Summary of Financial Statements for the Year Ended March 31, 2008

May 13, 2008

Listed Company Name: Nisshin Seifun Group Inc. Registered on Tokyo Stock Exchange and Osaka Securities Exchange
Securities Code: 2002 URL: http://www.nisshin.com.
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Date to hold the Ordinary General Meeting of Shareholders to approve results: June 26, 2008 Date to start distributing dividends: June 27, 2008
Date to submit the Securities Report: June 26, 2008

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

1. Consolidated Financial Results for the Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(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	%
2008	431,858	3.3	19,191	0.0	22,180	(2.8)
2007	418,190	(0.8)	19,184	(13.5)	22,815	(7.9)

	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	%	%	%
2008	11,147	(9.4)	44.30	44.29	4.2	5.6	4.4
2007	12,303	(9.1)	48.66	48.63	4.6	5.6	4.6

(Reference) Equity in earnings of affiliated companies: FY2008: ¥1,091 million; FY2007: ¥1,574 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2008	381,795	289,839	67.9	1,043.53
2007	408,437	300,306	66.3	1,069.71

(Reference) Equity capital: FY2008: ¥259,177 million; FY2007: ¥270,974 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
2008	26,498	(21,934)	(14,423)	38,850
2007	17,469	(6,961)	(5,225)	48,452

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	%	%
2007	9.00	9.00	18.00	4,560	37.0	1.7
2008	9.00	9.00	18.00	4,516	40.6	1.7
2009 (forecast)	9.00	9.00	18.00	–	35.8	–

3. Forecasts of Consolidated Business Results for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(The full-year percentages indicate the rates of increase or decrease compared with the preceding fiscal year;
the percentages for the first half are comparisons with the same 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
First half	233,000	10.5	8,300	1.1	9,700	(6.2)	5,000	(19.8)	20.13
Full year	475,000	10.0	19,500	1.6	22,200	0.1	12,500	12.1	50.33

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 26, "Change in accounting policy" of "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): FY2008: 251,535,448 FY2007: 256,535,448
2. Number of treasury shares as of the year-end: FY2008: 3,170,042 FY2007: 3,220,188

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, 2008 (April 1, 2007 to March 31, 2008)

(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	%
2008	18,644	(16.2)	7,396	(32.3)	8,979	(28.0)	10,144	(23.8)
2007	22,246	6.2	10,930	9.9	12,480	14.7	13,312	20.3

	Net income per share	Diluted net income per share
	Yen	Yen
2008	40.30	40.29
2007	52.56	52.53

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2008	224,043	206,686	92.2	831.93
2007	242,434	217,245	89.6	857.38

(Reference) Equity capital: FY2008: ¥206,678 million; FY2007: ¥217,245 million.

2. Forecasts of Non-Consolidated Business Results for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(The full-year percentages indicate the rates of increase or decrease compared with the preceding fiscal year; the percentages for the first half are comparisons with the same 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
First half	13,000	(0.8)	7,000	(4.9)	8,000	(3.6)	8,500	(8.1)	34.21
Full year	19,000	1.9	6,500	(12.1)	8,500	(5.3)	9,500	(6.4)	38.24

<u>*Statement regarding the proper use of financial forecasts and other special remarks</u>

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 5–6 and page 8.

1. Business Performance

(1) Analysis of Business Performance

① Overview of the Period Under Review

During the period under review, individual businesses worked to expand sales through the introduction of new products and efforts to increase market share, while continuing to reduce costs and increase productivity. Meanwhile, the company revised its product prices because a significant cost increase, which was largely the result of higher government prices for imported wheat, was more than could be absorbed internally.

As a result, net sales increased 3.3% compared with the previous year to ¥431,858 million and operating income remained flat at ¥19,191 million. However, ordinary income fell 2.8% to ¥22,180 million due to a decrease in the company's equity in earnings of a compound feed affiliate, which was affected by soaring prices in the grain market. Net income declined 9.4% to ¥11,147 million because expenses for improving production systems, etc. were recorded as part of extraordinary losses for the year under review.

【Business Overview by Segment】

(1) Flour Milling Segment

With the April 2007 introduction of a market-linked wheat pricing system, the government's prices for imported wheat rose by an average of 1.3% in April 2007 and an average of 10% in October 2007. In response, the company revised upward its prices for commercial wheat flour.

In this severe business environment, which is characterized by an ongoing demand shift toward lower-priced products, the company increased flour shipments above the previous year's level by tapping into new market needs through the introduction of five new product lines of commercial wheat and promoting relationship-based marketing to strengthen relations with customers.

In production and distribution, the company continued to carry out measures to boost productivity and minimize costs, including the construction of additional lines that are scheduled to start a full-scale operation in the summer of 2008 at the Higashinada Plant, while reinforcing efforts to ensure the reliability and safety its products.

Although exports of wheat flour were severely affected by skyrocketing wheat prices, the company endeavored to improve profitability through price revisions and other measures.

Revenue from overseas operations increased significantly as a result of the continued implementation of aggressive marketing strategies to expand sales in Canada and Thailand.

As a result, the Flour Milling Segment's sales increased 6.3% to ¥164,449 million, and operating income rose 4.7% to ¥10,194 million owing to increased shipments and the aforementioned factors.

(2) Processed Food Segment

In response to surging prices of raw materials, including wheat flour, the process food business revised upward its prices for *De Cecco* pasta and pasta sauce products in September 2007 and for household-use flour and flour-processed food products and pasta in November 2007. Subsequently, a further price rise for durum wheat, the material used for pasta, forced us to make another upward price revision for pasta-related products in March 2008. Shipments of household-use flour, pasta and prepared mix, etc. surpassed the previous year's level due to aggressive promotional activities and anticipatory demand before the price increase. However, profitability declined because the price revisions were not swift enough to absorb the rise in procurement costs. Meanwhile, Nisshin Foods Inc. and Ma•Ma-Macaroni Co., Ltd., acquired the ISO 22000 certification for food safety in July 2007 with the construction of a food safety management system involving the headquarters, the food research & development center and plants. In the prepared dishes and other prepared foods business, steady implementation of improvement measures and efforts to expand sales resulted in a profit increase. Overseas, sales of prepared mix products exceeded the previous year's level, as a new prepared mix plant in China began full-scale operation in 2007, stabilizing the supply of products, and an R&D center was launched in January 2008 in Thailand to step up efforts to create new demand for prepared mix.

In the yeast and biotechnology business, a cost increase due to high material prices forced the company to revise upward the prices of some of its products. In the yeast business, sales of yeast-related and flour paste products exceeded the previous year's level, whereas sales of mayonnaise and prepared dishes fell below the previous year's level. In the biotechnology business, sales of biochemical and immunochemical products, bionutritional products and feed for fish farming were higher than a year earlier, but sales related to laboratory animals and research support services sank below the previous year's level. As a result, overall sales for this business surpassed the previous year's level, although increased procurement costs and a decline in sales of highly profitable products diminished profits.

In the healthcare foods business, the passing of the boom for the mainstay coenzyme Q_{10} product and an increase in production facilities by other companies caused a change in the supply-demand balance, resulting in a continued harsh marketing environment for this business and a decline in sales from a year earlier. Amid these conditions, efforts were made to cut costs and increase sales and recognition of new products launched for consumers.

As a result, the Processed Food Segment's sales increased 2.0% to ¥224,914 million. However, rising procurement costs and a decline in sales of highly profitable products for the biotechnology business caused a 6.0% year-over-year decrease in operating income to ¥4,958 million.

(3) Others Segment

In the pet food business, sales of pet food for dogs and cats surpassed the previous year's level, as a result of consistent efforts to ensure profitability despite rising procurement costs primarily due to a rise in ingredient prices, as well as sales expansion strategies including the aggressive launch of new products.

Sales of the engineering business increased from a year earlier owing to the completion of a large plant engineering project during the period under review, despite a cutback on equipment investment in related industries.

In the mesh cloths business, sales of our mainstay mesh cloths for screen-printing applications were sluggish, thereby shrinking profits.

As a result, the Others Segment's sales decreased 1.0% to ¥42,494 million and operating income fell 7.8% to ¥4,344 million.

② Business Outlook

The Nisshin Seifun Group will make continued efforts to improve its business performance, which bottomed in the first half of the fiscal year ended 2008. Domestically, the company will work to secure earnings by ensuring sales prices that are commensurate with procurement costs, which have been driven upward primarily by a rise in the government's prices for imported wheat and rocketing oil and grain prices. Overseas, the group will move ahead with its Pacific Rim strategies by optimizing the sharing of functions to achieve greater synergies among its four important business locations—Japan, the U.S. West Coast, Southeast Asia and China.

(1) Flour Milling Segment

In the flour milling business, the company will further increase its market share by strengthening customer relationships through product development and marketing proposals that swiftly and accurately reflect market changes and customer needs in the wake of market deregulation. The company will also move forward with cost-cutting measures to secure earnings, including the commencement of full-scale operation of the Higashinada Plant's new lines in the summer of 2008 to achieve increased productivity, while stepping up efforts to ensure the reliability and safety of its products.

In April 2008, the government's prices for imported wheat were raised again by an average of 30%. In response, the company revised upward its prices for commercial wheat flour in April 2008.

In overseas operations, the company will continue to enhance cost and sales competitiveness in North America and work to increase shipments of wheat flour from Thailand to neighboring countries as part of its Pacific Rim strategy.

(2) Processed Food Segment

For the processed food business, the company, as a "mealtime solution provider," will promote the development of new products 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 and minimize costs. In May 2008, the process food business revised upward its prices for flour-processed food and other products in response to a rise in wheat flour prices. The prepared dishes and other prepared foods business will steadily implement improvement measures and develop new menus that better suit customer needs. Overseas development will focus on further Pacific Rim business expansion by exploring new customers in China and Thailand and promoting the development and proposal of new products led by the R&D center in Thailand.

The yeast business will market aggressively to expand sales of mainstay products, such as yeast, by promoting new product development and strengthening the capability to make better suggestions for customers. The biotechnology-related business will promote the launch of new biochemical and immunochemical products. Additionally, the company is carrying out price revisions to counter rising procurement costs driven by a hike in raw material prices.

The healthcare foods business will revise its production and sales systems amid lingering difficult market conditions for coenzyme Q_{10} materials. As a healthcare foods manufacturer distinguished by an emphasis on a scientific approach, the company will step up efforts to develop new materials and products, while seeking to expand sales of consumer products and water-soluble coenzyme Q_{10} materials.

(3) Others Segment

The pet food business will make continued efforts to secure earnings that are commensurate with increasing procurement costs. In addition, the company’s advantages as a domestic manufacturer will be used to develop new dog and cat food products differentiated by reliability and safety, and health, thereby expanding the lineup of products and promoting aggressive sales activities.

In the engineering business, the company will endeavor to secure orders for the mainstay plant engineering services, as well as commissioned powder processing and powder-processing machines, although there are uncertainties regarding capital investment by related industries.

The mesh cloths business will carry out thorough cost-reduction measures at its production and purchase departments to counter the elevated material prices due to skyrocketing oil prices. In addition, the business will aggressively develop overseas markets, strengthen domestic sales capabilities and push ahead with the introduction of new products in high-value-added markets through measures such as enhancing the R&D system.

As a result of these measures, the company forecasts a 10.0% increase in net sales to ¥475,000 million, a 1.6% increase in operating income to ¥19,500 million, a 0.1% increase in ordinary income to ¥22,200 million and a 12.1% increase in net income to ¥12,500 million.

(2) Analysis on Financial Position

① Overview of the Period under Review

The status of assets, liabilities and net assets on a consolidated basis at the end of the year ended March 31, 2008, was as follows.

Current assets declined ¥11,807 million from the previous year-end to ¥166,841 million, mainly due to a decrease in inventories and marketable securities. Fixed assets decreased ¥14,835 million to ¥214,953 million, reflecting an increase in property, plant and equipment and a decrease in investments and other assets. As a result, total assets fell ¥26,642 million to ¥381,795 million. Meanwhile, current liabilities declined ¥8,579 million to ¥58,724 million due to decreases in notes and accounts payable and short-term debt. Long-term liabilities decreased ¥7,596 million to ¥33,230 million chiefly due to a decline in deferred tax liabilities. As a result, total liabilities decreased ¥16,176 million to ¥91,955 million. Net assets decreased ¥10,466 million to ¥289,839 million, as an increase due to net income was offset by such factors as the dividend payment, the acquisition and retirement of treasury stock, and a decrease in the unrealized holding gain on securities.

The status of consolidated cash flows for the fiscal year ended March 31, 2008, was as follows.

Cash flows from operating activities

Income before income taxes and minority interests amounted to ¥22,327 million, and depreciation and amortization amounted to ¥13,515 million. However, the payment of income taxes and other factors resulted in net cash provided by operating activities of ¥26,498 million.

Cash flows from investing activities

Capital investment to extend and upgrade production capacity amounted to ¥18,327 million, and investments in time deposits with terms exceeding three months and marketable securities amounted to ¥5,783 million. As a result, net cash used in investing activities was ¥21,934 million.

Free cash flow, the sum of cash flows from operating and investing activities, amounted to an inflow of ¥4,563 million in the year ended March 31, 2008.

Cash flows from financing activities

To distribute profits to shareholders, the company paid dividends of ¥4,561 million and purchased shares of treasury stock, including fractional shares, amounting to ¥5,634 million. In addition, the repayment of debt amounted to ¥3,804 million. These factors resulted in net cash used in financing activities of ¥14,423 million.

As detailed above, the cash inflow from consolidated operating activities in the fiscal year ended March 31, 2008, was allocated to strategic capital spending in excess of depreciation, the payment of dividends and the acquisition of treasury shares as returns to shareholders, and the repayment of debt. In addition, funds earmarked for future strategic investments were invested in time deposits with terms exceeding three months and marketable securities to raise the efficiency of cash on hand. As a result, consolidated cash and cash equivalents at the end of the fiscal year ended March 31, 2008, totaled ¥38,850 million, a decrease of ¥9,601 million from the previous fiscal year-end.

② Outlook for the Next Fiscal Year

The company forecasts an increase in cash due to projected net income of ¥12.5 billion in the year ending March 31, 2009. The company expects to use this cash for capital spending in excess of depreciation, the distribution of earnings to shareholders and allocation to working capital to deal with wheat price revisions. As a result, the balance of consolidated cash and cash equivalents at March 31, 2009, is forecast to remain around the same level as at March 31, 2008.

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③ Cash-Flow Indicators

The main cash flow indicators for the Nisshin Seifun Group are as follows:

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008
Equity ratio (%)	64.7	66.2	66.3	67.9
Market value–based equity ratio (%)	70.7	76.0	74.4	69.2
Ratio of interest-bearing debt to operating cash flow (years)	0.5	0.4	0.5	0.2
Interest coverage ratio (times)	110.1	127.9	100.7	149.7

Notes:

Equity ratio = Equity capital / Total assets

Market value–based equity ratio = Market capitalization / Total assets

Ratio of interest-bearing debt to operating cash flow = 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 FY2008 and FY2009

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, 2008, 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. In addition, the company acquired 5 million treasury shares for ¥5,535 million during the year under review and retired them.

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 2009, as was the case in the fiscal year ended March 2008.

(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 Financial Statements (May 13, 2008).

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 market-linked wheat pricing system in April 2007. 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

Growing concerns over food safety put increasing pressure on the food industry to ensure the safety of the food it supplies. The Nisshin Seifun Group continues to upgrade efforts to improve its product quality assurance systems, but 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. In addition, the group's business performance could be adversely affected if a significant rise in the cost of purchasing raw materials and products due to an increase in imported wheat prices and other reasons was not offset by revisions in the selling prices of wheat flour, processed foods and other products.

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

(1) Flour Milling Segment

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

Rogers Foods Ltd. in Canada and Nisshin-STC Flour Milling Co., Ltd. in Thailand, both consolidated subsidiaries, produce flour and sell it in the North American and 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. Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., a consolidated subsidiary in China, manufactures prepared mix and sells it in mainland China. (Qingdao Nisshin Seifun Foods Co., Ltd., a consolidated subsidiary, was merged into Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., in June 2007.)

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. Nisshin Kyorin Pharmaceutical Co., Ltd., a joint venture between Kyorin Pharmaceutical Co., Ltd., and Nisshin Pharma Inc., will merge into Kyorin Pharmaceutical Co., Ltd., in October 2008, which will exclude Nisshin Kyorin Pharmaceutical from the group.

(3) Others Segment

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

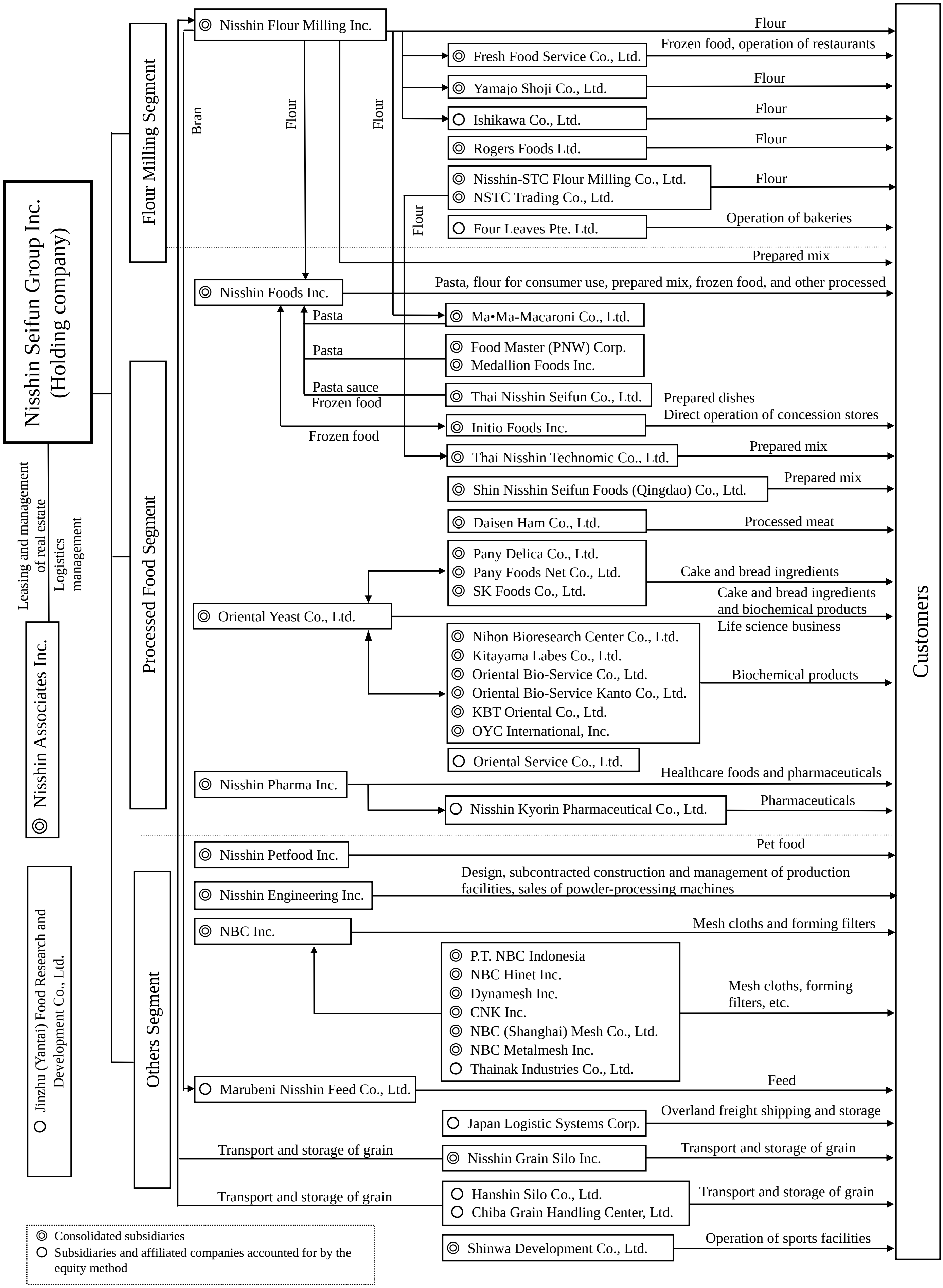
Nisshin Engineering Inc., a consolidated subsidiary, undertakes design, subcontracted construction and management of production and processing facilities for grain, food products, and chemical products. In addition, it manufactures and sells powder-processing machines and engages in powder-processing, 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)
Leasing and management of real estate
Logistics management
◎ Nisshin Associates Inc.
○ Jinzhu (Yantai) Food Research and Development Co., Ltd.
Flour Milling Segment
Processed Food Segment
Others Segment
◎ Nisshin Flour Milling Inc.
Bran
Flour
Flour
Flour
Flour
◎ Fresh Food Service Co., Ltd.
Frozen food, operation of restaurants
◎ Yamajo Shoji Co., Ltd.
Flour
○ Ishikawa Co., Ltd.
Flour
◎ Rogers Foods Ltd.
Flour
◎ Nisshin-STC Flour Milling Co., Ltd.
◎ NSTC Trading Co., Ltd.
Flour
○ Four Leaves Pte. Ltd.
Operation of bakeries
Prepared mix
◎ Nisshin Foods Inc.
Pasta, flour for consumer use, prepared mix, frozen food, and other processed
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.
◎ Thai Nisshin Technomic Co., Ltd.
Prepared mix
◎ 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.
◎ NBC Metalmesh Inc.
○ 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		Millions of yen	
Nisshin Flour Milling Inc.	Chiyoda-ku, Tokyo	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	487	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	2,689	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, the group will strive to improve the profit structure by seeking greater market share and focusing on those business sectors with high growth potential. The return of profits to shareholders will be proactive, while balanced with strategic investments.

As it advances these management strategies, the company also promotes internal reform while fulfilling its corporate social responsibilities in terms of enhancing its internal control systems, legal and regulatory compliance, food safety, environmental protection and social contribution. The 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

With the recognition that its earnings bottomed in the first half of the fiscal year ended March 2008, the Nisshin Seifun Group will make continued efforts to improve its business performance.

Domestically, the company will strive to raise earnings through high-value-added products and to increase the efficiency of business operations across the company, including the sites of production. To counter emerging cost-increasing factors, as represented by the three recent increases in the government’s prices for imported wheat reflecting an international rise in wheat prices, the company has carried out upward price revisions throughout its businesses since the last year, with the understanding of its customers and other concerned parties. The flour milling business will seek to increase productivity and shipments even further to solidify its competitive superiority in the radically changing industry environment. The processed food business will achieve further cost reduction and promote the development of promising products, including pasta-related ones, for which market growth is highly expected to build stronger business foundations. The prepared dishes and other prepared foods business will ensure the improvement of earnings. At the same time, the company will put forth continued efforts to reinforce its quality assurance system so that the safety of products can be guaranteed for customers.

Meanwhile, the company has expanded its overseas network to create new markets. Beginning in fiscal 2009, it will accelerate such efforts with continued attention to those overseas businesses with high growth potential.

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 net 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 ("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

The flour milling business will further upgrade marketing initiatives to create entirely new market segments, such as by proposing new products that accurately reflect customer needs. Furthermore, 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 full-scale operation by the summer of 2008. This will enable significant improvements in the efficiency of production systems and productivity.

The processed food business will accelerate new product launches and improve earning power. The business will also seek to enhance cost competitiveness by promoting the addition of a prepared mix line that is planned to start operations in 2009, whereas it will reinforce an operating base for the business of chilled products based on accumulated technologies and expertise on quality assurance.

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 is projected to grow. The goal in this sector is to develop the business to the point where it provides a third source of core earnings, on a par with flour milling and processed food. Oriental Yeast Co., Ltd., 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 Co., Ltd. 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 Inc., 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 of its consumer products. Nisshin Kyorin Pharmaceutical Co., Ltd., a joint venture between Kyorin Pharmaceutical Co., Ltd., and the Nisshin Seifun Group, which conducts the pharmaceutical business as an affiliate accounted for by the equity method, will merge into Kyorin Pharmaceutical Co., Ltd., in October 2008.

In other businesses, which include pet food, engineering and mesh cloths, the company aims to develop a significant presence within each industry.

2) Global Development Strategy

As the domestic market faces a declining population, the company seeks to achieve further growth by accelerating the expansion of its international network. Specifically, group-wide efforts will be made to promote the Pacific Rim strategies by optimizing the sharing of functions to achieve greater synergies among the four important business locations—Japan, the U.S. West Coast, Southeast Asia and China. To this end, the Nisshin Seifun Group, a holding company for the group, assigns a number of its own local staff to the west coast of North America, Southeast Asia and China. These overseas staff and their counterparts in Japan work in close cooperation to facilitate investment in these regions.

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 novel and unique and can win customer support will be developed continuously. While ensuring the efficient pursuit of various research activities, the group will further apply advanced technologies in key research fields with the ultimate aim of commercialization. During the fiscal year ended March 2008, the flour milling business introduced five new varieties of commercial flour to create new demand, and the processed food business has accelerated the launch of new products based on new ideas and technologies, as well as expertise in the healthcare business. These new products are expected to contribute to earnings in the foreseeable future.

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. The wheat flour industry of Japan has been under the influence of international wheat market price movements since the April 2007 implementation of the government’s market-linked wheat pricing system. Under the new system, the government’s wheat sales price was raised for the first time in 24 years by an average of 1.3% in April 2007. Subsequently, there was a rise of 10% in October 2007, followed by a significant increase of 30% in April 2008. To accurately reflect the wheat price revisions in wheat flour prices, the company is briefing customers using flour about the system and gaining their understanding about the group’s price revisions. We will also urge the government (i.e., the Ministry of Agriculture, Forestry and Fisheries) to improve the market-linked pricing system to help enhance the international competitiveness of Japan’s flour milling industry, particularly by reducing its price markup on a continual basis. At the same time, the company plans to increase the pace of structural reforms and its global business development program 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 in all its business activities, 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 and 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 waste and carbon dioxide emissions. As part of these programs, the company is also actively working to obtain certification under international management standards. Recently, we have seen various cases that could shake our belief in food safety. To ensure the safety and high quality of its products, the Nisshin Seifun Group is taking various measures at all business stages from material procurement and manufacturing to selling, and sparing no expense for that purpose on a continuous basis. Recognizing the need for active efforts to prevent global warming, the company has drawn up a plan for achieving the Kyoto Protocol emission 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. To this end, the company plans to introduce an internal emissions trading system in the fiscal year ending March 2009, under which group companies will trade emission cuts with each other. This should maximize the efficiency of reducing carbon dioxide emissions from group companies and thus minimize environmental costs for the group as a whole.

The group's corporate social responsibility (CSR) activities are clearly positioned among its most important management concerns. These activities receive a high reputation from independent rating agencies, media organizations and other bodies for high awareness among all group companies, effective management and the consistency of such efforts, as well as the state of disclosure.

Upon the enactment of the Company Law and the Financial Instruments and Exchange Law, corporate entities are urged to establish internal control systems. To further strengthen its internal control systems, the Nisshin Seifun Group Inc., which is the holding company for the group, established a dedicated department (Internal Control Department) in September 2005. That department examined the state and operation of existing internal controls and undertook efforts to revise and strengthen them, and implemented revised internal controls in the fiscal year ended March 2008, a year ahead of the requirement by the Financial Instruments and Exchange Law. The group is involved in an extensive range of social contribution activities. In particular, the company supports the activities of the UN World Food Programme for the eradication of hunger and poverty in the world through a dedicated internal office to fulfill its social responsibilities as a food supplier for solutions to the world's food problem.

The Nisshin Seifun Group will continue to take actions to fulfill its corporate social responsibilities.

IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(As of March 31, 2008)

(Millions of yen)

	2007	2008	Change
Assets:			
Current assets:			
Cash	45,649	43,987	(1,661)
Trade notes and accounts receivable	60,093	58,000	(2,092)
Marketable securities	15,913	13,704	(2,208)
Inventories	44,647	40,313	(4,334)
Deferred tax assets	4,811	5,524	713
Other	7,748	5,528	(2,220)
Allowance for doubtful accounts	(214)	(217)	(2)
Total current assets	**178,649**	**166,841**	**(11,807)**
Fixed assets:			
Property, plant and equipment, net:			
Buildings and structures	44,224	45,276	1,052
Machinery, equipment and vehicles	33,596	32,526	(1,070)
Land	30,851	33,187	2,335
Construction in progress	3,194	5,574	2,379
Other	2,833	2,707	(126)
Property, plant and equipment, net	114,701	119,272	4,570
Intangible assets	6,527	4,610	(1,917)
Investments and other assets:			
Investment securities	103,612	84,524	(19,087)
Long-term loans receivable	99	90	(8)
Deferred tax assets	2,304	2,799	494
Other	2,830	3,916	1,086
Allowance for doubtful accounts	(287)	(260)	26
Total investments and other assets	108,559	91,071	(17,488)
Total fixed assets	**229,788**	**214,953**	**(14,835)**
Total assets	**408,437**	**381,795**	**(26,642)**

	2007	2008	Change
Liabilities:			
Current liabilities:			
Notes and accounts payable	28,439	23,875	(4,563)
Short-term debt	7,491	3,969	(3,522)
Income taxes payable	3,527	3,870	343
Accrued expenses	12,910	13,600	689
Other	14,936	13,409	(1,526)
Total current liabilities	**67,304**	**58,724**	**(8,579)**
Long-term liabilities:			
Long-term debt	1,330	1,093	(237)
Deferred tax liabilities	22,270	15,847	(6,422)
Allowance for employees' retirement benefits	9,863	8,325	(1,537)
Allowance for directors' retirement benefits	314	302	(11)
Allowance for repairs	877	997	120
Guarantee deposits received	5,481	5,682	200
Negative goodwill	144	26	(117)
Other	544	954	409
Total long-term liabilities	**40,827**	**33,230**	**(7,596)**
Total liabilities	**108,131**	**91,955**	**(16,176)**
Net Assets:			
Shareholders' equity:			
Common stock	17,117	17,117	–
Additional paid-in capital	9,779	9,446	(333)
Retained earnings	207,550	209,221	1,671
Treasury stock	(3,010)	(3,263)	(252)
Total shareholders' equity	**231,436**	**232,521**	**1,085**
Valuation, translation adjustments and other:			
Unrealized holding gain on securities	39,102	26,115	(12,987)
Deferred gains on hedging transactions	41	(250)	(291)
Foreign currency translation adjustments	394	791	397
Total valuation, translation adjustments and other	**39,537**	**26,655**	**(12,882)**
Stock acquisition rights	–	**8**	**8**
Minority interests	**29,331**	**30,653**	**1,322**
Total net assets	**300,306**	**289,839**	**(10,466)**
Total liabilities and net assets	**408,437**	**381,795**	**(26,642)**

(2) Consolidated Statements of Income

(April 1, 2007 to March 31, 2008)

(Millions of yen)

	2007	2008	Change
Net sales	418,190	431,858	13,668
Cost of sales	285,598	298,498	12,900
Gross profit	**132,591**	**133,359**	**767**
Selling, general and administrative expenses	113,407	114,168	760
Operating income	**19,184**	**19,191**	7
Non-operating income:	4,234	3,680	(554)
Interest income	259	461	202
Dividend income	1,150	1,262	111
Equity in earnings of affiliated companies	1,574	1,091	(483)
Other income	1,251	865	(385)
Non-operating expenses:	603	691	87
Interest expense	181	180	(1)
Other expenses	422	511	89
Ordinary income	**22,815**	**22,180**	**(634)**
Extraordinary income:	3,776	4,856	1,079
Gain on sale of property, plant and equipment	290	2,083	1,792
Gain on sale of investment securities	2,047	1,669	(378)
Gain on liquidation of affiliated companies	1,415	1,035	(379)
Other	22	67	44
Extraordinary losses:	2,547	4,709	2,162
Loss on disposal of property, plant and equipment	910	987	77
Coenzyme Q_{10} related loss	1,533	1,107	(425)
Expenses for improving production systems	–	1,923	1,923
Other	103	690	586
Income before income taxes and minority interests	**24,044**	**22,327**	**(1,717)**
Income taxes – current	7,875	7,776	(99)
Income taxes – deferred	1,494	1,500	6
Minority interests	2,371	1,902	(468)
Net income	**12,303**	**11,147**	**(1,155)**

(3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2006	17,117	9,483	200,487	(3,176)	223,912
Changes during 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 stock				(86)	(86)
Disposition of treasury stock		296		251	547
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	296	7,062	165	7,524
Balance as of March 31, 2007	17,117	9,779	207,550	(3,010)	231,436

	Valuation, translation adjustments and other				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gains on hedging transactions	Foreign currency translation adjustments	Total valuation, translation adjustments and other		
Balance as of March 31, 2006	40,835	–	(212)	40,622	27,498	292,033
Changes during 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 stock						(86)
Disposition of treasury stock						547
Net change in items other than shareholders' equity	(1,732)	41	606	(1,084)	1,833	748
Total changes during the fiscal year	(1,732)	41	606	(1,084)	1,833	8,272
Balance 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.

Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2007	17,117	9,779	207,550	(3,010)	231,436
Changes during the fiscal year					
Dividends from retained earnings			(4,561)		(4,561)
Net income			11,147		11,147
Purchases of treasury stock				(5,634)	(5,634)
Disposition of treasury stock		(2)		135	132
Retirement of treasury stock		(330)	(4,915)	5,246	–
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	(333)	1,671	(252)	1,085
Balance as of March 31, 2008	17,117	9,446	209,221	(3,263)	232,521

	Valuation, translation adjustments and other				New share subscription rights	Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gains on hedging transactions	Foreign currency translation adjustments	Total valuation, translation adjustments and other			
Balance as of March 31, 2007	39,102	41	394	39,537	–	29,331	300,306
Changes during the fiscal year							
Dividends from retained earnings							(4,561)
Net income							11,147
Purchases of treasury stock							(5,634)
Disposition of treasury stock							132
Retirement of treasury stock							–
Net change in items other than shareholders' equity	(12,987)	(291)	397	(12,882)	8	1,322	(11,551)
Total changes during the fiscal year	(12,987)	(291)	397	(12,882)	8	1,322	(10,466)
Balance as of March 31, 2008	26,115	(250)	791	26,655	8	30,653	289,839

(4) Consolidated Statements of Cash Flows

(April 1, 2007 to March 31, 2008)

(Millions of yen)

	2007	2008	Change
I. Cash flows from operating activities:			
Income before income taxes and minority interests	24,044	22,327	(1,717)
Depreciation and amortization	12,565	13,515	950
Decrease in allowance for employees' retirement benefits	(2,756)	(1,543)	1,213
Increase in prepaid pension costs	–	(1,361)	(1,361)
Interest and dividend income	(1,409)	(1,723)	(314)
Interest expense	181	180	(1)
Equity in earnings of affiliated companies	(1,574)	(1,091)	483
Gain on sale of investment securities	(2,348)	(1,649)	698
Decrease (increase) in trade notes and accounts receivable	(2,256)	2,200	4,456
Decrease (increase) in inventories	(4,782)	4,563	9,345
(Decrease) increase in accounts payable	2,490	(4,625)	(7,116)
Other	456	391	(64)
Subtotal	24,612	31,184	6,572
Interest and dividends received	2,753	2,210	(543)
Interest paid	(173)	(177)	(3)
Income taxes paid	(9,723)	(6,718)	3,004
Net cash provided by operating activities	**17,469**	**26,498**	**9,029**
II. Cash flows from investing activities:			
Payments for time deposits	(12,173)	(16,945)	(4,771)
Proceeds from repayment of time deposits	19,326	11,017	(8,308)
Payments for purchases of marketable securities	(12,141)	(11,756)	384
Proceeds from sale of marketable securities	13,500	11,901	(1,599)
Payments for purchases of fixed assets	(14,096)	(18,327)	(4,231)
Proceeds from sale of fixed assets	298	2,275	1,976
Payments for purchases of investment securities	(5,813)	(4,127)	1,686
Proceeds from sale of investment securities	1,990	3,067	1,076
Payments for long-term loans receivable	(2)	(0)	2
Proceeds from collections of long-term loans receivable	35	9	(26)
Other	2,114	950	(1,163)
Net cash used in investing activities	**(6,961)**	**(21,934)**	**(14,973)**
III. Cash flows from financing activities:			
Proceeds from short-term debt	239	9	(229)
Repayment of short-term debt	(779)	(3,804)	(3,024)
Repayment of long-term debt	(5)	–	5
Proceeds from sale of treasury stock	1,259	132	(1,127)
Payments for purchases of treasury stock	(86)	(5,634)	(5,547)
Cash dividends paid	(5,065)	(4,561)	504
Other	(787)	(566)	221
Net cash used in financing activities	**(5,225)**	**(14,423)**	**(9,198)**
IV. Effect of exchange rate changes on cash and cash equivalents	**366**	**258**	**(108)**
V. Net (decrease) increase in cash and cash equivalents	**5,648**	**(9,601)**	**(15,250)**
VI. Cash and cash equivalents at beginning of year	**42,803**	**48,452**	**5,648**
VII. Cash and cash equivalents at end of year	**48,452**	**38,850**	**(9,601)**

(5) 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 9 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 included subsidiary: 1

- NBC Metalmesh Inc., which became a consolidated subsidiary during the fiscal year under review through the additional acquisition of its shares.

Newly excluded subsidiary: 1

- Qingdao Nisshin Seifun Foods Co., Ltd., which was a consolidated subsidiary until the fiscal year ended March 31, 2007, was merged into Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., in June 2007. The statements of income, changes in shareholders' equity and cash flows for Qingdao Nisshin Seifun Foods Co., Ltd., 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 nine 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 10 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. Property, plant and equipment

Depreciation on property, plant and equipment 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.

(Change in accounting policy)

Effective from the year ended March 31, 2008, the company and its domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment acquired on or after April 1, 2007, to confirm to the enacted revisions to the Corporate Tax Law.

The effects of this change were to decrease operating income, ordinary income and income before income taxes and minority interests by ¥203 million each compared with the respective amounts that would have been reported under the previous method.

Please refer to "Segment Information" about the effect of this change on the business segments.

(Additional information)

For property, plant and equipment acquired on or before March 31, 2007, the company and its domestic consolidated subsidiaries started to depreciate the difference between an amount equal to 5% of their acquisition prices and memorandum values on a straight-line basis over a 5-year period commencing in the year following a year in which the residual book value of those assets reached 5% of their acquisition prices under the previous depreciation method.

This change resulted in a decrease of ¥700 million each in operating income, ordinary income and income before income taxes and minority interests compared with the respective amounts that would have been reported under the previous method.

Please refer to “Segment Information” about the effect of this change on the business segments.

b. Intangible 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

Nine 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 only for the aforementioned transactions purely to manage fluctuations in foreign currency exchange rates.

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.

(6) Notes to Consolidated Financial Statements

(Consolidated Balance Sheets)

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

2. Accumulated depreciation of property, plant and equipment

	FY2007	FY2008
	¥199,698 million	¥208,691 million

3. Accumulated accelerated depreciation of property, plant and equipment purchased with government subsidy

	FY2007	FY2008
	¥264 million	¥264 million

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

	FY2007	FY2008
Investment securities	¥17,705 million	¥18,172 million
Others	¥111 million	¥109 million

5. Assets pledged as collateral

	FY 2007	FY 2008
Buildings and structures	¥1,395 million	¥1,475 million
Machinery and equipment	¥772 million	¥698 million
Land	¥92 million	¥92 million
Others	¥144 million	¥159 million

6. Warranty liabilities

	FY 2007	FY 2008
	¥1,054 million	¥1,072 million

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

Because the end of FY2007 was a bank holiday, matured notes in the following amounts are included in the balance of the respective notes as of March 31, 2007.

	FY2007	FY2008
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)

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

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

1. Type and number of issued shares of common stock and treasury 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 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 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 resolution was made at the Ordinary General Meeting of Shareholders 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

Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

1. Type and number of issued shares of common stock and treasury 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	—	5,000	251,535
Treasury stock Common stock	3,220	5,087	5,137	3,170

Notes:

1. Portion of the decrease in common stock accounted for by issued shares:
5,000 thousand shares, as a result of retirement of treasury stock

2. Portion of the increase in common stock accounted for by treasury stock:
5,000 thousand shares, as a result of purchasing treasury shares at market,
86 thousand shares, as a result of repurchasing less-than-one-unit shares, and
0 thousand shares of treasury stock, which were acquired by companies accounted for under the

equity method and attributable to the company
3. Portion of the decrease in common stock accounted for by treasury stock:
5,000 thousand shares, as a result of retirement of treasury stock,
38 thousand shares, as a result of selling less-than-one-unit shares, and
99 thousand shares, as a result of the exercise of stock options

2. New share subscription rights and subscription rights to new treasury shares

Category	Composition of new share subscription rights	Nature of shares	Number of shares				Balance at end of fiscal year under review (¥ million)
			At end of previous fiscal year	Increase during the year	Decrease during the year	At end of fiscal year under review	
Nisshin Seifun Group Inc. (parent company)	Stock acquisition rights as stock options	—					8
Total		—					8

3. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 27, 2007.

- Dividends on common stock:
  - i) Total dividends to be paid ¥2,280 million
  - ii) Dividend per share ¥9
  - iii) Date of record March 31, 2007
  - iv) Effective date June 28, 2007

The following resolution was made at the meeting of the Board of Directors held on November 9, 2007.

- Dividends on common stock:
  - i) Total dividends to be paid ¥2,280 million
  - ii) Dividend per share ¥9
  - iii) Date of record September 30, 2007
  - iv) Effective date December 10, 2007

(2) Dividends for which the record date came during the year ended March 31, 2008, but for which the effective date will come after said period

The following will be proposed at the Ordinary General Meeting of Shareholders to be held on June 26, 2008.

- Dividends on common stock:
  - i) Total dividends to be paid ¥2,235 million
  - ii) Source of dividends Retained earnings
  - iii) Dividend per share ¥9
  - iv) Date of record March 31, 2008
  - v) Effective date June 27, 2008

(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 2007	FY 2008
Cash	45,649	43,987
Marketable securities	15,913	13,704
Total	61,562	57,692
Time deposits with maturities of more than three months	(1,194)	(7,136)
Marketable securities with maturities of more than three months	(11,916)	(11,705)
Cash and cash equivalents	48,452	38,850

(Segment information)

(1) Business Segment Information

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

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Corporate Assets and Eliminations	Consolidated
I. Net Sales and Operating Income						
Net sales						
(1) Sales to external customers	154,722	220,545	42,922	418,190	–	418,190
(2) Intersegment 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
Operating 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. Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total 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 expenditures	6,940	5,781	1,599	14,321	(327)	13,993

Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(Millions of yen)

	Flour Milling	Processed Food	Others	Total	Corporate Assets and Eliminations	Consolidated
I. Net Sales and Operating Income						
Net sales						
(1) Sales to external customers	164,449	224,914	42,494	431,858	–	431,858
(2) Intersegment sales and transfers	19,038	774	5,936	25,750	(25,750)	–
Total	183,487	225,689	48,431	457,608	(25,750)	431,858
Operating Expenses	173,293	220,730	44,086	438,110	(25,443)	412,666
Operating Income	10,194	4,958	4,344	19,498	(306)	19,191
II. Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	122,133	131,662	51,087	304,884	76,910	381,795
Depreciation and amortization	6,379	6,100	1,277	13,757	(242)	13,515
Capital expenditures	9,860	4,650	4,113	18,624	(576)	18,047

Notes:

1. Business segments were determined by considering similarities of the 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 “corporate assets and eliminations” column amounted to ¥99,626 million in FY2007 and ¥83,611 million in FY2008, which were consisted primarily of the company’s surplus funds (cash and deposits, and marketable securities) and investment securities.
4. Change in accounting policy

   (Change in accounting policy)

   As stated in “Change in accounting policy” in the Basis of Presentation of the Consolidated Financial Statements, the company and its domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment acquired on or after April 1, 2007, to conform to the enacted revisions to the Corporate Tax Law, effective from the year under review. As a result, “Cost and Expenses” was increased and “Operating Income” was decreased, respectively, by ¥77 million for the Flour Milling segment, ¥86 million for the Processed Food segment and ¥48 million for the Others segment, whereas “Cost and Expenses” was decreased and “Operating Income” was increased, respectively, by ¥8 million for Corporate Assets and Eliminations, compared with the respective amounts that would have been reported under the previous method.

(Additional information)

As stated in "Additional information" in the Basis of Presentation of the Consolidated Financial Statements, for property, plant and equipment acquired on or before March 31, 2007, the company and its domestic consolidated subsidiaries started to depreciate the difference between an amount equal to 5% of their acquisition prices and memorandum values on a straight-line basis over a 5-year period commencing in the year following a year in which the residual book value of those assets reached 5% of their acquisition prices under the previous depreciation method. As a result, "Cost and Expenses" was increased and "Operating Income" was decreased, respectively, by ¥353 million for the Flour Milling segment, ¥249 million for the Processed Food segment and ¥103 million for the Others segment, whereas "Cost and Expenses" was decreased and "Operating Income" was increased, respectively, by ¥7 million for Corporate Assets and Eliminations, compared with the respective amounts that would have been reported under the previous method.

(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, 2008 (As of March 31, 2008)
Deferred tax assets:	
Allowance for employees' retirement benefits	5,248
Allowance for bonuses	1,703
Accrued sales incentives	1,131
Depreciation and amortization	1,033
Unrealized gains on fixed assets	1,025
Investment securities	839
Inventories	591
Allowance for repairs	403
Accrued enterprise tax	351
Accrued directors' retirement benefits	346
Other	2,667
Gross deferred tax assets	15,341
Amount offset by deferred tax liabilities	(5,213)
Net deferred tax assets	10,128
Valuation allowance	(1,804)
Deferred tax assets, net	8,324
Deferred tax liabilities:	
Unrealized gains on available-for-sale securities	(18,030)
Reserve for advanced depreciation on property, plant and equipment	(2,483)
Other	(547)
Gross deferred tax liabilities	(21,061)
Amount offset by deferred tax assets	5,213
Deferred tax liabilities, net	(15,847)

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. Marketable securities classified as held-to-maturity securities

(Millions of yen)

	As of March 31, 2007			As of March 31, 2008		
	Carrying value	Market value	Unrealized gains (losses)	Carrying value	Market value	Unrealized gains (losses)
Securities whose market value exceeds their carrying value						
1. Government and municipal bonds	–	–	–	–	–	–
2. Corporate bonds	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Securities whose carrying value exceeds their market value						
1. Government and municipal bonds	2,997	2,997	(0)	1,499	1,499	(0)
2. Corporate bonds	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	2,997	2,997	(0)	1,499	1,499	(0)
Total	2,997	2,997	(0)	1,499	1,499	(0)

2. Marketable securities classified as other securities

(Millions of yen)

	As of March 31, 2007			As of March 31, 2008		
	Acquisition cost	Carrying value	Unrealized gains (losses)	Acquisition cost	Carrying value	Unrealized gains (losses)
Securities whose market value exceeds their carrying value						
1. Equity securities	13,394	79,938	66,543	10,920	56,386	45,465
2. Bonds						
Government and municipal bonds	3,097	3,098	1	–	–	–
Corporate bonds	3,512	3,513	0	8,099	8,104	4
Other	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	20,004	86,550	66,546	19,020	64,490	45,470
Securities whose carrying value exceeds their market value						
1. Equity securities	351	260	(90)	6,406	5,326	(1,080)
2. Bonds						
Government and municipal bonds	4,506	4,505	(1)	–	–	–
Corporate bonds	1,798	1,798	(0)	3,603	3,600	(2)
Other	–	–	–	–	–	–
3. Other	–	–	–	–	–	–
Subtotal	6,656	6,564	(92)	10,010	8,927	(1,083)
Total	26,660	93,114	66,454	29,030	73,417	44,387

3. Sale of securities classified as other securities

(Millions of yen)

Fiscal Year Ended March 31, 2007			Fiscal Year Ended March 31, 2008		
Sales proceeds	Aggregate gain	Total loss on sales	Sales proceeds	Aggregate gain	Total loss on sales
1,990	1,899	–	2,071	1,681	–

4. Other securities without determinable market value

(Millions of yen)

	As of March 31, 2007	As of March 31, 2008
	Carrying amount	Carrying amount
(1) Held-to-maturity debt securities		
Certificate of deposit	–	500
(2) Other securities:		
Unlisted securities	5,707	4,640
Total	5,707	5,140

5. The redemption schedule of held-to-maturity securities

(Millions of yen)

	As of March 31, 2007		As of March 31, 2008	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Debt securities:				
Government and municipal bonds	10,601	–	1,500	–
Corporate bonds	5,300	–	11,700	–
Other	–	–	500	–
Total	15,901	–	13,700	–

(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, 2007 (Millions of yen)	As of March 31, 2008 (Millions of yen)
(A) Project benefit obligation	(49,540)	(48,512)
(B) Fair value of plan assets	41,104	40,165
(C) Unfunded retirement benefit obligation [(A) + (B)]	(8,436)	(8, 346)
(D) Unrecognized actuarial loss	1,139	3,711
(E) Unrecognized prior service cost	(2,527)	(2,329)
(F) Net amount recorded on consolidated balance sheet [(C) + (D) + (E)]	(9,824)	(6,964)
(G) Prepaid pension cost	39	1,361
Allowance for employees' retirement benefits [(F) – (G)]	(9,863)	(8,325)

Notes:

1. Certain subsidiaries adopt a simplified method for calculating the retirement benefit obligation.
2. Premium severance benefits of ¥429 million payable on an ad hoc basis in the fiscal year ending March 31, 2009, are included in "Current liabilities," rather than "Allowance for employees' retirement benefits," in the consolidated balance sheet for the fiscal year ended March 31, 2008.

3. Retirement benefit expense

	Fiscal Year Ended March 31, 2007 (Millions of yen)	Fiscal Year Ended March 31, 2008 (Millions of yen)
(A) Service cost	1,648	1,749
(B) Interest cost	1,134	1,124
(C) Expected return on plan assets	(963)	(1,021)
(D) Amortization of actuarial loss	249	305
(E) Amortization of prior service cost	(198)	(198)
(F) Net retirement benefit costs [(A) + (B) + (C) + (D) + (E)]	1,871	1,960

Notes:

1. The retirement benefit expense incurred by the consolidated subsidiaries that adopt simplified pension accounting methodology is recorded under "(A) Service cost."
2. In addition to the above retirement benefit expense, premium severance benefits of ¥429 million were paid as part of "Extraordinary losses" in the fiscal year ended March 31, 2008.

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4. Assumptions used in retirement benefit obligation calculations

	Fiscal Year Ended March 31, 2007	Fiscal Year Ended March 31, 2008
(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 plan assets	Principally 2.5%	Principally 2.5%
(D) Amortization period of actuarial differences*1	Principally 15 years	Principally 15 years
(E) Amortization period for prior service cost*2	15 years	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, 2007		Fiscal Year Ended March 31, 2008	
Net assets per share	1,069.71	Net assets per share	1,043.53
Net income per share	48.66	Net income per share	44.30
Fully diluted net income per share	48.63	Fully diluted net income per share	44.29

(Notes)

1. The basis of calculation for net assets per share

Item	As of March 31, 2007	As of March 31, 2008
Total net assets, as stated on the Balance Sheets (millions of yen)	300,306	289,839
Net assets associated with common stock (millions of yen)	270,974	259,177
Major components of the difference (millions of yen):		
New share subscription rights	–	8
Minority interests	29,331	30,653
Number of common stock shares issued and outstanding (shares)	256,535,448	251,535,448
Number of treasury shares of common stock (shares)	3,220,188	3,170,042
Number of common stock shares used in the calculation of net assets per share (shares)	253,315,260	248,365,406

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

Item	Fiscal Year Ended March 31, 2007	Fiscal Year Ended March 31, 2008
Net income, as stated on Statements of Income (millions of yen)	12,303	11,147
Amounts not attributable to owners of common stock (millions of yen)	–	–
Net income associated with common stock (millions of yen)	12,303	11,147
Average number of shares of common stock during fiscal year (shares)	252,865,907	251,654,692
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	145,454	58,966
Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect	–	・New share subscription rights Date of resolution at the General Meeting of Shareholders: June 27, 2007 (89 subscription rights) (161 subscription rights)

(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, 2008)

(Millions of yen)

	2007	2008	Change
Assets:			
Current assets:			
Cash	16,531	19,452	2,920
Trade notes and accounts	237	234	(2)
receivable	12,915	11,705	(1,210)
Marketable securities	128	142	13
Prepaid expenses	473	635	161
Deferred tax assets	2,977	2,268	(709)
Other			
	33,264	**34,437**	**1,172**
Total current assets			
Fixed assets:			
Property, plant and equipment, net:	7,531	8,968	1,437
Buildings	273	235	(38)
Structures	536	695	158
Machinery and equipment	2	1	(0)
Vehicles	490	419	(71)
Tools, fixtures and furnishing	10,758	10,591	(167)
Land	1,491	895	(596)
Construction in progress			
	21,085	21,807	721
Property, plant and equipment, net			
Intangible assets:	402	405	2
Leasehold tenant right	933	532	(400)
Software	71	69	(2)
Other			
	1,407	1,007	(399)
Total intangible assets			
Investments and other assets:			
Investment securities	63,063	47,301	(15,762)
Equity in affiliated companies	92,679	93,030	350
Investments in capital	440	419	(21)
Investments in capital of affiliated companies	458	458	–
Long-term loans to employees	88	81	(6)
Loans-term loans to affiliated companies	29,609	25,223	(4,385)
Long-term prepaid expenses	31	27	(3)
Other	443	371	(71)
Allowance for doubtful accounts	(137)	(123)	14
Total investments and other assets	186,677	166,790	(19,886)
Total fixed assets	**209,170**	**189,605**	**(19,564)**
Total assets	**242,434**	**224,043**	**(18,391)**

	2007	2008	Change
Liabilities:			
Current liabilities:			
Short-term debt	6	6	(0)
Accrued payable	659	102	(557)
Accrued expenses	1,337	1,667	330
Deposits received	1,472	1,018	(454)
Reserve for directors' bonuses	55	50	(5)
Other	49	46	(3)
Total current liabilities	3,580	2,890	(690)
Long-term liabilities:			
Long-term debt	80	74	(6)
Deferred tax liabilities	19,618	13,368	(6,250)
Allowance for employees' retirement benefit	1,526	632	(894)
Other	382	390	7
Total long-term liabilities	**21,608**	**14,465**	**(7,142)**
Total liabilities	**25,189**	**17,356**	**(7,832)**
Net Assets:			
Shareholders' equity:			
Common stock	17,117	17,117	–
Additional paid-in capital	9,500	9,500	–
Legal capital surplus	9,500	9,500	–
Retained earnings	162,024	162,358	334
Legal retained surplus	4,379	4,379	–
Other retained earnings	157,644	157,978	334
Provision of reserve for dividends	2,000	2,000	–
Reserve for special depreciation	2	–	(2)
Reserve for advanced depreciation of fixed assets	1,002	1,496	493
Provision for reserves	118,770	126,770	8,000
Retained earnings brought forward	35,869	27,712	(8,156)
Treasury common stock	(3,003)	(3,255)	(252)
Total shareholders' equity	**185,638**	**185,720**	**81**
Valuation, translation adjustments and other:			
Unrealized holding gain on securities	31,606	20,957	(10,649)
Total valuation, translation adjustments and other:	**31,606**	**20,957**	**(10,649)**
Stock acquisition rights	**–**	**8**	**8**
Total net assets	**217,245**	**206,686**	**(10,559)**
Total liabilities and net assets	**242,434**	**224,043**	**(18,391)**

(2) Statements of Income

(April 1, 2007 to March 31, 2008)

(Millions of yen)

	2007	2008	Change
Operating revenue	22,246	18,644	(3,601)
Operating expenses	11,315	11,247	(68)
Operating income	**10,930**	**7,396**	**(3,533)**
Non-operating income:	1,595	1,667	71
Interest income	587	772	185
Dividend income	664	852	188
Other income	343	42	(301)
Non-operating expenses:	45	84	38
Interest expenses	10	19	9
Other expenses	35	64	29
Ordinary income	**12,480**	**8,979**	**(3,500)**
Extraordinary income:	1,692	2,498	806
Gain on sale of fixed assets	289	1,645	1,356
Gain on sale of investment securities	21	–	(21)
Gain on liquidation of affiliated companies	1,381	852	(528)
Extraordinary losses:	91	449	358
Loss on disposal of fixed assets	91	58	(32)
Expenses for dissolving joint venture of pharmaceutical business	–	391	391
Income before income taxes	**14,081**	**11,029**	**(3,052)**
Income taxes – current	16	18	2
Income taxes – deferred	752	866	113
Net income	**13,312**	**10,144**	**(3,168)**

(3) Statements of Changes in Shareholders' Equity

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

(Millions of yen)

	Shareholders' equity									
		Additional paid-in capital		Retained earnings						
					Other retained earnings					
	Common stock	Legal capital surplus	Total additional paid-in capital	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 during 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 retained earnings *									(2,785)	(2,785)
Interim dividends from retained earnings									(2,279)	(2,279)
Directors' bonuses*									(55)	(55)
Net income									13,312	13,312
Purchase of treasury stock										
Disposition of treasury stock									(15)	(15)
Net change in non-shareholders' equity items for the fiscal year										
Total changes during 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

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

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Total valuation and translation adjustments	
Balance as of March 31, 2006	(3,122)	177,343	32,277	32,277	209,621
Changes during 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 retained earnings *		(2,785)			(2,785)
Interim dividends from retained earnings		(2,279)			(2,279)
Directors' bonuses*		(55)			(55)
Net income		13,312			13,312
Purchase of treasury stock	(86)	(86)			(86)
Disposition of treasury stock	205	189			189
Net change in non-shareholders' equity items for the fiscal year			(671)	(671)	(671)
Total changes during 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.

Year Ended March 31, 2007 (April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity									
		Additional paid-in capital		Retained earnings						
					Other retained earnings					
	Common stock	Legal capital surplus	Total additional paid-in capital	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, 2007	17,117	9,500	9,500	4,379	2,000	2	1,002	118,770	35,869	162,024
Changes during the fiscal year										
Reversal of reserve for special depreciation						(2)			2	–
Provision of reserve for advanced depreciation of fixed assets							519		(519)	–
Reversal of reserve for advanced depreciation of fixed assets							(26)		26	–
Provision for reserves								8,000	(8,000)	–
Dividends from retained earnings									(4,561)	(4,561)
Net income									10,144	10,144
Purchase of treasury stock										
Disposition of treasury stock									(2)	(2)
Retirement of treasury stock									(5,246)	(5,246)
Net change in non-shareholders' equity items for the fiscal year										
Total changes during the fiscal year	–	–	–	–	–	(2)	493	8,000	(8,156)	334
Balance as of March 31, 2008	17,177	9,500	9,500	4,379	2,000	–	1,496	126,770	27,712	162,358

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		New share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Total valuation and translation adjustments		
Balance as of March 31, 2007	(3,003)	185,638	31,606	31,606	–	217,245
Changes during the fiscal year						
Reversal of reserve for special depreciation		–				–
Provision of reserve for advanced depreciation of fixed assets		–				–
Reversal of reserve for advanced depreciation of fixed assets		–				–
Provision for reserves		–				–
Dividends from retained earnings		(4,561)				(4,561)
Net income		10,144				10,144
Purchase of treasury stock	(5,634)	(5,634)				(5,634)
Disposition of treasury stock	135	132				132
Retirement of treasury stock	5,246	–				–
Net change in non-shareholders' equity items for the fiscal year			(10,649)	(10,649)	8	(10,640)
Total changes during the fiscal year	(252)	81	(10,649)	(10,649)	8	(10,599)
Balance as of March 31, 2008	(3,255)	185,720	20,957	20,957	8	206,686

End