Summary of Consolidated Financial Statements for the Year Ended March 31, 2006

May 12, 2006

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange and Osaka Securities Exchange
Securities Code: 2002
URL: http://www.nisshin.com. Location of head office: Tokyo
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Date of board meeting to approve results: May 12, 2006
U.S. GAAP: Not adopted

1. Consolidated Financial Results for the Year Ended March 31, 2006 (April 1, 2005 to March 31, 2006)

Figures shown are rounded down to the nearest million yen.

(1) Consolidated Business Results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2006	421,359	1.2	22,169	(3.2)	24,774	(1.4)
2005	416,222	(4.1)	22,896	5.2	25,120	9.7

	Net income		Net income per share	Diluted net income per share	Return on shareholders’ equity	Ordinary income to assets	Ordinary income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
2006	13,541	(0.4)	52.80	52.77	5.4	6.4	5.9
2005	13,597	17.5	58.06	58.00	5.8	6.9	6.0

Notes:
1. Equity in earnings of subsidiaries and affiliated companies: FY2006: ¥1,505 million; FY2005: ¥1,011 million
2. Average number of outstanding shares during the year (consolidated): FY2006: 253,143,692; FY2005: 231,210,789
3. Changes in accounting principles: None
4. Percentages for net sales, operating income, ordinary income, and net income represent the changes from the previous period.
5. On November 18, 2005 the company undertook a 1.1 for 1 common stock split.
6. Assuming that the stock split had taken place at the beginning of the previous fiscal period, FY2005 figures would be as follows: net income per share ¥52.79; diluted net income per share ¥52.73.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders’ equity per share
	Millions of yen	Millions of yen	%	Yen
2006	399,899	264,535	66.2	1,046.00
2005	372,968	241,282	64.7	1,042.92

Notes:
1. Number of shares outstanding at year-end (consolidated): FY2006: 252,735,048; FY2005: 231,187,493
2. Assuming that the stock split had taken place at the beginning of the previous fiscal period, FY2005 shareholders’ equity per share would be ¥948.11.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2006	21,054	(25,297)	(7,274)	42,803
2005	21,567	(17,590)	(4,317)	54,047

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 39
Number of non-consolidated subsidiaries accounted for by the equity method: 1
Number of affiliates accounted for by the equity method: 9

(5) Changes in the Scope of Consolidation and Equity Method

Newly consolidated subsidiaries: 3 Subsidiaries excluded from the scope of consolidation: 1
Companies newly accounted for by the equity method: 1 Companies excluded from the scope of the equity method: 1

2. Forecasts of Consolidated Business Results for the Year Ending March 31, 2007

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Mid-term	212,000	11,200	5,700
Full year	435,000	25,300	14,000

Expected net income per share (year-end): ¥55.39

Note: Please refer to pages 13-16 of this statement regarding assumptions for the above forecasts and other related subjects.

I. Business Group Performance

Nisshin Seifun Group consists of 48 subsidiaries and 15 affiliates. The following is a description of the businesses of the group and the relationships among the subsidiaries and affiliates within their respective business segments. The business operations are grouped by business segment.

(1) Flour Milling Segment

Nisshin Flour Milling Inc., a consolidated subsidiary, produces flour and bran, a by-product, and sells them through sales agents. Fresh Food Service Co., Ltd., a consolidated subsidiary, primarily sells frozen foods and their ingredients and operates restaurants serving food using flour-based commercial ingredients. It purchases flour and other ingredients from Nisshin Flour Milling. Yamajo Shoji Co., Ltd., a consolidated subsidiary, and Ishikawa Co., Ltd., an affiliate accounted for by the equity method, are Nisshin Flour Milling sales agents. Ishikawa also sells packaging materials to Nisshin Flour Milling.

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

(2) Processed Food Segment

Nisshin Foods Inc., a consolidated subsidiary, produces and sells prepared mix and other processed food products. It sells flour for household use purchased from Nisshin Flour Milling and frozen foods and other processed foods procured from companies outside Nisshin Seifun Group. Ma•Ma-Macaroni Co., Ltd., a consolidated subsidiary, produces pasta whose primary ingredient is flour produced by Nisshin Flour Milling and sells the pasta through Nisshin Foods. Initio Foods Inc., a consolidated subsidiary, produces and sells chilled and prepared dishes and also directly operates concessions in stores including department stores. SANKO Co., Ltd., formerly a consolidated subsidiary, was taken over in a merger by Initio Foods in October 2005. Daisen Ham Co., Ltd., also a consolidated subsidiary, produces and sells processed meat products.

Medallion Foods Inc., a consolidated subsidiary in the U.S., produces pasta and Thai Nisshin Seifun Co., Ltd., a consolidated subsidiary in Thailand, produces pasta sauce and frozen food products. Nisshin Foods is the primary importer and seller of these products in Japan. Thai Nisshin Technomic Co., Ltd., a consolidated subsidiary, manufactures prepared mix and sells it in Southeast Asia, while Qingdao Nisshin Seifun Foods Co., Ltd., a consolidated subsidiary, manufactures and sells prepared mix in mainland China. In order to expand supply capacity in response to growing sales in China, the Company established another consolidated subsidiary, Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., and is currently constructing a factory, due to come on line in December 2006.

Oriental Yeast Co., Ltd., a consolidated subsidiary, manufactures and sells cake and bread ingredients and biochemical products, as well as operating a life science business.

Nisshin Pharma Inc., a consolidated subsidiary, manufactures and sells healthcare foods and pharmaceuticals. Nisshin Kyorin Pharmaceutical Co., Ltd., an affiliate accounted for by the equity method, manufactures and sells pharmaceuticals.

(3) Others Segment

Nisshin Petfood Inc., a consolidated subsidiary, manufactures and sells pet foods.

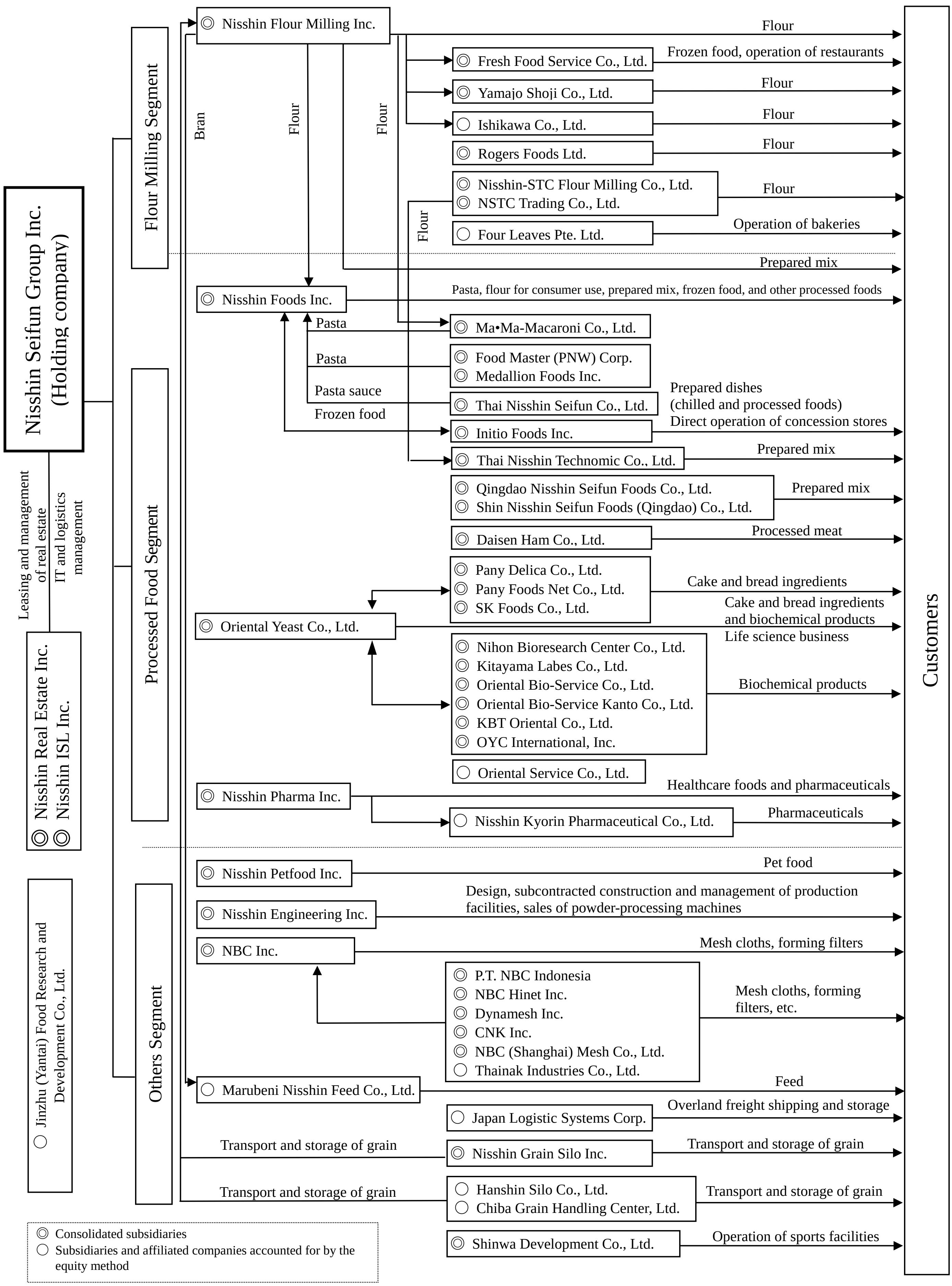
Nisshin Engineering Inc., a consolidated subsidiary, undertakes design, subcontracted construction and management of production and processing facilities for grain, food products, and chemical products. In addition, it manufactures and sells powder-processing machines and engages in powder-processing, as well as engaging in subcontracted construction for some Nisshin Seifun Group companies.

NBC Inc., a consolidated subsidiary, manufactures and sells mesh cloths and forming filters.

Marubeni Nisshin Feed Co., Ltd., an affiliate accounted for by the equity method, manufactures and sells compound feed.

Japan Logistic Systems Corp., an affiliate accounted for by the equity method, is engaged in overland freight shipping and storage. It ships and stores some of the Group's products. Nisshin Grain Silo Inc., a consolidated subsidiary, Hanshin Silo Co., Ltd. and Chiba Grain Handling Center, Ltd., affiliates accounted for by the equity method, are engaged in transport and storage operations for grain. Shinwa Development Co., Ltd., a consolidated subsidiary, operates sports facilities.

The diagram on the following page illustrates the structure of the Nisshin Seifun Group



Note: Nisshin Real Estate Inc. will be renamed Nisshin Associates Inc. on June 1, 2006.

Subsidiaries and Affiliates

Name	Location	Paid-in capital	Main business
Consolidated subsidiaries		Millions of yen	
Nisshin Flour Milling Inc.	Chiyoda-ku, Tokyo	13,000	Production and sales of flour and prepared mix
Nisshin Foods Inc.	Chiyoda-ku, Tokyo	5,000	Sales of pasta, flour for consumer use, frozen foods, other products Production and sales of prepared mix
Ma•Ma-Macaroni Co., Ltd.	Utsunomiya-shi, Tochigi	350	Production and sales of pasta
Initio Foods Inc.	Chiyoda-ku, Tokyo	450	Production and sales of chilled and prepared dishes Direct operation of concessions in department stores, etc.
Oriental Yeast Co., Ltd.	Itabashi-ku, Tokyo	2,617	Production and sales of cake and bread ingredients and biochemical products, life science business
Nisshin Pharma Inc.	Chiyoda-ku, Tokyo	2,550	Production and sales of healthcare foods and pharmaceuticals
Nisshin Petfood Inc.	Chiyoda-ku, Tokyo	1,315	Production and sales of pet foods
Nisshin Engineering Inc.	Chuo-ku, Tokyo	107	Design, subcontracted construction and management of production facilities, sales of powder-processing machines
NBC Inc.	Hino-shi, Tokyo	1,992	Manufacturing and sales of mesh cloths and forming filters
30 other consolidated subsidiaries			
Subsidiaries and affiliated companies accounted for by the equity method			
Marubeni Nisshin Feed Co., Ltd.	Chuo-ku, Tokyo	5,500	Production and sales of feed
Japan Logistic Systems Corp.	Shinagawa-ku, Tokyo	3,145	Freight shipping and storage
8 other companies			

Notes: 1. SANKO Co., Ltd., formerly a consolidated subsidiary, was taken over in a merger by Initio Foods in October 2005.

2. Nisshin Flour Milling, Inc., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma, Inc., NBC Inc. Nisshin-STC Flour Milling Co., Ltd. and P.T. NBC Indonesia are special-purpose subsidiaries of Nisshin Seifun Group Inc. Nisshin-STC Flour Milling Co., Ltd. and P.T. NBC Indonesia are included in the 30 other consolidated subsidiaries.

3. The following companies are listed on stock exchanges in Japan:

Subsidiaries: Oriental Yeast Co., Ltd. (Second Section of the Tokyo Stock Exchange)
NBC Inc. (Second Section of the Tokyo Stock Exchange)

Affiliated company accounted for by the equity method: Japan Logistic Systems Corp. (JASDAQ)

II. Business Policies

(1) Basic Business Policy

In a Japanese economy that has now succeeded in making many of the changes necessary to align itself with global standards, Nisshin Seifun Group Inc. ("the Company") espouses two corporate philosophies: "the basis of business is built on trust" and "in tune with the changing climate." In combination with the principle "to contribute to a healthy and fruitful life for all," these philosophies have formed the foundation for the Company to achieve continued growth and expansion of its businesses. In addition, the Company has adopted "Delivering Good Health and Reliability" as its corporate slogan. This expresses the commitment that every Nisshin Seifun Group member firm should strive to deliver products and services that contribute positively to health and build consumer trust.

Based on this philosophy, in its role as the holding company of the Nisshin Seifun Group, the Company specifies long-term maximization of enterprise value as the key business goal. Group management prioritizes the investment of resources in core operations and businesses with growth potential. At the same time, the Company promotes internal reform while fulfilling its corporate social responsibilities in terms of restructuring its internal control system, legal and regulatory compliance, food safety and environmental protection. Nisshin Seifun Group is fully committed to gaining the support of all stakeholders, including shareholders, customers, business partners, employees and local communities.

(2) Policy on Profit Distribution

The Company aims to meet the expectations of shareholders to distribute profits, based on the current and future profitability of the business and the financial position, in addition to targeting a payout ratio of at least 30% on a consolidated basis. For the year ended March 31, 2006, the Company plans to raise returns to shareholders by increasing the dividend by ¥4 per share. This would result in total dividends for the year of ¥18 per share. The Company plans to submit to the Ordinary General Meeting of Shareholders a proposal to pay a final dividend of ¥11 per share. If approved, this would represent the fourth successive annual hike in dividend levels. Moreover, the Company has an ongoing policy of repurchasing treasury stock. In the period under review the Company purchased 2 million of its own shares at a cost of ¥2,296 million. In addition, the Company undertook a 1.1 for 1 common stock split on November 18, 2005. In response to the implementation of the Corporate Law, the Company plans to submit to the Ordinary General Meeting of Shareholders a proposal for an amendment to the Articles of Incorporation to allow the distribution of retained earnings and similar issues to be decided at meetings of the Board of Directors, as well as at General Meetings of Shareholders.

With the aim of raising future enterprise value, the Company prioritizes the use of retained earnings for strategic investments in areas of growth opportunity so that return on capital is maximized from a long-term perspective. The Company also adopts a dynamic posture on shareholder returns.

Furthermore, the Company also operates a system of special privileges for shareholders designed to increase familiarity with the products of Nisshin Seifun Group growth businesses. Under this system, shareholders may request the delivery of supplement-enhanced foods made by Nisshin Pharma.

(3) Policy on Reduction in Minimum Share-Trading Unit

The Company recognizes that reduction of the minimum investment that is required to trade in its shares is an effective means of boosting liquidity and increasing the number of private investors.

Based on an examination of market trends and the current distribution of such units, the Company reduced the minimum share-trading unit for its shares from 1,000 to 500 on October 3, 2005.

(4) Medium-to-Long-Term Business Strategy and Target Indicators

With its first medium-term business plan, the Nisshin Seifun Group significantly exceeded its pre-determined profit targets for the year ended March 31, 2005. The Company then formulated a second medium-term business plan covering the three fiscal years from the year ended March 31, 2006 to the year ending March 31, 2008, and is progressing measures to achieve the performance targets established therein.

The core theme of the second medium-term business plan is growth. The aim of the plan is to ensure that all Nisshin Seifun Group businesses are on a sustainable growth trajectory by the end of the three-year period. In terms of basic strategy, the plan calls for feasible measures to be drawn up in each business area from a growth-oriented perspective. In particular, the Company has identified overseas operations as well as prepared dishes and other prepared foods as the main engines of growth. In addition, ahead of the anticipated deregulation of the wheat market, the Company plans to progress with ongoing initiatives to strengthen the base of operations in flour milling and in processed food. The plan envisages more specific linkages between R&D activities and each business so that product innovation becomes the key driving force behind strategic business development. It also specifies the study of new cost-reduction initiatives based on fresh concepts to ensure that the Company is less sensitive to the various risks to growth. Through the implementation of such strategies, the Company aims to achieve sustained growth in earnings per share (EPS) over the long term, while also raising sales, ordinary income, net income and return on equity (ROE: defined as net income divided by shareholders' equity). In doing so, the Company hopes to maximize the long-term value of the Nisshin Seifun Group. Performance targets for the final year of the plan (to March 2008) are net sales of ¥451.0 billion, ordinary income of ¥28.0 billion, net income of ¥14.5 billion, and ROE of 5.8%. The above target figures have been revised downwards since the figures released a year ago, principally reflecting delayed progress with business plans in the prepared dishes and other prepared foods business. As a result of the revisions, the targets have been reduced by the following amounts: net sales by ¥14.0 billion, ordinary income by ¥1.0 billion, net income by ¥0.5 billion, and ROE by 0.2 percentage points. Nevertheless, record-high net sales and earnings are forecast, and the Company intends to make up for the slow progress with business plans in the prepared dishes and other prepared foods business by improving the infrastructure to allow it to channel more resources into the business.

(5) Prospective Challenges

The Company plans to invest in three areas as core businesses: flour milling ("the best in the world"); processed food ("a growth business"); and healthcare and biotechnology business ("good prospects for the future"). Including other operations, the basic goal remains to ensure the competitive survival of the Nisshin Seifun Group as a whole.

1) Segmental Overview of Business Strategy

The strategy in the flour milling business is to increase market share. To this end, Nisshin Flour Milling will further enhance relationship marketing and upgrade marketing initiatives to create entirely new market segments, such as by proposing products that accurately reflect customer needs. Furthermore, ahead of the anticipated deregulation of the wheat market, Nisshin Flour Milling hopes to develop a dominant competitive position in the Japanese market. Plans are in hand to boost production efficiency and productivity with the ongoing construction of state-of-the-art flour milling equipment on two new production lines at the Higashinada Plant. These lines are due to commence operations in 2008, and at that time the company will close the Kobe Plant.

In the processed food business, Nisshin Foods continues to enhance its lineup of products commanding leading market shares by developing new products that are genuinely easy to use as well as being healthy. At the same time, the company is targeting enhanced cost competitiveness with measures such as the establishment of a new large-scale pasta production line at the Utsunomiya Plant of pasta manufacturing subsidiary Ma•Ma-Macaroni Co., Ltd. The production line is slated to come on line in November 2006. In addition, Nisshin Foods has expanded further into processed food segments spanning all temperature ranges, from frozen foods to chilled foods and other prepared dishes. Through these efforts it plans to establish itself as a “mealtime solution provider” to drive the growth of the Nisshin Seifun Group. In the chilled foods sector, subsidiaries Initio Foods and SANKO merged in October 2005 to accelerate the growth of operations in prepared dishes and other prepared foods. The merger serves to integrate production, management and sales resources amid a focus on developing a multi-channel approach that targets department stores and large retail chains, in addition to opening stores in roadside locations to sell chilled dishes directly to consumers.

With an aging Japanese society and generally heightened awareness of health issues, the Company continues to channel resources into development of the healthcare and biotechnology business, which possesses considerable growth potential. The goal in this sector is to develop this business to the point where it provides a third source of core earnings, on a par with flour milling and processed food. The two main companies in this field of operations are Oriental Yeast and Nisshin Pharma. Oriental Yeast aims to become a leader in the development of original yeast-based technology, an area with almost infinite possibilities. The firm is developing new products and technologies to support enhanced longevity and health. These efforts are also exploiting synergies within the Nisshin Seifun Group, in terms of joint product development and sales initiatives, spanning operations in flour milling, processed food and healthcare foods. In particular, Oriental Yeast forms the nucleus of the Nisshin Seifun Group’s biotech research strategy, which is expected to yield results across a variety of fields. Nisshin Pharma, meanwhile, is a healthcare foods manufacturer distinguished by its emphasis on establishing the scientific basis for products that prevent lifestyle-related diseases. Focusing on research into new ingredients and the development of original products, the firm continues to develop new sales channels and build up its production capabilities to establish an unrivalled position.

In other businesses, which include pet food, engineering and mesh cloths, the Company aims to develop a significant presence within each industry, either through self growth or through a strategy based on internal and external alliances.

2) Global Development Strategy

To accelerate progress and build operational scale as quickly as possible, the Company is focusing international business development efforts primarily in three regions in addition to Japan: the west coast of North America, Southeast Asia, and China. International operations are managed as a single unit to ensure a cohesive Nisshin Seifun Group business strategy across the entire Pacific Rim, utilizing functional divisions between each base to exploit maximum synergy. To take the initiative in driving forward its strategy for China, which has huge potential as a consumer market, in June 2005 the Company set up its China Business Development Office. Besides working to expand trade between Chinese companies and Nisshin Seifun Group member firms based in Japan and overseas markets, the Company is pursuing new business opportunities that leverage core strengths in the flour milling and processed food sectors. To develop its Chinese operations, the Company commenced the manufacture and sale of prepared mix in Qingdao, Shandong, in 2002, and has been successful in achieving steadily increasing sales. To supply this sales expansion, the Company is currently constructing a new factory in Jimo, Shandong, due to come on stream in December 2006. This investment will double production capacity of prepared mix in China. Meanwhile, in October 2005, a sales subsidiary of NBC started operations and is expanding sales in the Chinese market.

3) R&D Strategy and Total Low-Cost Operations Drive

The development of next-generation products and new business models to complement and drive the growth of existing businesses is another important goal for the Nisshin Seifun Group. Rather than aim just to upgrade products, the ongoing theme of new product development (NPD) programs is to focus maximal effort on developing innovative, high-value-added products to win the support of customers and underpin sustained business expansion. The Company recognizes that such items are the key to generating continuous growth. In healthcare foods operations, in particular, it is accelerating initiatives aimed at efficiently researching new ingredients. Such measures include the October 2005 establishment of an endowed chair at the University of Shizuoka. The endowed position is to be known as the “Nisshin Seifun Group Endowed Chair, Department of Search for Higher Functional Foods.” Joint research has already commenced. New products launched in the year ended March 31, 2006 made a substantial contribution to growth across all sectors, particularly in the core businesses of flour milling, processed food and healthcare foods.

Besides new product development, another critical objective is to realize low costs throughout the Company’s operations, from purchasing and production to sales and distribution, as a fundamental means of increasing profitability. Cost-reduction initiatives are now focused on reviewing processes and systems to engineer reforms across the entire value chain from novel perspectives. The Company also continues to make investments where necessary to boost productivity and efficiency.

4) Wheat Policy Reforms

The outcome of ongoing World Trade Organization (WTO) negotiations on agriculture, as well as bilateral free trade agreements (FTAs) and economic partnership agreements (EPAs), could potentially have a significant impact on Nisshin Seifun Group’s flour milling and processed food interests, and on the industry as a whole. In Japan, following the November 2005 completion of a document on the future development of wheat policy by the Ministry of Agriculture, Forestry and Fisheries, a proposal was submitted to a regular session of the Diet for revision of the Japanese law governing the supply, demand and prices of staple foods. Assuming that the law will be amended to allow the Ministry of Agriculture, Forestry and Fisheries to proceed with making concrete plans for creating a new system, the Company’s policy will be to urge it to establish a strong foundation for the Japanese flour milling industry to compete internationally. In view of the substantial premium of the government-controlled selling price over international prices for wheat, Company policy is to support the implementation of successive reductions in this price to reduce the gap on an ongoing basis. At the same time, the Company plans to increase the pace of structural reforms and its global business development program in order to accelerate the evolution of the Nisshin Seifun Group into a strong, globally competitive enterprise.

5) Corporate Social Responsibility (CSR)

Besides making steady progress on these strategic business issues, the Nisshin Seifun Group has been active in fulfilling its responsibilities as a corporate citizen, with the aim of retaining its status as a corporate entity that plays an essential role in society. To this end, the Company established a committee to study and develop Group operating companies' basic attitudes as well as their actions with regard to all their stakeholders. Thus, the Company and all Group operating companies have focused on developing enhanced compliance procedures to ensure all business activities are legal and appropriate. Other specific programs – all of which are ongoing – include the strengthening of quality control systems to improve traceability and quality assurance (QA) procedures from a consumer perspective, alongside a range of environmental protection measures such as reduction of wastes and carbon dioxide emissions. As part of these programs, the Company is also actively working to obtain certification under international management standards. For example, it is focusing on its processed food and flour milling operations to address the requirements of the positive list system for agricultural chemical residues in foods, introduced in May 2006. In order to ensure the safety of the increasing volume of food ingredients it is importing from China, the Company collaborated in a joint venture with Nichirei Corporation to establish a company in Yantai, Shandong, to undertake food testing and analysis. The company is due to commence operations in May 2006. With regard to reducing carbon dioxide emissions, the Company has drawn up a plan for achieving Kyoto Protocol emissions targets. The voluntary target the Company is working to achieve under the plan is an 8.6% reduction in carbon dioxide emissions between the fiscal year ended March 1991 and the fiscal year ending March 2011.

The current environment is moving toward more stringent evaluation of internal controls over financial reporting by management, combined with increased legislation for internal control and auditing systems by external auditors. Against this backdrop, the Company initiated an overhaul of its internal control system, with the establishment in September 2005 of an Internal Control Preparatory Office. This office is charged with evaluating, reinforcing and reviewing the Group's internal control system and its operation.

The Nisshin Seifun Group has received plaudits from independent evaluation organizations, media-related institutions and other bodies for the actions taken to fulfill corporate social responsibilities. The Company plans to continue such actions going forward.

6) Matters Concerning the Parent Company

There are no materially significant matters concerning the parent company, therefore this information has been omitted.

III. Review of Operations & Financial Position

A. Review of Operations

1. Business Overview (Fiscal Year Ended March 31, 2006)

During the fiscal year ended March 31, 2006, the market environment was challenging, with weak demand due to unusual weather conditions and a consumer propensity for low prices throughout the food industry both continuing. Against this backdrop, the second medium-term business plan—with the core theme of growth—was launched, and the Nisshin Seifun Group worked to generate higher sales volumes. To this end, the Company undertook aggressive promotional activities and developed new sales channels in all its businesses.

As a result of the above, consolidated net sales increased 1.2% compared with the previous year to ¥421,359 million. However, earnings decreased with ordinary income down 1.4% to ¥24,774 million and net income also down 0.4% to ¥13,541 million.

[Business Overview by Segment]

(1) Flour Milling Segment

Nisshin Flour Milling Inc. worked to promote sales through relationship-based marketing with trusted business partners, but with the domestic flour market underperforming compared with the previous fiscal year as demand stagnated, shipments were unchanged year on year. In response to these challenges, Nisshin Flour Milling strove to expand flour demand by using flour in new ways to add value, an example being the August 2005 launch of its *Maison Kayser Traditional* premium flour for manufacturing use.

In production and distribution, the company continued to promote low-cost operations while working to produce high-quality flour efficiently. In quality control, meanwhile, in November 2005 Nisshin Flour Milling was the first Japanese manufacturer to win certification under ISO 22000 (the ISO standard for food safety management) for its entire manufacturing system including the headquarters and 12 domestic manufacturing plants.

In March 2006, Nisshin Flour Milling lowered prices for its flour products in response to the Japanese government's February reduction of the price of wheat, the raw material for flour; this was the first reduction in two years.

The price of bran, a by-product of the milling process, remained strong due to high demand for animal feed products within Japan.

In overseas operations, the capacity utilization rate increased steadily at Rogers Foods Ltd.'s new flour milling plant in Canada. While working to increase overall flour shipments, the plant has also commenced sales to the U.S. west coast.

Due to the effects of increased expenditure on aggressive sales promotion and other measures, segment sales declined 0.7% year on year to ¥153,850 million, and operating income declined 1.9% to ¥10,760 million.

(2) Processed Food Segment

During the period under review, the operating environment for Nisshin Foods Inc. was challenging: continued sluggish demand and a consumer propensity for low prices throughout the food industry were compounded by sharply increased raw material procurement costs due to the rise in the price of crude oil and other factors. Against this backdrop, Nisshin Foods Inc. implemented aggressive marketing and sales promotion activities centering on the campaign marking the 50th anniversary of the Ma•Ma pasta brand. As a result, shipments of pasta, pasta sauces, prepared mix and frozen foods were higher than a year earlier. In February 2006, the company introduced 13 new products and 22 updated products in home-use room-temperature foods. In home-use frozen foods, the company also introduced 5 new products and 5 updated products. In prepared dishes and other prepared foods, September 2005 saw the completion of a new manufacturing plant for prepared dishes in Shiraoka, Saitama. The following month saw the merger of subsidiaries Initio Foods Inc. and SANKO Co., Ltd. However, this and other measures designed to bolster the operational base, did not achieve the initial targets due to delayed progress with business plans. The overseas strategy of the business made a significant contribution to increased operating results, with all three operational bases—North America, Thailand and China—achieving steady business expansion. In light of its strong performance, the Chinese prepared mix business started work to double manufacturing capacity, targeting further penetration of the Chinese market.

At Oriental Yeast Co., Ltd., May 2005 saw completion of the P&B Center, which combines R&D functions with facilities for presentations to customers on new products and recipes. Since then, the company has been making good use of the center. In the processed foods division, sales were higher than a year earlier, due in part to growth in shipments of bread-making ingredients, including mainstay yeast and flour paste products, as well as mineral yeasts. Another contributor was the start of business at SK Foods Co., Ltd. following the July 2005 takeover of operations from Sankyo Foods Co., Ltd. In the biotechnology-related division, sales were roughly on a par with the previous year, with steady growth in shipments of bionutritional products offset by sluggish performances in feed products supplied to fish farms and other feed contracts.

Nisshin Pharma Inc. concentrated resources on bolstering the supply network and extending market penetration for its value-added products. For the company's mainstay coenzyme Q_{10} product, it established a new manufacturing line for concentrated water-soluble coenzyme Q_{10} at its Ueda Plant in November 2005. In addition, the company focused on bolstering the lineup of finished products for the retail market and undertook a range of promotional activities, successfully increasing consumer awareness of its products.

Segment sales rose 1.4% compared to a year earlier to ¥221,571 million, but the effects of investment in sales promotion, and strategic and other expenses targeting growth under the new medium-term business plan resulted in a 7.9% decline in operating income to ¥7,352 million.

(3) Others Segment

Nisshin Petfood Inc. undertook aggressive sales promotion activities. In cat food, it posted significantly higher sales, particularly of mixed-type dried products and retort pouch products. Dog food sales also rose. In February 2006, the company launched mail order sales of *JP-Style*, a premium dog food product developed with a focus on good health and food safety.

Nisshin Engineering Inc. benefited from recovery in corporate capital expenditures accompanying the expansionary trend in the Japanese economy. Sales grew significantly with the successful completion of large contracts in the plant engineering division.

NBC Inc. recorded overall growth in sales with mainstay mesh cloths for screen-printing applications posting steadily increased sales both domestically and overseas, while sales of industrial-use mesh cloths and forming filters also grew significantly. In November 2005, NBC took action to expand and upgrade production facilities by establishing a new plant in Kikugawa, Shizuoka prefecture.

Segment sales increased 7.3% to ¥45,938 million, but due to the effects of factors including strategic investment in new products at Nisshin Petfood in particular, operating income fell 2.5% to ¥4,907 million.

2. Business Outlook (Fiscal Year Ending March 31, 2007)

In the second year of the second medium-term business plan, the Nisshin Seifun Group will continue working to position all of its businesses on a firm growth trajectory. In particular, the Company will focus on expanding overseas operations, and prepared dishes and other prepared foods. To this end, it will progress with infrastructure improvements to support such expansion, while further bolstering the management structure. In conjunction with these initiatives, the Nisshin Seifun Group will take the initiative in fulfilling its corporate social responsibility (CSR). In the fiscal year ending March 31, 2007, net sales and ordinary income are both projected to achieve record highs.

(1) Flour Milling Segment

Domestic demand for flour is unlikely to increase, due partly to the demographic trend towards fewer children and more seniors, but also because of an increased inflow of overseas products such as preparations of wheat flour. Intensified sales competition between manufacturers is therefore a cause for concern. Against this backdrop, Nisshin Flour Milling will strive to create new markets and further increase its market share by stepping up efforts to deepen relationships with its customers. To achieve this, Nisshin Flour Milling will incorporate a rapid and accurate grasp of market trends and customer needs into its product development, as well as make proposals to promote sales.

Moreover, as wheat policy reform progresses both in Japan and abroad, Nisshin Flour Milling will act to pare down costs in all operations, including purchasing, production, distribution and sales. This will be achieved by improving operational efficiency through developments such as the May 2006 completion of the automatic rack warehouse at the Higashinada Plant. Through such measures Nisshin Flour Milling will work to secure its profitability in preparation for the deregulated wheat market of the future.

In overseas operations, Nisshin Flour Milling will continue to pursue a Pacific Rim strategy focusing on three regions: Japan, the west coast of North America, and Thailand.

(2) Processed Food Segment

As a "mealtime solution provider," Nisshin Foods will pursue the development of new products with an emphasis on reliability, safety and health. These efforts are directed at enhancing its product lineup, including the range of *Ma•Ma* pasta products, which currently boast the leading market share. In addition, the company will further reinforce its quality control system in response to the May 2006 introduction of the positive list system for agricultural chemical residues in foods. On the production front, Nisshin Foods will target enhanced cost competitiveness with measures such as the establishment of a new large-scale pasta production line at the Utsunomiya Plant of pasta manufacturing subsidiary Ma•Ma-Macaroni Co., Ltd. The production line is slated to come on line in

November 2006. In prepared dishes and other prepared foods, Initio Foods will work towards further expansion of its operating base through development of unique products and reinforcement of its links with volume retailers. Overseas development entails steadily increasing the number of operational bases in the Pacific Rim region, including the planned doubling of production capacity in the Chinese prepared mix business. The newly expanded capacity is slated to become operational in December 2006.

In the processed food division of Oriental Yeast, plans call for measures to expand market share and stimulate demand through collaboration with customers. This will be achieved by further improving, and making even better use of, the P&B Center constructed in 2005. In its biotechnology-related division, the company will target expansion, particularly in the range of contract-based pharmaceutical R&D support services it offers. At the same time, the company will grow sales by bringing to market new products including biochemicals and immunochemicals.

At Nisshin Pharma, full-scale operations will be started at the Ueda Plant's newly established manufacturing line for concentrated water-soluble coenzyme Q_{10}. In addition, in the fiscal year ending March 31, 2007, the company will commence sales and promote market penetration of *Aqua Q_{10} P40*, an ingredient product made from concentrated coenzyme Q_{10}. Meanwhile, the company will implement concerted advertising and sales promotion activities on an ongoing basis with regard to consumer-oriented products. In addition, it will channel resources into new product development and discovery of new ingredients with an emphasis on treating lifestyle-related illnesses.

(3) Others Segment

Nisshin Petfood will work to enhance its market presence and awareness of its products in the premium pet food market. JP-Style, the premium dog food product which went on sale in February 2006, will be central to this initiative. In established business domains, also, the company will push ahead with new product development, expand and revamp its product lineup, and pursue an aggressive marketing strategy.

Nisshin Engineering will continue working to secure new contracts as well as actively boost sales in powder-processing services and sales of related equipment.

NBC plans to aggressively drive forward market launches of value-added products based on new technology. At the same time, it will target continuous growth in world markets to increase market shares for ultra-fine mesh cloths.

For the year ending March 31, 2007, record-high operating results are expected. The Company forecasts net sales of ¥435.0 billion (up 3.2% year on year), ordinary income of ¥25.3 billion (up 2.1%) and net income of ¥14.0 billion (up 3.4%).

B. Financial Position

1. Overview (Fiscal Year Ended March 31, 2006)

Cash flow from operating activities

Income before income taxes and minority interests amounted to ¥25,101 million and depreciation and amortization amounted to ¥11,993 million. However, increased working capital, due partly to an increase in inventories of raw materials for flour manufacturing, combined with payment of income taxes and other factors, resulted in net cash provided by operating activities of ¥21,054 million.

Cash flow from investing activities

Capital investments to extend and upgrade production capacity amounted to ¥12,362 million, while purchase of marketable securities and investments in time deposits with terms exceeding three months amounted to ¥14,581 million. As a result, net cash used in investing activities was ¥25,297 million.

Free cash flow, the sum of cash flow provided by operating and investing activities, amounted to an outflow of ¥4,242 million in the year ended March 31, 2006.

Cash flow from financing activities

Payment of dividends and re-purchase of treasury stock were among the factors that resulted in net cash used in financing activities of ¥7,274 million. Compared to the previous fiscal year, the cash outflow increased by ¥2,957 million, principally reflecting higher dividend payments and the repurchase of treasury stock.

As detailed above, the cash inflow from consolidated operating activities in the fiscal year ended March 31, 2006 was allocated to strategic capital spending and increased returns to shareholders. In order to increase the efficiency of cash in hand utilization, funds earmarked for future strategic investments and similar were invested in time deposits with terms exceeding three months, marketable securities, and similar investments. As of March 31, 2006, consolidated cash and cash equivalents totaled ¥42,803 million, a decline of ¥11,244 million from the previous fiscal year-end.

2. Outlook (Fiscal Year Ending March 31, 2007)

The Company forecasts an increase in cash due to net income of ¥14.0 billion in the year ending March 31, 2007. The Company expects to use this cash for capital spending in excess of depreciation and the distribution of earnings to shareholders. As a result, consolidated cash and cash equivalents at March 31, 2007 are forecast to remain around the same level as at March 31, 2006

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3. Cash-Flow Indicators

The main cash-flow indicators for the Nisshin Seifun Group are shown in the table below.

	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006
Shareholders' equity ratio (%)	66.8	64.1	64.7	66.2
Market value-based shareholders' equity ratio (%)	62.2	65.4	70.7	76.0
Debt repayment period (years)	0.9	0.5	0.5	0.4
Interest coverage ratio (times)	39.7	84.7	110.1	127.9

* Shareholders' equity ratio = Shareholders' equity / Total assets
Market-value-based equity ratio = Market capitalization / Total assets
Debt-repayment period = Interest-bearing debt / Operating cash flow
Interest coverage ratio = Operating cash flow / Interest expense

1. All of the above cash-flow indicators are calculated on a consolidated basis.
2. Market capitalization is calculated by multiplying the closing share price on the final trading day of the fiscal year by the total number of outstanding shares (excluding treasury common stock) as of the corresponding fiscal year-end.
3. Operating cash flow equals net cash provided by operating activities as stated in the Consolidated Statements of Cash Flows. Interest-bearing debt refers to bonds and debt as stated in the Consolidated Balance Sheets. Interest expense is equal to interest payments as stated in the Consolidated Statements of Cash Flows.

Forward-Looking Statements

The statements contained in this document are based on various assumptions and do not constitute any guarantee or definite promise that projections of future performance or related business policies will actually be realized.

C. Business Risks

Risks that could have an impact on the business performance, share price and financial position of the Nisshin Seifun Group are outlined below.

All matters relating to the future in the section below are based on the current views of the Nisshin Seifun Group as of the date of publication of the Summary of Consolidated Financial Statements (May 12, 2006).

1) Economic conditions and industry environment

The Nisshin Seifun Group continues to work to reinforce its earnings base so as to minimize the impact of economic and industry conditions on business results. However, shipment levels of the Company's major products are subject to economic trends, primarily in Japan. Price erosion for these products is also a possibility under a prevailing deflationary environment. Other risks include losses caused by the failure of investment or business partners due to deterioration in economic conditions.

2) Wheat policy reforms and international trade discussions

Although the Nisshin Seifun Group has undertaken structural reforms of its flour milling and processed food operations to build a strong earnings base, these businesses remain subject to risk due to international negotiations by the Japanese government on agricultural issues. Talks are ongoing with the WTO and with various countries regarding free-trade agreements. The government is also reviewing its internal and trade policies with regard to wheat. Policy changes affecting the handling of wheat (including policies governing the government purchase, stockpiling and sale of wheat) imply serious ramifications for the domestic flour industry and the markets for secondary processed products, and could potentially lead to industry restructuring alongside major changes in methods of wheat procurement.

3) Product safety

While the Nisshin Seifun Group continues to upgrade efforts to improve its product quality assurance systems, group operations are exposed to a variety of safety-related risks due to external and other factors. Events beyond the scope of the Company's projections could lead to product recalls or the discovery of defective items. On the material procurement side, the Nisshin Seifun Group is also exposed to similar risks associated with diseases such as bovine spongiform encephalopathy (BSE) and avian influenza.

4) Sharp increases in raw materials prices

The Nisshin Seifun Group continues to aim to develop low-cost operations to ensure that earnings are more resistant to deflationary pressures and the possibility of future wheat market deregulation. Nevertheless, the Company remains exposed to the risk of changes in raw material prices, and higher costs for distribution and raw materials, including packaging, due to oil price rises,. The resulting sharp rises in purchasing costs could make it impossible for the Company to achieve cost reductions.

5) Foreign exchange movements (principally yen-dollar and yen-euro)

Although the Nisshin Seifun Group uses currency forwards and other hedging tools to minimize the impact of foreign exchange movements on results, the sourcing of some raw materials and other inputs from overseas exposes some group operations to the risk of variance in purchasing costs due to currency market fluctuations, particularly in processed foods. The operational performance and financial position of overseas operations may also vary due to changes in the value of the yen. In flour milling operations, the level of prices for imported bran, which vary according to foreign exchange movements, also affect the price of bran, a milling by-product.

6) Contract manufacturing

The Nisshin Seifun Group contracts out the manufacturing of some products to optimize production efficiency. Although the Company makes suitable efforts to ensure that contract manufacturers adhere to the same levels of quality control and input purchase stability, the Company remains exposed to the risk of the business failure of subcontractors due to circumstances beyond its control. Any such eventuality could result in higher purchasing costs or an interruption in product supply.

7) Information- and system-related risks

The Nisshin Seifun Group has established appropriate levels of management controls for its internal systems. Problems encountered with the operation of these systems have the potential to interrupt supplies to customers or to incur extra costs. Although the Nisshin Seifun Group maintains proper controls to thwart viruses and other computer-related problems and manage IT systems, any unforeseen attacks by viruses or unauthorized access to internal systems have the potential to interrupt supplies to customers. Other information- and system-related risks include the leakage of operationally sensitive data or confidential personal information, which could also result in higher costs or damage to the Company’s reputation.

8) Alliances with other companies

The Nisshin Seifun Group maintains alliances with other companies as part of efforts to optimize use of management resources and to maximize the benefits of technology. Disagreements with alliance partners could result in failure to realize such benefits.

9) Facility security and natural disasters

The Nisshin Seifun Group continues to work to upgrade its safety and site management systems to ensure the security of production plants and other facilities and to prevent accidents such as fires or explosions. Management, maintenance and repair systems are also in place to minimize any injury to personnel or damage to facilities in the event of natural disasters such as earthquakes or storms. However, events beyond the scope of the Company’s projections could lead to damage or to the interruption of product supplies to customers. In particular, due to the high concentration of sales of Nisshin Seifun Group products in Tokyo and the surrounding metropolitan area, a major disaster affecting this region could have a negative impact on the Company’s operating performance.

10) Retirement benefits and pension liabilities

Calculations of Nisshin Seifun Group retirement benefits and pension liabilities are based on actuarial assumptions (such as the discount rate) and an expected rate of return on pension plan assets. There could be a material impact on the Company’s operating performance and financial position if actual results are significantly different from initial assumptions.

11) Regulatory compliance

Although the Nisshin Seifun Group continues to focus on upgrading legal and regulatory compliance, unforeseen events have the potential to result in higher costs.

12) Overseas incidents

Although the Nisshin Seifun Group makes efforts to prevent accidents at its overseas operations, the performance of these businesses is subject to various economic and political risks that could result in higher costs.

13) Intellectual property

Ongoing efforts by the Nisshin Seifun Group to protect its intellectual property notwithstanding, the launch and sale of similar products by other firms could be potentially detrimental to the value of the Company’s brands. In addition, the Company also faces the risk of possible future claims against it by other companies for intellectual property infringement.

14) Environmental management

The environmental impact of Nisshin Seifun Group businesses is relatively low compared to other industries. Nevertheless, the Company continues to make assiduous efforts to improve the environmental profile of Nisshin Seifun Group business activities in terms of environmental management systems, energy efficiency and waste reduction. Despite such efforts, events beyond the scope of the Company’s projections could force the Company to undertake measures that result in higher costs.

IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets—As of March 31, 2006 and 2005

(Millions of yen)

	2005	2006	Change
Assets:			
Current assets:			
Cash on hand and in banks	54,065	50,111	(3,954)
Notes and accounts receivable	59,468	57,678	(1,790)
Marketable securities	6,783	14,339	7,555
Inventories	38,580	39,601	1,021
Deferred tax assets	4,517	4,431	(85)
Other current assets	7,146	6,935	(210)
Allowance for doubtful accounts	(211)	(227)	(15)
Total current assets	**170,349**	**172,870**	**2,520**
Fixed assets:			
Tangible fixed assets			
Buildings and structures	42,407	42,866	459
Machinery and equipment	32,741	32,243	(497)
Land	29,729	30,726	997
Construction in progress	1,152	3,733	2,581
Other tangible fixed assets	2,830	2,862	31
	108,860	112,432	3,571
Intangible fixed assets	9,124	7,977	(1,146)
Investments and other assets:			
Investment in securities	77,262	101,369	24,107
Long-term loans	261	131	(30)
Deferred tax assets	4,099	2,434	(1,665)
Other investments and other assets	3,641	3,081	(560)
Allowance for doubtful accounts	(630)	(397)	232
Total investments and other assets	84,634	106,619	21,984
Total fixed assets	**202,618**	**227,029**	**24,410**
Total Assets	**372,968**	**399,899**	**26,930**

	2005	2006	Change
Liabilities:			
Current liabilities:			
Notes and accounts payable	28,599	25,819	(2,779)
Short-term debt	8,115	7,754	(360)
Accrued income taxes	3,956	4,813	857
Accrued expenses	13,623	13,410	(213)
Other current liabilities	13,085	12,732	(352)
Total current liabilities	**67,380**	**64,530**	**(2,849)**
Non-current liabilities:			
Long-term debt	1,680	1,609	(71)
Deferred tax liabilities	13,014	21,708	8,694
Allowance for employees' retirement benefits	14,928	12,614	(2,314)
Allowance for directors' retirement benefits	1,192	314	(878)
Allowance for repairs	893	842	(51)
Guaranteed deposits received	5,701	5,568	(132)
Consolidation adjustments account	134	90	(44)
Other non-current liabilities	–	587	587
Total non-current liabilities	**37,545**	**43,334**	**5,789**
Total liabilities	**104,925**	**107,865**	**2,940**
Minority interests:			
Minority interests	**26,760**	**27,498**	**737**
Shareholders' Equity:			
Common stock	17,117	17,117	–
Capital surplus	9,452	9,483	31
Retained earnings	190,699	200,487	9,788
Unrealized holding gain (loss) on securities	26,688	40,835	14,146
Foreign currency translation adjustments	(1,216)	(212)	1,003
Treasury common stock	(1,459)	(3,176)	(1,717)
Total shareholders' equity	**241,282**	**264,535**	**23,252**
Total Liabilities, Minority Interests and Shareholders' Equity	**372,968**	**399,899**	**26,930**

(2) Consolidated Statements of Income—For the years ended March 31, 2006 and 2005

(Millions of yen)

	2005	2006	Change
Net sales	416,222	421,359	5,136
Cost of sales	283,455	285,910	2,454
Gross profit	**132,766**	**135,449**	**2,682**
Selling, general and administrative expenses	109,870	113,279	3,409
Operating income	**22,896**	**22,169**	**(726)**
Non-operating income:	3,358	3,437	79
Interest income	58	99	40
Dividend income	705	853	148
Equity in earnings of subsidiaries and affiliated companies	1,011	1,505	494
Other income	1,582	978	(604)
Non-operating expenses:	1,134	833	(301)
Interest expenses	197	160	(36)
Other expenses	937	672	(264)
Ordinary income	**25,120**	**24,774**	**(345)**
Extraordinary income:	1,397	1,224	(172)
Gain on sale of fixed assets	120	448	328
Gain on sale of investments in securities	1,277	568	(708)
Other	–	207	207
Extraordinary losses:	1,455	898	(557)
Loss on disposal of fixed assets	1,185	306	(879)
Office relocation expenses	–	478	478
Loss on disposal of inventories, etc	194	–	(194)
Other	75	113	38
Income before income taxes and minority interests	**25,062**	**25,101**	**38**
Income taxes – current	8,525	8,869	343
Income taxes – deferred	890	676	(214)
Minority interests	2,048	2,014	(34)
Net income	**13,597**	**13,541**	**(56)**

(3) Consolidated Statements of Retained Earnings—For the years ended March 31, 2006 and 2005

(Millions of yen)

	2005	2006	Change
Capital surplus:			
Capital surplus at beginning of the year	9,446	9,452	5
Increase in capital surplus	5	31	25
Proceeds from sale of treasury common stock	5	31	25
Capital surplus at end of the year	9,452	9,483	31
Retained earnings:			
Retained earnings at beginning of the year	179,241	190,699	11,457
Increase in retained earnings	14,376	13,541	(834)
Net income	13,597	13,541	(56)
Increase in retained earnings due to merger of consolidated subsidiaries	778	–	(778)
Decrease in retained earnings	2,918	3,753	834
Cash dividends paid	2,780	3,580	800
Bonuses to directors	138	172	34
Retained earnings at end of the year	190,699	200,487	9,788

(4) Consolidated Statements of Cash Flows—For the years ended March 31, 2006 and 2005

(Millions of yen)

	2005	2006	Change
I. Cash flows from operating activities:			
Income before income taxes and minority interests	25,062	25,101	38
Depreciation and amortization	11,682	11,993	310
Decrease in allowance for retirement benefits	(1,067)	(2,317)	(1,249)
Interest and dividends income	(764)	(953)	(188)
Interest expenses	197	160	(36)
Equity in earnings of subsidiaries and affiliated companies	(1,011)	(1,505)	(494)
Gain on sales of marketable securities	(1,542)	(570)	971
Decrease (increase) in accounts receivable	(4,201)	2,469	6,671
Increase in inventories	(4,740)	(668)	4,072
Decrease (increase) in accounts payable	5,765	(3,323)	(9,088)
Other	2,181	(2,483)	(4,665)
Subtotal	31,563	27,902	(3,660)
Interest and dividends received	839	1,257	417
Interest paid	(195)	(164)	31
Income taxes paid	(10,638)	(7,939)	2,699
Net cash provided by operating activities	**21,567**	**21,054**	**(512)**
II. Cash flows from investing activities:			
Payments for time deposits	0	(8,290)	(8,290)
Proceeds from repayment of time deposits	0	18	18
Payments for purchase of marketable securities	(7,507)	(13,505)	(5,997)
Proceeds from sales of marketable securities	4,299	7,196	2,896
Payments for purchases of fixed assets	(16,052)	(12,362)	3,689
Proceeds from sales of fixed assets	44	535	490
Payments for purchases of investments in marketable securities	(411)	(847)	(436)
Proceeds from sales of investments in marketable securities	1,712	1,671	(40)
Payments for long-term loans	(65)	(3)	61
Proceeds from collections of long-term loans	189	133	(55)
Other	199	156	(43)
Net cash used in investing activities	**(17,590)**	**(25,297)**	**(7,707)**
III. Cash flows from financing activities:			
Proceeds from short-term debt	248	10	(238)
Repayments of short-term debt	(713)	(660)	52
Proceeds from long-term debt	–	95	95
Repayments of long-term debt	(419)	(29)	389
Proceeds from sale of treasury common stock	94	184	90
Purchase of treasury common stock	(133)	(2,430)	(2,296)
Cash dividends paid	(2,780)	(3,580)	(800)
Other	(613)	(863)	(249)
Net cash used in financing activities	**(4,317)**	**(7,274)**	**(2,957)**
IV. Effect of exchange rate changes on cash and cash equivalents	**21**	**272**	**250**
V. Decrease in cash and cash equivalents	**(317)**	**(11,244)**	**(10,926)**
VI. Cash and cash equivalents at beginning of the year	**54,154**	**54,047**	**(107)**
VII. Increase in cash and cash equivalents due to merger of consolidated subsidiaries	**210**	–	**(210)**
VIII. Cash and cash equivalents at end of the year	**54,047**	**42,803**	**(11,244)**

Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries: 39

- Names of principal subsidiaries: Nisshin Flour Milling Inc., Nisshin Foods Inc., Ma•Ma-Macaroni Co., Ltd., Initio Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Petfood Inc., Nisshin Engineering Inc., NBC Inc.
- Of the remaining subsidiaries, Nisshin Managerial Technology Center Co., Ltd. and 8 other companies are not consolidated. The assets, net sales, net income and retained earnings of each non-consolidated subsidiary are small, and the aggregate effect on the consolidated financial statements is immaterial.

(2) Changes in the scope of consolidation

Newly consolidated subsidiaries: 3

- Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. and NBC (Shanghai) Mesh Co., Ltd. were established in the fiscal year ended March 31, 2006, and have been included as consolidated subsidiaries. Moreover, SK Foods Co., Ltd., which was a non-consolidated equity-method affiliate until the previous fiscal year, has been included as a consolidated subsidiary from the fiscal year ended March 31, 2006 due to an increase in materiality.

Newly excluded subsidiary: 1

- SANKO Co., Ltd., which was a consolidated subsidiary until the fiscal year ended March 31, 2005, was taken over in a merger by Initio Foods Inc. in October 2005. The statements of income, retained earnings and cash flows for SANKO in the period prior to the merger have been consolidated.

2. Scope of the equity method

(1) Equity-method subsidiaries and affiliates: 10 (one non-consolidated subsidiary and nine affiliates)

- Names of principal equity-method subsidiaries and affiliates: Marubeni Nisshin Feed Co., Ltd., Japan Logistic Systems Corp.
- The contributions to consolidated net income and consolidated retained earnings of each of the eight non-consolidated subsidiaries and six affiliates not accounted for by the equity method are negligible and immaterial in the aggregate.

(2) Changes in the scope of the equity method

Affiliate newly included in scope of equity method: 1

ˈ Jinzhu (Yantai) Food Research and Development Co., Ltd. was newly established in the year ended March 31, 2006, and has therefore been included in the scope of the equity method

Newly excluded affiliate: 1

- SK Foods Co., Ltd. became a consolidated subsidiary, and has therefore been excluded from the scope of the equity method from the fiscal year ended March 31, 2006.

(3) The financial statements for the accounting period of the company concerned are used in the cases of those equity-method subsidiaries and affiliates whose accounting period differs from the consolidated accounting period.

3. Accounting periods of consolidated subsidiaries

The consolidated subsidiaries listed below have accounting periods that differ from the consolidated accounting period. Since the year-end of each of these companies is within three months of the consolidated year-end, the current financial statements at the year-end of each consolidated subsidiary are used. However, necessary adjustments are made for material transactions that occurred during the period between the subsidiary's year-end and the consolidated year-end.

Company name	Year-end
Rogers Foods Ltd.	January 31
Thai Nisshin Seifun Co., Ltd. and 11 others	December 31

4. Significant accounting principles

(1) Valuation standards and methodology for material assets

a. Securities

Held-to-maturity debt securities are stated at amortized cost.

Other securities:

Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).

Securities with no readily determinable market value are stated at cost, with cost being determined by the moving average method.

b. Derivatives:

Derivative financial instruments are stated at fair market value.

c. Inventories:

Flour and bran are stated at the lower of cost or market, cost being determined by the retail cost method; other products are stated at the lower of cost or market, cost being determined by the periodic average method.

Raw materials are stated at cost, with cost being determined by the moving average method.

(2) Depreciation methods for material depreciable assets

a. Tangible fixed assets

Depreciation on tangible fixed assets owned by the parent company and domestic consolidated subsidiaries is computed principally by the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998. Foreign consolidated subsidiaries generally use the straight-line method.

b. Intangible fixed assets

Depreciation is computed by the straight-line method. Software used in-house is depreciated over its estimated useful life (five years) based on the straight-line method.

(3) Basis of material allowances

a. Allowance for doubtful accounts

The parent company and domestic consolidated subsidiaries provide for possible credit losses stemming from trade notes and accounts receivable. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific dubious accounts. Specific claims are generally deemed irrecoverable in the case of foreign consolidated subsidiaries.

b. Allowance for employees' retirement benefits

The parent company and domestic consolidated subsidiaries provide for employees' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at the consolidated fiscal year-end. Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees expected to receive pension benefits as of the consolidated fiscal year-end. Actuarial differences are amortized on a straight-line basis from the following fiscal year over a period equaling the average remaining service period of employees expected to receive pension benefits as of the consolidated fiscal year-end.

c. Allowance for directors' retirement benefits

Eight domestic consolidated subsidiaries provide for the payment of retirement benefits to directors in accordance with internal regulations, based on projected benefits as of the fiscal year-end.

(Additional information)

During the fiscal year ended March 31, 2006, the parent company and seven consolidated subsidiaries abolished the directors' retirement benefit system. With regard to reappointed directors, it was determined that retirement benefits applicable to the period in office up to the end of the Ordinary General Meeting of Shareholders held in June 2005, would be paid upon retirement. These unpaid retirement benefits have been reclassified under other non-current liabilities in the consolidated balance sheet.

(4) Significant lease transactions

Finance leases other than those that transfer ownership of the leased assets to the lessee are accounted for using the same methods as those used for ordinary lease transactions.

(5) Significant hedging transactions

a. Basis of accounting

Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any financial claims denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.

b. Hedging methods

The Company uses derivative transactions (including forward exchange contracts and currency call options) to hedge currency risk exposure for all planned trading transactions that are denominated in foreign currencies.

c. Hedging policy

The Company employs derivative financial instruments purely to manage fluctuations in foreign currency exchange rates. Company policy prohibits the use of derivative financial instruments for trading purposes.

d. Hedging evaluation

Since hedging methods and the target of each hedging transaction share the same conditions that apply at the start of hedging activities and throughout subsequent periods, the Company's hedging approach enables exchange rate fluctuations to be offset completely. Hence, the Company considers its hedging method to be highly effective.

(6) Consumption tax

All accounting transactions are booked exclusive of any national or local consumption taxes.

5. Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are stated at fair value using the partial fair value method.

6. Amortization of consolidated adjustment account

Consolidated account adjustments are amortized in equal amounts over five years from the date of accrual. However, small sums are amortized on a lump-sum basis in the fiscal year in which the adjustment arises.

7. Appropriation of retained earnings

The Consolidated Statements of Retained Earnings are prepared based on the distribution of profits as determined by consolidated subsidiaries during the fiscal year in question.

8. Cash and cash equivalents

Cash and cash equivalents as stated in the Consolidated Statements of Cash Flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

<Change in accounting policy>

(Accounting standards relating to impairment of fixed assets)

From the fiscal year ended March 31, 2006, the Company adopted the following accounting standards for impairment of fixed assets: "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets," (Business Accounting Council, August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan, October 31, 2003, Financial Accounting Standard Implementation Guidance No. 6). The adoption of these standards had no impact on operating results.

Notes to Consolidated Financial Statements

(Consolidated Balance Sheets)

1. All amounts have been rounded down to the nearest million yen.

2. Accumulated depreciation of tangible fixed assets

FY 2005	FY 2006
¥184,991 million	¥192,618 million

3. Value of land acquired through exchange, less accelerated depreciation

FY 2005	FY 2006
¥1,156 million	¥– million

4. Accumulated accelerated depreciation of tangible fixed assets purchased with government subsidy

Accelerated depreciation of tangible fixed assets acquired during consolidated accounting period

FY 2005	FY 2006
¥103 million	¥– million

Accumulated accelerated depreciation of tangible fixed assets

FY 2005	FY 2006
¥264 million	¥264 million

5. Amounts corresponding to non-consolidated subsidiaries and affiliates are as follows.

Investments in securities

FY 2005	FY 2006
¥17,864 million	¥18,153 million

Others

FY 2005	FY 2006
¥– million	¥120 million

6. Assets pledged as collateral

Buildings and structures

FY 2005	FY 2006
¥1,320 million	¥1,381 million

Machinery and equipment

FY 2005	FY 2006
¥828 million	¥784 million

Land

FY 2005	FY 2006
¥92 million	¥92 million

7. Warranty liabilities

FY 2005	FY 2006
¥879 million	¥1,008 million

8. Shares issued and outstanding

Common stock

FY 2005	FY 2006
233,214,044 shares	256,535,448 shares

9. Treasury common stock owned by consolidated subsidiaries, equity-method affiliates and non-consolidated subsidiaries accounted for by the equity method

Common stock

FY 2005	FY 2006
2,026,551 shares	3,800,400 shares

(Consolidated Statements of Income)

1. All amounts have been rounded down to the nearest million yen.

(Consolidated Statements of Cash Flows)

1. All amounts have been rounded down to the nearest million yen.

2. The reconciliation between year-end balance of cash and cash equivalents and amounts stated in Consolidated Statements of Cash Flows is as follows.

(Millions of yen)

	FY 2005	FY 2006
Cash on hand and in banks	54,065	50,111
Marketable securities	6,783	14,339
Total	60,849	64,450
Fixed deposits with periods greater than three months	(18)	(8,307)
Bonds with redemption periods greater than three months at time of purchase	(6,783)	(13,339)
Balance of cash and cash equivalents at end of year	54,047	42,803

a. Segment information

(1) Business Segment Information

Year Ended March 31, 2005

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
I. Net Sales and Operating Income						
Net sales						
(1) Net sales to external customers	154,888	218,529	42,804	416,222	–	416,222
(2) Internal sales and transfers	19,211	764	2,326	22,301	(22,301)	–
Total	174,099	219,294	45,130	438,524	(22,301)	416,222
Cost and Expenses	163,127	211,311	40,096	414,535	(21,209)	393,326
Operating Income	10,972	7,982	5,034	23,988	(1,092)	22,896
II. Assets, Depreciation and Amortization, and Capital Expenditure:						
Assets	112,774	132,595	53,821	299,190	73,778	372,968
Depreciation and amortization	5,601	5,377	903	11,883	(200)	11,682
Capital expenditure	7,077	6,138	1,991	15,207	(146)	15,061

Year Ended March 31, 2006

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Eliminations / Corporate	Consolidated
I. Net Sales and Operating Income						
Net sales						
(1) Net sales to external customers	153,850	221,571	45,938	421,359	–	421,359
(2) Internal sales and transfers	17,984	908	2,514	21,407	(21,407)	–
Total	171,834	222,479	48,452	442,767	(21,407)	421,359
Cost and Expenses	161,073	215,127	43,545	419,746	(20,556)	399,189
Operating Income	10,760	7,352	4,907	23,020	(850)	22,169
II. Assets, Depreciation and Amortization, and Capital Expenditure:						
Assets	112,187	140,451	52,228	304,868	95,031	399,899
Depreciation and amortization	5,646	5,528	1,022	12,197	(204)	11,993
Capital expenditure	6,236	5,680	2,454	14,371	(213)	14,158

Notes:

1. Business segments were determined by considering similarities between product types.
2. Primary products for each business segment:
   - Flour Milling: Flour, bran
   - Processed Food: Prepared mix, flour for consumer use, pasta, pasta sauce, frozen food, chilled food, cake and bread ingredients, biochemical products, life science business, healthcare foods
   - Others: Pet food, engineering, mesh cloths, transport and storage
3. Corporate assets included in the eliminations/corporate category were ¥81,869 million in FY2005 and ¥104,580 million in FY2006. The majority of the assets are held by the parent company as surplus funds (cash and marketable securities) and investments in securities.

(2) Geographical segment information

Because both sales and assets of the domestic segment account for more than 90% of the total sales and assets of all segments, geographical segment information is omitted.

(3) Overseas sales

Because overseas sales account for less than 10% of the consolidated net sales, overseas sales are omitted.

b. Securities

1. Held-to-maturity debt securities with readily determinable market value

(Millions of yen)

	As of March 31, 2005			As of March 31, 2006		
	Carrying amount	Fair market value	Difference	Carrying amount	Fair market value	Difference
Securities carrying unrealized gains on consolidated balance sheet:						
1. Government and municipal bonds	–	–	–	–	–	–
2. Corporate bonds	700	704	4	400	400	0
3. Other	–	–	–	–	–	–
Subtotal	700	704	4	400	400	0
Securities carrying unrealized losses on consolidated balance sheet:						
1. Government and municipal bonds	–	–	–	–	–	–
2. Corporate bonds	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Total	700	704	4	400	400	0

2. Other securities with no readily determinable market value

(Millions of yen)

	As of March 31, 2005			As of March 31, 2006		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Securities carrying unrealized gains on consolidated balance sheet:						
1. Equity securities	8,044	53,567	45,522	8,138	77,633	69,494
2. Debt securities:						
Government and municipal bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	8,044	53,567	45,522	8,138	77,633	69,494
Securities carrying unrealized losses on consolidated balance sheet:						
1. Equity securities						
2. Debt securities:	297	220	(77)	251	210	(41)
Government and municipal bonds	–	–	–	6,004	6,000	(3)
Corporate bonds	7,496	7,491	(5)	7,942	7,938	(4)
Other	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	7,794	7,711	(83)	14,198	14,149	(48)
Total	15,839	61,278	45,439	22,336	91,783	69,446

3. Other securities sold during fiscal year

(Millions of yen)

Fiscal Year Ended March 31, 2005			Fiscal Year Ended March 31, 2006		
Sales amount	Total gain on sales	Total loss on sale	Sales amount	Total gain on sales	Total loss on sale
1,525	1,387	–	1,005	472	–

4. Principal securities not carried at market value

(Millions of yen)

	As of March 31, 2005	As of March 31, 2006
	Carrying amount	Carrying amount
Other securities:		
Non-listed equity securities (except JASDAQ shares)	5,210	5,372

5. Projected redemption value of held-to-maturity debt securities within other securities

(Millions of yen)

	As of March 31, 2005		As of March 31, 2006	
	Within 1 year	Within 1–5 years	Within 1 year	Within 1–5 years
Debt securities:				
Government and municipal bonds	–	–	6,000	–
Corporate bonds	7,713	400	8,300	–
Other	–	–	–	–
Total	7,713	400	14,300	–

c. Tax effect accounting

The principal components of deferred tax assets and deferred tax liabilities are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2006 (As of March 31, 2006)
Deferred tax assets:	
Allowance for employees’ retirement benefits	7,395
Allowance for bonuses	1,771
Investments in securities	989
Accrued sales incentives	962
Unrealized gains on fixed assets	892
Accrued enterprise tax	416
Depreciation and amortization	394
Accrued directors’ retirement benefits	386
Allowance for repairs	340
Unrealized gains on inventories	299
Other	2,247
Deferred tax assets subtotal	16,099
Offsetting of deferred tax assets and deferred tax liabilities	(9,173)
Net deferred tax assets	6,925
Valuation allowance	(59)
Total deferred tax assets	6,865
Deferred tax liabilities:	
Unrealized gains on other securities	(28,198)
Reserve for accelerated depreciation on fixed assets	(2,414)
Other	(269)
Deferred tax liabilities subtotal	(30,882)
Offsetting of deferred tax assets and deferred tax liabilities	9,173
Net deferred tax liabilities	(21,708)

The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is as follows.

	Fiscal year ended March 31, 2006 (As of March 31, 2006)
Statutory effective tax rate	40.6%
(Adjustments)	
Equity in earnings of subsidiaries and affiliated companies	(2.4)
Corporate income tax deductions	(1.9)
Dividend and other income not counted for tax purposes	(0.3)
Entertainment and other expenses not deductible for tax purposes	2.0
Other	0.0
Effective tax rate after application of tax effect accounting	38.0%

d. Retirement benefits

1. Outline of retirement benefit plans

The parent company and domestic consolidated subsidiaries primarily provide a tax-qualified pension plan together with a lump-sum retirement benefit plan. The parent company and some domestic consolidated subsidiaries have also established a retirement benefit trust. In some cases, employees leaving the Company may receive an additional severance payment beyond that computed on the basis of the actuarial retirement benefit calculated using the relevant accounting standard.

2. Retirement benefit obligation

	As of March 31, 2005 (Millions of yen)	As of March 31, 2006 (Millions of yen)
(A) Retirement benefit obligation	(50,453)	(49,868)
(B) Pension plan assets	32,610	38,834
(C) Unfunded retirement benefit obligation [(A) + (B)]	(17,843)	(11,033)
(D) Unrecognized actuarial differences	5,864	1,188
(E) Unrecognized prior service cost	(2,924)	(2,725)
(F) Net amount recorded on consolidated balance sheet [(C) + (D) + (E)]	(14,902)	(12,571)
(G) Prepaid pension costs	26	42
Accrued employees' retirement benefits [(F) – (G)]	(14,928)	(12,614)

Notes: 1. Certain subsidiaries adopt a simplified method for calculating retirement benefit obligation.

2. Following downward revisions to the expected rate of return on pension plan assets and the pension benefit ratios for the tax-qualified pension plan effective January 1, 2005, the parent company and some domestic consolidated subsidiaries recognized a decrease in prior service cost.

3. Retirement benefit expense

	Fiscal Year Ended March 31, 2005 (Millions of yen)	Fiscal Year Ended March 31, 2006 (Millions of yen)
(A) Service cost	1,690	1,597
(B) Interest cost	1,200	1,150
(C) Expected return on pension plan assets	(727)	(774)
(D) Amortization of actuarial differences	460	502
(E) Amortization of prior service cost	(49)	(198)
(F) Retirement benefit expense [(A) + (B) + (C) + (D) + (E)]	2,575	2,278

Note: Retirement benefit expense incurred by consolidated subsidiaries that adopt simplified pension accounting methodology is recorded under "(A) Service cost."

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4. Assumptions used in retirement benefit obligation calculations

	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006
(A) Method adopted for periodic distribution of projected retirement benefits	Equal amounts per period	Equal amounts per period
(B) Discount rate	Principally 2.5%	Principally 2.5%
(C) Expected rate of return on pension plan assets	Principally 2.5%	Principally 2.5%
(D) Amortization period for actuarial differences*1	Principally 15 years	Principally 15 years
(E) Amortization period for prior service cost*2	15 years	15 years

Notes: 1. Actuarial differences are amortized on a straight-line basis from the following fiscal year based on the average remaining service period of employees expected to receive pension benefits as of the consolidated fiscal year-end.

2. Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees expected to receive pension benefits as of the consolidated fiscal year-end.

e. Per share information

(Yen)

<table>
<tr><th>Fiscal Year Ended March 31, 2005</th><th>Fiscal Year Ended March 31, 2006</th></tr>
<tr><td>Net assets per share 1042.92
Net income per share 58.06
Fully diluted net income per share 58.00</td><td>Net assets per share 1,046.00
Net income per share 52.80
Fully diluted net income per share 52.77</td></tr>
<tr><td>By resolution of the meeting of the Board of Directors held on May 12, 2005, the Company plans to undertake a 1.1 for 1 common stock split on November 18, 2005.
Per share information if this stock split had been conducted at the beginning of the fiscal years ended March 31, 2004 and March 31, 2005 is as follows:
<table><tr><td>Fiscal year ended March 31, 2004</td><td>Fiscal year ended March 31, 2005</td></tr><tr><td>Net assets per share
¥905.99
Net income per share
¥44.69
Fully diluted net income per share
¥44.69</td><td>Net assets per share
¥948.11
Net income per share
¥52.79
Fully diluted net income per share
¥52.73</td></tr></table></td><td>On November 18, 2005, the Company undertook a 1.1 for 1 common stock split.
Assuming that the stock split had taken place at the beginning of the previous fiscal period, the per share information for the year ended March 31, 2005, would be as follows:

Net assets per share ¥948.11
Net income per share ¥52.79
Fully diluted net income per share ¥52.73</td></tr>
</table>

(Note) The basis of calculation for net income per share and fully diluted net income per share

Item	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006
Net income, as stated on Statements of Income (millions of yen)	13,597	13,541
Main components of amounts not attributable to owners of common stock (millions of yen) Bonuses to directors	172	175
Net income associated with common stock (millions of yen)	13,425	13,366
Average number of shares of common stock during fiscal year (shares)	231,210,789	253,143,692
Main components of adjustment to net income used in calculation of fully diluted net income per share (millions of yen) Interest income (after relevant deductions of tax)	(9)	−
Adjustment to net income (millions of yen)	(9)	−
Main components of increase in number of shares of common stock used in calculation of fully diluted net income per share (shares) New share subscription rights	86,901	137,735
Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect	—	One issue of convertible bonds issued by affiliate

f. Transactions with related parties

No significant transactions with related parties occurred.

g. Lease transactions and derivative transactions

Due to prior detailed disclosure using electronic processes, the Company has omitted this information in accordance with the provisions of Article 27, Paragraph 30 (6) of the Securities and Exchange Law.

h. Subsequent events

<table>
<tr><th>Fiscal year ended March 31, 2005</th><th>Fiscal year ended March 31, 2006</th></tr>
<tr><td>(Stock split)
By resolution of the meeting of the Board of Directors held on May 12, 2005, the Company plans to undertake a 1.1 for 1 common stock split on Friday, November 18, 2005, as part of efforts to increase returns to shareholders and to boost the liquidity of the Company’s shares.
(1) Increase in number of shares due to stock split
The increase shall equal 10% of the total number of shares of common stock outstanding as of the close of trading on Friday, September 30, 2005. Any fractional shares thus created shall be rounded off.
(2) Method of stock split
All shareholders and beneficial owners of record as of the close of trading on Friday, September 30, 2005 shall receive 1.1 shares for each registered share. Shareholders shall be paid cash in lieu of any fractional shares thus created.
(3) Initial date of reckoning for dividend purposes
The initial date of reckoning for dividend purposes for new shares created through the stock split shall be Saturday, October 1, 2005.
(4) Any other matters pursuant to this stock split shall be resolved at the next meeting of the Board of Directors.

Per share information if this stock split had been conducted at the beginning of the fiscal years ended March 31, 2004 and March 31, 2005 is as follows:

<table>
<tr><th>Fiscal year ended March 31, 2004</th><th>Fiscal year ended March 31, 2005</th></tr>
<tr><td>Net assets per share
¥905.99
Net income per share
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Fully diluted net income per share
¥44.69</td><td>Net assets per share
¥948.11
Net income per share
¥52.79
Fully diluted net income per share
¥52.73</td></tr>
</table>
</td><td>—</td></tr>
</table>

V. Status of Production, Orders Received and Sales

(1) Production

Production by business segments is as follows.

(Millions of yen)

Name of business segment	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Change (%)
Flour milling	144,080	143,626	(0.3)
Processed food	108,815	111,718	2.7
Others	17,277	19,098	10.5
Total	270,173	274,444	1.6

Notes:

1. The above monetary values were calculated using average sales values during the period under review. Inter-segment transactions are eliminated.
2. The values listed above do not include consumption taxes.

(2) Orders Received

The Company does not produce a significant volume based on orders and description is omitted.

(3) Sales

Sales by business segment are as follows.

(Millions of yen)

Name of business segment	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Change (%)
Flour milling	154,888	153,850	(0.7)
Processed food	218,529	221,571	1.4
Others	42,804	45,938	7.3
Total	416,222	421,359	1.2

Notes:

1. Inter-segment transactions are eliminated.
2. The values listed above do not include consumption taxes.