

**MATTERS DISCLOSED ON THE INTERNET  
RELATED TO THE  
CONVOCAATION NOTICE OF  
THE 177<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Subscription Rights to Shares

Systems to Ensure Appropriate Business Execution  
and the Status of Operation of Systems Concerned

Basic Policies Regarding Control of the Corporation

Consolidated Statement of Changes in Net Assets

Notes to the Consolidated Financial Statements

Non-consolidated Statement of Changes in Net Assets

Notes to the Non-consolidated Financial Statements

(from April 1, 2020 to March 31, 2021)

**Nisshin Seifun Group Inc.**

We provide shareholders with the “Subscription Rights to Shares,” the “Systems to Ensure Appropriate Business Execution and the Status of Operation of Systems Concerned,” the “Basic Policies Regarding Control of the Corporation,” the “Consolidated Statement of Changes in Net Assets,” the “Notes to the Consolidated Financial Statements,” the “Non-consolidated Statement of Changes in Net Assets,” and the “Notes to the Non-consolidated Financial Statements,” posted on the Company’s website (<https://www.nisshin.com/english/shareholders/meeting.html>), in accordance with laws and regulations and Article 15 of the Company’s Articles of Incorporation.

## Subscription Rights to Shares

[1] Status of subscription rights to shares as of March 31, 2021

	Number of subscription rights to shares granted	Class and number of shares issuable upon exercise of subscription rights to shares	Issuance price upon exercise of subscription rights to shares	Persons granted subscription rights to shares at the time of issuance	Amount payable upon exercise of subscription rights to shares	Exercise period
12-1st subscription rights to shares (Granted on August 19, 2014)	4	Common Stock 4,400 shares (1,100 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,274,900 per subscription right to shares	August 20, 2016 – August 2, 2021
12-2nd subscription rights to shares (Granted on August 19, 2014)	38	Common Stock 41,800 shares (1,100 shares per subscription right to shares)	Without charge	Executive Officers of the Company and some Directors of its consolidated subsidiaries	¥1,274,900 per subscription right to shares	August 20, 2016 – August 2, 2021
13-1st subscription rights to shares (Granted on August 19, 2015)	68	Common Stock 68,000 shares (1,000 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,748,000 per subscription right to shares	August 20, 2017 – August 1, 2022
13-2nd subscription rights to shares (Granted on August 19, 2015)	132	Common Stock 132,000 shares (1,000 shares per subscription right to shares)	Without charge	Executive Officers of the Company and some Directors of its consolidated subsidiaries	¥1,748,000 per subscription right to shares	August 20, 2017 – August 1, 2022
14-1st subscription rights to shares (Granted on August 15, 2016)	91	Common Stock 91,000 shares (1,000 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,753,000 per subscription right to shares	August 16, 2018 – August 1, 2023
14-2nd subscription rights to shares (Granted on August 15, 2016)	170	Common Stock 170,000 shares (1,000 shares per subscription right to shares)	Without charge	Executive Officers of the Company and some Directors of its consolidated subsidiaries	¥1,753,000 per subscription right to shares	August 16, 2018 – August 1, 2023

Conditions for exercise of the above subscription rights to shares:

- 1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the “holders”) shall be a Director or Executive Officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) at the time of the exercise of the subscription rights to shares. However, the holders who are no longer a Director or Executive Officer of the Company or one of its consolidated subsidiaries (excluding any publicly listed companies and their subsidiaries and overseas subsidiaries) may exercise the rights up until two (2) years after stepping aside or two (2) years after the commencement of the exercise period of the subscription rights to shares, whichever is later.
- 2) An heir of the holder shall be allowed to inherit the subscription rights to shares, provided that he/she completes the procedures to change the holder.
- 3) Subscription rights to shares may not be transferred, securitized or otherwise disposed of under any circumstances.
- 4) Where a holder is dismissed from the position of Director or Executive Officer, or under certain other circumstances, the exercise of the subscription rights to shares may be deemed inappropriate considering the purpose of the granting of rights, and in such case said rights will be forfeited immediately.

[2] Subscription rights to shares granted as remuneration for performance of duty and held by Directors of the Company as of March 31, 2021

Segment	Name	Number of subscription rights to shares	Number of persons holding subscription rights to shares
Directors (excluding Directors who are members of the Audit & Supervisory Committee and Outside Directors)	12-1st subscription rights to shares	4	1
	13-1st subscription rights to shares	32	4
	14-1st subscription rights to shares	39	5
Outside Directors (excluding Directors who are members of the Audit & Supervisory Committee)	12-1st subscription rights to shares	0	0
	13-1st subscription rights to shares	2	1
	14-1st subscription rights to shares	10	2

The outline of the above subscription rights to shares are described in [1].

No subscription rights to shares granted as remuneration for performance of duty are held by Directors who are members of the Audit & Supervisory Committee.

[3] Subscription rights to shares granted as remuneration for performance of duty to employees during the fiscal year ended March 31, 2021.

There are no applicable matters to be reported.

## **Systems to Ensure Appropriate Business Execution and the Status of Operation of Systems Concerned**

The internal control systems of the Company are based on the establishment of a chain of command and clarification of authority and responsibility in operational departments, management control by the department heads or managers in operational departments, internal checks between departments (i.e. operations division and accounting division), and are put in place for implementation in accordance with the basic policies resolved by the Board of Directors. Details of the basic policies and outline of the implementation status thereof are as follows.

[1] Systems for ensuring the compliance of the performance of duties of Directors and employees of the Company and its subsidiaries with laws and the Articles of Incorporation

- 1) The Nisshin Seifun Group has formulated the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines.” The Presidents and Directors of the Company and its subsidiaries must recognize their duty to comply with the Corporate Code of Conduct and Employee Action Guidelines and take the lead in following the rules and publicizing them to the people concerned. The Presidents and Directors must also endeavor to understand internal and external opinions at all times and adjust their internal systems accordingly to enhance their effectiveness, while promoting corporate ethics throughout their companies.
- 2) The Audit & Supervisory Committee of the Company and Audit & Supervisory Board Members of its subsidiaries audit the performance of duties by each Director, and oversee Directors to verify whether they construct and operate the internal control systems in an appropriate manner.
- 3) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee of the Company, leads efforts to enhance and operate the internal control systems of the Nisshin Seifun Group. As an independent organization, the Internal Audit Department evaluates the internal control systems of the Nisshin Seifun Group and performs internal audits of the Group’s business operations.
- 4) The Social Committee of the Company addresses all the Nisshin Seifun Group’s corporate social responsibility (CSR) issues by discussing a comprehensive range of CSR issues, including corporate ethics and compliance, promoting practical CSR measures at the Group and ensuring awareness of compliance with laws, the Articles of Incorporation and social norms.
- 5) The Nisshin Seifun Group shall not bow to unreasonable demands of antisocial forces that threaten the order and safety of civil society and takes organized countermeasures in collaboration with external specialized institutions.
- 6) The Company operates and maintains the Compliance Hotline System, which was established as a measure for the Nisshin Seifun Group employees, etc., to directly report any acts of non-compliance so that such acts can be detected early and dealt with.

(Status of operation)

- 1) The Nisshin Seifun Group has introduced the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” in the Group companies including overseas subsidiaries and affiliates as the Group’s common basis for discipline, whereby striving to ensure awareness of these guidelines.
- 2) The Company is promoting awareness among employees of the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” along with the Compliance Hotline System through human resources training programs.
- 3) The Internal Audit Department of the Company is conducting the internal control evaluation and internal audit at each Group company and verifying the level of awareness and the status of compliance with the internal rules.
- 4) The Company held two meetings of the Social Committee during the fiscal year ended March 31, 2021 to discuss a comprehensive range of CSR issues, including compliance, thereby promoting the Nisshin Seifun Group’s CSR measures.
- 5) The Company also organizes the Normative Ethics Committee, whereby ensuring that no illegal payment is made to antisocial forces and examining the appropriateness of donations.

[2] Rules and systems for managing the danger of loss to the Company and its subsidiaries

- 1) For issues concerning business operations at the Nisshin Seifun Group, approval and reporting procedures must be determined according to their level of importance, impact, etc., and evaluation of such issues, including risk assessment thereof, are made in advance.
- 2) In line with the Nisshin Seifun Group Risk Management Rules, the Nisshin Seifun Group conducts the risk evaluation and reviews measures against risks, and the Company’s Risk Management Committee supervises the overall risk management efforts of the Nisshin Seifun Group by confirming and providing guidance to ensure that its subsidiaries have appropriate control over the risks that are evaluated by themselves, and that no risks are ignored.
- 3) In line with the Nisshin Seifun Group Crisis Control Rules, employees, etc., must report any emergence

or possibility of crises to a specified contact within the Nisshin Seifun Group to ensure the early detection and handling of the danger of loss.

Should crises occur, the Company must set up a countermeasures headquarters immediately to handle such crises in an appropriate manner to minimize damages.

- 4) The Audit & Supervisory Committee of the Company and Audit & Supervisory Board Members of its subsidiaries must take the necessary measures, such as giving advice and making recommendations to Directors, whenever they recognize the possibility that each Director may bring about significant damage or incident.

(Status of operation)

- 1) Each Nisshin Seifun Group company conducts the risk evaluation and reviews measures against risks in accordance with the Nisshin Seifun Group Risk Management Rules. In addition, a planning subcommittee of the Risk Management Committee of the Company conducts the Group-wide verification of the results of the review at each Group company and reports the results to the Risk Management Committee for deliberation thereat.
- 2) An internal reporting system is in place in line with the Nisshin Seifun Group Crisis Control Rules, whereby employees, etc., of the Nisshin Seifun Group may report any emergence or possibility of crises to a specified contact desk.
- 3) The Nisshin Seifun Group has established a “COVID-19 Pandemic Task Force,” to ensure the safety of employees and maintain a stable supply system for staple foods and other products.

- [3] Systems for ensuring that the duties of Directors of the Company and its subsidiaries are performed efficiently

- 1) For the Company and its subsidiaries, the range of responsibility and authority is clarified, for example, by identifying matters to be resolved by and reported to the Board of Directors and matters of request for approval of Presidents, Directors and Executive Officers in charge of respective business divisions. This enables Directors to perform their duties in a prompt and appropriate manner.
- 2) The Nisshin Seifun Group clarifies its business strategies and their potential directions, according to which the Group companies formulate their profit plans on a yearly basis. The term of office of Directors (excluding Directors who are members of the Audit & Supervisory Committee) is set at one year to clarify their responsibilities. The Board of Directors reviews business performance on a monthly basis, and discusses and implements measures to improve performance.

(Status of operation)

- 1) The Nisshin Seifun Group is working to build a foundation for further growth, in order to achieve the goals set forth in its long-term vision, “NNI ‘Compass for the Future’—Toward a New Stage—Maximizing Group-wide Capabilities and Effecting Business Model Change.”
- 2) Each Group company formulates its profit plans for the fiscal year in line with its business strategies, while implementing measures to improve performance based on the monthly business performance review at its Board of Directors.

- [4] Systems for ensuring that proper business operations are conducted within the Nisshin Seifun Group that consists of the Company and its subsidiaries

- 1) The Nisshin Seifun Group has adopted a holding company structure under which the holding company, the Company, oversees and evaluates the actions of subsidiaries with the best interests of the shareholders in mind.
- 2) For important issues concerning the business operations of subsidiaries, the Nisshin Seifun Group sets the standards for issues to be discussed by or reported to the Board of Directors of the Company.
- 3) The Nisshin Seifun Group has formulated the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines,” in which the Corporate Principle, the Basic Management Policy, the Basic Stance toward Stakeholders, the Corporate Code of Conduct and Employee Action Guidelines are specified, and awareness of them throughout the Group is promoted.
- 4) The procedures and methods for creation of the Nisshin Seifun Group’s financial reports, including the consolidated financial statements, are stipulated to eliminate wrongful acts and errors and ensure the reliability of such reports.
- 5) Audit & Supervisory Committee Members of the Company and Audit & Supervisory Board Members of subsidiaries hold regular meetings of the Audit & Supervisory Liaison Committee of the Nisshin Seifun Group to exchange opinions on audit cases and share issues to be addressed.
- 6) The Company provides special audits, such as of facilities, safety, environment and quality assurance, for the Nisshin Seifun Group.
- 7) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee of the Company, leads efforts to enhance and operate the internal control systems of the Nisshin Seifun Group.

As an independent organization, the Internal Audit Department evaluates the internal control systems of the Nisshin Seifun Group and performs internal audits of the Group's business operations.

- 8) Each subsidiary of the Nisshin Seifun Group establishes its own Internal Control Committee, headed by the president, which leads efforts to enhance and operate its internal control systems.

(Status of operation)

- 1) For important issues concerning the business operations of subsidiaries, the Nisshin Seifun Group refers issues to be discussed by or reported to the Board of Directors of the Company in accordance with the "Matters to be Resolved by and Reported to the Board of Directors" as well as the "Standards for Issues Concerning Subsidiaries to be Discussed by and Reported to the Board of Directors."
- 2) With respect to the internal controls for the purpose of ensuring the reliability of financial reporting, operation procedures at each Group company are documented in order to verify the presence of effective control under the Nisshin Seifun Group's unified policy, while the Internal Audit Department evaluates the status of enhancement and operation of such controls.
- 3) With respect to general business processes, the Internal Audit Department conducts internal audits, and the specialized departments of the Company conduct audits on respective areas, including facilities, safety, environmental conservation and quality assurance, thereby verifying that each operation is implemented appropriately.

- [5] Systems for ensuring the preservation and management of information in relation to the Company's Directors' performance of their duties

The minutes of the meetings of Board of Directors, approval documents, and other documents and information relating to the performance of duties by Directors are preserved and managed appropriately as confidential information in accordance with the relevant regulations.

(Status of operation)

The minutes of the meetings of Board of Directors, approval documents, and other documents of the Company are preserved and managed appropriately as confidential information in accordance with the Confidential Information Management Rules.

- [6] Provisions concerning the employees who assist the Company's Audit & Supervisory Committee in performing its duties, the independence of such employees from Directors (excluding Directors who are members of the Audit & Supervisory Committee) and ensuring the effectiveness of the Audit & Supervisory Committee's directions given to such employees.

- 1) The Company establishes an Audit & Supervisory Committee Secretariat to assist the Audit & Supervisory Committee in performing its duties. The Audit & Supervisory Committee Secretariat assists the Audit & Supervisory Committee in performing audits under the Committee's direction. Personnel changes and other matters concerning the members of the Audit & Supervisory Committee Secretariat require the consent of the Audit & Supervisory Committee.
- 2) Directors (excluding Directors who are members of the Audit & Supervisory Committee) pay close attention to ensure that no unreasonable constraints exist that could potentially hinder the independence of the Audit & Supervisory Committee Secretariat in performing its duties.

(Status of operation)

The Audit & Supervisory Committee Secretariat, which is independent from Directors (excluding Directors who are members of the Audit & Supervisory Committee), assists the Audit & Supervisory Committee in performing its duties in order to enhance the effectiveness of the audit function of the Committee. In addition, the Company pays close attention to ensure that there are no unreasonable constraints by Directors (excluding Directors who are members of the Audit & Supervisory Committee) that could potentially hinder the independence of the Audit & Supervisory Committee Secretariat in performing its duties.

- [7] Systems for reporting to the Audit & Supervisory Committee of the Company by Directors (excluding Directors who are members of the Audit & Supervisory Committee) and employees of the Company, Directors, Audit & Supervisory Board Members and employees of its subsidiaries and individuals who receive reports from these individuals

- 1) The Audit & Supervisory Committee of the Company has the members attend the meetings of the Board of Directors and other important meetings, including those of the Group Management Meeting, the Credit Management Committee, and the Normative Ethics Committee. The Audit & Supervisory Committee Members state their opinions as appropriate at the above-mentioned important meetings.
- 2) The Audit & Supervisory Committee of the Company may ask for reporting from the independent auditors, Directors, the Internal Audit Department and others as the need arises.
- 3) When Directors of the Company or its subsidiaries recognize anything that could cause significant damage

or incident to their respective companies, they shall immediately report that to their respective Audit & Supervisory Committee or Audit & Supervisory Board Members. At the same time, Audit & Supervisory Board Members of each subsidiary shall also report that to the Company's Audit & Supervisory Committee.

- 4) The results of audits conducted by subsidiaries' Audit & Supervisory Board Members shall be reported to the Company's Audit & Supervisory Committee.
- 5) The results of internal control evaluations and internal audits conducted by the Company's Internal Audit Department are reported to the Company's Audit & Supervisory Committee.
- 6) The results of special audits by the Company, such as of facilities, safety, environment and quality assurance, are reported to the Company's Audit & Supervisory Committee.
- 7) Any information obtained through the Compliance Hotline is reported immediately to the Audit & Supervisory Committee of the Company.
- 8) Documents for taking over the duties of outgoing Division Executives of the Company and the presidents of its subsidiaries are also submitted to the Audit & Supervisory Committee of the Company.
- 9) All approval documents of the Company and its subsidiaries are returned to their respective Audit & Supervisory Committee Members or Audit & Supervisory Board Members.

(Status of operation)

- 1) Audit & Supervisory Committee Members of the Company attend the meetings of the Board of Directors and other important meetings, including the Group Management Meetings and the Credit Management Committee meetings, and state their opinions as appropriate.
- 2) The Audit & Supervisory Committee and the Internal Audit Department of the Company report to each other information including audit results as they conduct audits, while Audit & Supervisory Board Members and dedicated audit staff at the Group's main operating companies report their audit results to the Audit & Supervisory Committee and the Internal Audit Department of the Company, whereby enhancing mutual collaboration.
- 3) Audit & Supervisory Committee Members of the Company held two meetings of the Audit & Supervisory Liaison Committee of the Nisshin Seifun Group during the fiscal year ended March 31, 2021, as attended by the Audit & Supervisory Board Members of the Group's main operating companies and the Internal Audit Department, exchanging opinions on audit cases in an effort to share awareness of the issues to be addressed and enhance audit quality across the Group.

- [8] Systems for ensuring that individuals reporting to the Company's Audit & Supervisory Committee will not be treated disadvantageously for such reporting

Individuals reporting any of the previously addressed items, including those reporting via the Compliance Hotline, will not be treated disadvantageously, through personnel systems or in any other way, for such reporting.

(Status of operation)

The Compliance Hotline Rules stipulate a provision to the effect that individuals who used the Compliance Hotline for the purpose of whistle-blowing shall not be treated disadvantageously, and such provision is posted on the Company's Intranet and communicated across the board.

- [9] Provisions regarding policies guiding procedures for the prepayment or reimbursement of expenses incurred by the Company's Audit & Supervisory Committee Members in the execution of their duties and other expenses incurred in the execution of such duties or related obligations

Anticipated expenses incurred by the Audit & Supervisory Committee Members in the execution of their duties are budgeted; expenses incurred or related obligations beyond the budget, excluding such expenses deemed unnecessary for execution of the duties of the Audit & Supervisory Committee Members, shall be dealt with immediately by the Company pursuant to Article 399-2, Paragraph 4 of the Companies Act.

(Status of operation)

Anticipated expenses incurred by the Audit & Supervisory Committee Members of the Company in the execution of their duties are budgeted, and expenses incurred beyond the budget are dealt with immediately by the Company pursuant to Article 399-2, Paragraph 4 of the Companies Act.

- [10] Other systems for ensuring that the audits of the Audit & Supervisory Committee of the Company are conducted efficiently

The Audit & Supervisory Committee holds regular meetings with Representative Directors, and exchanges opinions on prospective challenges and risks for the Company, as well as the status of the environment for audits by the Audit & Supervisory Committee and other important audit issues.

(Status of operation)

The Audit & Supervisory Committee of the Company holds regular meetings with Representative Directors and exchanges opinions on important audit issues, etc.

## **Basic Policies Regarding Control of the Corporation**

[1] Basic policies

As a corporate group involved in food, we guarantee a high level of safety and quality in our products, and consistently ensure the stable supply of food, including wheat flour and other staple foods for people. The Company believes that these are the responsibilities of the Group as a whole, a source and a foundation of corporate value. In order to sustainably secure and improve the Company's corporate value and the common interests of the shareholders in light of these responsibilities, it is essential that we guarantee a high level of safety and quality in our products, provide a stable supply of food, and so on. Any party which, failing to understand these matters, buys up shares of the Company and acts in a way that goes against a sustainable and systematic medium- to long-term management policy, may damage the Company's corporate value and the common interests of the shareholders. Depending on the conditions, there are other types of share acquisitions that also could damage the Company's corporate value and the common interests of the shareholders.

In order to properly manage the above issues, we believe that it is necessary to ensure advance and sufficient disclosure of information concerning the content of any management policies and business plans planned by an acquirer of the Company's shares, the impact of the proposed acquisition on the Company's shareholders and the management of the Group, the impact on the numerous parties affected by the Group, and the acquirer's philosophy regarding social responsibility, including securing stable supplies of wheat flour and other staple foods for the people, and food safety, as well as to ensure a reasonable period of investigation and bargaining power.

[2] Measures that contribute to the effective utilization of the Company's assets, structuring of the appropriate form of the business group and others for the realization of the basic policies regarding control of the corporation

As a pure holding company for the Group, the Company plans management strategies for the Group, allocates its managerial resources efficiently, and audits and oversees the Group's business operations. Our operating companies optimize themselves according to the markets in which they operate, and by doing so, they secure high levels of safety and quality, as well as a stable supply for their products, thus mutually improving their corporate value, and, in turn, the corporate value of the entire Group.

Under this structure, the Group aims to secure and enhance its high levels of production technologies, and capacities for development and analysis that underpin the safety and quality of its products. The Group also makes ongoing well-planned capital investments, from a long-term perspective; provides employee education to enhance employees' professional abilities; introduces audit and instructional systems as to quality assurance and production facilities on a continuous basis; builds and enhances systems for internal control and legal compliance; and endeavors to maintain trustful relations with stakeholders, including business partners/customers and local communities.

[3] Measures to prevent a decision regarding the Company's financial and business policies from being controlled by a party who is deemed to be inappropriate, according to the basic policies

With the aim of securing and improving the corporate value of the Company and the common interests of the shareholders, the Company has introduced measures using a gratis allotment of subscription rights to shares (hereinafter, "the Plan"), in line with Article 45 of its Articles of Incorporation and the "Renewal of the Resolution to Approve Gratis Allotment of Subscription Rights to Shares for Securing and Improving Corporate Value of the Company and the Common Interests of the Shareholders," as approved at the 174<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2018. The outline of the Plan is as follows.

1) The Board of Directors shall request that parties intending to implement a Specified Acquisition make an advance written submission of an Acquisition Proposal, and seek a resolution of the Board of Directors not to implement countermeasures, including the gratis allotment of the Subscription Rights to Shares defined in Paragraph 6) below (hereinafter, "the Confirmation Resolution") against that proposal. Parties intending to implement the Specified Acquisition shall make an advance submission of an Acquisition Proposal, and seek a Confirmation Resolution. In order to implement prompt operation of the Plan, the Board of Directors may establish a reply period, and request the provision of additional information in respect to any parties making a proposal regarding a Specified Acquisition, to the Company. Even in this case, the reply period shall be set with an upper limit of within 60 business days, starting from the day on which the provision of information was requested of the Proposed Acquirer by the Board of Directors, and the Corporate Value Committee shall commence its deliberation and discussion upon the expiry of such reply period.

"Specified Acquisition" means i) an act of purchasing the Company's share certificates, etc., that would result in the ratio of holdings reaching or exceeding 20% of the Company's share certificates, etc.



- (including similar acts as specified by the Board of Directors), or ii) an act of commencing a tender offer on the Company's share certificates, etc., that would result in the ratio of possessions reaching or exceeding 20% of the Company's share certificates, etc. An "Acquisition Proposal" means a written proposal that contains information reasonably requested by the Company, including the Company's management policies and business plans after said acquisition, evidence used to calculate prices, proof of acquisition funds, any possible impact on the Company's stakeholders, and information related to Items 4) A) through E) below.
- 2) Upon receiving the Acquisition Proposal, the Board of Directors shall promptly put it before the Corporate Value Committee, which consists only of the Outside Directors of the Company.
  - 3) The Corporate Value Committee shall investigate said Acquisition Proposal and discuss whether or not to pass a resolution recommending that the Board of Directors passes a Confirmation Resolution in regard to said Acquisition Proposal (hereinafter, "Recommendation Resolution"). The Recommendation Resolution shall be passed by a majority of all members of the Corporate Value Committee, and the results of that said Recommendation Resolution shall be disclosed. The period for such deliberation and discussion by the Corporate Value Committee shall be a maximum of 60 business days (or a maximum of 90 business days for Acquisition Proposals other than those that specify only cash in Japanese currency as consideration and set no upper limit on the number of shares to be purchased) after the Acquisition Proposal is received by the Board of Directors. Only when reasonable grounds exist, the period for the deliberation and discussion may be extended by an upper limit of 30 business days. However, in this case, the grounds for the extension and the intended extension period will be disclosed.
  - 4) Deliberations and discussion regarding the Recommendation Resolution by the Corporate Value Committee shall be made by faithfully forming an accurate judgment as to whether the Acquisition Proposal secures and improves the Company's corporate value and the common interests of the shareholders. The Corporate Value Committee must issue a Recommendation Resolution for an Acquisition Proposal that meets all of the below requirements and secures and improves the Company's corporate value and the common interests of the shareholders.
    - A) The acquisition does not fall under any of the following types of action:
      - (a) Buyout of the Company's shares to demand that the Company or its related party purchase said shares at an inflated price;
      - (b) Management that achieves an interest for the Proposed Acquirer (including its group company or other related party, hereinafter the same shall apply) to the detriment of the Company, such as temporary control of the Company's management for transfer of the Company's material assets;
      - (c) Diversion of the Company's assets to secure or repay debts of the Proposed Acquirer; and
      - (d) Action unjustly causing harm to an important foundation of the creation of the Company's medium- to long-term corporate value, such as the action of taking temporary control of the Company's management to decrease the assets, funds, etc., that are required for the Company's business expansion, product development, etc., for years ahead, and the action of causing harm to the cooperative relations with the Company's shareholders, business partners, customers, employees, etc.
    - B) The scheme, content, etc., of the deal proposed by the Acquisition Proposal comply with the relevant laws and regulations.
    - C) The scheme and content of the deal proposed by the Acquisition Proposal do not threaten to have the effect of compelling shareholders of the Company to sell their shares.
    - D) The true information necessary for deliberations on the Acquisition Proposal is provided in the appropriate timing, such as upon request of the Company, and sincere responses are made in compliance with the procedures specified by the Plan.
    - E) The period for the Company to deliberate the Acquisition Proposal is secured (including deliberation and presentation of alternative proposals to the Company's shareholders). This period is 60 business days upon the receipt of the Acquisition Proposal, or 90 business days for Acquisition Proposals other than those that specify only cash in Japanese currency as consideration and set no upper limit on the number of shares to be purchased, and an upper limit extension of 30 business days applies if required on reasonable grounds.
  - 5) A Confirmation Resolution of the Company's Board of Directors shall be made according to the Recommendation Resolution of the Corporate Value Committee. In case the Corporate Value Committee issues the Recommendation Resolution, the Board of Directors must make the Confirmation Resolution promptly, unless there are particular reasons that are obviously against the directors' duty of care. The Gratis Allotment of Subscription Rights to Shares cannot be taken against the Acquisition Proposal for which the Confirmation Resolution is made.
  - 6) If a Specified Acquirer—which is defined as a party implementing a Specified Acquisition which has not obtained a Confirmation Resolution at the time when a Specified Acquisition was implemented—appears,

the Board of Directors shall, in addition to disclosing the fact that a Specified Acquirer has appeared, implement the gratis allotment of Subscription Rights to Shares, after passing a resolution to designate a record date for the gratis allotment, an effective date for the gratis allotment, and other necessary matters in respect to the gratis allotment of Subscription Rights to Shares and publicizing the items of the resolution. "Subscription Rights to Shares" are defined as the subscription rights to shares with restrictions on the exercise of such rights by Specified Acquirer and its related parties, which are collectively defined as the Specified Acquirer and Related Parties.

If it is revealed that the ratio of holdings of the Company's share certificates, etc., by the Specified Acquirer falls below 20% by a date that is to be specified elsewhere by the Board of Directors, which shall be earlier than the record date for the gratis allotment (the Board of Directors does not intend to stipulate a day on or later than 3 business days prior to the record date for the gratis allotment.), and in some other cases, the Board of Directors may choose not to effect a gratis allotment of Subscription Rights to Shares.

- 7) If a gratis allotment of Subscription Rights to Shares is effected, the Company shall allot Subscription Rights to Shares to all common shareholders, except the Company, as of the record date for the gratis allotment, at a ratio of one Subscription Right to Shares for every one share of the Company's common stock held, and the number of shares to be issued per one Subscription Right to Shares will not exceed two, and be determined elsewhere by the Board of Directors. The value of assets contributed to exercise one Subscription Right to Shares shall be one yen, multiplied by the number of shares to be issued per one Subscription Right to Shares.
- 8) The Subscription Rights to Shares will have an acquisition clause by which the unexercised Subscription Rights to Shares can be acquired by the Company. For the Subscription Rights to Shares held by shareholders other than the Specified Acquirer and Related Parties, this is accomplished in exchange for common shares of the Company of a number equal to the integral part of the number of said Subscription Rights to Shares multiplied by the number of shares to be issued per Subscription Right to Shares. For other Subscription Rights to Shares, this is accomplished in exchange for subscription rights to shares with restriction on transfer (and with restriction on the exercise of the rights by the Specified Acquirer and Related Parties) of a number equal to the number of said Subscription Rights to Shares.

[4] Judgment of the Board of Directors, and its reasons

The Plan complies with the basic policies described above, and the following special methods are to be implemented as a way of increasing its rationality. Therefore, the Plan protects the corporate value of the Company and the common interests of the shareholders, and does not pursue the personal interests of the Company's management.

- 1) The Plan received prior approval of the shareholders at the 174<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2018, pursuant to the provision of Article 45 of the Company's Articles of Incorporation.
- 2) The term of office of the Company's Directors (excluding Directors who are members of the Audit & Supervisory Committee) is one (1) year, and the timing of reelection is concurrent among all Directors. In addition, a resolution on dismissal of Directors may be passed by an ordinary resolution at a General Meeting of Shareholders. Therefore, the Plan can be abolished by a resolution of the Board of Directors through the election or dismissal of Directors, by an ordinary resolution at a single General Meeting of Shareholders.
- 3) To secure the neutrality of judgment relating to the Plan, the Corporate Value Committee, composed only of the Company's Outside Directors, shall deliberate the Acquisition Proposal, under legal obligations as the Directors of the Company, to determine if the proposal secures and improves the Company's corporate value and the common interests of the shareholders. It is also required that the Board of Directors make a Confirmation Resolution, upon receipt of a Recommendation Resolution to that effect from the Corporate Value Committee, unless there are particular reasons that are obviously against the directors' duty of care.
- 4) To enhance the objectivity of judgment relating to the Plan, the Plan specifies when the Corporate Value Committee must issue a Recommendation Resolution, as stated in [3] above.
- 5) Subject to approval resolution of the General Meeting of Shareholders, the Plan can be revised every year by a resolution of the Board of Directors. This allows the Plan to adjust itself to the development of the related laws and regulations, and various other business circumstances surrounding the Company.
- 6) The validity of an approval resolution is three years from the date of the General Meeting of Shareholders. Upon the passage of three years, the Board of Directors will present a Plan that reflects any revisions, including reflection of its supplementary conditions, for approval by the shareholders.
- 7) The Plan satisfies all of the requirements for legality (to avoid suspension of the issuance of subscription rights to shares, etc.) and rationality (to gain the understanding of shareholders, investors and other stakeholders) specified in the "Securing and/or Improving Corporate Value and Common Interests of

Shareholders: Takeover Defense Guidelines” released on May 27, 2005, by the Ministry of Economy, Trade and Industry and the Ministry of Justice. Moreover, the Plan is in accordance with the recommendations of the June 30, 2008 report of the Ministry of Economy, Trade and Industry’s Corporate Value Study Group, entitled “Takeover Defense Measures in Light of Recent Environmental Changes.”

## Consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	17,117	12,638	332,342	(11,172)	350,926
Changes of items during the period					
Dividends from surplus			(10,111)		(10,111)
Profit attributable to owners of parent			19,011		19,011
Purchase of treasury shares				(133)	(133)
Disposal of treasury shares		(11)		307	296
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(11)	8,899	174	9,063
Balance at the end of current period	17,117	12,627	341,241	(10,997)	359,990

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	56,970	(53)	(11,689)	(1,158)	44,069	137	13,908	409,042
Changes of items during the period								
Dividends from surplus								(10,111)
Profit attributable to owners of parent								19,011
Purchase of treasury shares								(133)
Disposal of treasury shares								296
Change in ownership interest of parent due to transactions with non-controlling interests								0
Net changes of items other than shareholders' equity	7,717	275	21,003	33	29,029	(21)	(2,339)	26,668
Total changes of items during the period	7,717	275	21,003	33	29,029	(21)	(2,339)	35,732
Balance at the end of current period	64,687	222	9,314	(1,125)	73,098	116	11,569	444,774

## Notes to the Consolidated Financial Statements

### **I. Basis of Presentation of Consolidated Financial Statements**

#### **1. Scope of consolidation**

##### **(1) Consolidated subsidiaries: 73 companies**

- Names of principal subsidiaries: Nisshin Flour Milling Inc., Miller Milling Company, LLC, Allied Pinnacle Pty Ltd., Champion Flour Milling Ltd., Nisshin Foods Inc., Nisshin Seifun Premix Inc., Ma•Ma-Macaroni Co., Ltd., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd., Initio Foods Inc., Nisshin Engineering Inc., NBC Meshtec Inc.
- Of the remaining subsidiaries, Nisshin Management & Technical Consulting Inc. and 3 other companies are not consolidated. The assets, net sales, profit/loss and retained earnings of each non-consolidated subsidiary are small, and the aggregate effect on the consolidated financial statements is immaterial.

##### **(2) Changes in scope of consolidation**

- During the consolidated fiscal year ended March 31, 2021, there was no significant change in scope of consolidation.

#### **2. Scope of the equity method**

##### **(1) Subsidiaries and affiliates accounted for by the equity method: 9 companies (1 non-consolidated subsidiary and 8 affiliates)**

- Names of principal subsidiaries and affiliates accounted for by the equity method: Marubeni Nisshin Feed Co., Ltd., Japan Logistic Systems Corp.
- The contributions to consolidated profit/loss, consolidated retained earnings and other consolidated financial statements of 3 non-consolidated subsidiaries and 3 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 subsidiaries and affiliates accounted for by the equity method whose accounting period differs from the consolidated accounting period.**

#### **3. Accounting periods of consolidated subsidiaries**

With regard to Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. and two other companies among the consolidated subsidiaries, which have accounting periods different from the consolidated accounting period, the tentative financial statements as of the consolidated fiscal year-end are used.

#### **4. Accounting principles**

##### **(1) Valuation standards and methodology for material assets**

###### **[1] 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.

###### **[2] Derivatives:**

Derivative financial instruments are stated at fair market value.

###### **[3] Inventories:**

Wheat flour and bran are stated at cost, with cost being determined mainly by the retail cost method, with balance sheet values reflecting write-downs for decreased profitability; other products are stated at cost, with cost being determined mainly by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability.

Raw materials are stated at cost, with cost being determined by the first-in, first-out method, and balance sheet values reflecting write-downs for decreased profitability.

##### **(2) Depreciation methods for material depreciable assets**

###### **[1] Property, plant and equipment (excluding leased assets and right-of-use assets):**

The Company and domestic consolidated subsidiaries mainly apply the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016.

Foreign consolidated subsidiaries mainly apply the straight-line method.

###### **[2] Intangible assets (excluding leased assets):**

Depreciation is computed by the straight-line method. Software used in-house is depreciated over its estimated useful life (within 5 years) based on the straight-line method.

- [3] Leased assets:  
Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.
- [4] Right-of-use assets:  
Right-of-use assets are depreciated using the straight-line method with zero residual values.
- (3) Basis of material allowances
- [1] Allowance for doubtful accounts:  
The Company and domestic consolidated subsidiaries provide for possible credit losses stemming from monetary receivables. 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 receivables are generally deemed irrecoverable in the case of foreign consolidated subsidiaries.
- [2] Provision for repairs:  
To prepare for expenditure associated with the periodic repair of plant facilities, certain consolidated subsidiaries provide for a portion of the total projected expenditure to be incurred until the end of the fiscal year ended March 31, 2021.
- (4) Accounting treatment of retirement benefits
- Regarding its retirement benefit asset and liability, in order to maintain retirement benefits for employees leaving the Company and already retired pension recipients, the Company subtracts pension plan assets from its projected benefit obligation, based on estimates as of the end of the consolidated fiscal year ended March 31, 2021.
- [1] Imputation method for retirement benefit estimates  
In calculating projected benefit obligation, the method for imputing the applicable period until the end of the consolidated fiscal year ended March 31, 2021 for the estimated retirement benefit is determined by the benefit calculation standard.
- [2] Treatment method for actuarial differences and expenses related to prior service cost  
Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the fiscal year-end.  
Actuarial differences are amortized on a straight-line basis from the following consolidated fiscal year over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the consolidated fiscal year-end.
- (5) Significant hedging transactions
- [1] Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any monetary claims, obligations or similar items denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.
- [2] Hedging methods: Derivative transactions  
(including forward exchange contracts and currency purchase put/call options)  
Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies
- [3] The Company employs hedging methods only for hedged items purely to manage fluctuations in foreign currency exchange rates.
- [4] Hedging evaluation  
Since hedging methods and hedged items 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) Goodwill amortization and amortization periods  
Goodwill is amortized using the straight-line method over a period of mainly 10 years beginning with the day on which it is realized. However, when the amount of goodwill is immaterial, it is amortized in total in the fiscal year it is realized.
- (7) Consumption tax  
All accounting transactions are booked exclusive of any national or local consumption taxes.

## II. Notes to Accounting Estimates

The items whose amounts were recorded in the form of accounting estimates in the consolidated financial statements for the consolidated fiscal year ended March 31, 2021, and are likely to have a material impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

Goodwill	¥45,551 million
Other (intangible assets)	¥27,824 million

The acquisition cost of companies or businesses acquired through corporate merger is allocated to the relevant assets or liabilities, and in cases where such acquisition cost exceeds the net amount allocated to assets or liabilities, such excess amount is recorded as goodwill under assets. Goodwill and intangible assets other than goodwill are amortized on a regular basis, over the period during which they remain effective, where the unamortized balance is subject to impairment measures. If the book values of goodwill and intangible assets other than goodwill are determined to be unrecoverable, such book value shall be reduced to the recoverable amount.

The Company is making accounting estimates for the impairment of goodwill and intangible assets other than goodwill, etc. based on the assumption that the impact of the spread of COVID-19 is likely to follow a repeated pattern of expansion and retreat in each country and region, while gradually returning to normal.

Impairment measures could become necessary in the event that the recoverable value falls below the book value due to changes in the future corporate environment, among other factors.

## III. Notes to the Consolidated Balance Sheet

1. Reduction entry of property, plant and equipment purchased with government subsidy and others

Accumulated reduction entry of property, plant and equipment: ¥351 million

2. Accumulated depreciation of property, plant and equipment: ¥336,333 million

3. Components of inventories

Merchandise and finished goods: ¥30,881 million

Work in process: ¥5,483 million

Raw materials and supplies: ¥45,241 million

## IV. Notes to the Consolidated Statements of Income

1. Impairment losses

Impairment losses were posted for the asset groups below during the consolidated fiscal year ended March 31, 2021.

Location	Application	Type
City of Kawasaki (Kanagawa Pref.), others	Business assets (Others)	Buildings and structures

The Nisshin Seifun Group categorizes assets based on the smallest unit that largely generates cash flows independently from the cash flows of other assets and asset groups.

With the decision to dismantle and remove the production plant and R&D buildings of the pet food business, the Company reduced the book value of these assets to their recoverable value. This resulted in the subsequent posting of an impairment loss of ¥977 million under extraordinary losses. The breakdown of the impairment loss consists of buildings and structures and expenses for their dismantlement. In light of the decision to remove the buildings and structures, the net sale value of these assets is assessed as zero.

2. Business restructuring expenses

Business restructuring expenses consist primarily of expenses accompanying the termination of production in the pet food business.

## V. Notes to the Consolidated Statement of Change in Net Assets

1. Class and number of issued shares at the end of the consolidated fiscal year ended March 31, 2021

Common stock: 304,357,891 shares

2. Dividends

- (1) Dividends paid

The following resolution was made at the meeting of the Board of Directors held on May 14, 2020.

- Dividends on common stock

[1] Total dividends to be paid: ¥5,055 million

[2] Dividend per share: ¥17

[3] Record date: March 31, 2020

[4] Effective date: June 26, 2020

(Note) Total dividends to be paid include ¥0 million of the dividends to the Company shares held by The



Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

The following resolution was made at the meeting of the Board of Directors held on October 27, 2020.

- Dividends on common stock

[1] Total dividends to be paid: ¥5,056 million

[2] Dividend per share: ¥17

[3] Record date: September 30, 2020

[4] Effective date: December 4, 2020

(Note) Total dividends to be paid include ¥2 million of the dividends to the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

(2) Dividends for which the record date came during the consolidated fiscal year ended March 31, 2021, but for which the effective date will come during the following consolidated fiscal year

The following resolution will be proposed at the Ordinary General Meeting of Shareholders to be held on June 25, 2021.

- Dividends on common stock

[1] Total dividends to be paid: ¥5,949 million

[2] Source of dividends: Retained earnings

[3] Dividend per share: ¥20

[4] Record date: March 31, 2021

[5] Effective date: June 28, 2021

(Note) Total dividends to be paid include ¥0 million of the dividends to the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

3. Class and number of shares to be issued or transferred upon exercise of the subscription rights to shares as of the consolidated fiscal year-end

12-1st subscription rights to shares (Granted on August 19, 2014)	Common stock	4,400 shares
12-2nd subscription rights to shares (Granted on August 19, 2014)	Common stock	41,800 shares
13-1st subscription rights to shares (Granted on August 19, 2015)	Common stock	68,000 shares
13-2nd subscription rights to shares (Granted on August 19, 2015)	Common stock	132,000 shares
14-1st subscription rights to shares (Granted on August 15, 2016)	Common stock	91,000 shares
14-2nd subscription rights to shares (Granted on August 15, 2016)	Common stock	170,000 shares

## VI. Notes to Financial Instruments

### 1. Status of financial instruments

#### (1) Policy regarding financial instruments

The Group policy concerning cash holdings and temporary surplus funds for strategic investment and the like going forward dictates that such funds be used for marketable securities and time deposits with specific rates of yield and not for the purpose of securing gains from sales or speculative transactions. Furthermore, the said policy also requires that funds be secured by the most suitable method given prevailing market conditions, with loans from banks utilized for short-term financing requirements, and loans from banks, the issuance of bonds, capital increase and the like utilized for long-term financing needs.

In terms of investment securities, the Group has a policy for retaining stocks when such retaining contributes to medium- to long-term improvement in corporate value and is reasonable in terms of facilitating and strengthening business tie-ups and joint businesses or building and strengthening long-term and stable business relationships.

The Group utilizes derivatives only as a hedge against the forms of risk detailed hereinafter but not for the purpose of securing gains from sales and speculative transactions.

#### (2) Details of financial instrument, associated risk, and risk management systems

Cash and deposits are principally used for time deposits while marketable securities generally take the form of bonds, and in both cases, therefore, the Group is exposed to the credit risk of the issuer and deposit holder and the risk of market price fluctuation. With the aim of minimizing and diversifying this risk, the internal rules of each Group company place limits on investment assets, issuers and deposit holders, investment periods, issuer and holder-specific investment amounts, and the like.

In terms of operating receivables in the form of notes and accounts receivable – trade, the Group is exposed to the credit risk of the corresponding customers. As a countermeasure, the internal rules of each Group company establish systems for managing due dates and balances on an individual business partner basis and for regularly reassessing the financial standing of major business partners, thus ensuring that settlement concerns stemming from a worsening of the financial position of any such business partner or customer can be rapidly identified and addressed.

Investment securities are stocks related to business or capital tie-ups and the like with business partners, which are exposed to the risk of market price fluctuation. Thus, systems have been established to regularly determine actual market value, and with respect to each of the cross-shareholding stocks retained, to verify

yearly at the Board of Directors the validity of retaining stocks after examining the rationality of reasons for cross-shareholding, their trading situations, revenue and financial conditions, shareholder returns, creditworthiness, and other factors, and making comparisons between benefits/risks and capital costs associated with cross-shareholding.

In terms of operating liabilities in the form of notes and accounts payable – trade, most of those payment periods are no longer than one year. Short-term loans payable are principally used to procure working capital. They are exposed to liquidity risk but each Group company deploys a number of different measures, such as the preparation of cash flow management plans and the like, in order to manage this risk.

Long-term loans payable and bonds are principally used to procure funds necessary for business investments and the like, and have fixed interest rates.

Turning to derivative transactions, the Group utilizes forward exchange contracts, currency option transactions and the like for specific assets and liabilities denominated in foreign currencies, where this includes notes and accounts receivable – trade and notes and accounts payable – trade, with the aim of hedging the risk of future foreign-exchange fluctuation. Meanwhile, certain overseas consolidated subsidiaries manage the future risk of fluctuation in wheat prices, etc., using wheat futures, etc. Transactions such as these expose the Group to risk associated with general market fluctuation. As a means of minimizing such risk, each Group company acts in line with internal rules that prohibit the scale of any such dealings from exceeding actual demand, and furthermore, place limits on derivative transactions in the form of a fixed ratio of the total value thereof. It should also be noted that currency option transactions are restricted to the purchases of options only by said internal rules. Furthermore, such transactions are executed by the Finance and Accounting Division of the Company principally in line with the instructions of the responsible divisions of operating companies with which foreign-exchange fluctuation risk is associated. At certain consolidated subsidiaries, however, the corresponding finance department executes transactions based principally on the instructions of various internal responsible divisions. In order to effectively monitor and control derivative transactions of this nature, the Group has implemented systems that require the Finance and Accounting Division of the Company or the finance departments of individual subsidiaries to obtain a derivative-transaction balance statement from banks and other similar institutions on a monthly basis, to cross-check this statement with actual balances, and among other measures, to submit a report to the Division Executive of the Finance and Accounting Division of the Company or the director in charge of the finance department and the director in charge of the administration department of each subsidiary. Furthermore, as the Group only conducts derivative transactions with financial institutions with high credit ratings, the risk of defaulting on contracts on the part of the counterparty is considered to be close to non-existent.

(3) Supplementary explanation concerning the market value of financial instruments

The market value of financial instruments includes value based on market price or value calculated in a reasonable manner when there is no market price. As fluctuation is factored into this calculated value, the selection of differing preconditions and the like may cause the fair value to change.

2. Market value of financial instruments

The book value, market value and difference between each for major balance sheet items as of March 31, 2021 (the balance sheet date) are presented as follows. Details of those balance sheet items whose market values are deemed highly difficult to determine are not included. (Please refer to Note 2).

	(Millions of yen)		
	Book value (*1)	Market value (*1)	Difference
(1) Cash and deposits	61,282	61,282	—
(2) Notes and accounts receivable – trade	85,483	85,483	—
(3) Securities and investment securities			
Other securities	121,833	121,833	—
(4) Notes and accounts payable – trade	(47,946)	(47,946)	—
(5) Short-term loans payable	(4,307)	(4,307)	—
(6) Bonds	(20,000)	(19,373)	(626)
(7) Long-term loans payable (*2)	(15,969)	(15,639)	(330)
(8) Derivative transactions (*3)	234	234	—

(\*1) Liabilities are shown in parentheses.

(\*2) Includes the current portion of long-term loans payable.

(\*3) Net claims and debts resulting from derivative transactions are indicated as net amounts. Figures of total net debt are indicated in parentheses.

Note 1: Calculation method for the market values of financial instruments, securities and derivative transactions.

- (1) Cash and deposits, and (2) Notes and accounts receivable – trade  
Given the short settlement period of the above items, the market value and book value are almost the same, and therefore, the corresponding book values are used.
- (3) Securities and investment securities  
Shares are recorded at the stock-exchange price, and bonds are recorded at either the stock-exchange price or the price indicated by the transacting financial institution in question.
- (4) Notes and accounts payable – trade, and (5) Short-term loans payable  
Given the short settlement period of the above items, the market value and book value are almost the same, and therefore, the corresponding book values are used.
- (6) Bonds and (7) Long-term loans payable  
The market values of bonds and long-term loans payable are measured at the present value of future cash flows discounted by a rate that is set by using appropriate indices, such as JGB yields, and adding a credit spread.
- (8) Derivative transactions  
The market values of derivatives are recorded as the closing price for the corresponding futures or the price indicated by the transacting financial institution in question. It should be noted that forward exchange contracts and other foreign exchange contracts in which contracted exchange rates are applied and grouped together with hedged accounts receivable and accounts payable, and the market value of the hedged accounts receivable and accounts payable includes the values of the corresponding accounts receivable and accounts payable.

Note 2: Financial instruments whose market values are deemed to be highly difficult to determine  
Unlisted securities (book value ¥22,913 million) are deemed extremely difficult to value given the lack of a market value and the considerable cost that would be involved in estimating future cash flow. For this reason, these shares are not included in (3) Securities and investment securities.

## VII. Notes to Per Share Information

1. Net assets per share ¥1,456.37 (Note 1)
2. Earnings per share ¥63.95 (Note 2)

Note 1: When calculating net assets per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded from the number of shares of common stock issued and outstanding at the end of the consolidated fiscal year.  
As of March 31, 2021, 25,000 Company shares were held in the aforementioned trust.

Note 2: When calculating earnings per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded when calculating the average number of shares of common stock during the fiscal year.  
For the consolidated fiscal year ended March 31, 2021, the average number of shares of common stock for the Company shares held in the aforementioned trust was 51,369 shares.

## VIII. Additional Information

### 1. (Stock-based Remuneration Plan)

The Company has introduced a stock-based remuneration plan (the “Plan”) for the Directors (excluding Directors who are members of the Audit & Supervisory Committee) and the Executive Officers of the Company and the Directors of the major subsidiaries of the Company (the “Eligible Directors, etc.”).

For the Company shares vested in the Eligible Directors, etc. under the Plan, transfer and other disposal are prohibited for 3 years from the time of vesting based on the share vesting rules. The Plan is intended to improve motivation of the Eligible Directors, etc. to contribute to enhanced medium- to long-term corporate value and the awareness of management with an emphasis on the shareholders through the interests of the Eligible Directors, etc. aligned with those of shareholders.

Accounting treatments concerning the Plan are in compliance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30, revised on March 26, 2015).

#### (1) Outline of transactions

Under the Plan, the Company shares vested in the Eligible Directors, etc. are acquired by a trust established by the Company (the “Trust”) using the money that the Company and the major subsidiaries contribute, and are vested in the Eligible Directors, etc. through the Trust. The Company shares calculated by a specific calculation method and cash for tax propose, which are determined based on the stock remuneration base amount set out according to the positions and other factors of the Eligible Directors, etc., are vested in and granted to the Eligible Directors, etc. each year.

#### (2) The Company shares remaining in the Trust

The Company shares remaining in the Trust are recorded at book value in the Trust (excluding the amount of incidental expenses) as treasury shares under net assets. At the end of the consolidated fiscal year ended March 31, 2021, the book value of the corresponding treasury shares was ¥45 million and the number thereof was 25,000 shares.

2. (Assumption of the impact of COVID-19 in development of accounting estimates)

The pandemic spread of COVID-19 has altered the circumstances of clients and the market environment in countries and regions worldwide, causing a subsequent change in demand. Based on the information available, the Company is developing estimates for accounting purposes that include those for impairment of non-current assets and the recoverability of deferred tax assets. These estimates are based on assumptions that project a gradual turn toward recovery over time despite ripple effects on demand for each product caused by a repeated pattern of expansion and retreat of the virus in each country and region.

**IX. Other Notes**

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

## Non-consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2021)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings
					Reserve for dividends	
Balance at the beginning of current period	17,117	9,500	202	9,702	4,379	2,000
Changes of items during the period						
Provision of reserve for tax purpose reduction entry of non-current assets						
Reversal of reserve for tax purpose reduction entry of non-current assets						
Dividends from surplus						
Profit						
Purchase of treasury shares						
Disposal of treasury shares			(11)	(11)		
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	(11)	(11)	—	—
Balance at the end of current period	17,117	9,500	190	9,690	4,379	2,000

	Shareholders' equity			
	Retained earnings			
	Other retained earnings			Total retained earnings
	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	2,598	170,770	57,649	237,397
Changes of items during the period				
Provision of reserve for tax purpose reduction entry of non-current assets	26		(26)	—
Reversal of reserve for tax purpose reduction entry of non-current assets	(68)		68	—
Dividends from surplus			(10,111)	(10,111)
Profit			13,030	13,030
Purchase of treasury shares				
Disposal of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during the period	(41)	—	2,960	2,918
Balance at the end of current period	2,556	170,770	60,610	240,316

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	(11,164)	253,053	39,888	39,888	137	293,079
Changes of items during the period						
Provision of reserve for tax purpose reduction entry of non-current assets		—				—
Reversal of reserve for tax purpose reduction entry of non-current assets		—				—
Dividends from surplus		(10,111)				(10,111)
Profit		13,030				13,030
Purchase of treasury shares	(133)	(133)				(133)
Disposal of treasury shares	307	296				296
Net changes of items other than shareholders' equity			8,586	8,586	(21)	8,564
Total changes of items during the period	174	3,081	8,586	8,586	(21)	11,646
Balance at the end of current period	(10,989)	256,135	48,474	48,474	116	304,725

## Notes to the Non-consolidated Financial Statements

### **I. Significant Accounting Policies**

#### **1. Valuation standards and methodology for securities**

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

Shares of subsidiaries and affiliated companies: Stated at cost determined by the moving average method.

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.

#### **2. Valuation standards and methodology for derivatives**

Derivative financial instruments are stated at fair market value.

#### **3. Depreciation methods for non-current assets**

Property, plant and equipment (excluding leased assets):

Depreciation on property, plant and equipment (excluding leased assets) is computed by the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016.

Intangible assets (excluding leased assets):

Depreciation on intangible assets (excluding leased assets) is computed by the straight-line method. Software used in-house is depreciated over its estimated useful life (5 years) based on the straight-line method.

Leased assets:

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

#### **4. Basis of material allowances**

Allowance for doubtful accounts:

The Company provides for possible credit losses stemming from monetary receivables. 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.

Provision for directors' bonuses:

Provision is made for directors' bonuses based on the estimated amounts during the fiscal year ended March 31, 2021.

Provision for retirement benefits:

Provision is made for employees' and already retired pension recipients' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at the fiscal year-end.

[1] Imputation method for retirement benefit estimates

In calculating projected benefit obligation, the method for imputing the applicable period until the end of the fiscal year ended March 31, 2021 for the estimated retirement benefit is determined by the benefit calculation standard.

[2] Treatment method for actuarial differences and expenses related to prior service cost

Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (15 years) expected to receive pension benefits as of the 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 (15 years) expected to receive pension benefits as of the fiscal year-end.

If the pension plan assets at the end of the fiscal year ended March 31, 2021 exceeded the projected benefit obligation less actuarial differences and others, the amount in excess was recognized as prepaid pension cost and included in "Other" under "Investments and other assets."

## 5. Hedging transactions

- (1) Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any monetary claims, obligations or similar items denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.
- (2) Hedging methods: Derivative transactions  
(including forward exchange contracts and currency purchase put/call options)  
Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies.
- (3) The Company employs hedging methods only for hedged items purely to manage fluctuations in foreign currency exchange rates.
- (4) Hedging evaluation  
Since hedging methods and hedged items 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. Other significant matters regarding basis of presentation of non-consolidated financial statements

- (1) Accounting treatment of retirement benefits  
Unsettled amounts of unrecognized actuarial differences and unrecognized prior service cost relating to retirement benefits are accounted for in a different method from that applied to account for those in the consolidated financial statements.
- (2) Consumption tax  
All accounting transactions are booked exclusive of any national or local consumption taxes.

## II. Notes to Changes in the Presentation Method

### (Non-consolidated Statement of Income)

“Interest on bonds” under “Non-operating expenses” which was presented separately in the previous fiscal year is included in “Interest expenses” under “Non-operating expenses” for the fiscal year ended March 31, 2021 because they became insignificant in terms of amount.

## III. Notes to Accounting Estimates

The items whose amounts were recorded in the form of accounting estimates in the non-consolidated financial statements for the fiscal year ended March 31, 2021, and are likely to have a material impact on the non-consolidated financial statements for the next fiscal year are as follows.

Shares of subsidiaries and associates	¥165,262 million
Investments in capital of subsidiaries and associates	¥1,093 million

For shares of subsidiaries and associates, etc., the acquisition cost is used for the purpose of balance sheet value, where in the event of a significant fall in the market value or actual value of the shares, an adequate reduction shall be made, with the exception of cases in which recoverability is deemed likely, and the valuation difference shall be recognized as loss for the current fiscal year.

The Company is making accounting estimates for the valuation of actual value, etc., based on the assumption that the impact of the spread of COVID-19 is likely to follow a repeated pattern of expansion and retreat in each country and region, while gradually returning to normal.

Impairment measures could become necessary in the event that the market value or actual value falls below the book value, due to poor business performance at the investees in the future, among other factors.

## IV. Notes to the Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	¥18,580 million
2. Monetary claims and liabilities to affiliated companies	
Short-term monetary claims	¥836 million
Short-term monetary liabilities	¥38,268 million

## V. Notes to the Non-consolidated Statement of Income

1. Transactions with affiliated companies	
Operating transactions	
Operating revenues	¥24,192 million
Operating expenses	¥794 million
Transactions other than operating transactions	¥1,065 million

### 2. Impairment losses

With the decision to dismantle and remove the production plant and R&D buildings leased to Nisshin Petfood Inc., the Company reduced the book value of these assets to their recoverable value. This resulted in the subsequent



posting of an impairment loss of ¥977 million under extraordinary losses.

## VI. Notes to the Non-consolidated Statement of Changes in Net Assets

Class and number of treasury shares as at the fiscal year-end

Common stock 6,901,857 shares

(Note) The number of treasury shares of common stock at the end of the fiscal year ended March 31, 2021 includes 25,000 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

## VII. Notes to Tax Effect Accounting

The Principal components of deferred tax assets and deferred tax liabilities are as follows. (Millions of yen)

Deferred tax assets		
Provision for retirement benefits		939
Investment securities		507
Impairment loss		302
Provision for bonuses		183
Other		284
Gross deferred tax assets		2,216
Valuation allowance		(612)
Total deferred tax assets		1,604
Deferred tax liabilities		
Valuation difference on available-for-sale securities		20,975
Reserve for tax purpose reduction entry of non-current assets		1,127
Retirement benefit trust repayment securities		961
Total deferred tax liabilities		23,064
Deferred tax liabilities, net		21,459

## VIII. Notes to Related Party Transactions

Subsidiaries, Affiliated Companies, etc.

(Millions of yen)

Category	Name of Company, etc.	Percentage of Voting Rights, etc.	Transactions with Related Party	Nature of Transactions	Transaction Value (Note 1)	Item	Year-end Balance
Subsidiaries	Nisshin Flour Milling Inc.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds, Leasing of commercial land, etc., Concurrent serving of officers	Receipt of license fee for trademark, etc. (Note 2)	4,798	—	—
				Lending of investment funds (Note 4)	650	Long-term loans receivable from subsidiaries and associates	66,553
				Repayment of investment funds (Note 4)	9,070		
				Receipt of interests (Note 4)	720	Other under Current assets	57
	Nisshin Foods Inc.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds, Leasing of commercial land, etc., Concurrent serving of officers	Receipt of funds (Note 3)	8,665	Deposits received	10,375
				Payment of interests (Note 3)	0	Accrued expenses	0

Category	Name of Company, etc.	Percentage of Voting Rights, etc.	Transactions with Related Party	Nature of Transactions	Transaction Value (Note 1)	Item	Year-end Balance
Subsidiaries	Oriental Yeast Co., Ltd.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds, Concurrent serving of officers	Lending of investment funds (Note 4) Repayment of investment funds (Note 4) Receipt of interests (Note 4)	— — 70	Long-term loans receivable from subsidiaries and associates Other under Current assets	6,941 5
	Nissin Pharma Inc.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds, Leasing of offices, Concurrent serving of officers	Receipt of funds (Note 3) Payment of interests (Note 3)	4,611 0	Deposits received Accrued expenses	4,706 0
	Nisshin Engineering Inc.	Direct holding 100.0	Licensing of trademark, etc., Receipt of funds, Leasing of offices, Concurrent serving of officers	Receipt of funds (Note 3) Payment of interests (Note 3)	10,095 0	Deposits received Accrued expenses	8,780 0
	NBC Meshtec Inc.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds	Lending of working capital (Note 5) Receipt of interests (Note 5)	4,547 46	Long-term loans receivable from subsidiaries and associates Other under Current assets	4,526 3

Transaction conditions and methods used to determine conditions

Note 1: No consumption tax amounts are included in the transaction value.

Note 2: License fee for trademark, etc. is determined by multiplying the net sales, etc. of Nisshin Flour Milling Inc. by a certain rate.

Note 3: Receipt of funds is transactions through cash management system (CMS), and the transaction value presented is the average balance during the fiscal year. The interest rates are reasonably determined taking market interest rates into consideration.

Note 4: The lending rates on investment funds are reasonably determined taking market interest rates into consideration.

Note 5: Lending of working capital is transactions through cash management system (CMS), and the transaction value presented is the average balance during the fiscal year. The interest rate is reasonably determined taking market interest rates into consideration.

#### IX. Notes to Per Share Information

1. Net asset per share ¥1,024.05 (Note 1)

2. Earnings per share ¥43.82 (Note 2)

Note 1: When calculating net assets per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury shares excluded from the number of shares of common stock issued and outstanding at the end of the fiscal year.

As of March 31, 2021, 25,000 Company shares were held in the aforementioned trust.

Note 2: When calculating earnings per share, the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan are included in the treasury

shares excluded when calculating the average number of shares of common stock during the fiscal year.

For the fiscal year ended March 31, 2021, the average number of shares of common stock for the Company shares held in the aforementioned trust was 51,369 shares.

**X. Additional Information**

(Stock-based Remuneration Plan)

The note is omitted because the same information is provided in the Notes to the Consolidated Financial Statements (Additional Information).

**XI. Other Notes**

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