Disclaimer: This is a Japanese-English translation of the summary of financial statements of the company produced for your convenience. Since no auditor audited this report, officially only the Japanese version is assumed to be the summary of financial statements of the company. This summary does not constitute any guarantee and will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

Summary of Financial Statements for the Year Ended March 31, 2007

May 11, 2007

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange and Osaka Securities Exchange
Securities Code: 2002 URL: http://www.nisshin.com.
Representative: Hiroshi Hasegawa, President
Contact: Izumi Inagaki, General Manager of Public Communications Department, General Administration Division
Tel.: +81-3-5282-6650
Date to hold the Ordinary General Meeting of Shareholders to approve results: June 27, 2007 Date to start distributing dividends: June 28, 2007
Date to submit the Securities Report: June 27, 2007

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Year Ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(1) Consolidated Business Results (The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	418,190	(0.8)	19,184	(13.5)	22,815	(7.9)
2006	421,359	1.2	22,169	(3.2)	24,774	(1.4)

	Net income		Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
2007	12,303	(9.1)	48.66	48.63	4.6	5.6	4.6
2006	13,541	(0.4)	52.80	52.77	5.4	6.4	5.3

(Reference) Equity in earnings of subsidiaries and affiliated companies: FY2007: ¥1,574 million; FY2006: ¥1,505 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2007	408,437	300,306	66.3	1,069.71
2006	399,899	264,535	66.2	1,046.00

(Reference) Equity capital: FY2007: ¥270,974 million; FY2006: ¥ — million.

(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
2007	17,469	(6,961)	(5,225)	48,452
2006	21,054	(25,297)	(7,274)	42,803

2. Dividends

	Dividend per share			Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
(Record date)	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
2006	7.00	11.00	18.00	4,397	32.9	1.7
2007	9.00	9.00	18.00	4,560	37.0	1.7
2008 (forecast)	9.00	9.00	18.00	–	38.0	–

Notes: 1. On November 18, 2005, the company undertook a 1.1-for-1 common stock split.
2. Assuming that the stock split had taken place at the beginning of the previous fiscal period, the annual dividend per share for FY2006 would be ¥17.36, based on which the corresponding payout ratio is calculated.

3. Forecasts of Consolidated Business Results for the Year Ending March 31, 2008 (April 1, 2007 to March 31, 2008)

(The full-year percentages indicate the rates of increase or decrease compared with the preceding fiscal year; the mid-term percentages are comparisons with the interim period of the preceding fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	212,000	2.0	8,300	(7.4)	10,500	(3.9)	6,500	20.4	25.66
Full year	430,000	2.8	19,000	(1.0)	22,600	(0.9)	12,000	(2.5)	47.37

4. Other Information

(1) Any change in important subsidiaries involving a change in the scope of consolidation during the year: None

(2) Any changes in accounting policies and procedures and/or the method of presentation for preparing consolidated financial statements (as stated in the "Changes in Basis of Presentation of Consolidated Financial Statements")

1. Changes associated with the revision of accounting standards: Yes
2. Changes other than the above: None

Note: For details, see page 29, "Changes in Basis of Presentation of Consolidated Financial Statements."

(3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding as of the year-end (including treasury shares): FY2007: 256,535,448 FY2006: 256,535,448
2. Number of treasury shares as of the year-end: FY2007: 3,220,188 FY2006: 3,800,400

Note: For the number of shares based on which to compute consolidated net income per share, see page 39, "Per Share Information."

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(1) Non-Consolidated Business Results (The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	22,246	6.2	10,930	9.9	12,480	14.7	13,312	20.3
2006	20,940	9.4	9,947	24.8	10,881	21.6	11,068	17.8

	Net income per share	Diluted net income per share
	Yen	Yen
2007	52.56	52.53
2006	43.42	43.40

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2007	242,434	217,245	89.6	857.38
2006	235,548	209,621	89.0	827.55

(Reference) Equity capital: FY2007: ¥217,245 million; FY2006: ¥ — million.

2. Forecasts of Non-Consolidated Business Results for the Year Ending March 31, 2008 (April 1, 2007 to March 31, 2008)

(The full-year percentages indicate the rates of increase or decrease compared with the preceding fiscal year; the mid-term percentages are comparisons with the interim period of the preceding fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	13,000	(21.1)	7,100	(35.1)	8,400	(29.4)	9,400	(17.9)	37.10
Full year	18,500	(16.8)	6,200	(43.3)	8,200	(34.3)	9,800	(26.4)	38.68

Decreases in net sales, and operating, ordinary and net income are forecast for the year ending March 31, 2008, but with little impact on the consolidated business results. That is because the company is a holdings company and much of the decreases will be canceled out by consolidated accounting.

*Statement regarding the proper use of financial forecasts and other special remarks

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. For details of assumptions for financial forecasts and other related matters, see pages 5–7.

1. Business Performance

(1) Analysis of Business Performance

① Overview of the Period Under Review

During the period under review, individual businesses worked to increase shipments by actively advancing sales promotion activities and new market development, and also continued cost-cutting efforts. Despite that, however, the healthcare foods business saw its performance dip as excessive supplies of coenzyme Q_{10}, its main product, led to lower prices, which in turn caused shipments to fall. The slow development of the prepared dishes and other prepared foods business, and investments in improvement measures combined with sales promotion expenditures aimed at expanding market share for the flour milling and processed food businesses, and costs inflated by factors like high oil prices, high grain prices, and yen depreciation caused consolidated results to fall below levels reported for last year.

As a result of the above, net sales decreased 0.8% compared with the previous year, to ¥418,190 million, ordinary income fell 7.9%, to ¥22,815 million, and net income fell 9.1%, to ¥12,303 million.

【Business Overview by Segment】

(1) Flour Milling Segment

In the face of difficult business conditions including lower demand in the domestic wheat flour market than last year and an ongoing demand shift toward lower-priced products, the flour milling business boosted shipments above last year's level by moving ahead with relationship-based marketing with business partners and pursuing clearly targeted sales promotion measures.

In production and distribution, construction of an automatic rack warehouse was completed in May 2006 at the Higashinada Plant and efforts were made to improve operational efficiency and cost competitiveness. In the area of reliability and safety, the Tsurumi Plant underwent an AIB audit (a hygiene management tool used in the U.S.) in March 2007 and became the second of the company's plants, after the Chita Plant, to receive a "Superior" rating, the highest possible AIB audit rating. Through this and other measures, the company has worked to further strengthen and enhance its quality management system.

The price of bran, a by-product, rose steadily compared to last year's levels.

Overseas, Rogers Foods Ltd. in Canada gradually increased its operating rate and worked to boost shipments. Meanwhile, in Thailand, active business measures were pursued and efforts were made to increase shipments.

As a result, the Flour Milling Segment's sales increased 0.6%, to ¥154,722 million, but factors like a negative shift in shipment structure caused operating income to decrease 9.5%, to ¥9,740 million.

(2) Processed Food Segment

The processed food business faced the ongoing demand weakness plaguing the entire processed food industry, and also had to deal with difficult conditions caused by sharply higher raw material prices and unfavorable foreign exchange movements. Despite that, however, aggressive sales promotion activities resulted in shipments of products including pasta, pasta sauce, *okonomiyaki* flour, hotcakes, fry batter flour, and frozen foods that exceeded results for last year. Additionally, in February of this year, the company introduced 26 new products and 14 updated products in home-use-room-temperature foods, and 7 new products and 1 updated product in home-use-frozen foods. Particularly noteworthy developments included efforts to develop new customer segments through initiatives like introduction of the new *Naturart* brand, which uses organic ingredients. In the prepared dishes and other prepared foods business, growth has been slow, but plant operation reforms and other improvements are steadily being implemented. As new initiatives, active business development activities, like the opening of *Premium Wa-Sozai Hyakuwan* stores featuring JAS-certified organic vegetables and other select ingredients, were undertaken. Regarding reliability and safety initiatives, quality assurance systems were further strengthened following the company's introduction of the positive list system for agricultural chemical residues in foods last May. In the overseas business, the production capacity increase achieved with the startup of a new prepared mix plant in China last December was just one example of steady business expansion efforts at company facilities in North America, Thailand, and China, leading to steady growth in shipments.

In the yeast and biotechnology business, new products were actively proposed to customers. In the yeast business, greater sales of mainstay yeast, flour paste, and other bread-making ingredients, as well as mineral yeasts used mainly as healthcare food ingredients resulted in higher year-on-year sales. Meanwhile, in the biotechnology-related business, custom testing, husbandry, and other research support operations grew steadily. However, bio-nutritional products and feed had an off year and, as a result, sales came in below results for last year.

The healthcare foods business saw significant declines in sales of both ingredients and consumer products from last year due to a change in the demand-supply balance, which was caused by the passing of the boom in demand for the mainstay coenzyme Q_{10} product and the increase of production facilities by other companies. Amid these conditions, new consumer products programs were embarked upon and new products were introduced to boost earnings. New products sold only by mail-order included the *WGH Pro* sports supplement for athletes, which was launched in September 2006, and the new *rachic Diet* brand of diet foods, launched in December 2006. New products introduced in stores included *Refreline* launched in October 2006 and *Miwaku Supli* and *icrystal*, both of which were introduced in March 2007.

As a result of the above, there was a sales decline of 0.5% to ¥220,545 million and operating income decrease of 28.2%, to ¥5,278 million in the Processed Food Segment. This was primarily caused by weak performance in the healthcare foods business.

<u>(3) Others Segment</u>

Facing difficult conditions caused by sudden rises in ingredient prices, the pet food business worked to increase sales by introducing the *Carat Watashi-wa* cat food series and *Healthy Label* dog food in September 2006 and launching the industry's first dog food with soup, *Run Meal Mix with Savory Soup*, in March 2007. Sales of both cat and dog products surpassed results for last year. The line of *JP-Style* premium dog products was enhanced to meet broad customer needs, and targeted PR activities were pursued in an effort to expand brand awareness.

Regarding the engineering business, sales fell significantly from last year as plant-engineering-related industries pulled back from last year's high level of capital investment, and large contract completions fell back from last year’s extraordinarily high level.

In the mesh cloths business, both domestic and overseas sales of mainstay mesh cloths for screen-printing applications hovered around last year’s levels, as forming filters saw steady growth in sales of automotive filters and industrial-use mesh cloths recorded significantly higher sales, driving overall results above those of last year.

As a result, sales for the others segment decreased 6.6% to ¥42,922 million and operating income fell 3.9%, to ¥4,714 million, primarily due to the fall back from last year’s high level of contract completions in the engineering business.

② Business Outlook

The change in the depreciation system will impact earnings, but earnings will bottom out in the first half of fiscal year 2008 and steps are being taken to put earnings back on a growth path. Domestically, the company will work to secure earnings commensurate with procurement costs in order to counter costs driven upward primarily by high oil prices and yen depreciation. At the same time, it will increase productivity and gain greater market shares in its mainstay flour milling and processed food businesses. Improvement measures will be undertaken and sales will be expanded for the prepared dishes and other prepared foods business, revisions of the production and sales systems will be pushed forward in the healthcare foods business, and development of consumer products will be accelerated. Overseas, cost and sales competitiveness will be enhanced in North America, Southeast Asia, and China.

(1) Flour Milling Segment

In the flour milling business, the company will further strengthen customer relationships through, for example, product development and sales promotion recommendations that swiftly and accurately read market changes and needs following in the wake of market deregulation, and will work to increase shipments and secure profits. In the areas of production and distribution, the company will move forward with steps anticipating the 2008 startup of the Higashinada Plant’s new lines, increase productivity in preparation for market deregulation, and establish an operating base that will garner greater market share.

With the April 2007 implementation of the revised Law for Stabilization of Supply, Demand and Prices of Staple Food, the government introduced a variable wheat sales price system and the government’s prices for imported wheat rose, by an average of 1.3%, for the first time in 24 years. In response, the company revised its prices for commercial wheat flour in May and will continue to reflect wheat price revisions, which are scheduled to take place twice a year for the foreseeable future.

In overseas operations, the company will push forward with efforts to enhance cost and sales competitiveness in North America, work toward increasing shipments of wheat flour into the Chinese market, from Thailand, and take other steps to advance its Pacific Rim strategy.

(2) Processed Food Segment

For the processed food business, the company, as a “mealtime solution provider,” will promote development of new brands based on the concepts of true simplicity and good health, enhance offerings under its market-leading *Ma•Ma* brand and other brands, and work to increase productivity. In the prepared dishes and other prepared foods business, improvement measures will be steadily implemented and efforts will be made to increase sales at department stores, volume retailers, and other retail outlets through measures like the development of menus using JAS-certified organic vegetables. Overseas business development will focus on further Pacific Rim business expansion with measures such as increasing sales at the Chinese prepared mix operation, which has just started up a new plant.

In the yeast business, efforts will be made to increase sales by promoting new measures like working with customers to jointly develop new products. In the biotechnology-related business, the company will aim to achieve even greater growth by using partnerships with foreign companies and other means to expand analysis operations and by accelerating new product development at the Bio-Innovation Center.

In the healthcare foods business, expectations are that difficult market conditions for the mainstay coenzyme Q_{10} raw materials will persist, so production and sales systems will be revised. The company will also strengthen sales to deepen market penetration for the series of new products introduced last fall for both retail-store and mail-order sales distribution.

(3) Others Segment

In the pet food business, the company will apply the advantages it enjoys as a domestic manufacturer to expand its product line by developing new dog and cat food products differentiated by reliability and safety, and good nutrition. It will also move forward with aggressive sales activities.

In the engineering business, the company will secure orders for mainstay plant engineering services, and expand sales in the powder processing field by applying technical capabilities such as those that resulted in the successful development of alloy nanoparticles with radio-frequency thermal plasma.

Meanwhile, in the mesh cloths business, the company will aggressively develop overseas markets, strengthen domestic sales capabilities, and push ahead with introductions of new products in high value-added product markets through measures such as enhancing the R&D system.

As a result of these measures, the company is forecasting a 2.8% increase in net sales to ¥430,000 million, a 0.9% decrease in ordinary income to ¥22,600 million, and a 2.5% decrease in net income to ¥12,000 million. The lower amounts of ordinary and net income are expected to result from the change in the depreciation system.

(2) Analysis on Financial Position

1. Overview of the Period Under Review

Cash flow from operating activities

Income before income taxes and minority interests amounted to ¥24,044 million and depreciation and amortization amounted to ¥12,565 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 ¥17,469 million.

Cash flow from investing activities

Capital investments to extend and upgrade production capacity amounted to ¥14,096 million, while proceeds from the maturity and repayment of time deposits with terms exceeding three months and marketable securities exceeded payments for such time deposits and purchases of marketable securities by ¥8,510 million. As a result, net cash used in investing activities was ¥6,961 million.

Free cash flow, the sum of cash flow provided by operating and investing activities, amounted to an outflow of ¥10,507 million in the year ended March 31, 2007.

Cash flow from financing activities

Payment of dividends was among the factors that resulted in net cash used in financing activities of ¥5,225 million.

As detailed above, the cash inflow from consolidated operating activities in the fiscal year ended March 31, 2007 was allocated to strategic capital spending in excess of depreciation and increased returns to shareholders. There was an increase in funds earmarked for future strategic investments, which are invested in time deposits with terms exceeding three months, marketable securities, and similar investments to raise the efficiency of cash in hand utilization, because proceeds from the maturity and repayment of these investments exceeded payments for the deposit and purchase thereof. As of March 31, 2007, consolidated cash and cash equivalents totaled ¥48,452 million, an increase of ¥5,648 million from the previous fiscal year-end.

2. Business Outlook

The company forecasts an increase in cash due to net income of ¥12.0 billion in the year ending March 31, 2008. The company expects to use this cash for capital spending in excess of depreciation and the distribution of earnings to shareholders. As a result, the balance of consolidated cash and cash equivalents at March 31, 2008 are forecast to remain around the same level as at March 31, 2007.

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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, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Equity ratio (%)	64.1	64.7	66.2	66.3
Market value–based equity ratio (%)	65.4	70.7	76.0	74.4
Debt repayment period (years)	0.5	0.5	0.4	0.5
Interest coverage ratio (times)	84.7	110.1	127.9	100.7

Notes:

Equity ratio = Equity capital / 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.

(3) Basic Policy on Profit Distribution and Dividends for FY2007 and FY2008

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, 2007, the company intends to maintain the same level of annual dividend as for the preceding year of ¥18 per share. Accordingly, the company will submit to the Ordinary General Meeting of Shareholders a proposal for distribution of surplus to pay a year-end dividend of ¥9 per share.

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 operates a system of special privileges for shareholders. Under this system, shareholders may request the delivery of certain products of the Nisshin Seifun Group.

Based on the above policy on profit distribution, the company plans to pay an annual dividend of ¥18 per share for the year ending March 2008, as was the case in the fiscal year ended March 2007.

(4) **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 11, 2007).

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, increased competition in the Japanese domestic market may cause shipment levels to fluctuate or prices of the company's major products to decline. Other risks include losses caused by the failure of investment or business partners.

2) Wheat policy reforms and international trade discussions

Although the Nisshin Seifun Group has undertaken structural reforms of its flour milling and processed food businesses to build a strong earnings base, these businesses remain subject to risk due to the outcome of ongoing World Trade Organization (WTO) negotiations on agriculture, and bilateral free trade agreements (FTAs) and economic partnership agreements (EPAs), as well as possible changes in the Japanese government's domestic wheat policy, which might cause serious ramifications for the domestic flour industry and the markets for secondary processed products; industry restructuring; and changes in methods of wheat procurement. As the Japanese government introduced a variable wheat sales price system for selling wheat in April 2007, the company is making the necessary responses. Continued changes in the government's wheat policy could significantly change the handling of wheat (including policies governing the government's purchase, stockpiling and sale of wheat), which may also constitute a risk factor for the company's flour milling and processed food businesses.

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 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 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, yen-euro and yen-baht)

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 food. 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.

II. Business Group Performance

Nisshin Seifun Group consists of 46 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 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 frozen and prepared dishes and also directly operates concessions in stores including department stores. 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. and Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., both of which are consolidated subsidiaries in China, manufacture prepared mix and sell it in mainland China.

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.

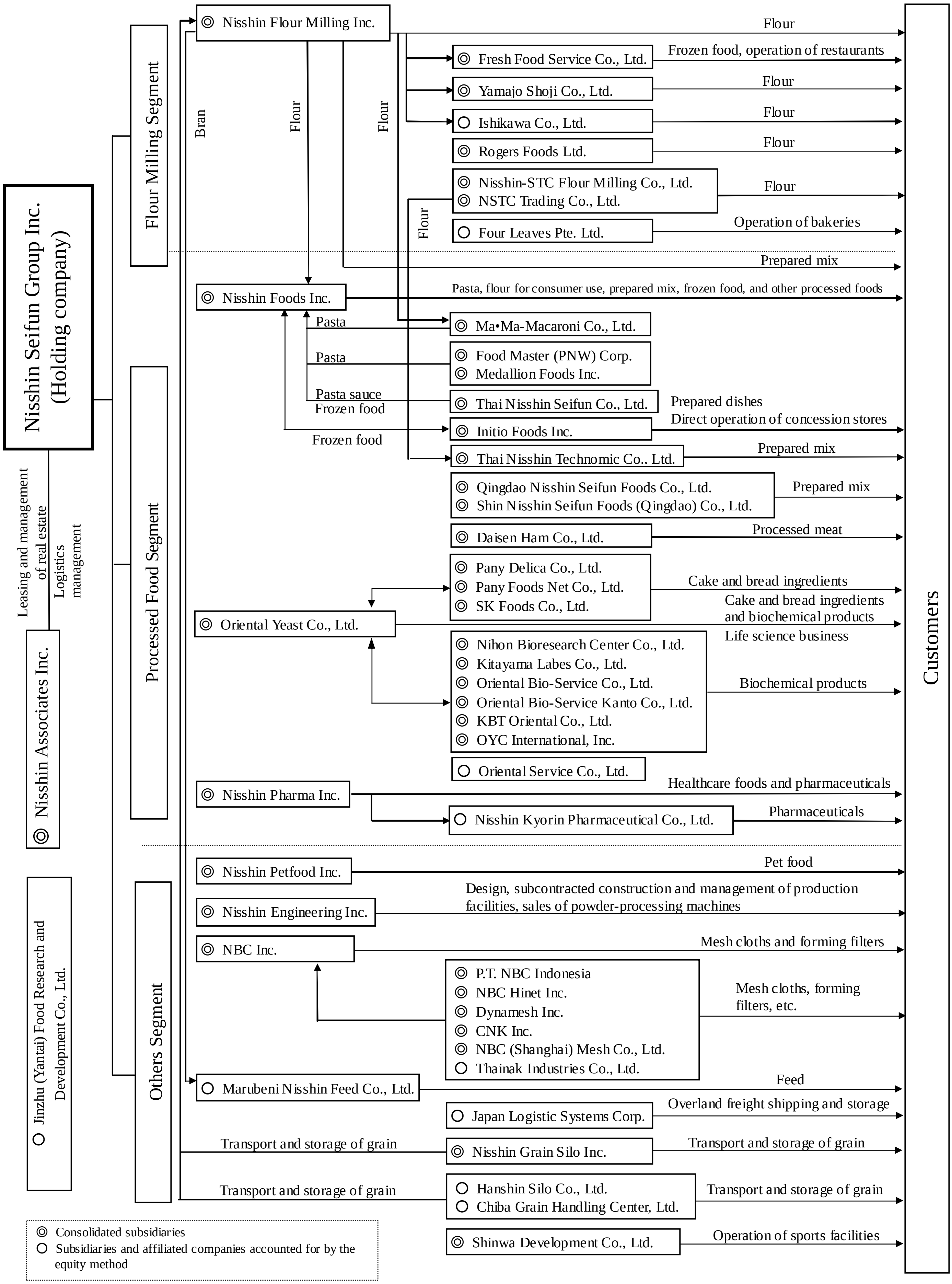
Nisshin Engineering Inc., a consolidated subsidiary, undertakes design, subcontracted construction and management of production and processing facilities for grain, food products, and chemical products. In addition, it manufactures and sells powder-processing machines and engages in powder-processing,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


Nisshin Seifun Group Inc. (Holding company)
Flour Milling Segment
Processed Food Segment
Others Segment
Leasing and management of real estate
Logistics management
◎ Nisshin Associates Inc.
○ Jinzhu (Yantai) Food Research and Development Co., Ltd.
◎ Nisshin Flour Milling Inc.
Bran
Flour
Flour
◎ Fresh Food Service Co., Ltd.
◎ Yamajo Shoji Co., Ltd.
○ Ishikawa Co., Ltd.
◎ Rogers Foods Ltd.
◎ Nisshin-STC Flour Milling Co., Ltd.
◎ NSTC Trading Co., Ltd.
○ Four Leaves Pte. Ltd.
Flour
Frozen food, operation of restaurants
Flour
Flour
Flour
Flour
Operation of bakeries
Prepared mix
◎ Nisshin Foods Inc.
Pasta, flour for consumer use, prepared mix, frozen food, and other processed foods
Pasta
◎ Ma•Ma-Macaroni Co., Ltd.
Pasta
◎ Food Master (PNW) Corp.
◎ Medallion Foods Inc.
Pasta sauce
Frozen food
◎ Thai Nisshin Seifun Co., Ltd.
Prepared dishes
Direct operation of concession stores
Frozen food
◎ Initio Foods Inc.
Flour
◎ Thai Nisshin Technomic Co., Ltd.
Prepared mix
◎ Qingdao Nisshin Seifun Foods Co., Ltd.
◎ Shin Nisshin Seifun Foods (Qingdao) Co., Ltd.
Prepared mix
◎ Daisen Ham Co., Ltd.
Processed meat
◎ Pany Delica Co., Ltd.
◎ Pany Foods Net Co., Ltd.
◎ SK Foods Co., Ltd.
Cake and bread ingredients
◎ Oriental Yeast Co., Ltd.
Cake and bread ingredients and biochemical products
Life science business
◎ 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.
Biochemical products
○ Oriental Service Co., Ltd.
◎ Nisshin Pharma Inc.
Healthcare foods and pharmaceuticals
○ Nisshin Kyorin Pharmaceutical Co., Ltd.
Pharmaceuticals
◎ Nisshin Petfood Inc.
Pet food
◎ Nisshin Engineering Inc.
Design, subcontracted construction and management of production facilities, sales of powder-processing machines
◎ NBC Inc.
Mesh cloths and forming filters
◎ P.T. NBC Indonesia
◎ NBC Hinet Inc.
◎ Dynamesh Inc.
◎ CNK Inc.
◎ NBC (Shanghai) Mesh Co., Ltd.
○ Thainak Industries Co., Ltd.
Mesh cloths, forming filters, etc.
○ Marubeni Nisshin Feed Co., Ltd.
Feed
○ Japan Logistic Systems Corp.
Overland freight shipping and storage
Transport and storage of grain
◎ Nisshin Grain Silo Inc.
Transport and storage of grain
Transport and storage of grain
○ Hanshin Silo Co., Ltd.
○ Chiba Grain Handling Center, Ltd.
Transport and storage of grain
◎ Shinwa Development Co., Ltd.
Operation of sports facilities
Customers
◎ Consolidated subsidiaries
○ Subsidiaries and affiliated companies accounted for by the equity method

Subsidiaries and Affiliates

Name	Location	Paid-in capital	Main business
Consolidated subsidiaries Nisshin Flour Milling Inc.	Chiyoda-ku, Tokyo	Millions of yen 14,875	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 frozen 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
29 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. 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 other consolidated subsidiaries.

2. 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)

III. Business Policies

(1) Basic Business Policy

Nisshin Seifun Group Inc. 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. Regarding the Nisshin Seifun Group’s business development, the primary energies driving growth will be turned toward overseas business expansion, in light of the low birth rate and aging issues facing Japan. Within Japan, attention will be focused on gaining greater market share and improving the profit structure. Furthermore, business development efforts in Japan will target remaining growth sectors, with the aim of securing high profitability. At the same time as it advances these management strategies, 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) Medium-to-Long-Term Business Strategy and Target Indicators

Changes to the depreciation system will impact the Nisshin Seifun Group’s earnings. However, earnings will bottom out in the first half of fiscal year 2007, after which results will begin to recover, and steps are being taken with the aim of pushing fiscal year 2008 ordinary income to a record high.

Domestically, the company will strive to cut costs even further and bring the resources of the entire Nisshin Seifun Group to bear in an effort to achieve earnings commensurate with rising procurement costs. The flour milling segment will gain even greater capability to deal with deregulation once the new lines at the Higashinada Plant, one of our most productive plants in Japan, are completed in fiscal year 2008, and will boost shipments significantly. The processed foods business is aiming to achieve major increases in productivity for both home-use and industrial-use products, and to accelerate the development of next-generation products. The prepared dishes and other prepared foods business will undertake improvement measures in an effort to achieve targets in original plans as soon as possible and will work to expand sales at department stores, volume retailers, and other retail outlets. Meanwhile, in the healthcare foods business, a demand-supply imbalance for coenzyme Q_{10} raw materials has resulted in ongoing market conditions that make it impossible to expect a short-term recovery, so production and sales systems will be revamped and development of consumer products will be accelerated.

Overseas, the prepared mix operation in China has started up a new plant and will strive to achieve additional sales increases as it takes new steps forward. The North American flour milling business is pushing ahead with measures to strengthen its cost and sales competitiveness, and shipments of wheat flour into the Chinese market from the Thai flour milling plant will be increased to contribute to increases in consolidated earnings.

To realize medium-to-long term growth for the Nisshin Seifun Group along with a near-term earnings recovery, productivity and market shares will be increased for the flour milling and processed food businesses, which represent the core of domestic operations, and the prepared dishes and other prepared foods business, with earnings increases over the coming two years, will be developed into a prepared foods business that has broad sales channels and is distinguished by its accumulated technical capabilities and quality assurance. Overseas operations will be positioned as the main target for growth and efforts will be directed toward accelerating business expansion. The Nisshin Seifun Group, working from a foundation of advanced production technology, will move ahead with North American and Southeast Asian expansion focused on flour milling and prepared mix operations, which are where the company can make the most of competitive advantages. In China, the company will pursue business development that is cognizant of the risks involved. These initiatives will be arranged in a schedule and the Nisshin Seifun Group's presence in the Pacific Rim will be enhanced.

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).

(3) Prospective Challenges for the Company

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"). It will pursue management appropriate for a growing company group, which includes having a strong presence in other businesses.

1) Segmental Overview of Business Strategy

In the flour milling business, the company will further upgrade marketing initiatives to create entirely new market segments, such as by proposing products that accurately reflect customer needs. Furthermore, in order to develop a dominant competitive position in the Japanese market ahead of the anticipated deregulation of the wheat market, the company is continuing with the ongoing construction of state-of-the-art flour milling equipment on two new production lines at the Higashinada Plant, with a view to completion by 2008. Based on the significant improvements in production efficiency and productivity due to these initiatives, the company will gain additional market share.

In the processed food business, new product development will be energetically advanced across all temperature ranges, and cost competitiveness will be enhanced through future leaps in productivity achieved with steps like the startup in November 2006 of a new large-scale pasta production line. With regard to the chilled products business in particular, the company will add personnel, devote even more management resources to marketing and quality management, and pursue operational improvements in sales, development, production, and all other areas of the company. As examples of what is intended, menus including prepared dishes using JAS-certified organic vegetables will be developed and sales reach will be expanded.

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 are projected to grow going forward. 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. Oriental Yeast, which is involved in the yeast and biotechnology business, 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. 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, which is involved in the healthcare foods business, is reviewing its production and sales structure in line with the market environment, while, as a healthcare foods manufacturer distinguished by its emphasis on a scientific approach, it is focusing on research into new ingredients and the development of original products. The firm continues to develop new sales channels in order to raise awareness levels of its consumer products.

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 alliances inside and outside the group.

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. In July 2006, the company, which is the holding company for the Nisshin Seifun Group, assigned a number of its own local staff to the west coast of North America, Southeast Asia, and China to accelerate overseas business development. Working in close cooperation, these personnel and their counterparts in Japan are moving ahead with analyses of future investment opportunities that take advantage of the Nisshin Seifun Group's strengths in areas like flour milling and processed food.

3) R&D Strategy and Cost Strategy

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. High value-added, next-generation products that are characterized by novelty and uniqueness and can win customer support will be developed in succession. In support of that effort, the Nisshin Seifun Group will further promote industry-government-academic ties and apply advanced technologies in key research fields with the ultimate aim of commercialization. New products developed in each business have already made major contributions to earnings for fiscal year ended March 31, 2007.

Furthermore, the Nisshin Seifun Group, in all of its business areas, will revamp systems from new perspectives to achieve the lowest costs possible throughout, and move ahead with initiatives aimed at securing earnings commensurate with rising costs.

4) Measures Addressing Wheat Policy Reforms

Though developments concerning World Trade Organization (WTO) negotiations on agriculture, as well as bilateral free trade agreements (FTAs) and economic partnership agreements (EPAs) are moving along more slowly than anticipated, it is expected that the outcomes of these negotiations could have major consequences for the Nisshin Seifun Group's flour milling and processed food business and for wheat-flour-related industries. In the areas of domestic wheat policy, the April 2007 implementation of the government's variable wheat sales price system based on the revised Law for Stabilization of Supply, Demand and Prices of Staple Food will mean enormous change for the wheat flour industry, which had been largely insulated from international market price movements. Under the new system, the government's sales price for foreign-produced wheat will be calculated by adding an annual fixed markup (foreign-produced wheat transaction margin) to the average purchase price paid by the government over a certain period in the past. As a result of this pricing revision, from April 2007 the government's wheat sales price was raised, by an average of 1.3%, for the first time in 24 years. To accurately reflect the wheat price revision in wheat flour prices with the start of the new system, the Nisshin Seifun Group is briefing secondary processors using flour about the system and gaining their understanding. We will also work to have the government (Ministry of Agriculture, Forestry and Fisheries) help strengthen the foundation for the international competitiveness of the wheat flour industry, particularly by steadily reducing its price markup in order to lower the government's wheat sales price for flour milling companies to levels close to international wheat prices. 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 fulfilled 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. In addition, 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. 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 company's environmental protection activities have clearly been positioned among its most important management concerns, and their management system and ongoing pursuit, including thorough implementation throughout the group, as well as their enhancement, have won high praise for the company in various surveys.

In addition, with the passage of the Company Law and the Financial Instruments and Exchange

Law, companies are having to establish internal controls. To further strengthen its internal control system, the company, which is the holding company for the group, established an Internal Control Preparatory Office in September 2005. That office began examining the current state and operations of existing internal controls and undertaking efforts to revise and strengthen them, aiming to complete revisions by September 2007. The goal is to implement revised internal controls one year before the Financial Instruments and Exchange Law takes effect.

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.

IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets—As of March 31, 2007 and 2006

(Millions of yen)

	2006	2007	Change
Assets:			
Current assets:			
Cash on hand and in banks	50,111	45,649	(4,461)
Notes and accounts receivable	57,678	60,093	2,414
Marketable securities	14,339	15,913	1,574
Inventories	39,601	44,647	5,045
Deferred tax assets	4,431	4,811	380
Other current assets	6,935	7,748	813
Allowance for doubtful accounts	(227)	(214)	12
Total current assets	**172,870**	**178,649**	**5,779**
Fixed assets:			
Tangible fixed assets:			
Buildings and structures	42,866	44,224	1,357
Machinery and equipment	32,243	33,596	1,353
Land	30,726	30,851	125
Construction in progress	3,733	3,194	(538)
Other tangible fixed assets	2,862	2,833	(28)
Total tangible fixed assets	112,432	114,701	2,269
Intangible fixed assets	7,977	6,527	(1,450)
Investments and other assets:			
Investment in securities	101,369	103,612	2,242
Long-term loans	131	99	(32)
Deferred tax assets	2,434	2,304	(129)
Other investments and other assets	3,081	2,830	(251)
Allowance for doubtful accounts	(397)	(287)	109
Total investments and other assets	106,619	108,559	1,940
Total fixed assets	**227,029**	**229,788**	**2,759**
Total Assets	**399,899**	**408,437**	**8,538**

	2006	2007	Change
Liabilities:			
Current liabilities:			
Notes and accounts payable	25,819	28,439	2,619
Short-term debt	7,754	7,491	(263)
Accrued income taxes	4,813	3,527	(1,286)
Accrued expenses	13,410	12,910	(500)
Other current liabilities	12,732	14,936	2,203
Total current liabilities	**64,530**	**67,304**	**2,773**
Non-current liabilities:			
Long-term debt	1,609	1,330	(278)
Deferred tax liabilities	21,708	22,270	562
Allowance for employees' retirement benefits	12,614	9,863	(2,750)
Allowance for directors' retirement benefits	314	314	(0)
Allowance for repairs	842	877	35
Guaranteed deposits received	5,568	5,481	(86)
Consolidation adjustments account	90	–	(90)
Negative goodwill	–	144	144
Other non-current liabilities	587	544	(42)
Total non-current liabilities	**43,334**	**40,827**	**(2,507)**
Total liabilities	**107,865**	**108,131**	**266**
Minority interests:			
Minority interests	**27,498**	–	–
Shareholders' Equity:			
Common stock	17,117	–	–
Capital surplus	9,483	–	–
Retained earnings	200,487	–	–
Unrealized holding gain on securities	40,835	–	–
Foreign currency translation adjustments	(212)	–	–
Treasury common stock	(3,176)	–	–
Total shareholders' equity	**264,535**	**–**	**–**
Total Liabilities, Minority Interests and Shareholders' Equity	**399,899**	**–**	**–**
Net Assets:			
Common stock	–	17,117	–
Capital surplus	–	9,779	–
Retained earnings	–	207,550	–
Treasury common stock	–	(3,010)	–
Total shareholders' equity	**–**	**231,436**	**–**
Unrealized holding gain on securities	–	39,102	–
Deferred gains on hedging transactions	–	41	–
Foreign currency translation adjustments	–	394	–
Total valuation and translation adjustments	**–**	**39,537**	**–**
Minority interests	**–**	**29,331**	**–**
Total net assets	**–**	**300,306**	**–**
Total net assets and liabilities	**–**	**408,437**	**–**

(2) Consolidated Statements of Income—For the years ended March 31, 2007 and 2006

(Millions of yen)

	2006	2007	Change
Net sales	421,359	418,190	(3,169)
Cost of sales	285,910	285,598	(311)
Gross profit	**135,449**	**132,591**	**(2,857)**
Selling, general and administrative expenses	113,279	113,407	128
Operating income	**22,169**	**19,184**	**(2,985)**
Non-operating income:	3,437	4,234	796
Interest income	99	259	159
Dividend income	853	1,150	296
Equity in earnings of subsidiaries and affiliated companies	1,505	1,574	68
Other income	978	1,251	272
Non-operating expenses:	833	603	(229)
Interest expenses	160	181	21
Other expenses	672	422	(250)
Ordinary income	**24,774**	**22,815**	**(1,959)**
Extraordinary income:	1,224	3,776	2,551
Gain on sale of fixed assets	448	290	(157)
Gain on sale of investments in securities	568	2,047	1,478
Gain on liquidation of affiliated companies	–	1,415	1,415
Other	207	22	(184)
Extraordinary losses:	898	2,547	1,648
Loss on disposal of fixed assets	306	910	604
Office relocation expenses	478	–	(478)
Coenzyme Q_{10} related loss	–	1,533	1,533
Other	113	103	(10)
Income before income taxes and minority interests	**25,101**	**24,044**	**(1,056)**
Income taxes – current	8,869	7,875	(994)
Income taxes – deferred	676	1,494	818
Minority interests	2,014	2,371	356
Net income	**13,541**	**12,303**	**(1,238)**

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

(Millions of yen)

	2006
Capital surplus:	
Capital surplus at beginning of the year	9,452
Increase in capital surplus	31
Proceeds from disposal of treasury common stock	31
Capital surplus at end of the year	9,483
Retained earnings:	
Retained earnings at beginning of the year	190,699
Increase in retained earnings	13,541
Net income	13,541
Decrease in retained earnings	3,753
Cash dividends paid	3,580
Bonuses to directors	172
Retained earnings at end of the year	200,487

(4) Consolidated Statements of Changes in Shareholders' Equity — For the year ended March 31, 2007

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury common stock	Total shareholders' equity
Balances as of March 31, 2006	17,117	9,483	200,487	(3,176)	223,912
Changes in the fiscal year					
Dividends from retained earnings*			(2,785)		(2,785)
Interim dividends from retained earnings			(2,279)		(2,279)
Directors' bonuses*			(175)		(175)
Net income			12,303		12,303
Purchases of treasury common stock				(86)	(86)
Disposal of treasury common stock		296		251	547
Net change in non-shareholders' equity items for the fiscal year					
Total change for the fiscal year	–	296	7,062	165	7,524
Balances as of March 31, 2007	17,117	9,779	207,550	(3,010)	231,436

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gains on hedging transactions	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balances as of March 31, 2006	40,835	–	(212)	40,622	27,498	292,033
Changes in the fiscal year						
Dividends from retained earnings*						(2,785)
Interim dividends from retained earnings						(2,279)
Directors' bonuses*						(175)
Net income						12,303
Purchases of treasury common stock						(86)
Disposal of treasury common stock						547
Net change in non-shareholders' equity items for the fiscal year	(1,732)	41	606	(1,084)	1,833	748
Total change for the fiscal year	(1,732)	41	606	(1,084)	1,833	8,272
Balances as of March 31, 2007	39,102	41	394	39,537	29,331	300,306

* Items marked with an asterisk were approved for allocation of retained earnings at the Ordinary General Meeting of Shareholders held in June 2006.

(5) Consolidated Statements of Cash Flows—For the years ended March 31, 2007 and 2006

(Millions of yen)

	2006	2007	Change
I. Cash flows from operating activities:			
Income before income taxes and minority interests	25,101	24,044	(1,056)
Depreciation and amortization	11,993	12,565	571
Decrease in allowance for retirement benefits	(2,317)	(2,756)	(439)
Interest and dividends income	(953)	(1,409)	(456)
Interest expenses	160	181	21
Equity in earnings of subsidiaries and affiliated companies	(1,505)	(1,574)	(68)
Gain on sales of marketable securities	(570)	(2,348)	(1,777)
(Increase) decrease in accounts receivable	2,469	(2,256)	(4,725)
Increase in inventories	(668)	(4,782)	(4,113)
Increase (decrease) in accounts payable	(3,323)	2,490	5,814
Other	(2,483)	456	2,940
Subtotal	27,902	24,612	(3,290)
Interest and dividends received	1,257	2,753	1,496
Interest paid	(164)	(173)	(8)
Income taxes paid	(7,939)	(9,723)	(1,783)
Net cash provided by operating activities	**21,054**	**17,469**	**(3,585)**
II. Cash flows from investing activities:			
Payments for time deposits	(8,290)	(12,173)	(3,882)
Proceeds from repayment of time deposits	18	19,326	19,307
Payments for purchase of marketable securities	(13,505)	(12,141)	1,363
Proceeds from sales of marketable securities	7,196	13,500	6,303
Payments for purchases of fixed assets	(12,362)	(14,096)	(1,733)
Proceeds from sales of fixed assets	535	298	(236)
Payments for purchases of investments in marketable securities	(847)	(5,813)	(4,965)
Proceeds from sales of investments in marketable securities	1,671	1,990	319
Payments for long-term loans	(3)	(2)	0
Proceeds from collections of long-term loans	133	35	(98)
Other	156	2,114	1,957
Net cash used in investing activities	**(25,297)**	**(6,961)**	**18,335**
III. Cash flows from financing activities:			
Proceeds from short-term debt	10	239	229
Repayments of short-term debt	(660)	(779)	(119)
Proceeds from long-term debt	95	–	(95)
Repayments of long-term debt	(29)	(5)	24
Proceeds from sale of treasury common stock	184	1,259	1,075
Purchase of treasury common stock	(2,430)	(86)	2,343
Cash dividends paid	(3,580)	(5,065)	(1,485)
Other	(863)	(787)	76
Net cash used in financing activities	**(7,274)**	**(5,225)**	**2,049**
IV. Effect of exchange rate changes on cash and cash equivalents	**272**	**366**	**93**
V. Increase (decrease) in cash and cash equivalents	**(11,244)**	**5,648**	**16,893**
VI. Cash and cash equivalents at beginning of the year	**54,047**	**42,803**	**(11,244)**
VII. Cash and cash equivalents at end of the year	**42,803**	**48,452**	**5,648**

(6) Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries: 38

- 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 7 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 excluded subsidiary: 1

- Nisshin ISL Inc., which was a consolidated subsidiary until the fiscal year ended March 31, 2006, was taken over in a merger by Nisshin Associates Inc. in October 2006. The statements of income, changes in shareholders' equity and cash flows for Nisshin ISL Inc. 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 seven non-consolidated subsidiaries and six affiliates not accounted for by the equity method are negligible and immaterial in the aggregate.

(2) 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 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 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 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.

(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 goodwill and negative goodwill

Goodwill and negative goodwill 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. 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.

(7) Changes in Basis of Presentation of Consolidated Financial Statements

(Accounting Standard for Directors' Bonuses)

From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Directors' Bonuses (ASBJ Statement No. 4 issued on November 29, 2005). This adoption decreased operating income, ordinary income, and net income before income taxes by ¥172 million, respectively, compared with the results that would have been obtained if said accounting had not been adopted.

(Accounting Standard for Presentation of Net Assets in the Balance Sheet)

From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005).

The amount that corresponds to the total of the former Shareholders' Equity section would be ¥270,933 million.

The Net Assets section of the consolidated balance sheet for the fiscal year ended March 31, 2007 is prepared according to the revised Regulation for Terminologies, Forms and Methods of Preparation of Consolidated Financial Statements.

(Accounting Standard for Business Combinations, etc.)

From the fiscal year ended March 31, 2007, the company adopted the Accounting Standard for Business Combinations (issued by the Business Accounting Deliberation Council on October 31, 2003), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on December 27, 2005) and the related Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on December 27, 2005). The adoption of these standards had no impact on operating results.

According to the revised Regulation for Terminologies, Forms and Methods of Preparation of Consolidated Financial Statements, "consolidation adjustments account" is stated as "negative goodwill," beginning with the fiscal year ended March 31, 2007.

(8) 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

FY2006	FY2007
¥192,618 million	¥199,698 million

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

FY2006	FY2007
¥264 million	¥264 million

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

Investments in securities

FY2006	FY2007
¥18,153 million	¥17,705 million

Others

FY2006	FY2007
¥120 million	¥111 million

5. Assets pledged as collateral

Buildings and structures

FY 2006	FY 2007
¥1,381 million	¥1,395 million

Machinery and equipment

FY 2006	FY 2007
¥784 million	¥772 million

Land

FY 2006	FY 2007
¥92 million	¥92 million

Others

FY 2006	FY 2007
—	¥144 million

6. Warranty liabilities

FY 2006	FY 2007
¥1,008 million	¥1,054 million

7. Shares issued and outstanding

Common stock

FY 2006	FY 2007
256,535,448 shares	—

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

Common stock

FY 2006	FY 2007
3,800,400 shares	—

9. Notes matured at the end of the fiscal term are settled as of their clearing date.

Because the end of the fiscal year under review was a bank holiday, matured notes in the following amounts are included in the balance of the respective notes as of March 31, 2007.

	FY2006	FY2007
Notes receivable	—	¥590 million
Notes payable	—	¥19 million

(Consolidated Statements of Income)

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

(Consolidated Statement of Changes in Net Assets)

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

2. Type and number of issued shares of common stock and treasury common stock

(Thousands of shares)

	Number of shares at end of previous fiscal year	Increase in shares during fiscal year	Decrease in shares during fiscal year	Number of shares at end of current fiscal year
Shares issued Common stock	256,535	—	—	256,535
Treasury stock Common stock	3,800	70	650	3,220

Notes:

1. Portion of the increase in common stock accounted for by treasury common stock
   70 thousand shares, as a result of repurchasing less-than-one-unit shares
2. Portion of the decrease in common stock accounted for by treasury common stock
   9 thousand shares, as a result of selling less-than-one-unit shares,
   206 thousand shares, as a result of the exercise of stock options, and
   434 thousand shares of treasury stock, which were sold by consolidated subsidiaries and attributable to the company

3. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2006.

- Dividends on common stock:

i)	Total dividends to be paid	¥2,785 million
ii)	Dividend per share	¥11
iii)	Date of record	March 31, 2006
iv)	Effective date	June 29, 2006

The following resolution was made at the meeting of the Board of Directors held on November 10, 2006.

- Dividends on common stock:

i)	Total dividends to be paid	¥2,279 million
ii)	Dividend per share	¥9
iii)	Date of record	September 30, 2006
iv)	Effective date	December 8, 2006

(2) Dividends for which the record date came during the year ended March 31, 2007, but for which the effective date will come after said period

The following is proposed for the Ordinary General Meeting of Shareholders to be held on June 27, 2007.

- Dividends on common stock:

i)	Total dividends to be paid	¥2,280 million

ii) Source of dividend	Retained earnings
iii) Dividend per share	¥9
iv) Date of record	March 31, 2007
v) Effective date	June 28, 2007

(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 2006	FY 2007
Cash on hand and in banks	50,111	45,649
Marketable securities	14,339	15,913
Total	64,450	61,562
Fixed deposits with periods greater than three months	(8,307)	(1,194)
Bonds with redemption periods greater than three months at time of purchase	(13,339)	(11,916)
Balance of cash and cash equivalents at end of year	42,803	48,452

(Segment information)

(1) Business Segment Information

Year Ended March 31, 2006 (April 1, 2005 to 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

Year Ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(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	154,722	220,545	42,922	418,190	–	418,190
(2) Internal sales and transfers	17,253	795	4,278	22,327	(22,327)	–
Total	171,976	221,340	47,200	440,517	(22,327)	418,190
Cost and Expenses	162,236	216,062	42,485	420,784	(21,778)	399,006
Operating Income	9,740	5,278	4,714	19,732	(548)	19,184
II. Assets, Depreciation and Amortization, and Capital Expenditure: Assets	123,075	143,089	50,313	316,478	91,959	408,437
Depreciation and amortization	5,847	5,874	1,046	12,768	(203)	12,565
Capital expenditure	6,940	5,781	1,599	14,321	(327)	13,993

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 ¥104,580 million in FY2006 and ¥99,626 million in FY2007. The majority of the assets are held by the company as surplus funds (cash and marketable securities) and investments in securities.
4. From the fiscal year under review, the company adopted the Accounting Standard for Directors' Bonuses (ASBJ Statement No. 4 issued on November 29, 2005), as stated in Changes in Basis of Presentation of the Consolidated Financial Statements. This adoption increased Cost and Expenses and decreased Operating Income by ¥34 million for the Flour and Milling segment, ¥56 million for the

Processed Food segment, ¥26 million for the Others segment, and ¥55 million for Eliminations/Corporate, compared with the results that would have been obtained if said standard had not been adopted.

(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.

(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, 2007 (As of March 31, 2007)
Deferred tax assets:	
Allowance for employees' retirement benefits	6,375
Allowance for bonuses	1,745
Investments in securities	988
Accrued sales incentives	971
Unrealized gains on fixed assets	939
Inventories	626
Depreciation and amortization	404
Allowance for repairs	355
Accrued enterprise tax	352
Accrued directors' retirement benefits	350
Other	2,272
Deferred tax assets subtotal	15,383
Offsetting of deferred tax assets and deferred tax liabilities	(7,433)
Net deferred tax assets	7,950
Valuation allowance	(834)
Total deferred tax assets	7,116
Deferred tax liabilities:	
Unrealized gains on other securities	(26,982)
Reserve for accelerated depreciation on fixed assets	(2,224)
Other	(497)
Deferred tax liabilities subtotal	(29,703)
Offsetting of deferred tax assets and deferred tax liabilities	7,433
Net deferred tax liabilities	(22,270)

The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is not shown, because the difference between the statutory and actual effective tax rates was less than five hundredths of the statutory rate.

(Securities)

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

(Millions of yen)

	As of March 31, 2006			As of March 31, 2007		
	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	400	400	0	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	400	400	0	–	–	–
Securities carrying unrealized losses on consolidated balance sheet:						
1. Government and municipal bonds	–	–	–	2,997	2,997	(0)
2. Corporate bonds	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	–	–	–	2,997	2,997	(0)
Total	400	400	0	2,997	2,997	(0)

2. Other securities with no readily determinable market value

(Millions of yen)

	As of March 31, 2006			As of March 31, 2007		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Securities carrying unrealized gains on consolidated balance sheet:						
1. Equity securities	8,138	77,633	69,494	13,394	79,938	66,543
2. Debt securities:						
Government and municipal bonds	–	–	–	3,097	3,098	1
Corporate bonds	–	–	–	3,512	3,513	0
Other	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	8,138	77,633	69,494	20,004	86,550	66,546
Securities carrying unrealized losses on consolidated balance sheet:						
1. Equity securities	251	210	(41)	351	260	(90)
2. Debt securities:						
Government and municipal bonds	6,004	6,000	(3)	4,506	4,505	(1)
Corporate bonds	7,942	7,938	(4)	1,798	1,798	(0)
Other	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	14,198	14,149	(48)	6,656	6,564	(92)
Total	22,336	91,783	69,446	26,660	93,114	66,454

3. Other securities sold during fiscal year

(Millions of yen)

Fiscal Year Ended March 31, 2006			Fiscal Year Ended March 31, 2007		
Sales amount	Total gain on sales	Total loss on sale	Sales amount	Total gain on sales	Total loss on sale
1,005	472	–	1,990	1,899	–

4. Principal securities not carried at market value

(Millions of yen)

	As of March 31, 2006	As of March 31, 2007
	Carrying amount	Carrying amount
Other securities:		
Non-listed equity securities (except JASDAQ shares)	5,372	5,707

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

(Millions of yen)

	As of March 31, 2006		As of March 31, 2007	
	Within 1 year	Within 1–5 years	Within 1 year	Within 1–5 years
Debt securities:				
Government and municipal bonds	6,000	–	10,601	–
Corporate bonds	8,300	–	5,300	–
Other	–	–	–	–
Total	14,300	–	15,901	–

(Retirement benefits)

1. Outline of retirement benefit plans

The 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, 2006 (Millions of yen)	As of March 31, 2007 (Millions of yen)
(A) Retirement benefit obligation	(49,868)	(49,540)
(B) Pension plan assets	38,834	41,104
(C) Unfunded retirement benefit obligation [(A) + (B)]	(11,033)	(8,436)
(D) Unrecognized actuarial differences	1,188	1,139
(E) Unrecognized prior service cost	(2,725)	(2,527)
(F) Net amount recorded on consolidated balance sheet [(C) + (D) + (E)]	(12,571)	(9,824)
(G) Prepaid pension costs	42	39
Accrued employees' retirement benefits [(F) – (G)]	(12,614)	(9,863)

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

3. Retirement benefit expense

	Fiscal Year Ended March 31, 2006 (Millions of yen)	Fiscal Year Ended March 31, 2007 (Millions of yen)
(A) Service cost	1,597	1,648
(B) Interest cost	1,150	1,134
(C) Expected return on pension plan assets	(774)	(963)
(D) Amortization of actuarial differences	502	249
(E) Amortization of prior service cost	(198)	(198)
(F) Retirement benefit expense [(A) + (B) + (C) + (D) + (E)]	2,278	1,871

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

.

4. Assumptions used in retirement benefit obligation calculations

	Fiscal Year Ended March 31, 2006	Fiscal Year Ended March 31, 2007
(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.

(Per Share Information)

(Yen)

Fiscal Year Ended March 31, 2006		Fiscal Year Ended March 31, 2007	
Net assets per share	1,046.00	Net assets per share	1,069.71
Net income per share	52.80	Net income per share	48.66
Fully diluted net income per share	52.77	Fully diluted net income per share	48.63
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		————	

(Notes)

1. The basis of calculation for net assets per share

Item	As of March 31, 2006	As of March 31, 2007
Total net assets, as stated on the Balance Sheets (millions of yen)	—	300,306
Net assets associated with common stock (millions of yen)	—	270,974
Major components of the difference (millions of yen): Minority interests	—	29,331
Number of common stock shares issued and outstanding (shares)	—	256,535,448
Number of treasury shares of common stock (shares)	—	3,220,188
Number of common stock shares used in the calculation of net assets per share (shares)	—	253,315,260

2. The basis of calculation for net income per share and fully diluted net income per share

Item	Fiscal Year Ended March 31, 2006	Fiscal Year Ended March 31, 2007
Net income, as stated on Statements of Income (millions of yen)	13,541	12,303
Main components of amounts not attributable to owners of common stock (millions of yen) Bonuses to directors	175	−
Net income associated with common stock (millions of yen)	13,366	12,303
Average number of shares of common stock during fiscal year (shares)	253,143,692	252,865,907
Adjustment to net income (millions of yen)	−	−
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	137,735	145,454
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	−

(Omission of Disclosure)

Disclosure of notes as to lease transactions, related party transactions, derivatives, stock options, and business combinations is omitted because the necessity of disclosing such information in this year-end summary of financial statements is regarded to be not high.

V. Non-consolidated Financial Statements

(1) Balance Sheets—As of March 31, 2007 and 2006

(Millions of yen)

	2006	2007	Change
Assets:			
Current assets:			
Cash on hand and in banks	21,910	16,531	(5,378)
Accounts receivable	120	237	116
Marketable securities	13,939	12,915	(1,023)
Prepaid expenses	22	128	106
Deferred tax assets	513	473	(39)
Other current assets	2,498	2,977	478
Total current assets	**39,004**	**33,264**	**(5,739)**
Fixed assets:			
Tangible fixed assets:			
Buildings	6,045	7,531	1,485
Structures	290	273	(16)
Machinery	539	536	(3)
Vehicles	4	2	(1)
Equipment	572	490	(82)
Land	10,756	10,758	2
Construction in progress	1,860	1,491	(369)
Total tangible fixed assets	20,070	21,085	1,015
Intangible fixed assets:			
Leasehold right	402	402	–
Software	1,281	933	(348)
Other intangible fixed assets	68	71	2
Total intangible fixed assets	1,753	1,407	(345)
Investments and other assets:			
Investment in securities	61,233	63,063	1,830
Stocks of affiliates	89,224	92,679	3,455
Investments in capital	456	440	(16)
Investments in capital of affiliates	307	458	150
Long-term loans receivable from employees	100	88	(12)
Loans receivable from affiliates	23,046	29,609	6,562
Long-term prepaid expenses	8	31	23
Other investments and other assets	474	443	(31)
Allowance for doubtful accounts	(130)	(137)	(7)
Total investments and other assets	174,720	186,677	11,956
Total fixed assets	**196,543**	**209,170**	**12,626**
Total Assets	**235,548**	**242,434**	**6,886**

	2006	2007	Change
Liabilities:			
Current liabilities:			
Short-term debt	7	6	(0)
Accrued payable	427	659	232
Accrued expenses	1,674	1,337	(337)
Deposits received	1,507	1,472	(34)
Reserve for directors' bonuses	–	55	55
Other current liabilities	49	49	0
Total current liabilities	3,666	3,580	(85)
Non-current liabilities:			
Long-term debt	92	80	(11)
Deferred tax liabilities	19,364	19,618	254
Allowance for employees' retirement benefit	2,409	1,526	(882)
Other non-current liabilities	394	382	(12)
Total non-current liabilities	**22,260**	**21,608**	**(652)**
Total liabilities	**25,926**	**25,189**	**(737)**
Shareholders' Equity:			
Common stock	17,117	–	–
Capital surplus	9,500	–	–
Legal capital surplus	9,500	–	–
Retained earnings	153,847	–	–
Legal retained earnings	4,379	–	–
Voluntary retained earnings	115,904	–	–
Provision of reserve for dividends	2,000	–	–
Reserve for special depreciation	17	–	–
Reserve for advanced depreciation of fixed assets	1,117	–	–
Provision for reserves	112,770	–	–
Unappropriated retained earnings	33,563	–	–
Unrealized holding gain on securities	32,277	–	–
Treasury common stock	(3,122)	–	–
Total shareholders' equity	**209,621**	**–**	**–**
Total liabilities and shareholders' equity	**235,548**	**–**	**–**
Net Assets:			
Shareholders' equity:	**–**	**185,638**	**–**
Common stock	–	17,117	–
Capital surplus	–	9,500	–
Legal capital surplus	–	9,500	–
Retained earnings	–	162,024	–
Legal retained earnings	–	4,379	–
Other retained earnings	–	157,644	–
Provision of reserve for dividends	–	2,000	–
Reserve for special depreciation	–	2	–
Reserve for advanced depreciation of fixed assets	–	1,002	–
Provision for reserves	–	118,770	–
Retained earnings brought forward	–	35,869	–
Treasury common stock	–	(3,003)	–
Valuation and translation adjustments:	–	**31,606**	–
Unrealized holding gain on securities	–	31,606	–
Total net assets	**–**	**217,245**	**–**
Total liabilities and net assets	**–**	**242,434**	**–**

(2) Non-consolidated Statements of Income—For the years ended March 31, 2007 and 2006

(Millions of yen)

	2006	2007	Change
Operating revenue	20,940	22,246	1,305
Operating expenses	10,993	11,315	322
Operating income	**9,947**	**10,930**	**983**
Non-operating income:	1,051	1,595	543
Interest income	350	587	236
Dividend income	529	664	134
Other income	171	343	172
Non-operating expenses:	117	45	(72)
Interest expenses	6	10	3
Other expenses	111	35	(76)
Ordinary income	**10,881**	**12,480**	**1,599**
Extraordinary income:	566	1,692	1,125
Gain on sale of fixed assets	382	289	(93)
Gain on sale of investments in securities	–	21	21
Gain on liquidation of affiliated companies	–	1,381	1,381
Gain on sales of affiliates' stocks	76	–	(76)
Reversal of allowance for doubtful accounts	107	–	(107)
Extraordinary losses:	–	91	91
Loss on disposal of fixed assets	–	91	91
Income before income taxes	**11,448**	**14,081**	**2,633**
Income taxes – current	17	16	(1)
Income taxes – deferred	362	752	390
Net income	**11,068**	**13,312**	**2,243**
Retained earnings brought forward	24,122	–	–
Disposal of treasury stock	16	–	–
Interim dividends	1,611	–	–
Unappropriated retained earnings	33,563	–	–

(3) Non-consolidated Statements of Profit Appropriation—For the year ended March 31, 2006

(Millions of yen)

	2006
Unappropriated retained earnings	33,563
Reversal of reserve for special depreciation	9
Reversal of reserve for advanced depreciation of fixed assets	63
Total	33,636
Profit appropriation:	
Dividends from retained earnings	2,785
	(¥11 per share)
Bonuses to directors	55
Reserve for advanced depreciation of fixed assets	66
Provision for reserves	6,000
Retained earnings carried forward	24,729

Notes:

1. All amounts have been rounded down to the nearest million yen.
2. Interim dividends totaling ¥1,611 million (¥7 per share) were paid on December 15, 2005.
3. Reserve for special depreciation and reserve for advanced depreciation of fixed assets are based on Special Taxation Measures Law.

(4) Consolidated Statements of Changes in Shareholders' Equity — For the year ended March 31, 2007

(Millions of yen)

	Shareholders' equity									
		Capital surplus		Retained earnings						
					Other retained earnings					
	Common stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Provision of reserve for dividends	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Provision for reserves	Retained earnings brought forward	Total retained earnings
Balance as of March 31, 2006	17,117	9,500	9,500	4,379	2,000	17	1,117	112,770	33,563	153,847
Changes in the fiscal year										
Reversal of reserve for special depreciation*						(9)			9	–
Reversal of reserve for special depreciation						(4)			4	–
Provision of reserve for advanced depreciation of fixed assets*							66		(66)	–
Reversal of reserve for advanced depreciation of fixed assets*							(63)		63	–
Reversal of reserve for advanced depreciation of fixed assets							(117)		117	–
Provision for reserves								6,000	(6,000)	–
Dividends from surplus*									(2,785)	(2,785)
Dividends from surplus (Interim)									(2,279)	(2,279)
Bonuses to directors*									(55)	(55)
Net income									13,312	13,312
Purchase of treasury stock										
Disposal of treasury stock									(15)	(15)
Net change in non-shareholders' equity items for the fiscal year										
Total changes in the fiscal year	–	–	–	–	–	(14)	(114)	6,000	2,305	8,176
Balance as of March 31, 2007	17,117	9,500	9,500	4,379	2,000	2	1,002	118,770	35,869	162,024

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury common stock	Total shareholders' equity	Unrealized gain (loss) on securities	Total valuation and translation adjustments	
Balance as of March 31, 2006	(3,122)	177,343	32,277	32,277	209,621
Changes in the fiscal year					
Reversal of reserve for special depreciation*		–			–
Reversal of reserve for special depreciation		–			–
Provision of reserve for advanced depreciation of fixed assets*		–			–
Reversal of reserve for advanced depreciation of fixed assets*		–			–
Reversal of reserve for advanced depreciation of fixed assets		–			–
Provision for reserves		–			–
Dividends from surplus*		(2,785)			(2,785)
Dividends from surplus (Interim)		(2,279)			(2,279)
Bonuses to directors*		(55)			(55)
Net income		13,312			13,312
Purchase of treasury stock	(86)	(86)			(86)
Disposal of treasury stock	205	189			189
Net change in non-shareholders' equity items for the fiscal year			(671)	(671)	(671)
Total changes in the fiscal year	118	8,295	(671)	(671)	7,624
Balance as of March 31, 2007	(3,003)	185,638	31,606	31,606	217,245

* Items marked with an asterisk were approved for allocation of retained earnings at the Ordinary General Meeting of Shareholders held in June 2006.

End