



To Shareholders

Business Report 2005

(April 1, 2004 to March 31, 2005)



A Message from the Management

C O N T E N T S

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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, despite a decrease in sales, we achieved our second straight year of record high ordinary income. Net sales declined 4.1% from the previous year to ¥416,222 million. This figure was due to the impact of converting our feed business into an equity method affiliate in October 2003. Ordinary income, on the other hand, increased 9.7% year-on-year to ¥25,120 million, as we were able to absorb the impact of changes in the feed business as well as in accounting for the enterprise tax. Our efforts also resulted in a 17.5% increase in net income, which climbed to a record high of ¥13,597 million. Our strong results were partly as a result of our efforts to boost shipments in our mainstay flour milling business, processed food business and other businesses such as health care and engineering. We achieved this by aggressively promoting sales and developing new sales channels, while at the same time continuing to reduce costs.

On the back of these successes, in order to return more profit to our shareholders, we raised the per-share dividend by three yen and paid a total cash dividend for the year of 14 yen. Moreover, we will execute a 1.1 for 1 common stock split on November 18, 2005. Furthermore, in an effort to improve the liquidity of our stock and increase the number of private investors, we will reduce the minimum share-trading unit as of October 3, 2005 from 1,000 shares to 500 shares.

The Japanese economy in the year under review was marked by greater capital investment by the private sector and a partial recovery in consumer spending. However, sagging exports and spikes in the price of crude oil created uncertainty as to the pace of this recovery in business conditions, and as a result, a harsh corporate environment persisted. Additionally, the fiscal year ended March 31, 2005, witnessed the occurrence of abnormal weather conditions and natural disasters both in Japan and abroad, though the direct impact on the Company was minimal. Going forward, the

Japanese economy is currently moving off a plateau and entering a gentle recovery phase. However the corporate operating environment will continue to be marked by difficult conditions including inventory adjustments in IT sectors caused by declining exports, rising manufacturing costs due to a prolonged period of high crude oil prices, and concerns about the recovery in consumer spending.

It is amid these economic conditions that we enter the first year of our second medium-term management plan, which is dedicated to extending group growth. We are positioning overseas operations, and the prepared dishes and other prepared foods business as the primary engines to drive achievement of the plan's targets. We intend to further strengthen our research and development activities in order to create new next-generation products and technologies, and will also bolster our quality assurance program. In addition, we will execute cost-cutting measures based on novel approaches and aggressively employ a variety of initiatives to maintain or strengthen our systems for crisis management and compliance.

We will robustly promote all these activities, and with the holding company Nisshin Seifun Group playing a central role, our group companies will work to further expand their business operations as a winning business group. We will endeavor to maximize the corporate value of the Group as a whole, and devote effort to ensuring the Group continues to be highly evaluated by customers, shareholders and all other stakeholders.

We thank you for your continuing encouragement and support.

正田 修
長谷川 浩嗣

Osamu Shoda
Chairman

Hiroshi Hasegawa
President

June 2005

Interview with the President

An interview was conducted with President Hasegawa on a recapitulation of the Company's first medium-term management plan, whose final year was the year under review (ended March 2005), and on the group management strategy centered on the second medium-term management plan that started in April.

Achieving the Targets of the First Medium-Term Management Plan

Q The year under review (ended March 2005) was the final year of the Company's first medium-term management plan, and you achieved your earnings targets by a wide margin. Would you please recapitulate the Company's first medium-term management plan?

A Our first medium-term management plan commenced in April 2002 and was comprised of four strategies: lower costs across the board, develop next-generation products and construct new business models, review our portfolio of businesses, and strengthening the business infrastructure in terms of personnel, finance, globalization, environment, information technology, food product safety. First of all, we made substantial progress in cutting costs, and these efforts were a driving force behind our improved earnings. In the area of new products and business models, we successfully developed next-generation products with high value added in each of our businesses. These products include Nisshin Pharma's coenzyme Q₁₀, which was introduced onto the domestic healthcare food market. We also established Initio Foods Inc., a company specializing in prepared dishes and other prepared foods, and started working toward the establishment of a new business model. These initiatives are expected to deliver significant results going forward. Regarding review of our business portfolio, we worked to appropriately allocate management resources by confirming and examining necessary areas for the Group as a whole and for each business. This involved making Oriental Yeast Co., Ltd. a consolidated sub-



Strategies of the First Medium-Term Management Plan

First Medium-Term Management Plan

Strategy I

Lower costs across the board

Strategy II

Develop next-generation products and construct new business models

Strategy III

Review our portfolio of businesses

Strategy IV

Personnel, finance, globalization, environment, information technology, food product safety

subsidiary, and merging the managements of Nisshin Feed Inc. and Marubeni Feed Co., Ltd. We carried out initiatives to strengthen our business infrastructure by faithfully pushing forward with the establishment of 21st century business models for each area.

As a result of executing these strategies, while net sales fell short of initial plans due in part to the impact of domestic price deflation, we were able to achieve ordinary income and net income that exceeded targets by a substantial margin.

Start of the Second Medium-Term Management Plan

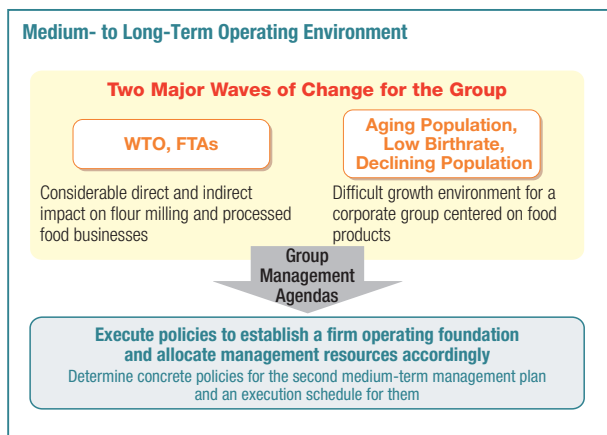
Q Your second three-year medium-term management plan got underway in April 2005 with the basic aim of group growth. Please discuss your view of the operating environment when drafting the plan, as well as the plan's contents.

A The operating environment surrounding the Group, which is principally focused on food products, is undergoing substantial changes due to deregulation, a declining population and other factors. In particular, World Trade Organization (WTO) negotiations on agriculture currently underway and bilateral free trade agreements (FTAs) are likely to considerably impact the Group's flour milling and processed food businesses, both directly and indirectly. There are two major waves of change affecting the Group: system-

atic changes caused by the WTO and FTAs, and societal changes, particularly the aging of the Japanese population and the low birthrate. In order to ride out these waves, it is essential for us to institute policies for the establishment of a firm operating foundation and to allocate management resources to them.

In a difficult environment, a company that does not strive to grow will not be able to meet the expectations of its shareholders and other stakeholders. For this reason, the basic aim of our second medium-term management plan is growth. In this three-year period we will seek to place each of our individual businesses on growth tracks. To this end, we will assess the basic strategies of each business from the standpoint of growth, and will establish these as executable policies. In particular, along with positioning overseas operations, and prepared dishes and other prepared foods as the main engines to drive growth, we will establish an operating foundation for our flour milling and processed food businesses ahead of anticipated deregulation in the wheat market. In other words, we will promote measures in response to this deregulation. We also plan to concretely link research and development to all our business strategies and make it a powerful source of energy for them. In addition to this, we intend to consider and implement novel cost-cutting measures so as to bolster our resistance to the various risks that attend growth.

Through the execution of these strategies, we are targeting the following for the year ending March 2008, the final year of the plan: net sales of ¥465.0 billion, ordinary income of ¥29.0 billion, net income of ¥15.0 billion, and ROE of 6.0%.

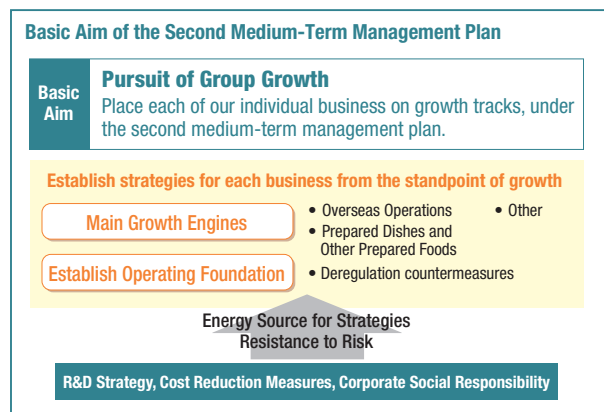


Interview with the President

Q Overseas operations, and prepared dishes and other prepared foods are positioned as the main engines of growth in your second medium-term management plan. Please tell us your strategies and objectives for these business areas.

A We have developed our overseas operations mainly in the flour milling and processed food businesses, and the companies involved in these areas have steadily delivered stronger and stronger results. Going forward, we would like to increase the speed at which points are connected into lines and lines are expanded into networks. To accomplish this, we will position Japan as one of four operational bases alongside the West Coast of North America, Southeast Asia and China, and, taking into account allocation of their business functions and synergies, we will promote a Group-wide Pacific Rim strategy. In particular, we are positioning the Chinese market, with its enormous population and high economic growth projections, as our most important region. In order to promote our China strategy, we established the China Business Development Office at the Nisshin Seifun Group Inc. in June. We are targeting net sales from overseas operations in three years to be around 10% of total consolidated net sales. Through this, we would like to make clear both inside and outside the company that we plan to transform ourselves from a domestic company into an international enterprise in both name and substance.

For prepared dishes and other prepared foods, the other main engine of growth, we will concentrate our investment of management resources for the purposes of developing the new business model for large retail chains and expanding the scale of operations through the creation of special qualities necessary to generate national brands. As one initia-



tive devoted to this end, we established the Prepared Dishes Research Office at the Nisshin Seifun Group Inc. in December 2004 to augment our research and development activities. Through these initiatives, we intend to foster the prepared foods business so that by the time the plan is completed in the year ending March 2008, there will be a prospect of us expanding its net sales to ¥100.0 billion.

We also intend to schedule and execute a variety of initiatives for growth for the period covered by the plan for businesses other than these two growth engines. Nisshin Seifun Group will endeavor as a truly 21st century company to constantly deliver good health and reliability.

Q Growth and the establishment of an operating foundation are the key pillars of your second medium-term management plan. Please tell us about specific initiatives for the operating foundation.

A Measures in response to deregulation are essential for the Group to establish a rock-solid operating foundation,

particularly in the flour milling and processed food businesses. In order to build a sturdy corporate structure capable of withstanding global competition no matter what changes take place in regulatory systems, we will engage in thoroughgoing cost cutting activities and endeavor to increase our share of the domestic market.

For example, in the flour milling business, we are installing state-of-the-art flour milling equipment on two new production lines at the Higashi-Nada Plant. The project is scheduled to be complete in the spring of 2008. We are also, at the same time, closing down

the Kobe Plant. Building these two lines will raise production efficiency for high-quality flour higher than it has ever been and will allow us to respond precisely to diversifying customer needs. It will also help us realize low cost operations on the production side, and as a result, I believe this will further solidify our overwhelming competitive advantage in the flour milling industry. In the processed food business as well, we are working to bolster cost competitiveness by switching over to high capacity production lines at Ma·Ma·Macaroni Co., Ltd.'s Kobe Plant last year.

Fulfilling Corporate Social Responsibilities

Q Finally, please tell us about your initiatives in the areas of food safety, the environment, and compliance.

A For a food products company like the Nisshin Seifun Group, eliciting the trust of all stakeholders — through ensuring food safety, protecting the environment and maintaining full compliance — is an important element in raising corporate value.

In the area of food safety, we have built, instituted and are promoting a quality assurance system for Nisshin Seifun Group and our group companies. This system aims to ensure food quality from the point of view of the consumer and involves conducting product safety inspections and ensuring the traceability of products. We have also laid down a basic environmental policy for the Group, and are promoting the reduction of waste and carbon dioxide emissions as

well as energy conservation across the Group as a whole. We conduct environmental audits to ensure these environmental protection activities are being executed.

In addition, we established the Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines in order for the Group to promote appropriate business activities in compliance with law and regulations. We are working to strengthen compliance by conducting company-wide awareness-raising activities that include training sessions to make sure employees correctly understand the content of these guidelines and put them into practice.

The Group's initiatives in the area of corporate social responsibility have been highly regarded by independent evaluation organizations, media institutions and other bodies, and we will continue to fulfill these responsibilities going forward.

Completion of Construction on New Plant Near Vancouver – Part of Effort to Become World’s Leading Flour Milling Company

Rogers Foods Ltd., an overseas subsidiary of Nisshin Flour Milling Inc., completed construction on a new plant in the outskirts of Vancouver, Canada in December 2004. This was another step forward in our response to accelerating globalization and toward our goal of becoming the world’s leading flour milling company.



New plant near Vancouver commenced operations

Nisshin Seifun Group purchased Rogers Foods in 1989 and it has consistently supplied flour at stable quality levels. The Vancouver area is the company’s principal market. It has one of the highest population growth rates of any area in North America, and as a result of maintaining high sales growth, the company’s production capacity became insufficient. The new plant constructed in Chilliwack near the U.S. border in December 2004 doubled the company’s flour supply capacity and enabled it to meet demand from its customers. The new plant features an advanced milling control system as well as a

Rogers Foods Ltd. Outline of New Chilliwack Plant

Construction Site: Chilliwack, British Columbia, Canada

Production Capacity: 250 tons daily (wheat base)

On Line: December 2004



Ceremony commemorating the completion of construction on the new plant



Inside the flour milling plant

superior design in terms of safety, sanitation and the environment. It is able to precisely respond to customer needs. With the new plant on line, Rogers Foods will expand its market coverage from Canada to the U.S. and Asia. The company is expected to play a major role in the promotion of the entire Nisshin Seifun Group’s overseas strategy in the Pacific Rim region.

Outline of Rogers Foods

Head Office: Armstrong, British Columbia, Canada

Production Capacity: 470 tons daily (wheat base)

Capital: C\$14.06 million

Equity: Nisshin Seifun Group, 90%; Mitsubishi Corporation, 10%

President: Victor N. Bell

Employees: Approx. 100

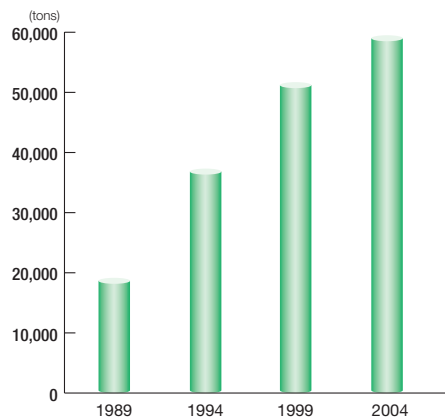
Business: Manufacturing and sale of flour and cereal products

Annual Sales: Approx. C\$35 million (fiscal 2004)



Location of Rogers Foods

Rogers Foods Flour Shipping Volumes



**Doubled
Production
Capacity**

Objectives of Constructing New Plant

- ◆ Strengthen supply systems and sales power in the Vancouver area
- ◆ Enter the U.S. West Coast market
- ◆ Steady execution of Pacific Rim strategy

Topics

Coenzyme Q₁₀ Awarded the Nikkei Sangyo Shimbun Award For Excellence in Products and Services in 2004

In February 2005 Nisshin Pharma's Ms. Q₁₀, Mr. Q₁₀, and Shape Navi received a 2004 Nikkei Sangyo Shimbun Award for Excellence in Products and Services. The award comprehensively evaluates nearly 20,000 new products in terms of six categories: technological development, effectiveness for the price, contribution to financial results, growth potential, uniqueness, and impact on the industry or society. Of the products evaluated, 49 were finally chosen for awards.

It was the second time the Group had received this award. We first



Ceremony for the Nikkei Awards for Excellence in Products and Services

received one in 1992 for Nisshin Engineering's DISPA-*LR*.



Establishment of the Europe Office

In May 2004, the Nisshin Seifun Group Inc. established the Europe Office, a first for the Japanese flour milling industry. The office is located in Brussels, the capital of Belgium. The EU's GDP is now on a par with the U.S. and the influence of Europe, both economically and politically, is expected to increase. Along with collecting new data on food security and safety in the food products industry, the office will work to further facilitate and expand existing commercial transactions with European companies and consider the potential for future business development.



The Europe Office

The World's First Pneumatic Grain Unloader Equipped with Seismic Isolators

Nisshin Flour Milling and subsidiary Nisshin Grain Silo equipped a pneumatic grain unloader at the Tsurumi Plant in Kawasaki with seismic isolators. It was the first time this has ever been done. The unloader commenced operations in January 2005.

When the Great Hanshin-Awaji Earthquake struck in January 1995, the Higashinada Plant and the Kobe Plant both suffered substantial damage. Sea banks collapsed due to liquefaction, underground foundations were damaged by the liquefied ground soil flowing laterally toward the ocean, and unloaders were leveled by the seismic motion. The Tsurumi Plant is Japan's largest flour milling facility. It ships flour to the Tokyo metropolitan area, the rest of the Kanto region, and the Tohoku region. This earthquake proofing was done to minimize damage and ensure the stable supply of flour in the event of an earthquake.



Equipping a pneumatic grain unloader with seismic isolators

Advertising Billboard on Rooftop of Head Office Building in Kanda-Nishiki-cho Updated

In September 2004 we fully updated the advertising billboard on the rooftop of our head office in Kanda-Nishiki-cho for the first time in three years and the third time ever. The rooftop billboard employs a backlight, and after transferring the head office to Kanda-Nishiki-cho, we installed it in 1999 with a message reading “100 Years of Nisshin Seifun — Thanks to Your Support” (English translation) to commemorate our 100th anniversary. Subsequently in July 2001, with the start of the new Nisshin Seifun Group, which was formed through corporate spin-offs, we remodeled the billboard to include our slogan, “Contributing to a Healthy and Fruitful Life for All,” over a painting by Cézanne. On this occasion, we arranged Nisshin Flour and Ma-Ma Spaghetti on a picture depicting a family looking to the future based on our new corporate slogan, “Delivering Good Health and Reliability,” and created a billboard sure to leave an impression on stakeholders.

Updated Advertisement on the Head Office Rooftop



Construction Completed on Business Office for Powder-Processing in Kamifukuoka, Saitama Prefecture

In October 2004, Nisshin Engineering opened a new business office in Kamifukuoka, Saitama Prefecture to conduct development on powder-processing and powder equipment. The office is charged with expanding the powder-processing business, developing powder equipment, promoting sales, and running trials for plant equipment. Leveraging the knowledge and know-how derived from flour milling technology, the company will aggressively develop new business fields where demand is anticipated. This includes soft technologies that better fit customer worksites, contracting for ultra-fine powder-processing and precision grade processing, as well as manufacturing and processing services for nanoparticles using RF (radio frequency) plasma technology.

New Business Office in Kamifukuoka, Saitama Prefecture



Initio Foods Opens Directly-Managed Store “Hakki” in Hiroo

Initio Foods is involved in the prepared dishes and other prepared foods business. The company provides great-tasting, freshly prepared dishes primarily to large retail chains. In March 2005, the company opened its first directly managed store, called “Hakki,” in Tokyo’s Hiroo district. This was the first time that the Nisshin Seifun Group had opened an independent store selling prepared dishes. Hakki, which means “eight seasons”, divides the year into eight seasons and provides a menu with seasonal ingredients made by refined culinary processes. This is the defining characteristic of the store. The menu features a wide variety of Japanese, Western and Chinese food for breakfast, lunch, afternoon snack and dinner. Items include deli-style dishes, boxed lunches, Japanese-style pork cutlet dishes, freshly prepared pasta, Japanese rice balls, soups, drinks and more.



Hakki — A Store for Freshly Prepared 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 48 subsidiaries and 15 affiliated companies. Nisshin Seifun Group Inc. and other principal companies are presented in the organizational diagram below.

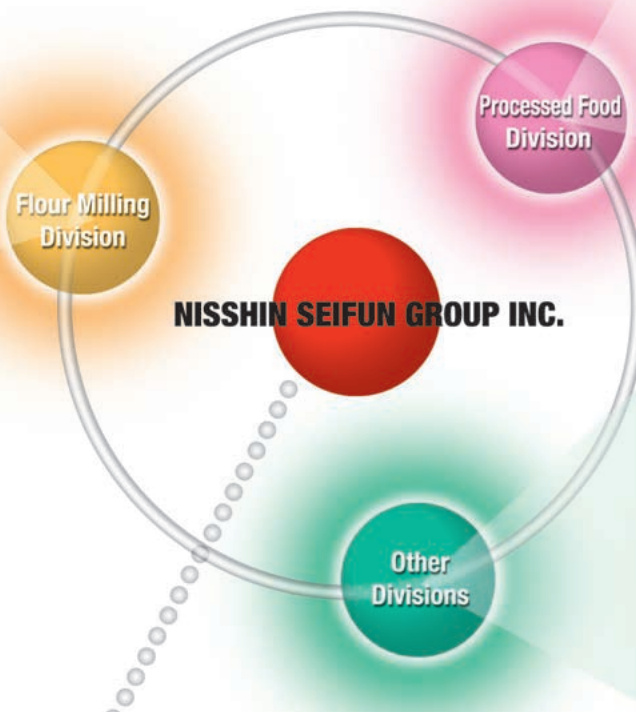
Employees (as of March 31, 2005)	
Flour Milling Division	1,270
Processed Food Division	2,874
Other Divisions	673
Nisshin Seifun Group Inc.	237
Total	5,054

Organization of Nisshin Seifun and its Group Companies (as of March 31, 2005)

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)



- ◆ Consolidated subsidiaries
- ◆ Subsidiaries and affiliated companies accounted for by the equity method

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

Processed Food Division

◆ Nisshin Foods Inc.

- ◆ Ma-Ma-Macaroni Co., Ltd.
- ◆ SANKO Co., Ltd.
- ◆ Initio Foods Inc.

- ◆ Daisen Ham Co., Ltd.
- ◆ Medallion Foods Inc. (U.S.A.)
- ◆ Food Master (PNW) Corp. (U.S.A.)

- ◆ Thai Nisshin Seifun Co., Ltd. (Thailand)
- ◆ Thai Nisshin Technomic Co., Ltd. (Thailand)
- ◆ Qingdao Nisshin Seifun Foods Co., Ltd. (China)

◆ Oriental Yeast Co., Ltd.

- ◆ Pany Delica Co., Ltd.
- ◆ Pany Foods Net Co., Ltd.
- ◆ Nihon Bioresearch Center Co., Ltd.

- ◆ Kitayama Labes Co., Ltd.
- ◆ Oriental Bio-Service Co., Ltd.
- ◆ Oriental Bio-Service Kanto Co., Ltd.

- ◆ KBT Oriental Co., Ltd.
- ◆ OYC International, Inc. (U.S.A.)
- ◆ Oriental Service Co., Ltd.

◆ Nisshin Pharma Inc.

- ◆ Nisshin Kyorin Pharmaceutical Co., Ltd.

Other Divisions

◆ Nisshin Petfood Inc.

◆ Nisshin Engineering Inc.

◆ NBC Inc.

- ◆ NBC Hinet Inc.
- ◆ CNK Inc.

- ◆ P.T. NBC Indonesia (Indonesia)
- ◆ Dynamesh Inc. (U.S.A.)

- ◆ Thainak Industries Co., Ltd. (Thailand)

◆ Marubeni Nisshin Feed Co., Ltd.

- ◆ Nisshin Grain Silo Inc.
- ◆ Shinwa Development Co., Ltd.

- ◆ Japan Logistic Systems Corp.
- ◆ Hanshin Silo Co., Ltd.

- ◆ Chiba Grain Handling Center, Ltd.

Review of Operations

Flour Milling Division

<Business Results>

An unusually hot summer and unpredictable weather after the fall depressed consumption of bread, noodles, and cakes. Reacting to market changes, Nisshin Flour Milling continued to promote sales through a relationship marketing-based approach. Together with a concerted sales expansion strategy, this resulted in year-on-year flour shipment gains. The company also tried to boost flour demand by releasing value-added items such as Hokusui (launched in fall 2004), a local flour for making soft noodles derived from wheat grown in the Hokkaido region.

On the production side, the company focused on meeting the diverse needs of customers alongside the achievement of low-cost operations. In another move designed to boost international competitiveness, the company decided to raise manufacturing productivity through the closure of the Kobe Plant and the installation of state-of-the-art flour milling equipment on two new production lines at the Higashi-Nada Plant. This new capacity is due to come on stream in the

<Prospects for the Next Fiscal Year>

Japan suffers from a low birth rate, and the population continues to age even as it levels off and begins to decline in absolute terms. All these factors work against any consistently strong growth in total flour consumption in Japan. Nisshin Flour Milling expects competition between companies to intensify further amid such underlying demand trends. As customers assess ongoing market changes, the company's strategy for expanding shipment volumes of flour is to concentrate on a solution-based sales approach by developing innovative proposals for new products and promotions. At the same time, the company plans to make maximal use of the So Shoku Club, an IT-based interactive communication system connecting Nisshin Flour Milling to its customers. On the production side, in pursuit of higher profits, the company plans to continue seeking enhanced efficiency by consolidating capacity in large, coastally situated plants while seeking to reduce costs, including in distribution, purchasing and sales operations. Nisshin Flour Milling also plans to redouble efforts to upgrade QC standards and systems in the areas of flour distribution and storage.

The overseas development strategy centers on operations on

spring of 2008. Elsewhere, the company continued a campaign focused on cleanliness and safety involving the distribution and transportation. These moves helped to strengthen food safety controls, not only on the production side of flour milling operations, but also throughout distribution and storage operations.

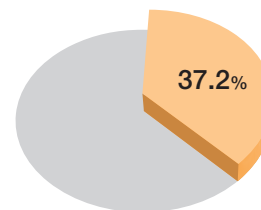
Overseas business development efforts centered on the December 2004 completion of a new state-of-the-art flour milling plant near Vancouver by Canadian subsidiary Rogers Foods. This facility is now operating normally.

The price of bran, a by-product of the milling process, continued to rise appreciably due to booming domestic demand for feed.

the west coast of North America, capitalizing on the new state-of-the-art flour milling plant managed by Rogers Foods. The company will also concentrate on raising its market share in Thailand through subsidiary Nisshin-STC Flour Milling.

Flour Milling Division Net Sales

¥154,888 million



2004 Noodle Industry Expo

'Bread Mix Lecture' at the Symposium for the Promotion of Sales of Flour for the Food Industry



Processed Food Division

<Business Results>

Nisshin Foods posted increased shipments of the Ma-Ma Two-Minute AI Dentino series of pasta dishes, introduced in spring 2004. Other product categories that generated volume growth over the previous year included pasta, dried noodles, coating flours used to make tempura or other deep-fried dishes, and frozen foods for home cooking. Last fall, Nisshin Foods completely upgraded the consumer-oriented Ma-Ma pasta range through the adoption of higher quality durum semolina as the main ingredient. In February 2005, the company followed this up with the launch of 14 brand new products and four updated product lines in room-temperature foods. In frozen foods, the company also introduced seven new products and three updated product lines, mostly frozen pasta varieties. In prepared dishes and other foods, in December 2004 basic and applied R&D functions for prepared dishes were centralized into the Prepared Dishes Research Office, having previously been divided between separate operations. This move promises to accelerate progress in product development. In the same product categories, in March 2005 Nisshin Foods subsidiary Initio Foods also opened two new stores in urban roadside locations. This retail

<Prospects for the Next Fiscal Year>

Nisshin Foods continues to face challenging conditions as competition between firms intensifies relentlessly in the processed food industry. One countermeasure will be to develop and launch a continuous stream of new items to satisfy customers' requirements for reliable, safe and healthy products; another will be to focus on the planning and execution of aggressive sales and promotional activities, centering on a special golden anniversary campaign for the Ma-Ma pasta brand. The company also plans to upgrade its QA and QC systems further. In prepared foods, which represent a rare growth field in the food industry, the Nisshin Seifun Group aims to expand its presence significantly through subsidiary Initio Foods. Plans call for aggressive expansion through the development of novel business models involving the supply of freshly prepared dishes and operating systems. In addition to opening roadside stores around the Tokyo Metropolitan area, in August 2005 the company will bring online a production facility supplying the Kanto region. The Company also plans to accelerate the growth of its operations in prepared dishes and other prepared foods through the merger in October 2005 of Initio Foods with SANKO, another subsidiary.

In the processed food division of Oriental Yeast the plan is to expand sales further using a combination of new product proposals tailored to customer requirements with clearly targeted sales activities. Investment in strategic businesses will also continue at the

chain, called "Hakki" (meaning "eight seasons" in Japanese) marks a new initiative to boost consumer sales.

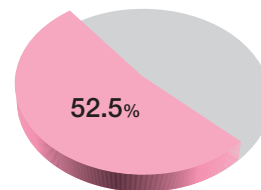
Although the processed food division of Oriental Yeast achieved higher shipments of yeast, shipments of flour paste and other ingredients for baking bread and similar products declined amid high

summer temperatures. The company's biotechnology-related division posted higher sales of diagnostic reagents, although shipments of cell-culture products declined.

Nisshin Pharma posted higher domestic shipments of its leading product coenzyme Q₁₀, due mainly to increased awareness of its benefits within Japan and the launch of a water-soluble formulation. Sales of coenzyme Q₁₀ as both an ingredient and an end product generated steady growth as the company also focused on the development of other new materials and products.

Processed Food Division Net Sales

¥218,529 million



company's biotechnology-related division with the aim of generating growth and exploiting synergies through close cooperation with other Nisshin Seifun Group companies.

With demand for coenzyme Q₁₀ expected to continue growing, Nisshin Pharma plans to expand its lineup of related water-soluble products under the Aqua Q₁₀ brand. Another major focus will be the introduction of a new range of coenzyme Q₁₀ products that feature enhanced absorption capacity, which will be supplied for the retail market under the Q₁₀ Life brand. These initiatives are part of an overall strategy to achieve a clear differentiation of the company's coenzyme Q₁₀ products and thereby expand sales. At the same time, Nisshin Pharma also plans to focus on the development of new materials and products other than coenzyme Q₁₀.



FOODEX JAPAN 2005

FABEX 2005, a specialized expo for the food service industry



Review of Operations

Other Divisions

<Business Results>

Nisshin Petfood generated higher shipments of cat food and the newly-launched smaller bags of new RUN Meal Mix dog food. In March 2005, in cat food, the company also introduced 12 brand new products and eight updated product lines, targeting in particular the market for tasty, health-conscious pet food.

Nisshin Engineering posted higher sales than in the previous year, and also recorded a substantial increase in the year-end level of outstanding orders. In October 2004, the company established a new development facility for powder-processing equipment in Kamifukuoka. This operation was also instrumental in growing the business.

<Prospects for the Next Fiscal Year>

Nisshin Petfood plans to generate further gains in market share through the introduction of new product lines carefully tailored to the market, while also seeking out new sales channels. In April 2005, the company introduced new mail-order multi-balanced dog food varieties supplemented with coenzyme Q10. The new product lines are partly made to order, catering to dogs according to size, age and physical condition.

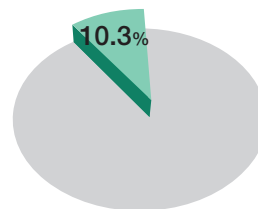
Nisshin Engineering aims to maintain order levels at least on a par with the year ended March 2005. The company aims to boost sales by focusing both on powder-processing services and on sales of related equipment.

NBC plans to expand revenues of its products that use mesh technology, centering on mesh cloths for screen-printing applications through the launch of products tailored to high-value-added market segments.

NBC achieved higher shipments of its mainstay range of mesh cloths for screen-printing applications both in Japan and overseas markets, and also generated growth in shipments of mesh cloths for use as industrial materials. At the same time, the company focused on reinforcing cost-competitiveness.

Other Divisions Net Sales

¥42,804 million



17th INTERPHEX JAPAN
(Nisshin Engineering displayed devices used in pharmaceutical products, cosmetics and other applications)



Nisshin Petfood
Commercial for RUN Meal
Mix, Adult Dog Formula
(‘Stray Dog’ version)

New Products

• Grotto Azzurra Chef's Collection

(Nisshin Foods: Frozen foods)

Grotto Azzurra Chef's Collection is a new brand featuring contributions to Grotto Azzurra by prominent Italian restaurant chefs, namely Mamoru Kataoka of Al Porto in Nishiazabu, Yoshimi Hidaka of Acqua Pazza in Hiroo, and Mario Frittoli of Luxor in Shiroganedai. These products are the result of a fusion of the chefs' unsurpassed sensibility and the Group's technology. They constitute a new series of frozen food products that are provided with confidence to customers as high-grade products whose great taste has been confirmed by the chefs.

(Launched on the market in February 2005)



• Nisshin Flour in Sealed Packaging with a Zipper

(Nisshin Foods: Flour)

Nisshin Flour has been popular with customers for many years. We have added a new version of this product available in a convenient package that can be sealed with a zipper, which makes it easy to open and close and preserves freshness. The new package was developed in response to customer demands for greater ease of use. Switching from paper packaging to a plastic (polyethylene) package, which exerts less impact on the environment, helps reduce carbon dioxide emissions when manufacturing the packaging materials, making the product more environmentally friendly.

(Launched on the market nationwide in February 2005)



• Ma-Ma "Out-of-the-Ordinary" Pasta Sauce: Carbonara

(Nisshin Foods: Pasta sauce)

We created a new great-tasting pasta sauce with quality egg yolks, fresh cream, Parmesan cheese, and butter. It is accented with coarsely ground black pepper and prepared with a unique method for a creamy finish. This out-of-the-ordinary carbonara has a rich, creamy taste that is difficult to achieve with home cooking.

(Launched on the market in February 2005)



• Q10 Life

(Nisshin Pharma: Coenzyme Q10)

We used concentrated coenzyme Q10 dissolved in water, which is the product of Nisshin Pharma's advanced technology, to formulate small 30 mg coenzyme Q10 granules that are easy to swallow, and marketed this product as Q10 Life. Thanks to its water solubility, the product is easily absorbed even on an empty stomach.

(Launched on the market in April 2005)



• Q10 Jelly

(Nisshin Pharma: Coenzyme Q10)

We launched Q10 Jelly in response to people's desire to take coenzyme Q10 as a jelly drink. Using coenzyme Q10 dissolved in water, which is easily absorbed even on an empty stomach, we created a low calorie drink with a refreshing grapefruit taste. This supplement comes in pouches that provide 30 mg of coenzyme Q10 to quickly replenish beauty and energy.

(Launched on the market in April 2005)



• Carat Kaiseki Kobachi (70g)

(Nisshin Petfood: Dry cat food)

Carat Kaiseki Kobachi is a highly convenient product that comes in freshly prepared one-serving packs complete with a slanted tray that allows the food to be provided by simply tearing the seal. Coating the dry food with pulverized fish extract further raises its palatability for cats. It comes in four types: Tuna & Bonito, Tuna & Chicken Breast, Tuna & White Fish and Tuna & Vegetables.

(Launched on the market in March 2005)



Consolidated Financial Highlights

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

Consolidated Financial Highlights (Years ended March 31)

	2001	2002	2003	2004	2005	Change	% change
Results of operations							
Net sales (¥ million)	402,937	397,173	402,313	434,125	416,222	(17,902)	(4.1%)
Operating income (¥ million)	18,504	15,593	17,706	21,756	22,896	+ 1,139	+ 5.2%
Ordinary income (¥ million)	19,652	17,467	19,937	22,893	25,120	+ 2,227	+ 9.7%
Net income (¥ million)	11,136	9,334	10,575	11,575	13,597	+ 2,022	+ 17.5%
Profit ratio							
Operating income to net sales (%)	4.6%	3.9%	4.4%	5.0%	5.5%	+ 0.5%	
Ordinary income to net sales (%)	4.9%	4.4%	5.0%	5.3%	6.0%	+ 0.7%	
Net income to net sales (%)	2.8%	2.4%	2.6%	2.7%	3.3%	+ 0.6%	
Return on equity (%)	6.0%	4.2%	5.0%	5.2%	5.8%	+ 0.6%	
Financial position							
Total assets (¥ million)	294,474	340,637	316,330	359,820	372,968	+ 13,148	+ 3.7%
Shareholders' equity (¥ million)	186,138	215,354	211,197	230,555	241,282	+ 10,726	+ 4.7%
Shareholders' equity ratio (%)	63.2%	63.2%	66.8%	64.1%	64.7%	+ 0.6%	
Per share data							
Net income per share (¥)	45.07	38.40	44.29	49.16	58.06	+ 8.90	
Shareholders' equity per share (¥)	762.84	904.15	904.80	996.59	1,042.92	+ 46.33	
Cash dividends per share (¥)	8	8	9	11	14	+ 3	

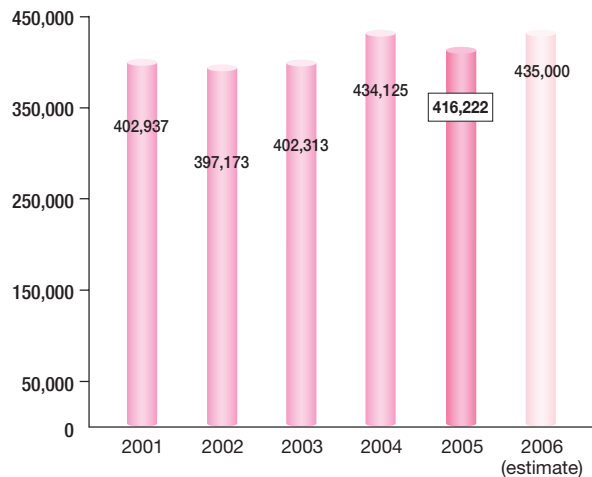
Forecast for Consolidated Business Performance

Forecast for Consolidated Business Performance in Fiscal 2006

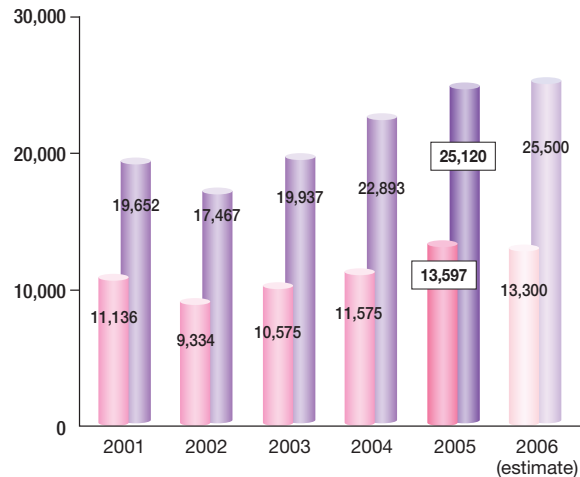
	2005	2006 (estimate)	Change	% change
Net sales (¥ million)	416,222	435,000	+ 18,778	+ 4.5%
Ordinary income (¥ million)	25,120	25,500	+ 380	+ 1.5%
Net income (¥ million)	13,597	13,300	(297)	(2.2%)

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.

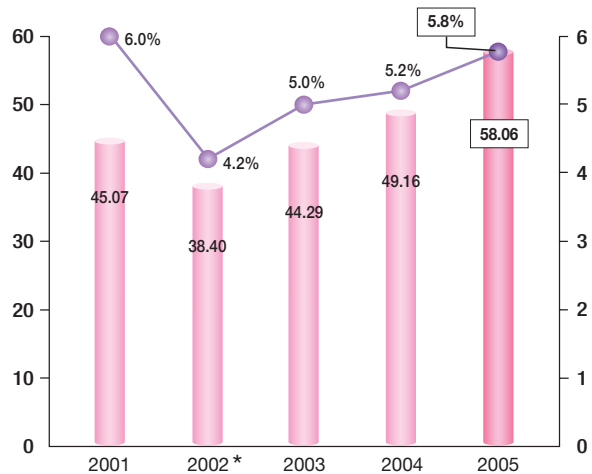
■ **Net Sales** (¥ million)



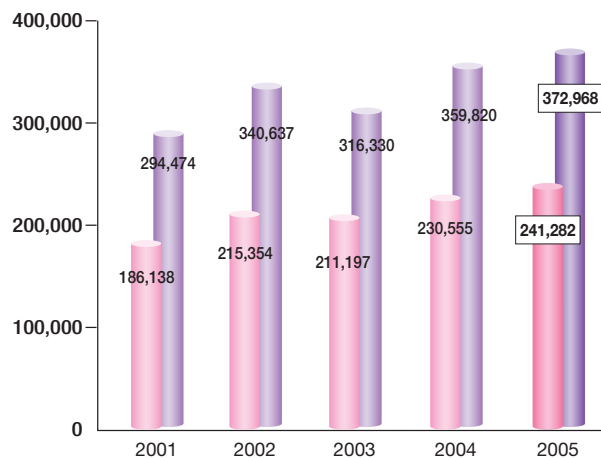
■ **Ordinary Income** ■ **Net Income** (¥ million)



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



■ **Total Assets**
■ **Shareholders' Equity** (¥ million)



* 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.

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, 2004 and 2005

(¥ million)

Items	2004	2005	Change
Assets			
Current assets	158,289	170,349	12,060
Fixed assets	201,530	202,618	1,088
Total assets	359,820	372,968	13,148
Liabilities			
Current liabilities	64,026	67,380	3,353
Non-current liabilities	39,873	37,545	(2,327)
Total liabilities	103,899	104,925	1,025
Minority interests			
Minority interests	25,364	26,760	1,396
Shareholders' equity			
Common stock	17,117	17,117	—
Capital surplus	9,446	9,452	5
Retained earnings	179,241	190,699	11,457
Unrealized holding gain on securities	27,177	26,688	(488)
Foreign currency translation adjustments	(1,012)	(1,216)	(204)
Treasury common stock	(1,414)	(1,459)	(44)
Total shareholders' equity	230,555	241,282	10,726
Total liabilities, minority interests and shareholders' equity	359,820	372,968	13,148

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

Current assets

Notes receivable, accounts receivable and inventories increased due to the impact of efforts at shipment growth in each business, which resulted in a considerable rise in current assets. Particularly noteworthy was the increase at Nisshin Engineering, which maintained orders at a high level.

Retained earnings

Retained earnings increased considerably due to favorable business results.

Consolidated Statements of Income

For the years ended March 31, 2004 and 2005

(¥ million)

Items	2004	2005	Change
Net sales	434,125	416,222	(17,902)
Cost of sales	302,079	283,455	(18,623)
Gross profit	132,046	132,766	720
Selling, general and administrative expenses	110,289	109,870	(418)
Operating income	21,756	22,896	1,139
Non-operating income	2,442	3,358	916
Non-operating expenses	1,305	1,134	(171)
Ordinary income	22,893	25,120	2,227
Extraordinary income	3,366	1,397	(1,968)
Extraordinary losses	3,048	1,455	(1,592)
Income before income taxes and minority interests	23,211	25,062	1,851
Income taxes—current	10,269	8,525	(1,743)
Income taxes—deferred	(535)	890	1,425
Minority interests	1,902	2,048	145
Net income	11,575	13,597	2,022

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

Net sales

The Group worked for growth in shipments by aggressively pushing forward with sales promotion activities and the development of new sales channels in each of its businesses, especially the mainstay flour milling business and the processed food business. However, sales declined, due in part to making the feed business an equity-method affiliate in October 2003.

Ordinary income

Absorbing the impact of changes in the feed business as well as in accounting for the enterprise tax, the Group set a record high in ordinary income for the second consecutive year by working to boost shipments in each business and continuing to cut costs. In particular, Nisshin Pharma and Nisshin Engineering improved their results substantially.

Non-Consolidated Financial Statements

Consolidated Statements of Retained Earnings

For the years ended March 31, 2004 and 2005

(¥ million)

Items	2004	2005	Change
Capital surplus			
Capital surplus at beginning of the year	9,446	9,446	0
Increase in capital surplus	0	5	5
Capital surplus at end of the year	9,446	9,452	5
Retained earnings			
Retained earnings at beginning of the year	172,189	179,241	7,051
Increase in retained earnings	11,582	14,376	2,794
Decrease in retained earnings	4,530	2,918	(1,612)
Retained earnings at end of the year	179,241	190,699	11,457

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2004 and 2005

(¥ million)

Items	2004	2005	Change
Cash flows from operating activities	20,999	21,567	567
Cash flows from investing activities	(7,931)	(17,590)	(9,658)
Cash flows from financing activities	(7,549)	(4,317)	3,232
Effect of exchange rate changes on cash and cash equivalents	(129)	21	151
Increase (decrease) in cash and cash equivalents	5,389	(317)	(5,707)
Cash and cash equivalents at beginning of the year	48,789	54,154	5,365
Increase in cash and cash equivalents due to merger of consolidated subsidiaries	—	210	210
Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries	(23)	—	23
Cash and cash equivalents at end of the year	54,154	54,047	(107)

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

Cash and cash equivalents at end of the year

Cash from operating activities increased thanks to solid business results, however the balance of cash and cash equivalents at end of the year was nearly the same as the previous year. This is because the Group aggressively utilized its cash by committing funds to strategic investments, and paid a cash dividend that exceeded the previous term in order to return profit to shareholders.

Non-Consolidated Balance Sheets

As of March 31, 2004 and 2005

(¥ million)

Items	2004	2005	Change
Assets			
Current assets	43,959	35,689	(8,270)
Fixed assets	178,472	175,051	(3,420)
Total assets	222,432	210,741	(11,690)
Liabilities			
Current liabilities	19,204	3,638	(15,565)
Non-current liabilities	16,148	14,827	(1,321)
Total liabilities	35,352	18,466	(16,886)
Shareholders' equity			
Common stock	17,117	17,117	—
Capital surplus	9,446	9,452	5
Retained earnings	139,863	146,430	6,567
Unrealized holding gain on securities	22,013	20,680	(1,332)
Treasury common stock	(1,362)	(1,406)	(44)
Total shareholders' equity	187,079	192,274	5,195
Total liabilities and shareholders' equity	222,432	210,741	(11,690)

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

Non-Consolidated Statements of Income

For the years ended March 31, 2004 and 2005

(¥ million)

Items	2004	2005	Change
Operating revenues	17,856	19,138	1,282
Operating expenses	11,503	11,164	(339)
Operating income	6,352	7,973	1,621
Non-operating income	731	1,052	321
Non-operating expenses	133	79	(53)
Ordinary income	6,950	8,946	1,995
Extraordinary income	2,551	1,204	(1,346)
Extraordinary losses	2,132	195	(1,936)
Income before income taxes	7,369	9,955	2,585
Income taxes—current	19	28	9
Income taxes—deferred	(815)	534	1,350
Net income	8,165	9,392	1,226
Unappropriated retained earnings brought forward	20,522	24,017	3,495
Earnings allocated to retirement of treasury common stock	2,088	—	(2,088)
Interim dividend	1,051	1,274	222
Unappropriated retained earnings	25,548	32,135	6,587

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

Appropriation of Retained Earnings

(¥ million)

Items	2004	2005	Change
Unappropriated retained earnings	25,548	32,135	6,587
Reversal of special depreciation provision	22	14	(8)
Reversal of reserve for advanced depreciation of fixed assets	29	40	10
Reversal of special reserve for advanced depreciation of fixed assets	—	49	49
Total	25,600	32,240	6,639
This was appropriated as follows.			
Dividends	1,505	1,968	463
	Ordinary dividend of ¥6.5 per share	Ordinary dividend of ¥8.5 per share	
Directors' bonuses	45	55	10
Reserve for advanced depreciation of fixed assets	32	93	61
Reserve	—	6,000	6,000
Earnings carried forward to the following year	24,017	24,122	105

Notes:

- The amounts recorded are rounded down to the nearest one million yen.
- On December 10, 2004 an interim dividend of 1,274 million yen (5.5 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, 2005)

Total number of shares authorized to be issued:

461,672,000 shares

Total number of shares issued and outstanding:

233,214,044 shares

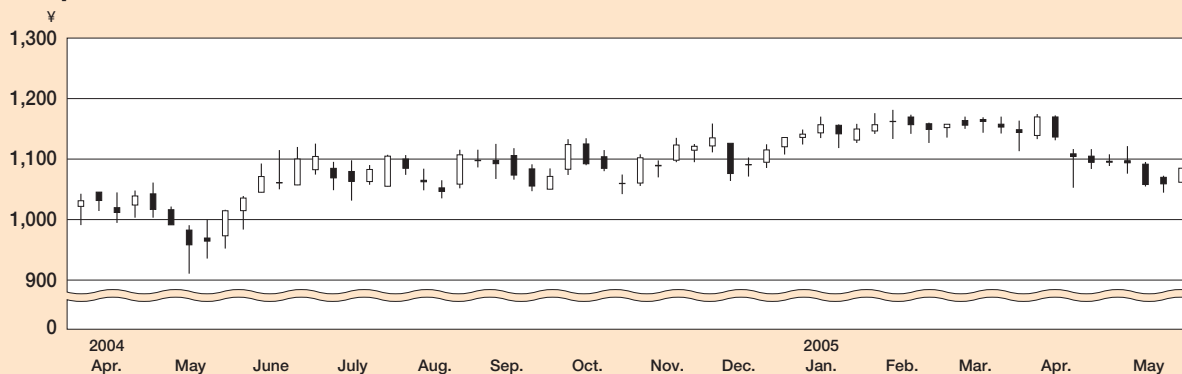
Number of shareholders:

13,328 (a decrease of 152 shareholders from the end of the previous fiscal year)

Major shareholders (top 10):

Name	Number of Shares Held (thousand)	Ratio of Share Holdings (%)
Nippon Life Insurance Company	13,657	5.8
Yamazaki Baking Co., Ltd.	12,764	5.4
Japan Trustee Services Bank, Ltd. (Trust Account)	11,653	4.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,769	4.1
Mizuho Corporate Bank, Ltd.	9,039	3.8
Mitsubishi Corporation	6,347	2.7
Mizuho Bank, Ltd.	5,276	2.2
Sumitomo Corporation	4,577	1.9
Sumitomo Mitsui Banking Corporation	4,172	1.7
The Norinchukin Bank	4,081	1.7

Stock prices



Composition of Shareholders

Shareholders by Type

Financial institutions (123)*	108,658,000 (46.6%)
Other institutions (342)*	44,797,000 (19.2%)
Individuals and other (12,586)*	35,106,000 (15.1%)
Foreign institutions, etc. (246)*	42,264,000 (18.1%)
Securities companies (31)*	2,387,000 (1.0%)

Shareholders by Number of Shares Held

1 million shares and over (46)*	145,037,000 (62.2%)
100,000 shares and over (139)*	47,534,000 (20.4%)
10,000 shares and over (896)*	18,972,000 (8.1%)
1,000 shares and over (8,406)*	20,752,000 (8.9%)
Less than 1,000 shares (3,841)*	917,000 (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, 2005)
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 28, 2005)

Chairman: Osamu Shoda

President: Hiroshi Hasegawa

Managing director: Ippei Murakami

Managing director: Ryuji Nakamura

Managing director: Masaru Nakamura

Director: Masami Ohta

Director: Yukiyoishi Yamada

Director: Yasutaka Miyauchi

Director: Kazuo Ikeda

Senior Corporate auditor: Takeo Ito

Corporate auditor: Kimio Ohishi

Corporate auditor: Morio Hatakeyama

Corporate auditor: Ariyoshi Okumura

Offices and Laboratories:

Head Office: Chiyoda-ku, Tokyo

Institutes and Laboratories: 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

* Change to 500 shares on October 3, 2005.

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. 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.)
3. For shareholders wishing to receive their dividend payment by way of transfer to a postal savings account (normal savings account) starting with the next dividend disbursement (payment via transfer to a bank account is already available), please contact the transfer agent toll-free at 0120-97-2031 to request a form for this purpose and apply via the form.

NISSHIN SEIFUN GROUP INC.

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