MATTERS DISCLOSED ON THE INTERNET RELATED TO THE CONVOCATION NOTICE OF THE 178th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Subscription Rights to Shares

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

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, 2021 to March 31, 2022)

Nisshin Seifun Group Inc.

We provide shareholders with the "Subscription Rights to Shares," and the "Systems to Ensure Appropriate Business Execution and the Status of Operation of Systems Concerned," in the Business Report, 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, 2022

	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
13-1st subscription rights to shares (Granted on August 19, 2015)	65	Common Stock 65,000 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)	109	Common Stock 109,000 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)	81	Common Stock 81,000 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)	144	Common Stock 144,000 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, 2022

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)	13-1st subscription rights to shares	22	3
	14-1st subscription rights to shares	29	4
Outside Directors (excluding Directors who are members of the Audit & Supervisory Committee)	13-1st subscription rights to shares	1	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, 2022.

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, 2022 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 sub-committee 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,” in order to maintain a system for ensuring the safety of employees and a stable supply of foods on a sustained basis. Regarding the situation in Ukraine, the Company’s Risk Management Committee has been convened to ascertain the impact on each business, and to consider and issue instructions, etc. regarding countermeasures.

[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) Even during the COVID-19 pandemic, the Nisshin Seifun Group has continued working 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,” with the aim of achieving an early recovery in its sales capabilities and earning capacity as a top priority, while also building a foundation for further growth.
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 three meetings of the Audit & Supervisory Liaison Committee of the Nisshin Seifun Group during the fiscal year ended March 31, 2022, 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.

Consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2022)

(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	12,627	341,241	(10,997)	359,990
Cumulative effects of changes in accounting policies			16		16
Restated balance	17,117	12,627	341,258	(10,997)	360,006
Changes of items during the period					
Dividends from surplus			(11,602)		(11,602)
Profit attributable to owners of parent			17,509		17,509
Purchase of treasury shares				(190)	(190)
Disposal of treasury shares		(6)		227	220
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(4)	5,907	36	5,939
Balance at the end of current period	17,117	12,622	347,165	(10,960)	365,946

(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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	64,687	222	9,314	(1,125)	73,098	116	11,569	444,774
Cumulative effects of changes in accounting policies								16
Restated balance	64,687	222	9,314	(1,125)	73,098	116	11,569	444,791
Changes of items during the period								
Dividends from surplus								(11,602)
Profit attributable to owners of parent								17,509
Purchase of treasury shares								(190)
Disposal of treasury shares								220
Change in ownership interest of parent due to transactions with non-controlling interests								1
Net changes of items other than shareholders' equity	(4,102)	223	13,745	262	10,129	(20)	(196)	9,912
Total changes of items during the period	(4,102)	223	13,745	262	10,129	(20)	(196)	15,851
Balance at the end of current period	60,585	445	23,059	(862)	83,227	95	11,373	460,643

Notes to the Consolidated Financial Statements

I. Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation
   (1) Consolidated subsidiaries: 75 companies
   - Names of principal subsidiaries: Nisshin Flour Milling Inc., Miller Milling Company, LLC, Allied Pinnacle Pty Ltd., Champion Flour Milling Ltd., Nisshin Seifun Welna 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, 2022, 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 other than shares, etc. with no market value are stated at fair market value (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).
   Shares, etc. with no 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 consolidated fiscal year ended March 31, 2022.

(4) Basis of revenues and expenses

The Group is mainly engaged in the flour milling, processed food, and prepared dishes and other prepared foods businesses.

[1] Flour Milling Segment

In the flour milling business, the Group is engaged in the production and sales of wheat flour, bran, and wheat flour-related products.

Regarding sales of merchandise or finished goods, the Group assumes the performance obligation to deliver the merchandise or finished goods based on sales contracts with customers and recognizes revenues when it delivers the merchandise or finished goods to customers, given that it determines to have satisfied such performance obligation at the point in time when it delivers such merchandise or finished goods and customers acquire control over them.

[2] Processed Food Segment

In the processed food business, the Group is engaged in the production and sales of prepared mix products, wheat flour for household-use, pasta, pasta sauces, frozen foods, food ingredients for bread, etc., biochemical products, the drug discovery support business, and healthcare foods.

Regarding sales of merchandise or finished goods, the Group assumes the performance obligation to deliver the merchandise or finished goods based on sales contracts with customers and recognizes revenues when it delivers the merchandise or finished goods to customers, given that it determines to have satisfied such performance obligation at the point in time when it delivers such merchandise or finished goods and customers acquire control over them.

[3] Prepared Dishes and Other Prepared Foods Segment

In the prepared dishes and other prepared foods business, the Group is engaged in the production and sales of cooked foods such as bento lunch boxes, other prepared foods, and prepared noodles.

Regarding sales of merchandise or finished goods, the Group assumes the performance obligation to deliver the merchandise or finished goods based on sales contracts with customers and recognizes revenues when it delivers the merchandise or finished goods to customers, given that it determines to have satisfied such performance obligation at the point in time when it delivers such merchandise or finished goods and customers acquire control over them.

(5) Accounting treatment of retirement benefits

Regarding its retirement benefit asset and liability, in order to maintain retirement benefits for employees leaving the Group and already retired pension recipients, the Group subtracts pension plan assets from its projected benefit obligation, based on estimates as of the end of the consolidated fiscal year ended March 31, 2022.

[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, 2022 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.

(6) 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 Group 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 Group's hedging approach enables exchange rate fluctuations to be offset completely. Hence, the Group considers its hedging method to be highly effective.

(7) 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.

(8) Consumption tax

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

II. Notes to Changes in Accounting Policies

(Application of accounting standard regarding revenue recognition)

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereafter "accounting standard regarding revenue recognition") and relevant implementation guidance from the start of the consolidated fiscal year (April 1, 2021). Accordingly, when control of any promised goods or services is transferred to a client, the monetary sum expected to be received in exchange for said goods or services is recognized as revenue.

Principal changes in line with application of the accounting standard regarding revenue recognition are detailed below.

The methodology for rebates and other compensation paid to clients, which previously treated as selling, general and administrative expenses, has changed to one in which such payments are now deducted from the transaction value. As a result, net sales for the consolidated fiscal year ended March 31, 2022, declined ¥58,351 million. There was no effect on profit before income taxes.

Consolidated subsidiaries in Japan previously recognized revenue upon shipment. However, this has changed to a methodology whereby revenue is recognized upon the delivery of merchandise or finished goods to the client. This change had a negligible impact on the consolidated financial statements for the consolidated fiscal year ended March 31, 2022.

For application of the accounting standard regarding revenue recognition, in accordance with transitional procedures outlined in the proviso of item 84 of the accounting standard, any accumulated effects from the prior retroactive application of new accounting policies are added or deducted from retained earnings at the start of the consolidated fiscal year ended March 31, 2022, with the new accounting policies applied from the beginning of the same year. However, with application of the methodology outlined in item 86 of the accounting standard regarding revenue recognition, there is no retroactive application of new accounting policies for contracts in which substantially all revenue was recognized in line with prior handling of such revenue before the start of the consolidated fiscal year ended March 31, 2022. Similarly, with application of the methodology outlined in item 86 (1), for contract changes prior to the start of the fiscal year ended March 31, 2022, based on contract terms reflective of all contract changes, accounting treatment is conducted and any accumulated monetary effect is added or deducted from retained earnings at the start of the consolidated fiscal year ended March 31, 2022. This resulted in a negligible impact on retained earnings at the start of the consolidated fiscal year ended March 31, 2022.

Due to application of the accounting standard regarding revenue recognition, "Notes and accounts receivable – trade" disclosed under "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year is now included and disclosed under "Notes and accounts receivable - trade, and contract assets" from the consolidated fiscal year ended March 31, 2022.

(Application of accounting standard regarding measurement of fair value)

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereafter, "accounting standard regarding measurement of fair value") and relevant accounting standards and implementation guidance from the start of the consolidated fiscal year ended March 31, 2022. In line with transitional procedures outlined in item 19 of the accounting standard regarding measurement of fair value and item 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Group will apply the new accounting policies outlined in the accounting standard regarding measurement of fair value for the foreseeable future. This resulted in a negligible impact on the consolidated financial statements for the consolidated fiscal year ended March 31, 2022.

III. Notes to Revenue Recognition

1. Analysis of breakdown of revenues

(Millions of yen)

	Reportable segment				Others (Note)	Total
	Flour Milling	Processed Food	Prepared Dishes and Other Prepared Foods	Total		
Japan	149,921	166,067	138,384	454,372	39,473	493,845
Overseas	163,598	16,901	—	180,499	5,391	185,890
Sales to external customers	313,519	182,968	138,384	634,872	44,864	679,736

(Note) Business segment of "Others" is excluded from reportable segment, which includes engineering, mesh cloths, and handling and storage businesses.

2. Basic information for understanding revenues

Basic information for understanding revenue is as stated in (4) Basis of revenues and expenses, 4. Accounting principles of I. Basis of Presentation of Consolidated Financial Statements.

IV. 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, 2022, and are likely to have a material impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

Goodwill	¥42,385 million
Other (intangible assets)	¥26,367 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.

For asset groups determined that there are signs of impairment, the Group evaluated whether impairment losses are recognized. As a result of the comparison between the total amount of future cash flows before discounting from the said asset group calculated based on the valuation results of independent, third-party experts, and the book value, the future cash flows before discounting exceeded the book value; therefore, the Group determined that the recognition of impairment losses was not necessary.

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.

V. 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: ¥351,767 million
3. Components of inventories
   Merchandise and finished goods: ¥35,825 million
   Work in process: ¥4,581 million
   Raw materials and supplies: ¥56,188 million
4. Revenue recognition

(1) Amounts of receivables from contracts with customers and contract assets included in notes and accounts receivable – trade and contract assets

Accounts receivable – trade	¥90,999 million
Notes receivable – trade	¥5,280 million
Contract assets	¥4,314 million

(2) Amount of contract liabilities included in Other (current liabilities)

Contract liabilities	¥2,113 million

VI. 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, 2022.

Location	Application	Type
New Zealand	Business assets (Flour Milling)	Buildings and structures; machinery, equipment and vehicles; others

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

Regarding business assets for the plant in New Zealand in the Flour Milling Segment, following comprehensive consideration of factors surrounding a downturn in business performance due to a nationwide lockdown and other issues related to the COVID-19 pandemic, the Group conducted an impairment test based on international financial reporting standards (IFRS). This resulted in a reduction in the book value of this plant to its recoverable value, and the subsequent posting of an impairment loss of ¥2,300 million under extraordinary losses. The breakdown of the impairment loss is ¥679 million in buildings and structures, ¥1,005 million in machinery, equipment and vehicles, and ¥615 million in others. The recoverable value is measured based on use value.

A discount rate of 9.7% was used in the calculation of use value.

Due to a lack of material importance, impairment losses other than the above have been omitted.

2. Expenses related to change of the company name

These are expences incurred for the revision and disposal of packaging in line with a change of the company name of processed food business subsidiary Nisshin Foods Inc. to Nisshin Seifun Welna Inc. on January 1, 2022.

VII. 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, 2022

Common stock: 304,357,891 shares

2. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 25, 2021.

- Dividends on common stock

[1] Total dividends to be paid:	¥5,949 million
[2] Dividend per share:	¥20
[3] Record date:	March 31, 2021
[4] 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.

The following resolution was made at the meeting of the Board of Directors held on October 28, 2021.

- Dividends on common stock

[1] Total dividends to be paid:	¥5,652 million
[2] Dividend per share:	¥19
[3] Record date:	September 30, 2021
[4] Effective date:	December 3, 2021

(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, 2022, 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 28, 2022.

- Dividends on common stock

[1] Total dividends to be paid:	¥5,950 million
[2] Source of dividends:	Retained earnings
[3] Dividend per share:	¥20

[4] Record date: March 31, 2022
[5] Effective date: June 29, 2022
(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

13-1st subscription rights to shares (Granted on August 19, 2015)	Common stock	65,000 shares
13-2nd subscription rights to shares (Granted on August 19, 2015)	Common stock	109,000 shares
14-1st subscription rights to shares (Granted on August 15, 2016)	Common stock	81,000 shares
14-2nd subscription rights to shares (Granted on August 15, 2016)	Common stock	144,000 shares

VIII. 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

As fluctuation is factored into a calculation for the market value of financial instruments, the selection of differing preconditions and the like may cause the calculated value to change.

2. Market value of financial instruments

The book value, market value and difference between each for major consolidated balance sheet items as of March 31, 2022 (the consolidated balance sheet date) are presented as follows. Shares, etc. with no market value (book value: ¥24,316 million) are not included in Other securities. Additionally, given the short settlement period of cash and deposits, notes and accounts receivable – trade and contract assets, notes and accounts payable – trade, and short-term loans payable, the market value and book value are almost the same, and therefore, notes thereof are omitted.

(Millions of yen)

	Book value (*1)	Market value (*1)	Difference
(1) Securities and investment securities			
Other securities	115,169	115,185	16
Shares of subsidiaries and affiliated companies	3,208	1,158	(2,050)
(2) Bonds	(20,000)	(19,009)	(990)
(3) Long-term loans payable (*2)	(15,210)	(14,608)	(601)
(4) Derivative transactions (*3)	2,976	2,976	—

(*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. 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.

3. Breakdown of financial instruments by market value level

The market value of financial instruments is categorized into the following three levels according to the degree of observability and importance of the inputs used for calculation of the market value.

Level 1: Market value calculated using (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2: Market value calculated using directly or indirectly observable inputs other than Level 1 inputs
Level 3: Market value calculated using significant unobservable inputs

If multiple inputs with significant impact are used for market value calculation of a financial instrument, the market value is classified into the lowest priority level of the market value calculation among those each input belongs to.

(1) Financial assets and liabilities at market value regarded as the book value

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	114,049	—	—	114,049
Government bonds	1,103	—	—	1,103
Derivative transactions				
Currency-related	17	333	—	350
Commodity-related	2,625	—	—	2,625
Total assets	117,796	333	—	118,130

(2) Financial assets and liabilities that are not stated at market value regarded as the book value

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	—	32	—	32
Shares of subsidiaries and affiliated companies				
Shares of affiliated companies	1,158	—	—	1,158
Total assets	1,158	32	—	1,190
Bonds	—	19,009	—	19,009
Long-term loans payable	—	14,608	—	14,608
Total liabilities	—	33,618	—	33,618

(Note) Description of the valuation techniques and inputs used to calculate the market value

Securities and investment securities
Listed shares and government bonds are valued using the stock-exchange price, etc. Their market values are classified into Level 1, as they are traded on active markets.
Equity golf club memberships are classified into Level 2, as they are valued based on the quoted market prices among vendors, etc.

Derivative transactions
Derivative transactions traded at the stock exchanges are valued using the stock-exchange price, etc. Their market values are classified into Level 1, as they are traded on active markets.
Derivative transactions other than the above are classified into Level 2, as they are valued using the price indicated by the transacting financial institution in question, etc.

Bonds and long-term loans payable
Bonds and long-term loans payable are classified into Level 2, as they are calculated based on the present value of estimated future cash flows discounted by the interest rate using an appropriate index such as the yield of government bonds plus the credit spread.

IX. Notes to Per Share Information

1. Net assets per share ¥1,510.35 (Note 1)
2. Earnings per share ¥58.88 (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, 2022, 42,900 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, 2022, the average number of shares of common stock for the Company shares held in the aforementioned trust was 59,638 shares.

X. Notes to Material Subsequent Events

(Corporate separation)

At a meeting of the Board of Directors on April 26, 2022, the Company resolved to establish through corporate separation an intermediate holding company that will assume ownership of several firms currently owned by the Company responsible for the Group’s prepared dishes and other prepared foods business - Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd., and Initio Foods Inc.

1. Purpose of the Corporate Separation

The Company has positioned the prepared dishes and other prepared foods business as a growth field, and is moving to cultivate it into one of the Group’s core operations. Following the conversion of Tokatsu Foods Co., Ltd. into a subsidiary in July 2019, together with Joyous Foods Co., Ltd. and Initio Foods Inc., the Company has taken steps to expand the Group’s prepared dishes and other prepared foods and frozen foods businesses, taking advantage of the Group’s basic research technologies and product development capabilities enabled by the presence of these three companies under its command.

Currently, all three companies pursue business activities independently. However, given a competitive environment that is expected to become more adverse, we believe that the ability to conduct agile strategic decision-making and even more robust management, with optimizing the Group’s entire prepared dishes and other prepared foods business in mind, will be essential. For these reasons, the decision was made to establish an intermediate holding company charged with overseeing the Group’s prepared dishes and other prepared foods business.

Going forward, along with pursuing effective utilization of the management resources of the three companies under its purview, as well as participation in and support for management, administration and strategic proposals for each company, the intermediate holding company will spearhead the development of a competitive business structure marked by more intensive risk management and governance, with the aim of further enhancing corporate value.

2. Overview of the Corporate Separation

(1) Corporate separation timeline

Date of decision on new establishment separation plan by Board of Directors	April 26, 2022
Date of separation (effective date)	July 1, 2022 (scheduled)

(Note) This corporate separation meets the terms and conditions for a simple separation based on regulations stipulated by Article 805 of Japan’s Companies Act. As such, the separation will occur without approval by the General Meeting of Shareholders.
The timeline for the corporate separation is subject to change due to necessary procedures or other reasons.

(2) Method of corporate separation

The Company is designated as the entity that will separate, with the new firm designated as a successor company independent of the Company via simple new establishment separation. The newly established company is scheduled to become a 100% subsidiary of the Company.

(3) Details of share allocation

Upon corporate separation, the newly established company will issue 1,000 shares of common stock, all of which will be allotted to the Company.

(4) Changes in capital due corporate separation

There are no changes in capital of the Company associated with this corporate separation.

(5) Rights and responsibilities assumed by the newly established company

Based on the new establishment separation plan, as of the effective date of the corporate separation, the newly established company will assume all shares currently held by the Company of Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd. and Initio Foods Inc. The newly established company will also assume rights and responsibilities related to support and administrative operations for the business activities of other subsidiaries involved in the prepared dishes and other prepared foods business.

3. Summary of companies involved in corporate separation

	Separating entity	Newly established company
(1) Name	Nisshin Seifun Group Inc.	Nisshin Seifun Delica Frontier Inc.
(2) Address	1-25, Kanda-Nishiki-cho, Chiyoda-ku, Tokyo, JAPAN	1-25, Kanda-Nishiki-cho, Chiyoda-ku, Tokyo, JAPAN
(3) Business lines	Holding company overseeing the Group	Support and administration operations for business activities of subsidiaries involved in the prepared dishes and other prepared foods business
(4) Capital	¥17,117 million	¥100 million

4. Summary of separated business

Support and administration operations for business activities of subsidiaries involved in the prepared dishes and other prepared foods business

5. Summary of accounting treatment implemented

Scheduled treatment is as transactions under common control pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

XI. 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, 2022, the book value of the corresponding treasury shares was ¥71 million and the number thereof was 42,900 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.

XII. 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, 2022)

(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	190	9,690	4,379	2,000
Changes of items during the period						
Reversal of reserve for tax purpose reduction entry of non-current assets						
Dividends from surplus						
Profit						
Purchase of treasury shares						
Disposal of treasury shares			(6)	(6)		
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	(6)	(6)	—	—
Balance at the end of current period	17,117	9,500	183	9,683	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	2,556	170,770	60,610	240,316
Changes of items during the period				
Reversal of reserve for tax purpose reduction entry of non-current assets	(38)		38	—
Dividends from surplus			(11,602)	(11,602)
Profit			16,831	16,831
Purchase of treasury shares				
Disposal of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during the period	(38)	—	5,267	5,229
Balance at the end of current period	2,518	170,770	65,877	245,545

(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	(10,989)	256,135	48,474	48,474	116	304,725
Changes of items during the period						
Reversal of reserve for tax purpose reduction entry of non-current assets		—				—
Dividends from surplus		(11,602)				(11,602)
Profit		16,831				16,831
Purchase of treasury shares	(190)	(190)				(190)
Disposal of treasury shares	227	220				220
Net changes of items other than shareholders' equity			(1,792)	(1,792)	(20)	(1,812)
Total changes of items during the period	36	5,259	(1,792)	(1,792)	(20)	3,446
Balance at the end of current period	(10,952)	261,394	46,681	46,681	95	308,172

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 other than shares, etc. with no market value are stated at fair market value (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).

Shares, etc. with no 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, 2022.

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, 2022 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, 2022 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. Basis of revenues and expenses

The Company's revenues comprise mainly of dividend income from subsidiaries in addition to license fee for trademark, etc., and real estate leasing fees based on contracts with subsidiaries.

Regarding license fee for trademark, etc., the Company assumes the performance obligation to provide trademarks and the brand image established by the Company as well as business confidence by licensing the trademark, etc., owned by the Company based on contracts with subsidiaries. As such performance obligation is satisfied as time passes, the Company recognizes revenues throughout the contract period. Regarding dividend income, the Company recognizes revenues on the date on which payment is received. Regarding real estate leasing fees, monthly rent based on the leasing contract is recognized throughout the corresponding period.

6. 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.

7. 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 Accounting Policies

(Application of accounting standard regarding revenue recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant implementation guidance from the fiscal year ended March 31, 2022. This results in no impact on the beginning balance of retained earnings in the non-consolidated statement of changes in net assets.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereafter, "accounting standard regarding measurement of fair value") and relevant accounting standards and implementation guidance from the start of the fiscal year ended March 31, 2022. In line with transitional procedures outlined in item 19 of the accounting standard regarding measurement of fair value and item 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies outlined in the accounting standard regarding measurement of fair value for the foreseeable future. This resulted in a negligible impact on the non-consolidated financial statements for the fiscal year ended March 31, 2022.

III. Notes to Revenue Recognition

(Basic information for understanding revenues from contracts with customers)

Basic information for understanding revenues from contracts with customers is as stated in 5. Basis of revenues and expenses of I. Significant Accounting Policies.

IV. 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, 2022, 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	¥164,048 million
Investments in capital of subsidiaries and associates	¥1,268 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.
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.

V. Notes to the Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	¥18,940 million
2. Monetary claims and liabilities to affiliated companies	
Short-term monetary claims	¥1,197 million
Short-term monetary liabilities	¥13,995 million

VI. Notes to the Non-consolidated Statement of Income

1. Transactions with affiliated companies	
Operating transactions	
Operating revenues	¥29,298 million
Operating expenses	¥860 million
Transactions other than operating transactions	¥1,072 million

VII. 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	6,879,617 shares

(Note) The number of treasury shares of common stock at the end of the fiscal year ended March 31, 2022 includes 42,900 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

VIII. 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	
Investment securities	1,527
Provision for retirement benefits	914
Impairment loss	251
Provision for bonuses	198
Other	381
Gross deferred tax assets	3,273
Valuation allowance	(1,651)
Total deferred tax assets	1,621
Deferred tax liabilities	
Valuation difference on available-for-sale securities	20,189
Reserve for tax purpose reduction entry of non-current assets	1,110
Retirement benefit trust repayment securities	961
Total deferred tax liabilities	22,261
Deferred tax liabilities, net	20,640

IX. 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)	4,654	—	—
				Lending of investment funds (Note 4)	1,000	Long-term loans receivable from subsidiaries and associates	60,205
				Repayment of investment funds (Note 4)	7,348		
				Receipt of interests (Note 4)	641	Other under Current assets	161
	Nisshin Seifun Welna 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)	6,217	Deposits received	337
				Payment of interests (Note 3)	0	Accrued expenses	0
	Tokatsu Foods Co., Ltd.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds, Concurrent serving of officers	Receipt of funds (Note 3)	1,917	Deposits received	4,321
				Payment of interests (Note 3)	0	Accrued expenses	0
	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)	—	Long-term loans receivable from subsidiaries and associates	6,941
				Repayment of investment funds (Note 4)	—		
				Receipt of interests (Note 4)	70	Other under Current assets	18

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	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)	3,876	Deposits received	3,428
				Payment of interests (Note 3)	0	Accrued expenses	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)	12,247	Deposits received	61
				Payment of interests (Note 3)	0	Accrued expenses	0
	NBC Meshtec Inc.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds	Lending of working capital (Note 5)	4,380	Long-term loans receivable from subsidiaries and associates	4,320
				Receipt of interests (Note 5)	44	Other under Current assets	11

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.

X. Notes to Per Share Information

1. Net asset per share ¥1,035.63 (Note 1)
2. Earnings per share ¥56.59 (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, 2022, 42,900 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, 2022, the average number of shares of common stock for the Company shares held in the aforementioned trust was 59,638 shares.

XI. Notes to Material Subsequent Events

(Corporate separation)

At a meeting of the Board of Directors on April 26, 2022, the Company resolved to establish through corporate separation an intermediate holding company that will assume ownership of several firms currently owned by the Company responsible for the Group’s prepared dishes and other prepared foods business - Tokatsu Foods Co., Ltd., Joyous Foods Co., Ltd., and Initio Foods Inc. Details are stated in the Notes to the Consolidated Financial Statements (Notes to Material Subsequent Events).

XII. 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).

XIII. Other Notes

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