the Japan Institute of Baking. In January 2004, Nisshin Foods' Tatebayashi Plant earned the same distinction.



Nisshin Foods' Tatebayashi Plant



AIB Certificate

## Topics

### Marubeni Nisshin Feed Begins Operations

Marubeni Nisshin Feed Co., Ltd. began operations on October 1, 2003 following a merger of the managements of Marubeni Feed Co. Ltd. and Nisshin Feed Inc. The new company is now the top trading company group in both livestock feed and aquafarming feed. By thoroughly incorporating the policies of speed, valuing the customer, and respecting the front-lines, it is committed to further developing as the leading company in the formula feed industry.



From the reception celebrating the new company

### Exhibiting at FOODEX JAPAN 2004

#### Promoting the Group's commitment to health and its safety initiatives

Nisshin Seifun Group promotes its business activities under the corporate slogan, "Delivering Good Health and Reliability" At FOODEX JAPAN 2004 held in March, we introduced some of our new products that are based on the concept of health, including Japanese-style prepared foods that are free of preservatives and synthetic colorants, several varieties of Mediterranean-style healthy pastas, and supplements that use water-soluble coenzyme Q10. We also promoted stronger trust relationships with customers through promoting our fully-realized environmental protection and quality management practices.



Exhibiting at FOODEX JAPAN 2004

### Support for Sports and the Arts

Nisshin Seifun Group has added the bright, cheerful, inspirational image of sports to its corporate slogan and cosponsors a number of sporting events. We also position one of our mainstay products, pasta, as health food perfect for sports aficionados and have worked to promote the popularization of pasta (pasta carbo-loading). Additionally, we have strived to communicate with stakeholders through cosponsorship of Japan Philharmonic Orchestra concerts, the theme park Universal Studios and the Japan Racing Association.



Cosponsorship of rugby matches



### **Awarded Okochi Memorial Award for Technical Development of Coenzyme Q<sub>10</sub>**

Nisshin Pharma was awarded the 2003 Okochi Memorial Award in March 2004. We received the award for establishing a manufacturing method for coenzyme Q<sub>10</sub> ahead of the rest of the world and for successive technical developments over the thirty years since to expand its usefulness. Coenzyme Q<sub>10</sub> is further expected to make a substantial contribution to the promotion of health in the future.



Award ceremony

### **Exhibiting at SIAL CHINA, an International Food Exhibition Representing China**

In March 2004, for the first time, Nisshin Seifun Group exhibited at the Fifth SIAL CHINA held in Shanghai, China. At the exposition we introduced a variety of pre-mix products for deep-fried foods and baking as demand for these products is expected to grow in China going forward. Qingdao Nisshin Seifun Foods Co., Ltd., which we established in China ahead of any other company in the Japan pre-mix industry, is working to further expand business as demand for dining out and processed foods such as prepared side dishes skyrockets due to changes in the lifestyles of Chinese consumers.



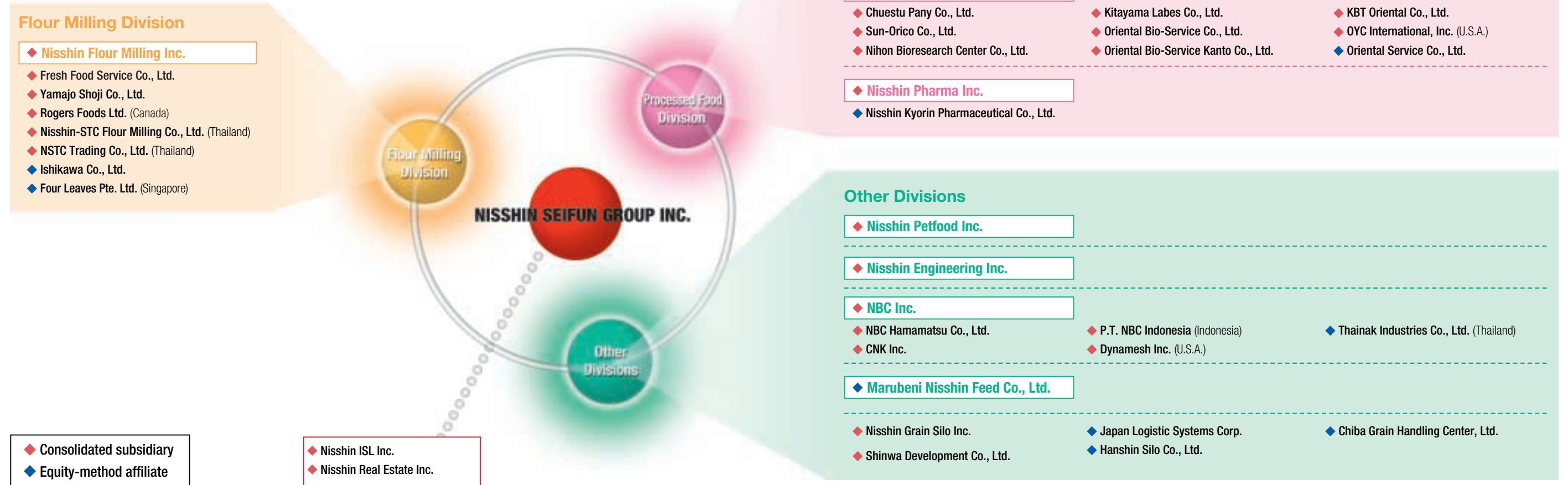
Exhibiting at the Fifth SIAL CHINA (Qingdao Nisshin Seifun Foods)

## Outline of Nisshin Seifun Group

Nisshin Seifun Group comprises the holding company, the Flour Milling Division, the Processed Food Division, and Other Divisions. In addition to Nisshin Seifun Group Inc., the Group includes 52 subsidiaries and 16 affiliated companies. Nisshin Seifun Group Inc. and other principal companies are presented in the organizational diagram below.

Employees (as of March 31, 2004)	
Flour Milling Division	1,301
Processed Food Division	2,967
Other Divisions	663
Nisshin Seifun Group Inc.	254
<b>Total</b>	<b>5,185</b>

## Organization of Nisshin Seifun and its Group Companies (as of March 31, 2004)



## Review of Operations

### Flour Milling Division

#### <Business Results>

Flour shipments benefited from overall solid market conditions that were marked by recovering demand for bread and pastries due in part to the cool summer weather. And as a result of our efforts to further promote relationship marketing and expand sales, shipments surpassed last year's level. On the production side, operations at our coastal plants progressed steadily centered on the Tsurumi Plant's state-of-the-art large-capacity mill, and this is greatly contributing to low cost operations while allowing us to precisely respond to diversifying customer needs. In addition, in June of last year we further bolstered our quality assurance initiatives. Along with working to establish a quality assurance system from the customer's perspective, we actively developed, in close cooperation with sales divisions, the Clean & Safety

#### <Prospects for the Next Fiscal Year>

Substantial growth in domestic demand for flour is not expected going forward because the population is aging and the birthrate is low. There is also concern over further intensified competition among companies for sales due to increases in imports of flour products and other items. We will endeavor to expand shipments of flour by aggressively developing solutions-oriented sales activities that include presenting customers with new products and sales promotions that accurately incorporate market changes, and by utilizing So Shoku Club, an interactive communication system.

Additionally, we will work to secure earnings by further increasing the efficiency of production and by initiating cost reductions in all areas, from distribution to purchasing and sales. Moreover, as we are committed to product safety, we plan to continue our Clean & Safety Campaign and further increase and strengthen quality management systems covering flour distribution and storage.

Campaign, which includes the wholesale industry. In so doing, we promoted the strengthening of safety measures not only in flour milling but also in distribution and storage.

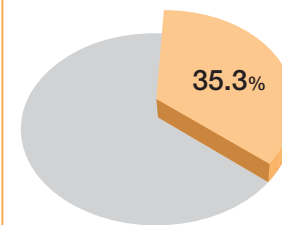
In February of this year, the government lowered the selling price for raw wheat for the first time in four years, so beginning in March we lowered the price of flour.

The by-product bran turned in a solid performance in terms of both sales volumes and price as domestic demand for bran for use in feed was buoyant and import volumes of competitor products decreased.

With regard to promotion of our overseas strategy, Canadian subsidiary Rogers Foods completed a cutting-edge flour milling facility near Vancouver, and we will continue to expand business operations in North America.

#### Flour Milling Division Net Sales

¥153,081 million



American baking seminar

## Processed Food Division

### <Business Results>

Nisshin Foods faced difficult conditions due to consumers' low price orientation and intensifying competition, but as a result of developing new products tailored to market needs and aggressive sales activities, shipments of tempura flour, pasta, pasta sauces, frozen foods and other items all exceeded the previous year's levels. Due to the impact of a cool summer, however, shipments of dried noodles fell short of last year. We launched 17 new dried food products on the market and updated eight more. The new products include Ma-Ma Two-Minute Al Dentino, a new kind of pasta that utilizes aseptic technology and can be enjoyed with an authentic al dente texture by simply cooking in the microwave. For frozen foods, we put out 11 new products and two updated products based on the categories, "convenient yet authentic," "healthy," and "Japanese-style." Additionally, in January of 2004, a new pasta production line was added at the Kobe Plant of pasta manufacturing subsidiary, Ma•Ma-Macaroni, as we continued to bolster cost competitiveness and quality stability.

In its food products division, Oriental Yeast saw growth in shipments of mainstay products like yeast and flour paste thanks to firm demand from bread

### <Prospects for the Next Fiscal Year>

Nisshin Foods is expected to face continuing intense sales competition due to ongoing deflation and a strong yen. Along with developing and launching sales of new products tailored to customer needs for peace of mind, safety and health and aggressively developing sales promotion activities, we will work to further strengthen and enhance our quality management and assurance systems. In addition, seeking to expand operations in the prepared foods market, a rare growth field in the food products industry, Initio Foods, established in March 2004, will supply freshly prepared side dishes and establish a previously non-existent business model that will involve operation system proposals and opening directly-managed stores. We will work to actively develop business activities in these areas.

In its food products division, Oriental Yeast will present new products tailored to customer needs, promote sales activities with clear targets and otherwise work to increase sales. In the bio-related division, the company will actively make strategic business investments as it is committed to

manufacturers, which was positively influenced by the cool summer, and aggressive promotion of sales initiatives. The bio-related division worked to expand sales while precisely capturing customer needs and as a result, experimental animals, feed for experimental animals and various forms of contract work in support of bioresearch all turned in solid results.

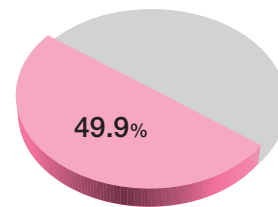
Thanks to growing awareness of coenzyme Q<sub>10</sub>, Nisshin Pharma enjoyed solid shipments of the product both as an ingredient and in end-products. Coenzyme Q<sub>10</sub> is a mainstay product we are targeting for domestic sales as a health food application. As an ingredient, we devoted efforts to expanding applications by promoting sales of the water-soluble type, and as an end-product, we bolstered our product lineup by putting on the market new beverage-type and granule-type products for mail order and store sales.

further rapid growth. Along with targeting further expansion of the bio life sciences business in response to the post-genome era, we intend to take advantage of synergies by cooperating closely with other Nisshin Seifun Group companies.

With demand anticipated to continue to increase in the domestic health food market for coenzyme Q<sub>10</sub>, Nisshin Pharma intends to aggressively work to develop new products and increase sales of them. Seeking to establish sales channels at drug stores and pharmacies in particular, we will put products on the market that target these channels and advance dynamic sales promotion activities.

### Processed Food Division Net Sales

¥216,825 million



FABEX 2004, a specialized expo for the food service industry

## Review of Operations

### Other Divisions

#### <Business Results>

Nisshin Petfood witnessed substantial growth in shipments, led by dry cat food products, thanks to promoting sales activities with clear targets. In March 2004, the company strengthened its product lineup by rolling out 19 new products for cats and dogs based on the concepts of palatability and health.

Despite a recovery trend in corporate investment in facilities, sales for Nisshin Engineering fell short of last year due to continuing intense competition for orders in the related industries in which it is involved.

NBC faced a difficult environment in which production was transferred overseas in industries related to its mainstay mesh cloth for screen printing. However, sales grew compared to the previous year as a result of promoting sales of ultra-fine mesh

#### <Prospects for the Next Fiscal Year>

Leveraging strengths in areas from market-oriented, proprietary research and development to manufacturing and sales, Nisshin Petfood intends to promote efficient sales activities and work to boost sales while actively rolling out new products for cats and dogs that give consideration to both health and taste.

Nisshin Engineering will endeavor to secure orders for plant engineering at levels that exceed the previous year and aggressively work to increase sales of powder devices such as liquid crystal spacer spraying equipment and expand sales in the area of powder processing. A facility with enhanced infrastructure that enables it to conduct development of powder devices and powder processing and other activities will be complete in September of this year, and the company will rise to customer expectations by working to respond precisely to their needs.

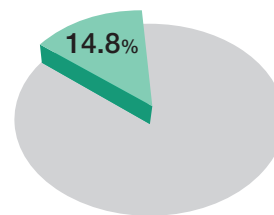
NBC will launch high value-added products onto the market and will devote efforts to promoting sales of the mainstay product mesh cloth for screen printing as well as a variety of other products that also utilize mesh technology.

cloth and other value-added products and aggressively developing overseas markets.

On October 1, 2003 the managements of Nisshin Feed and Marubeni Feed were merged to form Marubeni Nisshin Feed, a new equity-method affiliate. As the top trading company-based formula feed company, the company saw shipments grow steadily as a result of working to achieve synergies from the merger and establish competitive advantages in every area, from costs to sales.

#### Other Divisions Net Sales

¥64,218 million



INTERPHEX JAPAN 2003  
(Nisshin Engineering displayed devices used in pharmaceutical products, cosmetics and other applications)



\* INTERPHEX JAPAN is an international expo for pharmaceutical, cosmetic and other product manufacturing technology, research and development.

## New Products

### • Ma-Ma Spaghetti for Boxed Lunches Meat Sauce with Seven Varieties of Vegetables

(Nisshin Foods: Frozen spaghetti for boxed lunches)

This frozen meat sauce spaghetti for boxed lunches has a good balance of nutrients thanks to the inclusion of seven varieties of vegetables: eggplant, onion, carrot, tomato, celery, garlic and potato. The sweetness of the flavorful sautéed vegetables and the tastiness of the hearty meat are blended together in a juicy meat sauce that is mixed in with the spaghetti. It is a luxurious delight even when cold making it perfect for boxed lunches.

(Launched on the market in February 2004)



### • Ma-Ma Two-Minute Al Dentino Spaghetti and Meat Sauce

(Nisshin Foods: Microwavable pasta)

Authentic al dente pasta can be enjoyed simply by heating it for two minutes in the microwave. Generously loaded with meat and vegetables, it has a hearty, richly-flavored meat sauce that delicately brings out the flavor of all the ingredients. The Al Dentino Series includes a total of six products, four types of spaghetti and two varieties of short pasta (penne).

(Launched on the market in February 2004)



### • Grotto Azzurra Neopolitan-style Pizza Set (Nisshin Foods: Pizza set)

We combined Neopolitan-style pizza crust mix, the perfect pizza sauce and matching dry yeast in a set to allow consumers to easily enjoy authentic Neopolitan-style pizza in their own homes. The crust stretches easily and a raised, puffy pizza with a doughy texture can be realized with just a home gas or electric oven.

(Launched on the market in February 2004)



### • Ms. Q10, Mr. Q10

(Nisshin Pharma: Coenzyme Q10)

Ms. Q10 and Mr. Q10 are both based on the now widely-discussed coenzyme Q10. Ms. Q10 is additionally formulated with Vitamin C, Vitamin E and B-group vitamins. Mr. Q10 includes Vitamin B1, amino acids and other nutrients. Both come in granules that are tasty and easy to swallow thanks to use of water-soluble coenzyme Q10, which is easily absorbed.

(Launched on the market in April 2004)



### • Shape Navi

(Nisshin Pharma: Coenzyme Q10)

Shape Navi is a supplement for women wishing to improve their appearance and style. With a day's dose, a woman can efficiently get a number of much-discussed nutrients, including coenzyme Q10, L-carnitine, and amino acids. Shape Navi comes in chewable tablets that are tasty and can be chewed and eaten as is thanks to the use of water-soluble coenzyme Q10.

(Launched on the market in April 2004)



### • RUN Meal Mix 1.5 kg Adult Dog Formula, Small Dog Formula, Older Dog Formula

### • RUN Meal Mix 3.5 kg Adult Dog Formula (Fish or Cheese), Older Dog Formula

(Nisshin Petfood: Dry dog food)

RUN Meal Mix 1.5 kg Size incorporates milk powder and other ingenuities so owners can satisfy their dogs' palate. The 3.5 kg Size is formulated with large granules with xylitol in consideration of the need for dogs to chew well before eating. These dry dog food products have a good overall balance of nutrients.

(Launched on the market in March 2004)





## 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	2004	Change	% change
<b>Results of operations</b>								
Net sales (¥ million)	364,301	402,881	402,937	397,173	402,313	434,125	+ 31,812	+ 7.9%
Operating income (¥ million)	13,808	19,014	18,504	15,593	17,706	21,756	+ 4,050	+ 22.9%
Ordinary income (¥ million)	15,923	20,351	19,652	17,467	19,937	22,893	+ 2,955	+ 14.8%
Net income (¥ million)	7,327	10,822	11,136	9,334	10,575	11,575	+ 999	+ 9.5%
<b>Profit ratio</b>								
Operating income to net sales (%)	3.8%	4.7%	4.6%	3.9%	4.4%	5.0%	+ 0.6%	
Ordinary income to net sales (%)	4.4%	5.1%	4.9%	4.4%	5.0%	5.3%	+ 0.3%	
Net income to net sales (%)	2.0%	2.7%	2.8%	2.4%	2.6%	2.7%	+ 0.1%	
Return on equity (%)	4.5%	6.0%	6.0%	4.2%	5.0%	5.2%	+ 0.2%	
<b>Financial position</b>								
Total assets (¥ million)	268,798	291,524	294,474	340,637	316,330	359,820	+ 43,490	+ 13.7%
Shareholders' equity (¥ million)	165,988	184,558	186,138	215,354	211,197	230,555	+ 19,357	+ 9.2%
Shareholders' equity ratio (%)	61.8%	63.3%	63.2%	63.2%	66.8%	64.1%	(2.7%)	
<b>Per share data</b>								
Net income per share (¥)	29.13	43.10	45.07	38.40	44.29	49.16	+ 4.87	
Shareholders' equity per share (¥)	659.90	738.45	762.84	904.15	904.80	996.59	+ 91.79	
Cash dividends per share (¥)	6	10	8	8	9	11	+ 2	

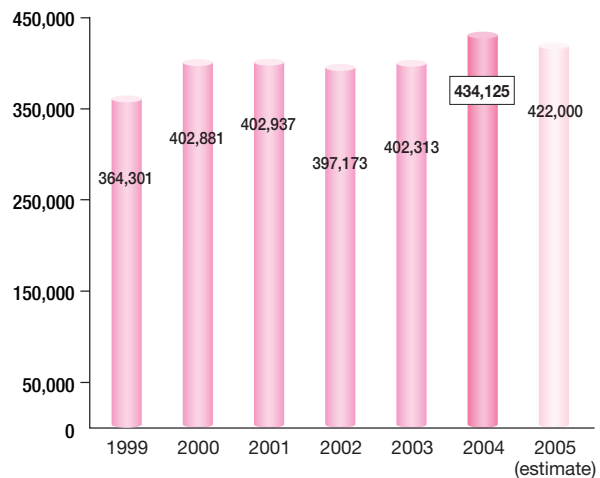
## Forecast for Consolidated Business Performance

### Forecast for Consolidated Business Performance in Fiscal 2005

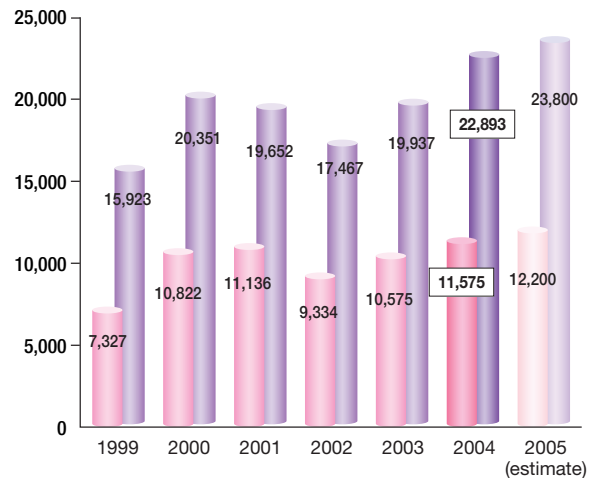
	2004	2005 (estimate)	Change	% change
Net sales (¥ million)	434,125	422,000	(12,125)	(2.8%)
Ordinary income (¥ million)	22,893	23,800	+ 907	+ 4.0%
Net income (¥ million)	11,575	12,200	+ 625	+ 5.4%

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.

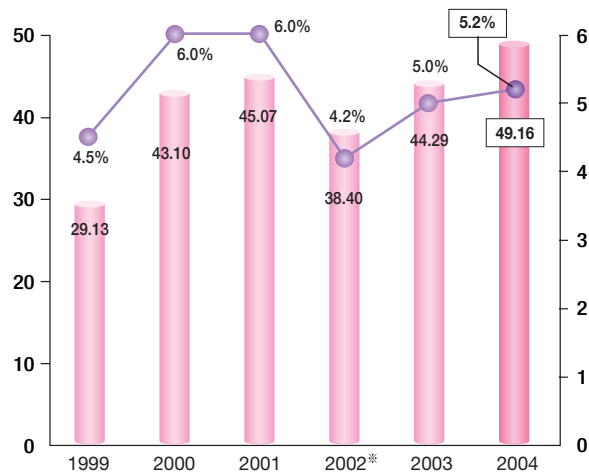
■ **Net Sales** (¥ million)



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

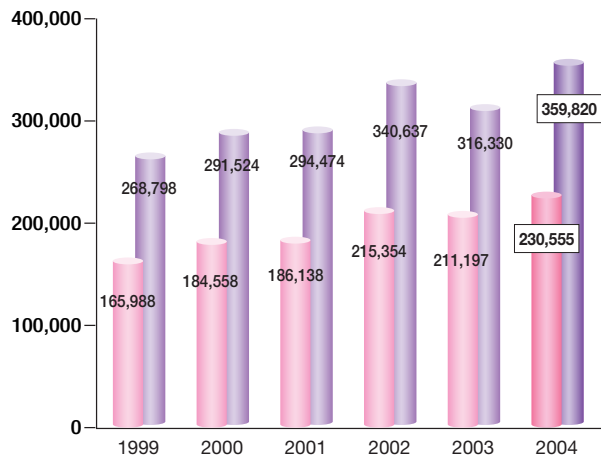


■ **Net Income per Share** (¥)  
■ **Return on Equity (ROE)** (%)



\* The sharp decline in ROE in the year ended 2002 was primarily due to the impact of marking securities to market following the introduction of fair value accounting.

■ **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, 2003 and 2004

(¥ million)

Items	2003	2004	Change
<b>Assets</b>			
Current assets	146,843	158,289	11,445
Fixed assets	169,486	201,530	32,044
<b>Total assets</b>	<b>316,330</b>	<b>359,820</b>	<b>43,490</b>
<b>Liabilities</b>			
Current liabilities	58,680	64,026	5,346
Non-current liabilities	33,071	39,873	6,801
<b>Total liabilities</b>	<b>91,751</b>	<b>103,899</b>	<b>12,148</b>
<b>Minority interests</b>			
Minority interests	13,380	25,364	11,984
<b>Shareholders' equity</b>			
Common stock	17,117	17,117	—
Capital surplus	9,446	9,446	0
Retained earnings	172,189	179,241	7,051
Difference in valuation of other securities	14,795	27,177	12,381
Foreign currency translation adjustments	(687)	(1,012)	(324)
Treasury common stock	(1,663)	(1,414)	248
<b>Total shareholders' equity</b>	<b>211,197</b>	<b>230,555</b>	<b>19,357</b>
<b>Total liabilities and shareholders' equity</b>	<b>316,330</b>	<b>359,820</b>	<b>43,490</b>

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

## Consolidated Statements of Cash Flows

For the years ended March 31, 2003 and 2004

(¥ million)

Items	2003	2004	Change
Cash flows from operating activities	11,050	20,999	9,948
Cash flows from investing activities	(1,312)	(7,931)	(6,618)
Cash flows from financing activities	(10,890)	(7,549)	3,340
Effect of exchange rate changes on cash and cash equivalents	(124)	(129)	(4)
Increase (decrease) in cash and cash equivalents	(1,277)	5,389	6,666
Cash and cash equivalents at beginning of the year	50,066	48,789	(1,277)
Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries	—	(23)	(23)
<b>Cash and cash equivalents at end of the year</b>	<b>48,789</b>	<b>54,154</b>	<b>5,365</b>

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- Funds on hand, including fund management assets, amount to ¥58,176 million, up ¥6,191 million over the end of the previous year.

## Consolidated Statements of Income

For the years ended March 31, 2003 and 2004

(¥ million)

Items	2003	2004	Change
Net sales	402,313	434,125	31,812
Cost of sales	282,974	302,079	19,105
Gross profit	119,339	132,046	12,707
Selling, general and administrative expenses	101,632	110,289	8,656
Operating income	17,706	21,756	4,050
Non-operating income	3,302	2,442	(860)
Non-operating expenses	1,071	1,305	234
Ordinary income	19,937	22,893	2,955
Extraordinary income	4,004	3,366	(637)
Extraordinary losses	4,270	3,048	(1,222)
Income before income taxes and minority interests	19,671	23,211	3,540
Income taxes—current	10,100	10,269	168
Income taxes—deferred	(1,836)	(535)	1,300
Minority interests	831	1,902	1,070
<b>Net income</b>	<b>10,575</b>	<b>11,575</b>	<b>999</b>

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

## Consolidated Statements of Retained Earnings

For the years ended March 31, 2003 and 2004

(¥ million)

Items	2003	2004	Change
<b>Capital surplus</b>			
Capital surplus at the beginning of the year	9,446	9,446	—
Increase in capital surplus	—	0	0
Capital surplus at the end of the year	9,446	9,446	0
<b>Retained earnings</b>			
Retained earnings at the beginning of the year	165,265	172,189	6,924
Increase in retained earnings	11,437	11,582	144
Decrease in retained earnings	4,513	4,530	17
<b>Retained earnings at the end of the year</b>	<b>172,189</b>	<b>179,241</b>	<b>7,051</b>

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

# Non-Consolidated Financial Statements

## Non-Consolidated Balance Sheets

As of March 31, 2003 and 2004

(¥ million)

Items	2003	2004	Change
<b>Assets</b>			
Current assets	40,898	43,959	3,061
Fixed assets	159,026	178,472	19,445
<b>Total assets</b>	<b>199,925</b>	<b>222,432</b>	<b>22,506</b>
<b>Liabilities</b>			
Current liabilities	16,440	19,204	2,764
Non-current liabilities	10,628	16,148	5,520
<b>Total liabilities</b>	<b>27,068</b>	<b>35,352</b>	<b>8,284</b>
<b>Shareholders' equity</b>			
Common stock	17,117	17,117	—
Capital surplus	9,446	9,446	0
Retained earnings	136,046	139,863	3,817
Difference in valuation of other securities	11,862	22,013	10,150
Treasury common stock	(1,616)	(1,362)	254
<b>Total shareholders' equity</b>	<b>172,856</b>	<b>187,079</b>	<b>14,222</b>
<b>Total liabilities and shareholders' equity</b>	<b>199,925</b>	<b>222,432</b>	<b>22,506</b>

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

## Non-Consolidated Statements of Income

For the years ended March 31, 2003 and 2004

(¥ million)

Items	2003	2004	Change
Operating revenues	15,030	17,856	2,825
Operating expenses	11,803	11,503	(299)
Operating income	3,227	6,352	3,125
Non-operating revenues	1,461	731	(729)
Non-operating expenses	185	133	(52)
Ordinary income	4,503	6,950	2,447
Extraordinary income	3,123	2,551	(571)
Extraordinary losses	1,495	2,132	637
Income before income taxes	6,131	7,369	1,237
Income taxes—current	1,270	19	(1,251)
Income taxes—deferred	(610)	(815)	(204)
<b>Net income</b>	<b>5,472</b>	<b>8,165</b>	<b>2,693</b>
Unappropriated retained earnings brought forward	19,815	20,522	706
Earnings allocated to retirement of treasury common stock	2,517	2,088	(429)
Interim dividend	948	1,051	102
Unappropriated retained earnings	21,821	25,548	3,726

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

## Appropriation of Retained Earnings

(¥ million)

Items	2003	2004	Change
Unappropriated retained earnings	21,821	25,548	3,726
Reversal of special depreciation provision	77	22	(54)
Reversal of reserve for advanced depreciation of fixed assets	29	29	(0)
<b>Total</b>	<b>21,929</b>	<b>25,600</b>	<b>3,671</b>
This was appropriated as follows.			
Dividends	1,168 ( Ordinary dividend of ¥5 per share )	1,505 ( Ordinary dividend of ¥6.5 per share )	337
Directors' bonuses	40	45	5
Reserve for advanced depreciation of fixed assets	197	32	(164)
Reserve for special account for advanced depreciation of fixed assets	1	—	(1)
Earnings carried forward to the following year	20,522	24,017	3,495

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- On December 10, 2003 an interim dividend of 1,051 million yen (4.5 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, 2004)

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

461,672,000 shares (a decrease of 2,400,000 shares from the end of the previous fiscal year)\*

### Total number of shares issued and outstanding:

233,214,044 shares (a decrease of 2,400,000 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 number of shares issued and outstanding were due to retirement of stock.

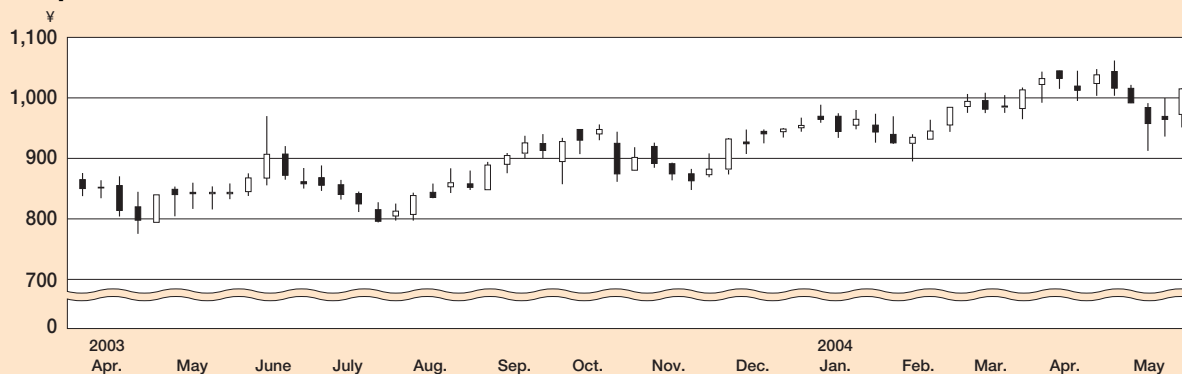
### Number of shareholders:

13,480 (a decrease of 514 shareholders from the end of the previous fiscal year)

### Major shareholders (top 10):

Name	Number of Shares Held (thousand)	Ratio of Voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	15,281	6.7
Nippon Life Insurance Company	13,799	6.0
Yamazaki Baking Co., Ltd.	12,764	5.5
Mizuho Corporate Bank, Ltd.	11,489	5.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,517	4.6
Mitsubishi Corporation	6,347	2.7
Mizuho Bank, Ltd.	5,276	2.3
Sumitomo Corporation	4,577	2.0
Sumitomo Mitsui Banking Corporation	4,172	1.8
The Norinchukin Bank	4,081	1.7

### Stock prices



### Composition of Shareholders

#### Shareholders by Type

Financial institutions (125)*	116,112,000 (49.8%)
Other institutions (361)*	45,127,000 (19.4%)
Individuals and other (12,749)*	36,431,000 (15.6%)
Foreign institutions, etc. (216)*	33,676,000 (14.4%)
Securities companies (29)*	1,866,000 (0.8%)

#### Shareholders by Number of Shares Held

1 million shares and over (43)*	145,487,000 (62.4%)
100,000 shares and over (133)*	45,503,000 (19.5%)
10,000 shares and over (908)*	19,684,000 (8.4%)
1,000 shares and over (8,757)*	21,703,000 (9.3%)
Less than 1,000 shares (3,639)*	835,000 (0.4%)

\* Number of shareholders

## Corporate Data

**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 (As of March 31, 2004)  
**Main business:**

1. Control and management of the operations of divisions in the following industries through stock ownership
  - Flour Milling Division
  - Processed Food Division
  - Other Divisions (Pet foods, Engineering, Mesh cloths, 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:** (As of June 25, 2004)

**Chairman:** Osamu Shoda

**President:** Hiroshi Hasegawa

**Managing director:** Takeo Ito

**Managing director:** Ippei Murakami

**Managing director:** Ryuji Nakamura

**Managing director:** Masaru Nakamura

**Director:** Noburu Fukushima

**Director:** Masami Ohta

**Director:** Yuki Yoshi Yamada

**Director:** Kazuo Ikeda

**Corporate auditor:** Masao Kitamura

**Corporate auditor:** Yoshio Nishiyama

**Corporate auditor:** Morio Hatakeyama

**Corporate auditor:** Ariyoshi Okumura

### 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:

1. 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](http://www.chuomitsui.co.jp/person/p_06.html). Requests taken 24 hours a day.
2. 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>