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174th Fiscal Term (April 1, 2017 to March 31, 2018)

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# Securities Report

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Nisshin Seifun Group Inc.

## Contents

|   | Page       |
|---|------------|
| Report Data .....   | 2          |
| <i>Part A: Company Information</i> .....  | 3          |
| <b>[1] Company Overview</b> .....   | <b>3</b>   |
| (1) Principal Business Performance Indicators .....                                   | 3          |
| (2) History.....  | 5          |
| (3) Business Overview .....   | 7          |
| (4) Subsidiaries and Affiliates .....   | 9          |
| (5) Employees .....   | 11         |
| <b>[2] Review of Operations and Financial Position</b> .....                          | <b>12</b>  |
| (1) Management Policies, Management Environment and Issues to be Addressed .....      | 12         |
| (2) Business and Other Risks .....  | 18         |
| (3) Management’s Analysis of Financial Position, Performance and Cash Flows .....     | 20         |
| (4) Legal and Contractual Matters .....   | 26         |
| (5) Research and Development .....  | 27         |
| <b>[3] Facilities and Capital Expenditures</b> .....                                  | <b>28</b>  |
| (1) Capital Expenditures .....  | 28         |
| (2) Principal Facilities .....  | 29         |
| (3) Facility Construction and Disposal Plans .....                                    | 31         |
| <b>[4] Other Matters Related to Nisshin Seifun Group Inc.</b> .....                   | <b>32</b>  |
| (1) Share-Related Matters .....   | 32         |
| (2) Acquisitions of Treasury Shares .....   | 62         |
| (3) Dividend Policy.....  | 63         |
| (4) Share Price Movements.....  | 63         |
| (5) Directors and Audit & Supervisory Board Members .....                             | 64         |
| (6) Corporate Governance and Other Matters .....                                      | 69         |
| <b>[5] Financial Accounts</b> .....   | <b>84</b>  |
| (1) Consolidated Financial Statements, etc. ....                                      | 86         |
| (2) Non-consolidated Financial Statements, etc. ....                                  | 130        |
| <b>[6] Stock-related Administration</b> .....   | <b>142</b> |
| <b>[7] Corporate Reference Data</b> .....   | <b>143</b> |
| (1) Information on the Parent Company of Nisshin Seifun Group Inc. ....               | 143        |
| (2) Other Reference Data .....  | 143        |
| <i>Part B: Information on Corporate Guarantor for Nisshin Seifun Group Inc.</i> ..... | <i>144</i> |

## Report Data

|   |  |
|---|--|
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| Mandatory provision   | Financial Instruments and Exchange Act, Article 24, Paragraph 1                            |
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| Date of submission  | June 27, 2018  |
| Fiscal period   | April 1, 2017 to March 31, 2018 (174th fiscal term)  |
| Company name  | NISSHIN SEIFUN GROUP INC.  |
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| Telephone   | +81-(0)3-5282-6610   |
| Administrative contact                                      | Eiichi Suzuki<br>(General Manager, Accounting Department, Finance and Accounting Division) |
| Locations where filings are available for public inspection | Tokyo Stock Exchange, Inc.<br>(2-1, Nihonbashi-Kabutocho, Chuo-ku, Tokyo)                  |

## Part A: Company Information

### [1] Company Overview

#### (1) Principal Business Performance Indicators

##### 1. Consolidated business performance indicators

| Fiscal term  |                   | 170th            | 171st            | 172nd            | 173rd            | 174th            |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| Years ended March 31   |                   | 2014             | 2015             | 2016             | 2017             | 2018             |
| Net sales  | (millions of yen) | 495,930          | 526,144          | 556,701          | 532,040          | 540,094          |
| Ordinary profit  | (millions of yen) | 25,579           | 25,544           | 28,099           | 30,329           | 31,800           |
| Profit attributable to owners of parent                        | (millions of yen) | 15,098           | 16,036           | 17,561           | 19,466           | 21,339           |
| Comprehensive income   | (millions of yen) | 23,936           | 50,988           | 14,140           | 28,457           | 25,148           |
| Net assets   | (millions of yen) | 334,092          | 378,715          | 386,485          | 406,805          | 413,794          |
| Total assets   | (millions of yen) | 471,039          | 549,307          | 550,305          | 557,568          | 593,493          |
| Net assets per share   | (yen)             | 1,079.82         | 1,218.49         | 1,237.64         | 1,303.45         | 1,344.68         |
| Earnings per share   | (yen)             | 50.21            | 53.28            | 58.25            | 64.50            | 71.47            |
| Fully diluted earnings per share                               | (yen)             | 50.19            | 53.22            | 58.15            | 64.43            | 71.40            |
| Equity ratio   | (%)               | 68.9             | 66.8             | 67.8             | 70.6             | 67.3             |
| Return on equity   | (%)               | 4.8              | 4.6              | 4.8              | 5.1              | 5.4              |
| Price-earnings ratio (p/e)                                     | (times)           | 20.53            | 26.54            | 30.71            | 25.75            | 29.51            |
| Cash flows from operating activities                           | (millions of yen) | 25,058           | 25,107           | 35,839           | 35,361           | 42,869           |
| Cash flows from investing activities                           | (millions of yen) | (1,797)          | (43,636)         | (12,201)         | (5,240)          | (18,067)         |
| Cash flows from financing activities                           | (millions of yen) | (5,072)          | 4,331            | (9,446)          | (11,470)         | (18,593)         |
| Cash and cash equivalents at end of year                       | (millions of yen) | 72,685           | 59,897           | 72,960           | 90,837           | 98,461           |
| Number of employees<br>[average number of part-time employees] | (persons)         | 5,650<br>[1,940] | 6,146<br>[2,073] | 6,440<br>[2,501] | 6,324<br>[2,089] | 6,545<br>[2,351] |

Notes:

- Consumption taxes and other taxes are not included in net sales.
- On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock. Furthermore, on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. Net assets per share, earnings per share and fully diluted earnings per share are calculated by deeming the stock split to have occurred at the beginning of the 170th fiscal term.
- When calculating net assets per share for the 174th fiscal term, 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. Furthermore, when calculating earnings per share and fully diluted earnings per share, 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.

## 2. Non-consolidated business performance indicators

| Fiscal term  |                   | 170th            | 171st            | 172nd            | 173rd            | 174th            |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| Years ended March 31   |                   | 2014             | 2015             | 2016             | 2017             | 2018             |
| Net sales  | (millions of yen) | 20,597           | 16,744           | 18,924           | 25,221           | 30,056           |
| Ordinary profit  | (millions of yen) | 10,067           | 6,536            | 8,402            | 14,509           | 18,911           |
| Profit   | (millions of yen) | 10,274           | 6,811            | 8,154            | 14,608           | 19,557           |
| Paid-in capital  | (millions of yen) | 17,117           | 17,117           | 17,117           | 17,117           | 17,117           |
| Shares issued and outstanding                                  | (thousand shares) | 276,688          | 304,357          | 304,357          | 304,357          | 304,357          |
| Net assets   | (millions of yen) | 260,754          | 279,540          | 279,581          | 295,461          | 299,593          |
| Total assets   | (millions of yen) | 284,844          | 311,028          | 310,672          | 330,223          | 336,563          |
| Net assets per share   | (yen)             | 865.87           | 927.06           | 926.00           | 977.56           | 1,008.05         |
| Total dividends per share<br>(interim dividend amount)         | (yen)<br>(yen)    | 20.00<br>(10.00) | 22.00<br>(10.00) | 24.00<br>(12.00) | 26.00<br>(13.00) | 29.00<br>(14.00) |
| Earnings per share   | (yen)             | 34.16            | 22.63            | 27.04            | 48.39            | 65.48            |
| Fully diluted earnings per share                               | (yen)             | 34.14            | 22.60            | 27.00            | 48.34            | 65.42            |
| Equity ratio   | (%)               | 91.5             | 89.8             | 89.9             | 89.4             | 89.0             |
| Return on equity   | (%)               | 4.0              | 2.5              | 2.9              | 5.1              | 6.6              |
| Price-earnings ratio (p/e)                                     | (times)           | 30.18            | 62.48            | 66.16            | 34.33            | 32.21            |
| Dividend payout ratio  | (%)               | 50.8             | 93.2             | 88.8             | 53.7             | 44.3             |
| Number of employees<br>[average number of part-time employees] | (persons)         | 305<br>[24]      | 298<br>[27]      | 296<br>[29]      | 297<br>[30]      | 305<br>[38]      |

### Notes:

- Consumption taxes and other taxes are not included in net sales.
- On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock. Furthermore, on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. Net assets per share, earnings per share and fully diluted earnings per share are calculated by deeming the stock split to have occurred at the beginning of the 170<sup>th</sup> fiscal term. For its 170<sup>th</sup> fiscal term, the Company paid a total annual dividend of ¥20.00 per share, consisting of an interim dividend of ¥10.00 per share prior to the stock split of October 1, 2013 and a year-end dividend of ¥10.00 per share after the stock split. For its 171<sup>st</sup> fiscal term, the Company paid a total annual dividend of ¥22.00 per share, consisting of an interim dividend of ¥10.00 per share prior to the stock split of October 1, 2014 and a year-end dividend of ¥12.00 per share after the stock split.
- When calculating net assets per share for the 174th fiscal term, 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. Furthermore, when calculating earnings per share and fully diluted earnings per share, 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.

## (2) History

The predecessor of Nisshin Seifun Group Inc. was Tatebayashi Flour Milling Co., Ltd., a company established in 1900 to specialize in the manufacture and sales of wheat flour. In 1908, Tatebayashi Seifun bought Nisshin Flour Milling Co., Ltd., and changed its name to that of the Company it acquired.

Nisshin Flour Milling Co., Ltd. expanded operations steadily through plant constructions, mergers, and acquisitions. After World War II, the Company undertook extensive rationalization of its core flour milling operations and diversified its business into several areas. This process eventually created a corporate group that incorporated new businesses comprising processed food, compound feed, pet food, pharmaceuticals and engineering.

In July 2001, the Nisshin Seifun Group adopted a holding company structure, under which the Company holds all shares in each operating company covering the Group's principal business fields: flour milling, processed food, compound feed, pet food, and pharmaceuticals.

| Date           | Event  |
|----------------|--|
| October 1900   | Tatebayashi Flour Milling Co., Ltd. established in Tatebayashi (Gunma).  |
| February 1908  | Acquired Nisshin Flour Milling Co., Ltd.; company name changed to that of acquired entity.   |
| February 1926  | Construction of the Tsurumi Plant completed.   |
| 1934           | Nippon Bolting Cloth, Co., Ltd. (predecessor of NBC Meshtec Inc.) established.   |
| 1949           | Reconstruction and expansion of plants damaged during World War II largely completed.  |
| May 1949       | Shares listed on the Tokyo Stock Exchange.   |
| February 1961  | Compound feed production and research operations of affiliate Nisshin Feed Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd.   |
| September 1963 | Research operations in Tokyo and Osaka consolidated into a new facility, the Central Research Laboratory in Oimachi (now Fujimino), Saitama.   |
| July 1965      | Acquired Nisshin Nagano Chemical Co., Ltd., which was renamed Nisshin Chemicals Co., Ltd.  |
| October 1965   | Prepared mix production and research operations of affiliate Nisshin Foods Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd.   |
| December 1966  | Established Nisshin-DCA Foods Inc., a joint venture with DCA Food Industries Inc. of the U.S. (later renamed Nisshin Technomic Co., Ltd. in 1997).   |
| February 1968  | Construction of food production lines within the Nagoya Plant completed.   |
| October 1970   | Nisshin Pet Food Co., Ltd. established.  |
| April 1972     | Nisshin Engineering Co., Ltd. established.   |
| April 1978     | Fresh Food Service Co., Ltd. established.  |
| October 1987   | Operations of Nisshin Foods Co., Ltd. and Nisshin Chemicals Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd. in a merger.   |
| March 1988     | Thai Nisshin Seifun Co., Ltd., a joint venture, established in Thailand; operations commenced in January 1989.   |
| September 1989 | Canadian flour milling company Rogers Foods Ltd. acquired by Nisshin Flour Milling Co., Ltd.   |
| October 1989   | The Nasu Research Center established in Nasu (now Nasu Shiobara), Tochigi, by transferring operations from Second Central Research Laboratory.   |
| September 1990 | The Chiba Plant expanded to include a fourth flour milling facility (Mill D).  |
| August 1991    | Nisshin-STC Flour Milling Co., Ltd., a joint venture, established in Thailand; operations started in March 1993.   |
| September 1994 | The Higashinada Plant expanded to include a third flour milling facility (Mill C).   |
| April 1996     | Nisshin Kyorin Pharmaceutical Co., Ltd., a joint venture with Kyorin Pharmaceutical Co., Ltd., commenced operations. (Nisshin Kyorin Pharmaceutical Co., Ltd., merged with Kyorin Pharmaceutical Co., Ltd., the former joint venture partner of Nisshin Pharma Inc., in October 2008.) |
| October 1996   | Medallion Foods, Inc. established in the U.S.  |
| October 1997   | Frozen food operations of Nisshin Flour Milling Co., Ltd. transferred to newly established Nisshin Foods Co., Ltd.   |
| March 1998     | Head office relocated to Chiyoda-ku, Tokyo.  |
| April 1999     | Operations of Nisshin Technomic Co., Ltd. absorbed by Nisshin Flour Milling Co., Ltd. in a merger.   |
| October 1999   | Management stake in SANKO Co., Ltd. acquired by Nisshin Flour Milling Co., Ltd.  |
| July 2001      | New corporate entity created with operating companies (Nisshin Flour Milling Inc., Nisshin Foods Inc., Nisshin Feed Inc., Nisshin Petfood Inc., and Nisshin Pharma Inc.) under a holding company (Nisshin Seifun Group Inc.)   |
| April 2002     | Qingdao Nisshin Seifun Foods Co., Ltd. established in China.   |
| October 2002   | The Tsurumi Plant of Nisshin Flour Milling Inc. expanded to include a seventh flour milling facility (Mill G).   |
| April 2003     | Acquired additional shares in Oriental Yeast Co., Ltd., making it a consolidated subsidiary.   |

| Date           | Event   |
|----------------|---|
| October 2003   | Operations commenced at Marubeni Nisshin Feed Co., Ltd. (an affiliate accounted for by the equity method), a joint venture created through the merger of Nisshin Feed Inc. with Marubeni Feed Co., Ltd.               |
| March 2004     | Initio Foods Inc. established.  |
| December 2004  | A new flour milling facility constructed by Rogers Foods Ltd. in Chilliwack, British Columbia, Canada.  |
| July 2005      | Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. established in China. Started full-scale operations in April 2007.  |
| October 2005   | Initio Foods Inc. took over SANKO Co., Ltd. in a merger.  |
| November 2005  | Established Jinzhu (Yantai) Food Research and Development Co., Ltd., a joint venture with Nichirei Corporation, in China. The venture commenced operations in October 2006.   |
| June 2007      | Shin Nisshin Seifun Foods (Qingdao) Co., Ltd. took over Qingdao Nisshin Seifun Foods Co., Ltd. in a merger.   |
| January 2008   | Thai Nisshin Technomic Co., Ltd. opened the R&D Office Center & Sales Office at in Thailand.  |
| February 2008  | OYC Shanghai Co., Ltd. (later renamed Nisshin Seifun OYC (Shanghai) Co., Ltd. in 2011), established in China.   |
| September 2008 | The Higashinada Plant of Nisshin Flour Milling Inc. expanded its flour milling facilities (Mills D and E).  |
| July 2009      | The Tatebayashi Plant of Nisshin Foods Inc. expanded its prepared mix production line.  |
| December 2010  | Through tender offers for the shares and other methods, additionally acquired shares in consolidated subsidiaries Oriental Yeast Co., Ltd., and NBC Meshtec Inc. to obtain 100% ownership.                            |
| May 2011       | Acquired additional shares in Hanshin Silo Co., Ltd., and made it a consolidated subsidiary.  |
| January 2012   | Oriental Yeast India Pvt. Ltd. established in India.  |
| March 2012     | Acquired U.S.-based flour milling company Miller Milling Company, LLC.  |
| October 2012   | Established Nisshin Seifun Premix Inc.  |
| November 2012  | Opened the Nisshin Seifun (Flour Milling) Museum in Tatebayashi, Gunma.   |
| December 2012  | Acquired shares of Tokatsu Foods Co., Ltd. (an affiliate accounted for by the equity method)  |
| February 2013  | Acquired a flour milling business in New Zealand, which was subsequently launched as Champion Flour Milling Ltd.  |
| April 2013     | Began full-scale business at PT. Indonesia Nisshin Technomic in Indonesia.  |
| June 2013      | Established Vietnam Nisshin Seifun Co., Ltd. in Vietnam; operations commenced in October 2014.  |
| February 2014  | The Fukuoka Plant of Nisshin Flour Milling Inc. came on-line.   |
| May 2014       | Miller Milling Company, LLC acquired four flour milling plants in the U.S.  |
| June 2014      | Established Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S. in Turkey as a joint venture with Marubeni Corporation and Nuh'un Ankara Makarnasi Sanayi Ve Ticaret A.S.; operations commenced in May 2015. |
| May 2015       | The Chita Plant of Nisshin Flour Milling Inc. expanded its flour milling facilities (Mill C).   |
| May 2015       | The Kobe Frozen Foods Plant of Ma•Ma-Macaroni Co., Ltd., commenced operations.  |
| January 2016   | Acquired shares of Joyous Foods Co., Ltd., and made it a consolidated subsidiary.   |
| March 2018     | Nisshin-STC Flour Milling Co., Ltd. acquired a flour milling plant in Thailand.   |

### **(3) Business Overview**

The Nisshin Seifun Group consists of 47 subsidiaries and 10 affiliates accounted for by the equity method. The following is a description of the businesses of the Group and the relationships among the subsidiaries and affiliates within their respective business segments. Business groupings are the same as those described in “Notes to the Consolidated Financial Statements” of “(1) Consolidated Financial Statements, etc.” in “[5] Financial Accounts.”

Nisshin Seifun Group is a specified listed company stipulated in Article 49, Paragraph 2 of Cabinet Office Regulations pertaining to regulations regarding the trade of marketable securities. Accordingly, standards for determining the relative insignificance of material facts with respect to insider trading regulations are decided based on consolidated figures.

#### **1. Flour Milling Segment**

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

Miller Milling Company, LLC in the United States, Rogers Foods Ltd. in Canada, Nisshin-STC Flour Milling Co., Ltd. in Thailand and Champion Flour Milling Ltd. in New Zealand, all of which are consolidated subsidiaries, produce wheat flour and sell it in the North American, Asian and Oceanian markets, respectively.

#### **2. Processed Food Segment**

Nisshin Foods Inc., a consolidated subsidiary, produces and sells prepared mix and other processed food products. It sells wheat flour for household use purchased from Nisshin Flour Milling Inc. and frozen foods and other processed foods procured from companies outside the Nisshin Seifun Group. Nisshin Seifun Premix Inc., a consolidated subsidiary, produces and sells prepared mix. Ma•Ma-Macaroni Co., Ltd., a consolidated subsidiary, produces pasta and frozen foods which it sells through Nisshin Foods Inc. Initio Foods Inc., a consolidated subsidiary, produces and sells frozen and prepared foods and also directly operates concessions in department stores. Joyous Foods Co., Ltd., a consolidated subsidiary, produces and sells processed noodles.

Thai Nisshin Technomic Co., Ltd., a consolidated subsidiary in Thailand, manufactures prepared mix and sells it in Southeast Asia. Shin Nisshin Seifun Foods (Qingdao) Co., Ltd., a consolidated subsidiary in China, manufactures prepared mix and sells it in mainland China. PT. Indonesia Nisshin Technomic, a consolidated subsidiary in Indonesia sells prepared mix in Southeast Asia. Medallion Foods, Inc., a consolidated subsidiary in the United States, and Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S., a consolidated subsidiary in Turkey, produce pasta, Thai Nisshin Seifun Co., Ltd., a consolidated subsidiary in Thailand, produces pasta sauce and frozen food and Vietnam Nisshin Seifun Co., Ltd., a consolidated subsidiary, produces pasta sauce. Nisshin Foods Inc. is the primary importer and seller of these products in Japan.

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

Nisshin Pharma Inc., a consolidated subsidiary, manufactures and sells healthcare foods and pharmaceuticals.

Tokatsu Foods Co., Ltd., an affiliate accounted for by the equity method, produces and sells cooked foods, including *bento* lunch boxes, prepared foods and others.

#### **3. Others Segment**

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

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

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

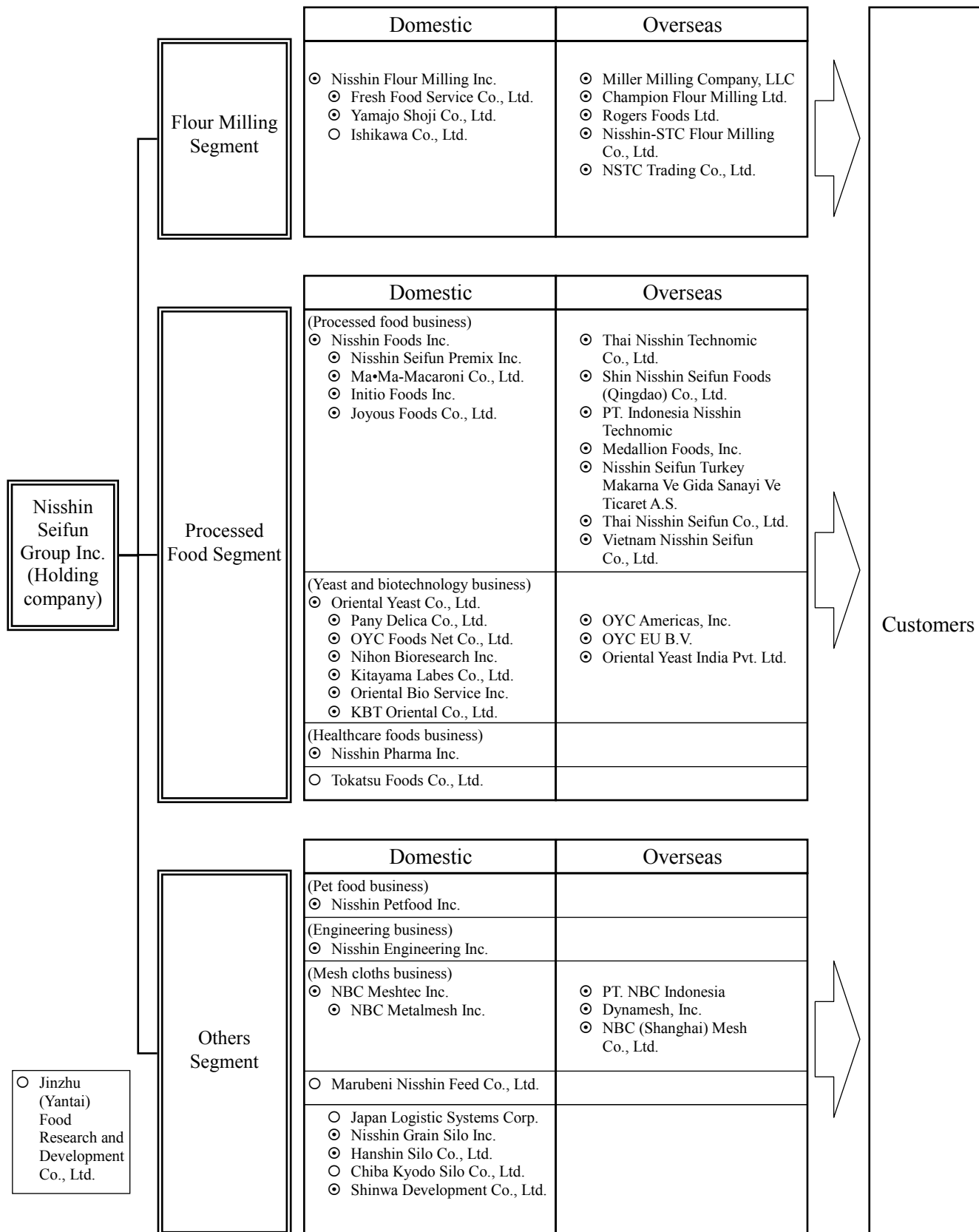
Marubeni Nisshin Feed Co., Ltd., an affiliate accounted for by the equity method, manufactures and sells compound feed.

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

The following diagram illustrates the structure of the Nisshin Seifun Group.



# Nisshin Seifun Group Structure



⊙ Consolidated subsidiaries  
 ○ Subsidiaries and affiliates accounted for by the equity method

#### (4) Subsidiaries and Affiliates

| Name   | Location                            | Paid-in capital (millions of yen) | Main businesses   | Share of voting rights (indirect ownership) (%) | Details of relationship |   |
|--|-------------------------------------|-----------------------------------|---|---|-------------------------|---|
|  |                                     |                                   |   |   | Concurrent directors    | Comments  |
| <b>Consolidated subsidiaries</b>                     |                                     |                                   |   |   |                         |   |
| Nisshin Flour Milling Inc.                           | Chiyoda-ku, Tokyo                   | 14,875                            | Production and sales of wheat flour   | 100.0   | Present                 | The Company provides a partial loan for working capital, etc. and rents commercial land, buildings and office space |
| Miller Milling Company, LLC                          | Minnesota, U.S.                     | 86                                | Production and sales of wheat flour   | 100.0 (100.0)                                   | Present                 | None  |
| Champion Flour Milling Ltd.                          | Auckland, New Zealand               | 3,491                             | Production and sales of wheat flour   | 100.0 (75.0)                                    | Present                 | None  |
| Nisshin Foods Inc.                                   | Chiyoda-ku, Tokyo                   | 5,000                             | Sales of pasta, wheat flour for household use, frozen foods, other products<br>Production and sales of prepared mix               | 100.0   | Present                 | The Company provides a partial loan for working capital, etc. and rents commercial land and office space            |
| Nisshin Seifun Premix Inc.                           | Chuo-ku, Tokyo                      | 400                               | Production and sales of prepared mix  | 100.0 (100.0)                                   | Present                 | The Company rents commercial land and office space  |
| Ma•Ma-Macaroni Co., Ltd.                             | Utsunomiya, Tochigi                 | 350                               | Production and sales of pasta and frozen foods  | 68.2 (53.2)                                     | Present                 | None  |
| Initio Foods Inc.                                    | Chiyoda-ku, Tokyo                   | 487                               | Production and sales of frozen foods and prepared dishes<br>Direct operation of concessions in department stores                  | 100.0 (63.0)                                    | Present                 | The Company provides partial loan for working capital and rents office space  |
| Joyous Foods Co., Ltd.                               | Kamisato-machi, Kodama-gun, Saitama | 50                                | Production and sales of processed noodles, etc.   | 65.1  | Present                 | None  |
| Oriental Yeast Co., Ltd.                             | Itabashi-ku, Tokyo                  | 2,617                             | Production and sales of cake and bread ingredients and biochemical products, life science business                                | 100.0   | Present                 | The Company provides partial loan for working capital, etc.   |
| Nisshin Pharma Inc.                                  | Chiyoda-ku, Tokyo                   | 2,689                             | Production and sales of healthcare foods and pharmaceuticals, etc.  | 100.0   | Present                 | The Company provides a partial loan for working capital, etc. and rents office space                                |
| Nisshin Petfood Inc.                                 | Chiyoda-ku, Tokyo                   | 1,315                             | Production and sales of pet foods   | 100.0   | Present                 | The Company provides a partial loan for working capital and rents buildings and office space                        |
| Nisshin Engineering Inc.                             | Chuo-ku, Tokyo                      | 107                               | Design, contracted construction and management of production facilities and other facilities, sales of powder-processing machines | 100.0   | Present                 | The Company rents office space  |
| NBC Meshtec Inc.                                     | Hino, Tokyo                         | 1,992                             | Production and sales of mesh cloths and forming filters   | 100.0   | Present                 | The Company provides a partial loan for working capital, etc.   |
| 34 other consolidated subsidiaries                   |                                     |                                   |   |   |                         |   |
| <b>Affiliates accounted for by the equity method</b> |                                     |                                   |   |   |                         |   |
| Marubeni Nisshin Feed Co., Ltd.                      | Chuo-ku, Tokyo                      | 5,500                             | Production and sales of compound feed   | 40.0  | Present                 | The Company rents commercial land and buildings   |
| Tokatsu Foods Co., Ltd.                              | Kohoku-ku, Yokohama, Kanagawa       | 100                               | Production and sales of such cooked foods as <i>bento</i> lunch boxes and prepared foods  | 49.0  | Present                 | None  |
| Japan Logistic Systems Corp.                         | Shinagawa-ku, Tokyo                 | 3,145                             | Overland freight shipping and storage   | 25.6 (20.6)                                     | Present                 | None  |
| 7 other companies                                    |                                     |                                   |   |   |                         |   |

Notes:

1. Nisshin Flour Milling, Inc., Champion Flour Milling Ltd., Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., NBC Meshtec Inc., Nisshin-STC Flour Milling Co., Ltd., Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S., Oriental Yeast India Pvt. Ltd. and PT. NBC Indonesia are specified subsidiaries of Nisshin Seifun Group Inc. Nisshin-STC Flour Milling Co., Ltd., Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S., Oriental Yeast India Pvt. Ltd. and PT. NBC Indonesia are included in other consolidated subsidiaries. Oriental Yeast India Pvt. Ltd. became a specified subsidiary following an increase in capital in September 2017, which lifted its capital to a level equivalent to over one-tenth the capital of Nisshin Seifun Group Inc.
2. Japan Logistic Systems Corp. also submits separate regulatory filings.
3. Figures in parentheses in the percentage of voting rights column indicate shares attributable to indirect ownership.

4. Financial data for subsidiaries accounting for more than 10% of consolidated net sales (excluding any sales transactions between consolidated subsidiaries) are shown in the table below.

(Millions of yen)

| Company name                | Net sales | Ordinary profit | Profit | Net assets | Total assets |
|-----------------------------|-----------|-----------------|--------|------------|--------------|
| Nisshin Flour Milling, Inc. | 167,963   | 9,195           | 6,568  | 72,451     | 146,801      |
| Miller Milling Company, LLC | 56,478    | 871             | 608    | 35,628     | 47,823       |
| Nisshin Foods Inc.          | 118,763   | 6,149           | 4,338  | 30,384     | 61,793       |
| Oriental Yeast Co., Ltd.    | 65,175    | 4,523           | 3,324  | 16,767     | 45,161       |

Figures presented for Miller Milling Company, LLC, are consolidated with those of NSGI Holdings Inc., the holding company that has a 100% equity interest in Miller Milling Company, LLC.

## (5) Employees

### 1. Consolidated level

(As of March 31, 2018)

| Business segment                       | Number of employees |         |
|--|---------------------|---------|
| Flour Milling                          | 1,607               | [117]   |
| Processed Food                         | 3,732               | [1,824] |
| Others                                 | 831                 | [326]   |
| Corporate (across the Group divisions) | 375                 | [85]    |
| Total                                  | 6,545               | [2,351] |

Note:

Numbers refer to full-time employees only. Additional figures for the average numbers of part-time staff employed during the fiscal year are provided in square brackets.

### 2. Non-consolidated level

(As of March 31, 2018)

| Number of employees | Average age<br>(years) | Average length of service<br>(years) | Average annual pay<br>(yen) |
|---------------------|------------------------|--------------------------------------|-----------------------------|
| 305 [38]            | 42.4                   | 17.4                                 | 8,626,839                   |

Notes:

1. Numbers refer to full-time employees only. An additional figure for the average number of part-time staff employed during the fiscal year is provided in square brackets.
2. Average annual pay includes bonuses and any non-standard wages.
3. Employees of Nisshin Seifun Group Inc. are entirely included in Corporate (across the Group divisions).

### 3. Labor unions

Nisshin Seifun Group workers are members of in-house unions, including the Nisshin Flour Milling Workers' Union. There are no matters to report regarding labor-management relations.

## **[2] Review of Operations and Financial Position**

### **(1) Management Policies, Management Environment and Issues to be Addressed**

All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group as of the date of filing this Securities Report in Japanese (June 27, 2018).

#### **1. Basic management policies**

The Nisshin Seifun Group espouses two corporate philosophies: “the basis of business is built on trust” and to be “in tune with the changing climate.” In combination with the principle “to contribute to a healthy and fruitful life for all,” these philosophies have formed the foundation for the Group to achieve continued growth and expansion of its businesses. In addition, the Group has adopted “Delivering Good Health and Reliability” as its corporate slogan. This expresses the commitment that every Nisshin Seifun Group member firm should strive to deliver products and services that contribute positively to health and build consumer trust.

Based on this philosophy, the Group specifies long-term maximization of corporate value as the key business goal. Group management prioritizes the investment of resources in core operations and businesses with growth potential.

The Group also promotes internal reform while fulfilling its corporate social responsibilities in terms of enhancing its internal control systems, legal and regulatory compliance, food safety, environmental protection and social contribution. The Nisshin Seifun Group is fully committed to gaining the support of all stakeholders, including shareholders, customers, business partners, employees and local communities.

#### **2. Medium- to long-term management strategies, target management indicators**

The Group has set out its long-term vision, “NNI ‘Compass for the Future’ —Toward a New Stage—Maximizing Group-wide Capabilities and Effecting Business Model Change,” taking into account anticipated structural changes driven by highly complex and rapid shifts in society for the next 10 to 20 years. With this long-term vision as our compass for the future, we will press ahead with New Nisshin Innovation activities based on the ongoing medium-term management plan, “NNI-120 II,” as a milestone, which is scheduled to conclude in the fiscal year ending March 31, 2021 and targets net sales of ¥750 billion, operating profit of ¥30 billion, and earnings per share (EPS) of ¥80.

As for long-term vision, we will build a system that demonstrates the Group’s “group-wide capabilities” toward our goal to realize our future grand design. At the same time, we take this opportunity to emphasize “customer-oriented policy,” implement growth strategies based on the pillars of “remodeling existing businesses” and “enhancing the Group business portfolio,” and further reinforce management functions that support the aforesaid initiatives. Furthermore, we will work to further raise the profit level and establish “a solid and firm position in the domestic food industry” as “a globally-operating company that assists ‘healthy lifestyles’ and plays a critical role in building ‘the food infrastructure’ of the future.”

Furthermore, we will focus on enhancing the stable distribution of profits from a long-term perspective to shareholders who share with us “the values created through generations since the establishment of the Company.” We aim for a payout ratio of 40% or more on a consolidated basis and seek to continuously increase the amount of dividends, while intending to repurchase treasury shares in a flexible manner, taking into account cash flows and demand for funds for strategic investments.

The Group will execute these strategies developed to realize the long-term vision so as to achieve further growth in earnings per share (EPS) through efforts in both profit growth and capital policy planning. We also strive to improve our return on equity (ROE) and ensure ROE exceeds capital cost, while striking a balance between capital efficiency and financial stability.

We will further strengthen the link between “the realization of corporate philosophy” and “the maximization of corporate value” by pursuing management in a manner that develops a strong link between our business strategies and contributions to environment (E) and society (S), which are associated with business sustainability, while enhancing governance (G), which serves as a discipline to improve corporate value. We are challenging ourselves to develop a corporate group that enjoys ongoing active support from all stakeholders.

#### **3. Management environment and issues to be addressed**

The business environment surrounding Japan’s food industry is changing drastically, including fluctuating exchange rates and prices of cereal and natural resources against a backdrop of volatile world affairs, market contraction as the country’s population declines, and growing concern over labor shortage. In addition, global competition is anticipated to accelerate depending on the outcome of international trade negotiations.

Under these circumstances, the Nisshin Seifun Group will continue to fulfill its mission of securing stable supplies of safe and reliable wheat flour and other staple foods, and delivering safe and reliable products in each business. At the same time, we aim to achieve our long-term vision and move quickly to pursue business growth by further utilizing our group-wide capabilities by strengthening cooperation among our operating companies in Japan as well as overseas.

## **(1) Domestic business strategies**

Regarding the flour milling business, we will develop products that accurately capture customer needs and promote value-added services that offer total solutions to customers, further strengthening customer relationships. In this way, we will continue our efforts to stably supply safe and reliable products.

In the processed food business, we will pursue measures to boost brand loyalty by launching new products to address needs arising from an increase in eating alone and demand for meals that are easy to prepare, coupled with aggressive sales promotion efforts. At the same time, we will optimize our business portfolio through efforts to further expand in the growth fields of the prepared dishes and other prepared foods business and the frozen food product business. We will also take appropriate measures to address the increasingly severe labor shortage problem.

In the yeast, biotechnology, healthcare foods, pet food, engineering and mesh cloths businesses, our plan is to seek growth by product and technology developments that will culminate in groups of businesses with real presence in their respective industries.

## **(2) Overseas business strategies**

In the flour milling business, we are committed to achieving independent growth in local markets via sales expansion measures that leverage the Group's strengths in flour milling technology and proposal capabilities. In North America, construction to boost the production capacity of Canadian subsidiary Rogers Foods Ltd.'s Chilliwack Plant was completed, with enhanced operations launched in October 2017. Similarly, construction is moving apace to boost by approximately 70% the production capacity of the U.S. subsidiary Miller Milling Company, LLC's Saginaw Plant, which is expected to begin enhanced operations in early 2019. Similarly, in Thailand, Nisshin-STC Flour Milling Co., Ltd. acquired a flour milling plant of Pacific Flour Mill Co., Ltd., also of Thailand, effectively increasing production capacity to 2.3 times its previous level. In this way, we are continuing to aggressively pursue strategic investments to expand our business foundations outside of Japan.

In the processed food business, we envisage further expansion of the commercial prepared mix business given projected growth in the Asian market. In terms of production, along with bolstering cost competitiveness, by utilizing our global optimal production system as a base, we are leveraging the production technology and expertise in high-level quality control cultivated by the Group over many years to pursue additional business expansion in pasta, pasta sauces and frozen foods.

In the yeast and biotechnology businesses, in a bid to enter the Indian market, where demand for yeast for bread making is rising, Oriental Yeast India Pvt. Ltd. is making progress in constructing a yeast plant scheduled for completion in summer of 2020. Our goal is to promote business expansion by supplying the local market with high-quality products.

Moreover, in the flour milling, processed food, and bakery-related businesses in particular, we will move with speed to promote business expansion in new domains, either through the Company's own proprietary efforts or through M&A and alliance opportunities.

## **(3) R&D strategies and cost strategies**

The Group adopts the perspective of its customers in the development of new products, and is engaged in the creation of basic and core technologies in new domains. High value-added products that, from a customer perspective, are novel and unique will be developed continuously. In research, we will clarify our priority research domains in order to promote the commercialization and practical application of research results. At the same time, we will establish research themes closely aligned with business strategies to increase efficiency and speed. We will examine and promote enhanced efficiency through practical use of automation technology to address issues caused by labor shortage.

Regarding raw material and energy markets, for which significant fluctuations are expected to continue, the Nisshin Seifun Group will work to reduce production and procurement costs and build an operational foundation that properly reflects changing costs.

## **(4) Measures addressing systemic changes in wheat policy, and others**

With the signing of agreements such as Japan-EU EPA and the TPP-11 (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership), the trend for negotiating free trade agreements remains active. Going forward, in the event that these international trade negotiations progress rapidly, changes in demand for wheat and related products due to reduced border import control mechanisms, are expected to have a profound impact on related industries. The Group will take appropriate steps to stay abreast of upcoming changes as they emerge, while continuing to develop a robust corporate structure domestically and abroad that will enable it to win out against global competition.

## **(5) Corporate social responsibility (CSR)**

The Nisshin Seifun Group has fulfilled its corporate social responsibilities (CSR) as a corporate citizen in all its business activities and retains its status as a corporate entity that plays an increasingly essential role in society. To this end, the Group

established a Social Committee to put its “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” into practice and to promote initiatives to facilitate the implementation.

The Group has positioned promoting CSR activities such as enhancing compliance, establishing quality assurance systems, conducting environmental conservation, and implementing internal control systems to the fullest extent, as one of its top management priorities and is taking thoroughgoing steps to ensure a Group-wide commitment.

With respect to compliance, the Group complies with relevant laws and regulations, social norm and corporate internal rules and regulations, and strives to develop and expand its businesses while being engaged in fair and open competition. Regarding quality assurance (QA), to ensure the delivery to customers of safe and reliable products, we are strengthening our hand in the areas of food safety and food defense. The CR (Consumer Relations) Office, which is charged with the responsibilities of identifying consumer mindsets and social trends while providing timely and appropriate direction as to what actions need to be taken, will actively collect relevant consumer administrative information as well as consumer opinion and their needs. In this manner, every effort is made to enhance Group customer relations. Furthermore, to secure the stable supply of safe and reliable wheat flour and other staple foods, we have enhanced our disaster preparations through our business continuity planning (BCP).

Regarding environmental preservation, we have always taken the initiative in working to reduce the environmental burden through energy saving, reduction of waste and responding to power-related issues.

For internal control, the Group is doing more than what is required by the Financial Instruments and Exchange Act through extensive maintenance of its internal control systems group-wide. These systems are monitored by a dedicated department to maintain their integrity and seek further improvements.

Furthermore, the Group, as a member of society, is widely involved in activities contributing to society. We are engaged in supporting reconstruction of the earthquake-affected areas, and making regional contributions through the Nisshin Seifun (Flour Milling) Museum as a regional tourism resource and an educational asset.

In these ways, the Group will continue to fulfill its corporate social responsibilities, positioning them as priority issues as part of management that emphasizes ESG (environment, society and governance).

#### **4. Basic policies regarding control of the corporation**

##### **(1) Brief description of the basic policies**

As a provider of food, the Company believes that its chief responsibility, as well as a source of generating corporate value and one of its fundamentals, is to contribute to providing safe food on a continuous basis, namely by ensuring high levels of safety and the quality of its products, along with the stable supply of wheat flour and other foods staples for the people. To continue to secure and improve the Company’s corporate value, which is girded by this responsibility, and the common interests of the shareholders, it is essential to ensure high levels of safety and product quality, as well as stable supply, among other duties. If any person, failing to understand this, buys up the Company’s shares and acts in ways contrary to a sustainable and systematic medium- to long-term business policy, such actions would cause damage to the Company’s corporate value and the common interests of the shareholders. Moreover, there are other forms of stock purchase that might do harm to the Company’s corporate value and the common interests of the shareholders.

In order to properly manage the above issues, the Company believes that the advanced disclosure of sufficient information must be made, such as: the management policies and business plans envisioned by a potential purchaser of the Company’s shares; the possible impact of the proposed acquisition on the Company’s shareholders, the management of the Nisshin Seifun Group and all of the Group’s stakeholders; and the purchaser’s views regarding corporate social responsibility, including the matters of ensuring the stable supply of wheat flour and other dietary staples of the people and food safety. Also, a reasonable length of time to review such proposal and ample capacity to negotiate with such purchaser must also be ensured.

##### **(2) Measures that contribute to the effective utilization of the Company’s assets, structuring of the appropriate form of the business group and the realization of other basic policies on control of the corporation**

As a pure holding company, the Company is responsible for proposing management strategies for the Group, the efficient distribution of management resources and the auditing and monitoring of business activities. By optimizing the markets of each operating company, the Company has guaranteed a high level of safety and quality for products, as well as ensuring a steady supply. Moreover, through the mutual strengthening of corporate value between operating companies, the corporate value of the Group as a whole has been improved.

Under the above system, the Group aims to maintain and improve a high level of technological capability, including the manufacturing technology and development and analysis capabilities required to support product safety and quality. The Group will implement ongoing and systematic capital expenditure from a long term perspective. At the same time, the Group will focus on employee training that can ensure and improve levels of specialist skills, the introduction of ongoing auditing and instruction systems related to product quality and facilities, internal controls, and the construction and ongoing implementation of compliance systems. We will also work hard to build and maintain trust relationships with the Company’s stakeholders, including our customers and local society.

**(3) Measures to prevent a decision on the Company's financial and business policies from being controlled by a party who is deemed 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 adopted a plan to take certain measures using a gratis allotment of subscription rights to shares (hereinafter "the Plan"), in line with Article 49 of its Articles of Incorporation and the "Renewal of the Resolution to Approve Gratis Allotments of Subscription Rights to Shares for Securing and Improving Corporate Value of the Company and the Common Interests of the Shareholders," which was approved by the 174th Ordinary General Meeting of Shareholders held on June 27, 2018. The outline of the Plan is as follows.

- 1) The Board of Directors shall ask any party who attempts a Specified Acquisition to present a written Acquisition Proposal to ask for a resolution of the Board of Directors not to take countermeasures including the gratis allotment of the Subscription Rights to Shares defined in Paragraph 6 below (hereinafter "the Confirmation Resolution") against that proposal. In order to implement prompt operation of the Plan, the Board of Directors may establish a reply deadline and request the provision of additional information in respect to any parties making a proposal in connection with a Specified Acquisition. Even in this case, the reply deadline shall be set with a maximum limit of 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 expiry of such reply deadline. "Specified Acquisition" means: a) an act of purchasing the Company's share certificates, etc., that would result in the holdings of 20% or more of the Company's share certificates, etc. (including similar acts as specified by the Board of Directors); or b) an act of commencing a tender offer that would result in the holdings of 20% or more of the Company's share certificates, etc. "Acquisition Proposal" means a document that contains 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) i. or v. that is reasonably demanded by the Company.
- 2) Upon receiving the Acquisition Proposal, the Board of Directors shall promptly submit it to the Corporate Value Committee, which is composed only of the Outside Directors and the Outside Audit & Supervisory Board Members of the Company.
- 3) The Corporate Value Committee shall investigate said Acquisition Proposal and discuss whether or not to pass a resolution (hereinafter referred to as a "Recommendation Resolution") recommending that the Board of Directors passes a Confirmation Resolution in regard to said Acquisition Proposal. The Recommendation Resolution shall be passed by a majority of all members, and the results of 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 the compensation and set no upper limit to the number of shares to be purchased) upon the receipt of the Acquisition Proposal from the Board of Directors. Only when reasonable grounds exist, the period for the deliberation and discussion may be extended to a maximum 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 can satisfy the Company's purposes of securing and improving corporate value and the common interests of the shareholders. The Corporate Value Committee must issue a Recommendation Resolution for Acquisition Proposals that meet all of the below requirements and that secure and improve the corporate value of the Company and the common interests of shareholders.
  - i. 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 provides a benefit to the Proposed Acquirer (including its group companies or other related parties, same applies below) to the detriment of the Company, such as temporary control of the Company's management enabling transfer of the Company's material assets;
    - c. Diversion of the Company's assets to secure or repay debts of the Proposed Acquirer;
    - d. Actions that unjustly harm fundamentals essential to generation of the Company's medium- to long-term corporate value, such as 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 future years; and other types of action causing harm to the cooperative relationships of the Company's stakeholders, including the Company's shareholders, business partners, customers and employees.
  - ii. The scheme and content of the deal proposed by the Acquisition Proposal comply with the relevant laws and regulations.
  - iii. The scheme and content of the deal proposed by the Acquisition Proposal do not threaten to have the effect of compelling shareholders to sell their shares.
  - iv. 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 other ways, by complying with the procedures specified by the Plan.

- v. The period for the Company to deliberate the Acquisition Proposal is secured (including deliberation and presentation of its alternative proposals to the Company's shareholders). This period is specified as a maximum of 60 business days upon the receipt of the Acquisition Proposal or a maximum of 90 business days for Acquisition Proposals other than those that specify only cash in the Japanese currency as compensation and set no upper limit to the number of shares to be purchased. Furthermore, if there are reasonable grounds to exceed these respective periods, a maximum of 30 business days will additionally be allowed.
- 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 clearly against the Directors' duty of care. Countermeasures, such as a Gratis Allotment of Subscription Rights to Shares, cannot be taken against the Acquisition Proposal for which the Confirmation Resolution is made.
- 6) In the event that the Specified Acquirer—which is defined as a person or company that executed the Specified Acquisition and failed to obtain the Confirmation Resolution by the time such acquisition was executed—appears, the Board of Directors shall disclose the identifying of the appearance of the Specified Acquirer and issue a resolution that identifies and determines the necessary conditions for effecting a gratis allotment of Subscription Rights to Shares, including the record and effective dates for such allotment, and execute the gratis allotment of Subscription Rights to Shares after publicly announcing details of matters that have been determined. "Subscription Rights to Shares" is defined as the subscription rights to shares whose exercise is restricted for the Specified Acquirer and its related parties, which are collectively defined as the Specified Acquirer.  

In such a case that it is revealed that the ratio of holdings of the Company's share certificates, etc., by the Specified Acquirer falls below 20% by the date that is specified elsewhere by the Board of Directors and which should be earlier than three business days prior to the record date for the gratis allotment, the Board of Directors can defer the effect of a gratis allotment of Subscription Rights to Shares.
- 7) In the case that a gratis allotment of Subscription Rights to Shares is effected, the Company shall implement the gratis allotment of Subscription Rights to Shares to all shareholders, except the Company, as of the record date for the gratis allotment at a ratio of one Subscription Right to Share for every one share of the Company's common stock held, and the number of shares to be issued per one Subscription Right to Share will not exceed two and be determined elsewhere by the Board of Directors. The value of assets invested to exercise one Subscription Right to Share shall be ¥1 multiplied by the number of shares to be issued per one Subscription Right to Share.
- 8) Exercisable Subscription Rights to Shares can be acquired by the Company. For the Subscription Rights to Shares held by shareholders other than the Specified Acquirer, 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 Share. For other Subscription Rights to Shares, this is accomplished in exchange for Subscription Rights to Shares with restriction on transfer (restriction on the exercise of the rights by the Specified Acquirer) of the same number as the Subscription Rights to Shares that are acquired by the Company.

#### **(4) Judgment of the Board of Directors and its reasons**

The Plan complies with the basic policies described in Item (1) above, and it is carefully devised as follows to ensure its reasonability. 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 174th Ordinary General Meeting of Shareholders on June 27, 2018, pursuant to the provision of Article 49 of the Company's Articles of Incorporation.
- 2) The term of office of the Company's Directors is one year and the timing of reelection is concurrent among all Directors. In addition, the resolution on dismissal of Directors has the same weight as that of 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 Outside Directors and the Outside Audit & Supervisory Board Members of the Company, shall deliberate the Acquisition Proposal, under legal obligations as the management of the Company, to determine if the proposal meets the purposes of securing and improving the Company's corporate value and the common interests of the shareholders. It is also required that the Board of Directors makes a Confirmation Resolution upon receipt of a Recommendation Resolution to that effect from the Corporate Value Committee, unless there are particular reasons that are clearly against the Directors' duty of care.
- 4) To enhance the objectivity of judgment relating to the Plan, the Corporate Value Committee must issue a Recommendation Resolution in certain cases, as specified in Paragraph (3) above.
- 5) Subject to approval at 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 environments surrounding the Company.

- 6) The validity of an Approval Resolution at the General Meeting of Shareholders 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 reflections on 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.”

## **(2) Business and Other Risks**

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

All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group as of the date of filing this Securities Report in Japanese (June 27, 2018).

### **1. Economic conditions and industry environment**

The Nisshin Seifun Group continues to work to reinforce its earnings base so as to minimize the impact of economic and industry conditions on business results. However, increased competition in the Japanese domestic market may cause shipment levels to fluctuate or prices of the Company's major products to decline. Other risks include losses caused by the failure of investment or business partners.

### **2. Progress of international trade negotiations and wheat policy reform**

The Nisshin Seifun Group has carried out structural reforms aimed at building a robust Group structure.

With the signing of agreements such as Japan-EU EPA and the TPP-11 (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership), the trend for negotiating free trade agreements remains active. Going forward, in the event that international trade negotiations progress rapidly, changes in demand for wheat and related products, together with reduced border import control mechanisms, could impact wheat flour-related industries, including the Company's flour milling and processed food businesses.

In addition, following a review by the government of its wheat policy, etc., our flour milling and processed food businesses remain subject to possible risks generated by: changes to the status quo of the Japanese government's trade strategy, including the management procedures (purchase, stockpiling and sale, etc.) of wheat; domestic flour and flour-related secondary processing market disruptions; and the realignment of related industries.

### **3. Product safety**

Growing concerns over food safety put increasing pressure on the food industry to ensure the safety of the food it supplies. The Nisshin Seifun Group continues to upgrade efforts to improve its product quality assurance systems including food defense measures, but events beyond the scope of the Company's projection due to external and other factors could lead to product recalls or the discovery of defective items. The Nisshin Seifun Group is exposed to similarly unpredictable risks, which could result in defective items, also on the raw material procurement side.

### **4. Sharp increases in raw materials prices**

The Nisshin Seifun Group continues to aim to develop low-cost operations to ensure that earnings are more resistant to the possibility of future wheat market deregulation. Nevertheless, the Company may not be in a position to achieve cost reductions in the event of fluctuations in raw material market conditions, movements in distribution costs as a result of crude oil price hikes and higher purchasing costs due to increases in the prices of such essential input materials as packaging. In addition, the Group's business performance could be adversely affected if a significant rise in the cost of purchasing raw materials and products due to an increase in imported wheat prices and other reasons was not offset by revisions in the selling prices of wheat flour, processed foods and other products.

### **5. Foreign exchange movements (principally yen-dollar, yen-euro and yen-baht)**

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

### **6. Contract manufacturing**

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

## **7. Information and system-related risks**

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

## **8. Alliances with other companies and realization of corporate acquisition benefits**

The Nisshin Seifun Group forms alliances with other companies and conducts corporate acquisitions as part of efforts to optimize use of management resources, as well as to realize growth and expansion. The inability to progress as initially planned with respect to alliances or businesses post acquisition could result in the failure to realize expected benefits.

## **9. Facility security and natural disasters**

The Nisshin Seifun Group continues to work to upgrade its safety and site management systems to ensure the security of production plants and other facilities and to prevent accidents such as fires or explosions. We are implementing seismic strengthening initiatives and liquefaction countermeasures at our mainstay plants to prevent any injury to personnel or damage to facilities should such natural disasters as earthquakes, storms and floods occur. The Group is also undertaking a review of its capabilities including the additional formulation of a business continuity plan (BCP) in response to the future envisioned incidence of a major earthquake. However, events beyond the scope of the Company's projections, including developments such as epidemics or pandemics of new strains of influenza and other diseases, could lead to damage or to the interruption of product supplies to customers.

## **10. Regulatory compliance**

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

## **11. Overseas incidents**

Although the Nisshin Seifun Group makes efforts to prevent accidents at its overseas operations, the performance of these businesses is subject to various economic and political risks, as well as constraints on business activities due to terrorism or the outbreak of civil unrest, and risks associated with developments such as epidemics or pandemics of new strains of influenza and other diseases, that could result in a downturn in the overseas business, thus hampering business continuation efforts.

## **12. Intellectual property**

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

## **13. Environmental management**

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

## **14. Human resource retention**

To promote sustainable growth, the Group seeks to retain diverse and talented human resources, striving to create environments where skills can be amply utilized as well as training programs for promoting further development. These efforts notwithstanding, the inability to retain necessary human resources due to labor pool shortages, changes in the employment landscape and other factors could degrade the Group's competitiveness over the long term.

### (3) Management's Analysis of Financial Position, Performance and Cash Flows

The following is a summary and analysis by management of the Group's financial position, performance and cash flows (hereinafter, "business performance") for the fiscal year ended March 31, 2018. All matters relating to the future in the sections below are based on the current views of the Nisshin Seifun Group as of the date of filing this Securities Report in Japanese (June 27, 2018).

#### 1. Significant accounting policies and estimates

The Consolidated Financial Statements of the Nisshin Seifun Group are prepared in conformance with accounting standards that are generally accepted in Japan.

In preparing the Consolidated Financial Statements, the Nisshin Seifun Group makes necessary estimates and assumptions that have a material impact on the reported values of assets and liabilities as of the balance-sheet date, the disclosure of contingent liabilities, and the reported values of income and expenditure. While the Company makes such estimates and assumptions based on various factors deemed rational based on the analysis of historical performance and business conditions, the uncertainties inherent in the estimation process mean that actual performance can differ from forecasts and assumptions.

Significant accounting policies adopted for preparation of the Group's Consolidated Financial Statements are found under "[5] Financial Accounts 1 (1) Notes to the Consolidated Financial Statements, Basis of Presentation of Consolidated Financial Statements."

#### 2. Financial Position, Review of Financial Performance and Management's Recognitions, Analysis and Opinions."

##### (1) Review of financial performance and analysis

During the fiscal year ended March 31, 2018, the Japanese economy recovered modestly, primarily atop improvement in corporate earnings and the country's employment and personal income picture, coupled with an increase in capital expenditures. Nevertheless, various causes for concern were evident, including labor shortages, continued belt-tightening behavior among consumers and sociopolitical instability abroad.

Under these conditions, the Group promoted a medium-term management plan, dubbed "NNI-120 II," with an emphasis on restructuring the earnings foundation in core businesses, achieving solid profit growth, and a more proactive stance to shareholder returns. Guided by the plan, the Group moved with speed to execute growth strategies in each business, including pursuing products and services offering higher added value and sales expansion, greater cost competitiveness in tandem with safety and reliability, and strategic investments in growth fields.

With respect to operating results, consolidated net sales for the fiscal year ended March 31, 2018, increased 1.5% year on year to ¥540,094 million despite the effects of exclusion of a subsidiary from the scope of consolidation in the previous year following the transfer of its shares to another entity. This result mainly reflected growth in shipments of prepared dishes and other prepared foods in the Processed Food Segment, along with orders for large-scale construction projects in the engineering business. In terms of profits, due to growth in shipments of high-value-added products matched to consumer needs and measures to improve profitability, including cost reduction efforts, operating profit was ¥27,200 million, up 6.6% year on year. Ordinary profit increased by 4.8% to ¥31,800 million, and profit attributable to owners of parent rose by 9.6% to ¥21,339 million. All profit items ended the year at record-high levels.

(Year-on-year Comparison)

(Millions of yen)

|  | Year ended March 31,<br>2017 | Year ended March 31,<br>2018 | Difference | Change |
|--|------------------------------|------------------------------|------------|--------|
| Net sales                                  | 532,040                      | 540,094                      | 8,054      | 101.5% |
| Operating profit                           | 25,511                       | 27,200                       | 1,689      | 106.6% |
| Ordinary profit                            | 30,329                       | 31,800                       | 1,470      | 104.8% |
| Profit attributable to<br>owners of parent | 19,466                       | 21,339                       | 1,872      | 109.6% |

Financial performance, recognitions and analysis by business segment from the perspective of management are described below.

Net Sales and Operating Profit – Year Ended March 31, 2018

(Millions of yen)

|                        | Net sales |            | Operating profit |            |
|------------------------|-----------|------------|------------------|------------|
|                        | Results   | Difference | Results          | Difference |
| Flour Milling Segment  | 234,799   | 1,181      | 9,957            | 134        |
| Processed Food Segment | 254,000   | (944)      | 13,473           | 1,046      |
| Others Segment         | 51,295    | 7,816      | 3,613            | 657        |
| Adjustment             | —         | —          | 155              | (149)      |
| Consolidated total     | 540,094   | 8,054      | 27,200           | 1,689      |

Notes:

1. Net sales reported after elimination of intersegment transactions.
2. Operating profit adjustment refers to intersegment transaction eliminations.

1) Flour Milling Segment

(Millions of yen)

|                  | Year ended March 31,<br>2017 | Year ended March 31,<br>2018 | Difference | Change |
|------------------|------------------------------|------------------------------|------------|--------|
| Net sales        | 233,618                      | 234,799                      | 1,181      | 100.5% |
| Operating profit | 9,823                        | 9,957                        | 134        | 101.4% |

In the flour milling business, we made progress in attracting new customers by conducting aggressive sales expansion measures in an adverse market environment characterized by continued belt-tightening behavior among consumers. As a result, shipments of commercial wheat flour in Japan increased year on year. Also in June 2017, and again in December 2017, the Company revised its commercial wheat flour prices in response to the government's decision to change the prices of five classes of imported wheat. On average, the government's price for imported wheat rose 4.6% in April 2017 and 3.6% in October 2017.

From the perspectives of production and distribution, we continued to proactively advance measures to enhance product safety, alongside steps to boost productivity and reduce fixed costs.

The price of bran, a byproduct of the milling process, was weaker throughout the period.

In the overseas business, sales were up year on year, reflecting increased shipments thanks to aggressive sales expansion. In terms of profits, conditions were challenging, mainly due to sales competition encountered in the North America region. In Canada, construction concluded in October 2017 to boost by approximately 80% the production capacity of Canadian subsidiary Rogers Foods Ltd.'s Chilliwack Plant. Elsewhere, construction to boost by approximately 70% the production capacity of U.S. subsidiary Miller Milling Company, LLC's Saginaw Plant is on track and scheduled to conclude in early 2019. Additionally, in March 2018, Thai subsidiary Nisshin-STC Flour Milling Co., Ltd. moved to meet growing wheat flour demand by purchasing a milling plant, effectively increasing production capacity to 2.3 times its previous level.

As a result, net sales of the Flour Milling Segment increased 0.5% year on year to ¥234,799 million due to an increase in sales in the overseas business. Operating profit, meanwhile, increased 1.4% to ¥9,957 million, as a year-on-year gain of ¥500 million from cost reductions in Japan and a decrease in strategic outlays largely offset the impact on performance from competition in the overseas business, which lowered profit by ¥700 million.

2) Processed Food Segment

(Millions of yen)

|                  | Year ended March 31,<br>2017 | Year ended March 31,<br>2018 | Difference | Change |
|------------------|------------------------------|------------------------------|------------|--------|
| Net sales        | 254,944                      | 254,000                      | (944)      | 99.6%  |
| Operating profit | 12,426                       | 13,473                       | 1,046      | 108.4% |

In the processed food business, for household-use products, in addition to efforts to enhance the lineup and sales of our strong-selling bottle-type products designed to address needs arising from an increase in eating alone and demand for meals that are easy to prepare, we implemented initiatives designed to stimulate consumption, including event co-sponsorship and

leveraging digital marketing. In commercial-use products, we launched new products tailored to customer needs and carried out proposal activities geared toward garnering new customers. Also, in response to revised prices for commercial wheat flour due to the government's decision to revise the prices of imported wheat, the Company in July 2017 and in January 2018 revised prices for its household-use wheat flour and commercial prepared mix products, etc. In the prepared dishes and other prepared foods business, we have developed and are steadily expanding a comprehensive prepared dishes and other prepared foods business that can provide full lineups across wide-ranging categories of products. We also took steps last year to augment production capacity at a prepared noodle production site in western Japan, and completed construction of the new Nagoya Plant. However, sales in the processed food business were lower overall year on year, mainly due to effects from the exclusion of a subsidiary from the scope of consolidation in the previous fiscal year following the transfer of its shares to another entity. This was despite brisk growth in shipments of pastas, pasta sauces, prepared dishes and other prepared foods and frozen foods.

In the overseas business, sales in the prepared mix business were higher year on year. Elsewhere, operations are running smoothly at a production plant for pasta sauces and other cooked and processed foods in Vietnam and a pasta plant in Turkey. Both sites were built as part of efforts to develop a globally optimized, cost-competitive production framework.

In the yeast and biotechnology business, sales in the yeast business were higher year on year, the result of brisk shipments mainly of fillings. Similarly, sales in the biotechnology business were higher, primarily from an increase in shipments of raw materials for diagnostic pharmaceuticals. On a related note, construction is moving apace on a yeast plant in India being developed by overseas subsidiary Oriental Yeast India Pvt. Ltd., with a scheduled completion date of summer 2020.

In the healthcare foods business, sales were higher year on year, reflecting growth in shipments of raw materials for pharmaceuticals.

As a result, net sales of the Processed Food Segment declined 0.4% year on year to ¥254,000 million. This outcome largely reflected a decrease in processed food sales (down ¥3,300 million year on year) due mainly to the exclusion of a subsidiary from the scope of consolidation following a transfer of shares, partially balanced by increased sales (up ¥2,200 million year on year) from Oriental Yeast Co., Ltd. Operating profit increased 8.4% to ¥13,473 million, as a year-on-year contribution of ¥1,600 million mainly from expanded shipments of high-value-added products tailored to consumer needs offset a negative ¥1,000 million in cost-related effects, including expenses incurred in the launch of a new Nagoya Plant in the prepared dishes and other prepared foods business.

### 3) Others Segment

(Millions of yen)

|                  | Year ended March 31,<br>2017 | Year ended March 31,<br>2018 | Difference | Change |
|------------------|------------------------------|------------------------------|------------|--------|
| Net sales        | 43,478                       | 51,295                       | 7,816      | 118.0% |
| Operating profit | 2,956                        | 3,613                        | 657        | 122.2% |

In the pet food business, sales were higher year on year, reflecting the aggressive launch of new products and the execution of campaigns and other sales expansion efforts.

In the engineering business, sales increased year on year, mainly due to orders for large-scale construction projects in the mainstay plant engineering business.

In the mesh cloths business, sales were up from a year earlier, reflecting strong shipments of screen printing materials for solar panels and molded plastic products primarily for automotive components.

As a result, net sales of the Others Segment rose 18.0% year on year to ¥51,295 million, primarily from increased facility construction sales. In tandem, operating profit increased 22.2% to ¥3,613 million.

## (2) Overview and Analysis of Financial Position for the Year Ended March 31, 2018

(Millions of yen)

|                                  | As of March 31, 2017 | As of March 31, 2018 | Difference |
|----------------------------------|----------------------|----------------------|------------|
| Current assets                   | 238,858              | 265,442              | 26,583     |
| Non-current assets               | 318,709              | 328,051              | 9,342      |
| Total assets                     | 557,568              | 593,493              | 35,925     |
| Current liabilities              | 89,833               | 114,258              | 24,424     |
| Non-current liabilities          | 60,928               | 65,441               | 4,512      |
| Total liabilities                | 150,762              | 179,699              | 28,936     |
| Total net assets                 | 406,805              | 413,794              | 6,988      |
| Total liabilities and net assets | 557,568              | 593,493              | 35,925     |

The status and analysis of assets, liabilities and net assets on a consolidated basis at the end of the fiscal year ended March 31, 2018, was as follows.

Current assets increased ¥26,583 million from the previous fiscal year-end to ¥265,442 million, due largely to increases in notes and accounts receivable – trade and inventories, mainly from increased sales and the fiscal year-end date falling on a holiday. Non-current assets increased ¥9,342 million to ¥328,051 million, primarily due to increases in property, plant and equipment from capital investments mainly for construction to augment production capacity at the Saginaw Plant of Miller Milling Company, LLC and construction of a yeast plant for Oriental Yeast India Pvt. Ltd. Another key factor was valuation gains on investment securities. As a result, total assets increased ¥35,925 million from the previous fiscal year-end to ¥593,493 million. Meanwhile, current liabilities rose ¥24,424 million to ¥114,258 million, mainly reflecting increases in notes and accounts payable – trade, stemming from increased purchases and the fiscal year-end date falling on a holiday. Non-current liabilities increased ¥4,512 million to ¥65,441 million, primarily due to an increase in deferred tax liabilities in response to increased valuation gains on investment securities. As a result, total liabilities increased ¥28,936 million from the previous fiscal year-end to ¥179,699 million. Net assets increased ¥6,988 million to ¥413,794 million, including an increase due to profit attributable to owners of parent for the year, a decrease due to the payment of dividends, a decrease due to the purchase of treasury shares, and an increase in accumulated other comprehensive income.

## (3) Factors with Important Effects on Group Business Performance

Factors with important effects on the Group's business performance are listed under "2. Business and Other Risks."

## 3. Analysis of Cash Flow Status, Capital Financing and Liquidity

### (1) Cash flows

(Millions of yen)

|   | Year ended March 31,<br>2017 | Year ended March 31,<br>2018 | Difference |
|---|------------------------------|------------------------------|------------|
| Net cash provided by (used in) operating activities   | 35,361                       | 42,869                       | 7,507      |
| Net cash provided by (used in) investing activities   | (5,240)                      | (18,067)                     | (12,827)   |
| Net cash provided by (used in) financing activities   | (11,470)                     | (18,593)                     | (7,123)    |
| Effect of exchange rate changes on cash and cash equivalents  | (246)                        | 1,415                        | 1,662      |
| Net increase (decrease) in cash and cash equivalents  | 18,404                       | 7,624                        | (10,780)   |
| Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries | (527)                        | —                            | 527        |
| Cash and cash equivalents at end of period  | 90,837                       | 98,461                       | 7,624      |

#### *Net cash provided by (used in) operating activities*

Net cash provided by operating activities was ¥42,869 million for the fiscal year ended March 31, 2018, compared to ¥35,361 million a year earlier. An increase in cash and cash equivalents mainly due to profit before income taxes of ¥32,430



million and depreciation and amortization of ¥15,509 million exceeded a decrease in cash and cash equivalents largely owing to the payment of income taxes.

#### ***Net cash provided by (used in) investing activities***

Net cash used in investing activities was ¥18,067 million, compared to ¥5,240 million a year earlier, mainly the result of ¥19,704 million for the purchase of property, plant and equipment and intangible assets, including for the construction of a yeast plant at Oriental Yeast India Pvt. Ltd. and the construction of a new production line at the Saginaw Plant of Miller Milling Company, LLC.

Subtracting net cash used in investing activities from net cash provided by operating activities, free cash flow came to an inflow of ¥24,802 million, compared to an inflow of ¥30,121 million a year earlier.

#### ***Net cash provided by (used in) financing activities***

To distribute profits to shareholders, the Company paid dividends of ¥8,088 million. In addition, the Company used cash of ¥10,164 million for the purchase of treasury shares, including ¥9,999 million for the purchase of 5,334,900 shares authorized by resolution of the Board of Directors on May 12, 2017. Consequently, net cash used in financing activities was ¥18,593 million, compared to ¥11,470 million a year earlier.

As described above, cash provided by operating activities was allocated to strategic capital investment, the payment of dividends as returns to shareholders and the purchase of treasury shares. At the end of the fiscal year ended March 31, 2018, consolidated cash and cash equivalents totaled ¥98,461 million, an increase of ¥7,624 million from the previous fiscal year-end.

## **(2) Capital financing and liquidity**

Total consolidated debt amounted to ¥15.0 billion at the end of March 2018. Based on the operating cash flow and the balance of cash and cash equivalents, the Nisshin Seifun Group regards the current level of internal liquidity as ample for financing long-term business development and repayments of interest-bearing liabilities.

Under the Group's long-term vision, "NNI 'Compass for the Future' —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change," we will take assertive steps to ramp up capital investments, M&A activity, human capital training, technology development and other areas for sustainable growth. At the same time, the Group will focus on enhancing the stable distribution of profits from a long-term perspective to shareholders who share with us "the values created down through the generations since the establishment of the Company." Specifically, we aim for a payout ratio of 40% or more on a consolidated basis and seek to continuously increase the amount of dividends, while intending to repurchase treasury shares in a flexible manner, taking into account cash flows and demand for funds for strategic investments. Details regarding important capital investment plans can be found under "[3] Facilities and Capital Expenditures (3) Facility Construction and Disposal Plans, 1. Construction of major facilities, etc."

While seeking the right balance between improving capital efficiency and financial stability, the Group will secure the needed capital for these activities from both internal and external funding sources. To secure funds internally, the Group previously introduced a cash management system (CMS), under which the funds of consolidated subsidiaries in Japan are managed on an integrated basis, coupled with current measures to extensively minimize assets. As for the external sources, the Group will procure interest-bearing debt and other funding by taking advantage of its sound financial position.

## **4. Status of implementation of the "NNI-120 II" management plan and analysis and consideration of its content from management's perspective**

### **i. "NNI-120 II" management plan performance targets and capital policies**

In the fiscal year ended March 31, 2016, the Group formulated "NNI-120 II" as a medium-term management plan with clearly defined targets running through to the end of the March 31, 2021 fiscal year. Together with a focus on restructuring the earnings foundation in core businesses, the plan calls for independent business growth, including that of acquired businesses, coupled with new strategic investments (M&A, capital expenditures) and other measures, as the Group aims for solid profit growth. Performance targets for the fiscal year ending March 31, 2021 are detailed below.

< Performance Targets for Year Ending March 31, 2021 >

|                    |                |  |   |
|--------------------|----------------|--|---|
| • Net sales        | ¥750.0 billion | (Compared to March 31, 2015 fiscal year: ¥526.1 billion) | * Average annual growth rate: 6%  |
| • Operating profit | ¥30.0 billion  | (Compared to March 31, 2015 fiscal year: ¥20.4 billion)  | * Average annual growth rate: 7%  |
| • EPS              | ¥80            | (Compared to March 31, 2015 fiscal year: ¥53)            | * For EPS (earnings per share), aiming for annual growth rate of 8% enabled by profit growth and capital policies |

Similarly, while seeking the right balance between improving capital efficiency and financial stability, the Group promotes strategic investments for future growth and formulated capital policies, outlined below, with a much more proactive stance than ever before regarding shareholder returns.

< Capital Policies >

- Set a payout ratio of at least 40% on a consolidated basis, and seek to continuously increase the amount of dividends.
- Flexibly repurchase own shares.

ii. Status of target achievement for the “NNI-120 II” management plan

In terms of performance targets for the fiscal year ending March 31, 2021 stipulated in the plan, the Group for the fiscal year ended March 31, 2018 reported an annual growth rate of 0.9% versus the comparison year for net sales (performance target: annual growth rate of 6%), 9.9% for operating profit (performance target: 7%), and 10.3% (performance target: 8%) for earnings per share (EPS). Thus, while performance for net sales was lower than the target, both operating profit and earnings per share (EPS) marked progress well above the targeted figures.

Where capital policies are concerned, the annual dividend for the fiscal year ended March 31, 2018 was ¥29 per share, with a payout ratio of 40.6%. The Group continues to raise the dividend paid, guided by one of the basic policies of the medium-term management plan of a payout ratio of at least 40%. Also in the fiscal year ended March 31, 2018, the Group purchased its own shares, with an upper limit of ¥10 billion, in step with a more proactive approach to shareholder returns.

## 5. Status of Production, Orders Received and Sales

### a. Production

Production values by segment during the fiscal year ended March 31, 2018 are as follows.

(Millions of yen)

| Segment name   | Year ended<br>March 31, 2017 | Year ended<br>March 31, 2018 | Change<br>(%) |
|----------------|------------------------------|------------------------------|---------------|
| Flour Milling  | 224,067                      | 226,739                      | 1.2           |
| Processed Food | 136,927                      | 137,773                      | 0.6           |
| Others         | 25,041                       | 25,638                       | 2.4           |
| Total          | 386,037                      | 390,152                      | 1.1           |

Notes:

1. The above financial amounts use average sales prices during the fiscal year under review. Intersegment transactions have been eliminated.
2. Figures do not include consumption taxes.

### b. Orders received

The Company does not produce a significant volume based on orders and this item is therefore omitted.

### c. Sales

Sales values by segment during the fiscal year ended March 31, 2018 are as follows.

(Millions of yen)

| Segment name   | Year ended<br>March 31, 2017 | Year ended<br>March 31, 2018 | Change<br>(%) |
|----------------|------------------------------|------------------------------|---------------|
| Flour Milling  | 233,618                      | 234,799                      | 0.5           |
| Processed Food | 254,944                      | 254,000                      | (0.4)         |
| Others         | 43,478                       | 51,295                       | 18.0          |
| Total          | 532,040                      | 540,094                      | 1.5           |

Notes:

1. Intersegment transactions have been eliminated.
2. Transactions with major business partners and the ratio of corresponding sales to total sales are shown in the table below.

(Millions of yen)

| Business partner | Year ended<br>March 31, 2017 |                | Year ended<br>March 31, 2018 |                |
|------------------|------------------------------|----------------|------------------------------|----------------|
|                  | Value                        | Proportion (%) | Value                        | Proportion (%) |
| Mitsubishi Corp. | 62,097                       | 11.7           | 61,944                       | 11.5           |

3. Figures do not include consumption taxes.

The status of changes in the prices of major raw materials and the selling prices of major products are described in “(2) Financial Position, Review of Financial Performance and Management’s Recognitions, Analysis and Opinions.”

## (4) Legal and Contractual Matters

There are no applicable matters to be reported.

## (5) Research and Development

The Nisshin Seifun Group (the Company and its consolidated subsidiaries) operates various research and development (R&D) facilities. As part of the Company's organizational structure, the Research Center for Basic Science Research and Development focuses primarily on the research of basic technologies. The Research Center for Production and Technology focuses mainly on the development of production technology and nanotechnology for adoption in each of the Group's business operations. Consolidated subsidiaries operate separate R&D organizations with specialized functions tailored to each business field. These subsidiaries are: Nisshin Flour Milling Inc. (in the Flour Milling Segment); Nisshin Foods Inc., Oriental Yeast Co., Ltd., Nisshin Pharma Inc. (in the Processed Food Segment); Nisshin Petfood Inc., Nisshin Engineering Inc., and NBC Meshtec Inc. (in the Others Segment).

R&D program goals vary widely. All Group R&D organizations seek to identify prospective ingredients for new products and undertake basic research to create new technology. They also create new products to meet market needs and preferences and develop food processing technologies while improving existing products, automating production systems, and developing and applying powder and granular technologies. The Nisshin Seifun Group also actively seeks to further cooperation among Group research centers, and with other research institutions, to enhance specialist research expertise and promote adoption of the latest technical innovations. Through these efforts, the Group aggressively seeks to conduct highly effective R&D activities that generate new business opportunities.

Consolidated R&D expenditures totaled ¥5,913 million in the fiscal year ended March 31, 2018.

This figure also includes ¥1,079 million in research spending that cannot be attributed to any particular segment.

The following is an overview of the main R&D programs and results in the fiscal year under review.

### 1. Flour Milling Segment

Research in this segment is centered on the New Product Development Center and the Cereal Science Research Center of Tsukuba. These centers collaborate with the Company's Research Center for Basic Science Research and Development and the Research Center for Production and Technology to conduct R&D focused on the development of new flour-processing technologies, and grain science and grain flour-processing technologies focused on wheat and wheat flour. Major achievements include the launch of *M207*, a commercial-use noodle flour for sugar-restricted diets designed to meet needs arising from greater health consciousness and dietary sugar restrictions for noodles.

R&D expenditures attributable to the Flour Milling Segment totaled ¥631 million.

### 2. Processed Food Segment

Led by Nisshin Foods Inc.'s Processed Foods Division, and in collaboration with the Company's Research Center for Basic Science Research and Development and the Research Center for Production and Technology, R&D in this segment is focused on developing new processed foods across all temperature ranges, including prepared mix products, dried noodles, pastas, microwavable retort pouch foods, frozen foods, prepared dishes and other prepared foods. Major achievements include the launch of *Nisshin Mizutoki Irazu No Toromi Jouzu*. This new product for household use, the fifth in our line of bottle-type products, is easy to use and made from a proprietary mixture consisting of smoother, softer granules, and can act as a thickener that does not need to be dissolved first. The foods division of Oriental Yeast Co., Ltd. engaged in the R&D of baking yeasts and other ingredients for bakery products, as well as agents for improving quality and preservation through its Laboratory of Yeast & Fermentation and four flour-based food product development centers. The biotechnology division, meanwhile, conducted R&D through the Nagahama Institute for Biochemical Science and the CS Development division of the Nagahama Plant on regenerative medicine-related products, among others. Nisshin Pharma Inc.'s Health Care Research Center concentrated mainly on developing various health foods and the development of functional food ingredients through alliances with government and academic institutions. Major achievements include the launch of *Bifidolon*, an officially labeled functional food product shown to improve the colon environment and regulate colon function, and *Q10 Life*, a supplement made from a co-enzyme Q10 compound that offers better absorption versus previous products.

R&D expenditures attributable to the Processed Food Segment totaled ¥3,438 million.

### 3. Others Segment

Nisshin Petfood Inc. conducts R&D at its Nasu Research Center that addresses the pet's health functioning and preferences. One major achievement was enhancement of the lineup of the *Inu no Shiawase Puchinu Asa Gohan & Yoru Gohan* series, developed as a line of pet food based on nutrition timing research. In cooperation with the Company's Research Center for Production and Technology, Nisshin Engineering Inc.'s Powder-Processing Business Department conducts R&D programs on various types of machinery for powder grinding and classification and technologies for producing nano-particles using thermal plasma. In addition, NBC Meshtec Inc. conducts R&D efforts to develop new products and materials for screen-printing and industrial use.

R&D expenditures attributable to the Others Segment totaled ¥764 million.

### [3] Facilities and Capital Expenditures

#### (1) Capital Expenditures

The Nisshin Seifun Group (the Company and its consolidated subsidiaries) makes capital investment with the aim of raising production capacity and ensuring product safety. The following is a breakdown of capital expenditures for the fiscal year ended March 31, 2018, based on actual expenditures.

|                        | Year ended March 31, 2018<br>(millions of yen) | Year-on-year change<br>(%) |
|------------------------|--|----------------------------|
| Flour Milling          | 9,980  | 28.6                       |
| Processed Food         | 8,719  | 76.7                       |
| Others                 | 1,077  | 1.6                        |
| Subtotal               | 19,777   | 43.8                       |
| Elimination/common-use | (73)   | —                          |
| Total                  | 19,704   | 45.4                       |

Capital investments in the Flour Milling Segment were focused primarily on construction of a new production line at the Saginaw Plant of Miller Milling Company, LLC, as well as increasing production capacity and enhancing product safety.

Capital investments in the Processed Food Segment were focused primarily on construction of a yeast plant at Oriental Yeast India Pvt. Ltd., as well as increasing production capacity and enhancing product safety.

Capital investments in the Others Segment were principally made to increase production capacity.

The construction of a new wheat flour production line at the Chilliwack Plant of Rogers Foods Ltd., scheduled at the end of the fiscal year ended March 31, 2017 in the Flour Milling Segment, was completed in October 2017.

## (2) Principal Facilities

The main facilities of the Nisshin Seifun Group (the Company and its consolidated subsidiaries) are listed in the tables below.

### 1. Nisshin Seifun Group Inc. and domestic consolidated subsidiaries

(As of March 31, 2018)

| Company name               | Site name (location)                             | Business segment | Facility type/purpose  | Book value (millions of yen) |                                   |                                 |       |        | Number of employees (persons) |
|----------------------------|--|------------------|--|------------------------------|-----------------------------------|---------------------------------|-------|--------|-------------------------------|
|                            |  |                  |  | Buildings and structures     | Machinery, equipment and vehicles | Land (thousand m <sup>2</sup> ) | Other | Total  |                               |
| Nisshin Flour Milling Inc. | Tsurumi Plant (Kawasaki-ku, Kawasaki)            | Flour Milling    | Wheat flour production   | 4,556                        | 2,321                             | 5,594 (81)                      | 641   | 13,113 | 117 [3]                       |
| Nisshin Flour Milling Inc. | Fukuoka Plant (Chuo-ku, Fukuoka)                 | Flour Milling    | Wheat flour production   | 3,267                        | 2,281                             | 3,454 (25)                      | 101   | 9,105  | 43 [1]                        |
| Nisshin Flour Milling Inc. | Higashinada Plant (Higashinada-ku, Kobe)         | Flour Milling    | Wheat flour production   | 4,538                        | 1,281                             | 1,803 (30)                      | 205   | 7,828  | 85 [0]                        |
| Nisshin Flour Milling Inc. | Chiba Plant (Mihama-ku, Chiba)                   | Flour Milling    | Wheat flour production   | 1,881                        | 979                               | 294 (43)                        | 186   | 3,341  | 73 [1]                        |
| Nisshin Flour Milling Inc. | Chita Plant (Chita)                              | Flour Milling    | Wheat flour production   | 3,525                        | 2,156                             | 68 (33)                         | 212   | 5,963  | 58 [2]                        |
| Nisshin Foods Inc.         | Tatebayashi Plant (Tatebayashi)                  | Processed Food   | Prepared mix production  | 923                          | 716                               | 247 (27)                        | 54    | 1,941  | 42 [41]                       |
| Nisshin Seifun Premix Inc. | Nagoya Plant (Nakagawa-ku, Nagoya)               | Processed Food   | Prepared mix production  | 858                          | 631                               | 47 (13)                         | 66    | 1,604  | 58 [13]                       |
| Ma•Ma-Macaroni Co., Ltd.   | Utsunomiya Plant (Utsunomiya)                    | Processed Food   | Pasta production   | 570                          | 1,057                             | 27 (23)                         | 132   | 1,788  | 57 [233]                      |
| Ma•Ma-Macaroni Co., Ltd.   | Kobe Plant (Higashinada-ku, Kobe)                | Processed Food   | Production of frozen foods   | 1,398                        | 805                               | 393 (16)                        | 58    | 2,655  | 30 [111]                      |
| Joyous Foods Co., Ltd.     | Kodama Plant (Kamiatomachi, Kodama-gun, Saitama) | Processed Food   | Production of processed noodles  | 833                          | 617                               | 1,060 (85)                      | 280   | 2,791  | 45 [201]                      |
| Joyous Foods Co., Ltd.     | Kyoto Plant (Kumiyamacho, Kuse-gun, Kyoto)       | Processed Food   | Production of processed noodles  | 708                          | 804                               | 779 (16)                        | 34    | 2,326  | 45 [333]                      |
| Oriental Yeast Co., Ltd.   | Tokyo Plant (Itabashi-ku, Tokyo)                 | Processed Food   | Yeast manufacture  | 922                          | 853                               | 0 (11)                          | 42    | 1,818  | 52 [15]                       |
| Oriental Yeast Co., Ltd.   | Osaka Plant (Suita)                              | Processed Food   | Production of yeast and other items                                      | 1,229                        | 760                               | (Note 4)<br>167 (22) [5]        | 93    | 2,251  | 70 [23]                       |
| Oriental Yeast Co., Ltd.   | Biwa Plant (Nagahama, Shiga)                     | Processed Food   | Production of flour paste, kansui powder, baking powders and other items | 767                          | 374                               | 709 (36)                        | 88    | 1,940  | 42 [19]                       |
| Pany Delica Co., Ltd.      | Head Office and Tomisato Plant (Tomisato, Chiba) | Processed Food   | Production of fillings and mayonnaise                                    | 767                          | 346                               | 708 (23)                        | 36    | 1,858  | 68 [28]                       |
| NBC Meshtec Inc.           | Yamanashi Tsuru Plant (Tsuru)                    | Others           | Production of mesh cloths and forming filters                            | 968                          | 1,139                             | 447 (35)                        | 126   | 2,682  | 229 [104]                     |

| Company name              | Site name (location)  | Business segment | Facility type/purpose                         | Book value (millions of yen) |                                   |                                 |       |        | Number of employees (persons) |
|---------------------------|---|------------------|---|------------------------------|-----------------------------------|---------------------------------|-------|--------|-------------------------------|
|                           |   |                  |   | Buildings and structures     | Machinery, equipment and vehicles | Land (thousand m <sup>2</sup> ) | Other | Total  |                               |
| NBC Meshtec Inc.          | Shizuoka Kikugawa Plant (Kikugawa)  | Others           | Production of mesh cloths and forming filters | 875                          | 183                               | 1,032 (69)                      | 20    | 2,111  | 39 [12]                       |
| Nisshin Seifun Group Inc. | Head Office and Institutes and Laboratories (Chiyoda-ku, Tokyo, Fujimino, Saitama and others) |                  | Office, and research and development          | 3,408                        | 610                               | 10,011 (40)                     | 833   | 14,864 | 288 [41]                      |

## 2. Overseas subsidiaries

(As of March 31, 2018)

| Company name   | Site name (location)                | Business segment | Facility type/purpose  | Book value (millions of yen) |                                   |                                 |              |       | Number of employees (persons) |
|--|-------------------------------------|------------------|------------------------|------------------------------|-----------------------------------|---------------------------------|--------------|-------|-------------------------------|
|  |                                     |                  |                        | Buildings and structures     | Machinery, equipment and vehicles | Land (thousand m <sup>2</sup> ) | Other        | Total |                               |
| Rogers Foods Ltd.  | Chilliwack Plant (Canada)           | Flour Milling    | Wheat flour production | 2,315                        | 1,835                             | 30 (41)                         | 110          | 4,292 | 48 [0]                        |
| Miller Milling Company, LLC                                  | Winchester Plant (U.S.)             | Flour Milling    | Wheat flour production | 1,892                        | 2,804                             | 91 (38)                         | 152          | 4,941 | 45 [1]                        |
| Miller Milling Company, LLC                                  | Fresno Plant (U.S.)                 | Flour Milling    | Wheat flour production | 406                          | 1,745                             | 240 (130)                       | 82           | 2,474 | 33 [3]                        |
| Miller Milling Company, LLC                                  | Los Angeles Plant (U.S.)            | Flour Milling    | Wheat flour production | 1,008                        | 568                               | 770 (23)                        | 94           | 2,442 | 38 [4]                        |
| Miller Milling Company, LLC                                  | Oakland Plant (U.S.)                | Flour Milling    | Wheat flour production | 944                          | 1,658                             | 1,466 (51)                      | 129          | 4,198 | 40 [0]                        |
| Miller Milling Company, LLC                                  | Saginaw Plant (U.S.)                | Flour Milling    | Wheat flour production | 465                          | 1,116                             | 77 (26)                         | 4,292        | 5,951 | 33 [5]                        |
| Champion Flour Milling Ltd.                                  | Christchurch Plant (New Zealand)    | Flour Milling    | Wheat flour production | 566                          | (Note 4) 312                      | 617 (15)                        | (Note 4) 101 | 1,598 | 57 [3]                        |
| Champion Flour Milling Ltd.                                  | Mount Maunganui Plant (New Zealand) | Flour Milling    | Wheat flour production | (Note 4) 419                 | (Note 4) 342                      | (Note 4) – [14]                 | (Note 4) 247 | 1,009 | 62 [7]                        |
| Nisshin-STC Flour Milling Co., Ltd.                          | Phra Pradaeng Plant (Thailand)      | Flour Milling    | Wheat flour production | 768                          | 570                               | 267 (15)                        | 77           | 1,683 | 135 [0]                       |
| Vietnam Nisshin Seifun Co., Ltd.                             | Head Office and a plant (Vietnam)   | Processed Food   | Pasta sauce production | 517                          | 531                               | (Note 4) – [32]                 | 111          | 1,160 | 349 [0]                       |
| Nisshin Seifun Turkey Makarna Ve Gida Sanayi Ve Ticaret A.S. | Head Office and a plant (Turkey)    | Processed Food   | Pasta production       | (Note 4) 152                 | 855                               | (Note 4) – [22]                 | 36           | 1,044 | 118 [0]                       |

### Notes:

1. Book values in the "Other" column refer to the total for tools, furniture and fixtures, construction in progress and lease assets.
2. There were no principal facilities that were not in operation as of March 31, 2018.
3. Numbers of employees in square brackets refer to part-time workers.
4. The Company leases some or all of its machinery, equipment, vehicles, land and buildings from parties other than consolidated companies. The area of land leased is presented separately within square brackets.

### (3) Facility Construction and Disposal Plans

Capital expenditure plans by the Nisshin Seifun Group (the Company and its consolidated subsidiaries) primarily aim to raise production capacity and ensure product safety, etc.

As of March 31, 2018, funds which are planned to be allocated for the construction of facilities (actual expenditure) amounted to ¥21,000 million. Plans call for this entire sum to be mainly financed internally from cash flows.

Plans for construction or disposal of major facilities at the end of the fiscal year ended March 31, 2018 are listed below.

#### 1. Construction of major facilities, etc.

| Company name                              | Location           | Business segment | Facility type/purpose  | Planned investment amount      |                                       | Funds procurement method     | Scheduled commencement / completion |             | Increased capacity after completion           |
|---|--------------------|------------------|------------------------|--------------------------------|---------------------------------------|------------------------------|-------------------------------------|-------------|---|
|   |                    |                  |                        | Total amount (millions of yen) | Amount already paid (millions of yen) |                              | Commencement                        | Completion  |   |
| Miller Milling Company, LLC Saginaw Plant | Texas, U.S.        | Flour Milling    | Wheat flour production | 6,800                          | 3,048                                 | Internal cash flow and loans | March 2017                          | Early 2019  | Raw material milling tonnage 600 tons per day |
| Oriental Yeast India Pvt. Ltd.            | Maharashtra, India | Processed Food   | Yeast manufacture      | 15,700                         | 3,396                                 | Internal cash flow           | July 2017                           | Summer 2020 | 100 tons per day                              |

#### 2. Disposal of major facilities, etc.

No applicable matters to report.



#### [4] Other Matters Related to Nisshin Seifun Group Inc.

##### (1) Share-Related Matters

###### 1. Total number of shares, etc.

###### (1) Total number of shares authorized to be issued

| Share type   | Total number of shares authorized to be issued<br>(shares) |
|--------------|--|
| Common stock | 932,856,000  |
| Total        | 932,856,000  |

###### (2) Total number of shares issued and outstanding

| Share type   | Shares issued and<br>outstanding<br>on March 31, 2018 | Shares issued and<br>outstanding<br>at date of filing<br>(June 27, 2018) | Exchanges on which<br>stock is listed /<br>Certified associations of<br>financial instruments<br>dealers to which the<br>Company is affiliated | Comments  |
|--------------|---|--|--|---|
| Common stock | 304,357,891   | 304,357,891  | Tokyo Stock Exchange<br>(First Section)  | Common stock is the<br>standard type of shares<br>issued by the Company<br>without limitations on<br>the shareholders' rights,<br>and 100 shares form a<br>minimum trading unit<br>(MTU). |
| Total        | 304,357,891   | 304,357,891  | —  | —   |

## 2. Subscription rights to shares, etc.

### (1) Stock option scheme

#### <Subscription rights to shares granted on August 18, 2011>

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

|   |  |
|---|--|
| Dates of authorizing resolutions  | Date of the ordinary resolution at the General Meeting of Shareholders: June 28, 2011<br>Date of the resolution of the Board of Directors: July 28, 2011 |
| Number and description of persons granted the subscription rights to shares                                 | 13 directors of the Company  |
| Number of the subscription rights to shares granted (Note 1)  | 3 (Note 2)   |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 3,630<br>(Notes 3, 7)   |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,026,080 per subscription right to shares<br>(Notes 4, 7)  |
| Exercise period (Note 1)  | August 19, 2013 – August 1, 2018   |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥848<br>Capital increase per share: ¥424<br>(Note 7)   |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)   |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                            |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)   |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,210.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.

- (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.
6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
- (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer
7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

|   |   |
|---|---|
| Dates of authorizing resolutions  | Date of the special resolution at the General Meeting of Shareholders: June 28, 2011<br>Date of the resolution of the Board of Directors: July 28, 2011 |
| Number and description of persons granted the subscription rights to shares                                 | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 52 persons     |
| Number of the subscription rights to shares granted (Note 1)  | 22 [17] (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 26,620 [20,570]<br>(Notes 3, 7)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,026,080 per subscription right to shares<br>(Notes 4, 7)   |
| Exercise period (Note 1)  | August 19, 2013 – August 1, 2018  |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥848<br>Capital increase per share: ¥424<br>(Note 7)  |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)  |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                           |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)  |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). Changes in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
- The number of shares corresponding to each subscription right to shares shall equal 1,210.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer
7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the total number of issuable shares with new on the exercise of the subscription rights to shares, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

**<Subscription rights to shares granted on August 16, 2012>**

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

|   |  |
|---|--|
| Dates of authorizing resolutions  | Date of the ordinary resolution at the General Meeting of Shareholders: June 27, 2012<br>Date of the resolution of the Board of Directors: July 26, 2012 |
| Number and description of persons granted the subscription rights to shares                                 | 15 directors of the Company  |
| Number of the subscription rights to shares granted (Note 1)  | 7 (Note 2)   |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 8,470<br>(Notes 3, 7)   |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥958,320 per subscription right to shares<br>(Notes 4, 7)  |
| Exercise period (Note 1)  | August 17, 2014 – August 1, 2019   |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥792<br>Capital increase per share: ¥396<br>(Note 7)   |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)   |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                            |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)   |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,210.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

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$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

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  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
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  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
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A company established as a result of stock transfer
7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

|   |   |
|---|---|
| Dates of authorizing resolutions  | Date of the special resolution at the General Meeting of Shareholders: June 27, 2012<br>Date of the resolution of the Board of Directors: July 26, 2012 |
| Number and description of persons granted the subscription rights to shares                                 | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 44 persons     |
| Number of the subscription rights to shares granted (Note 1)  | 22 (Note 2)   |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 26,620<br>(Notes 3, 7)   |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥958,320 per subscription right to shares<br>(Notes 4, 7)   |
| Exercise period (Note 1)  | August 17, 2014 – August 1, 2019  |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥792<br>Capital increase per share: ¥396<br>(Note 7)  |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)  |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                           |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)  |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,210.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
- (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
- (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
- (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post



(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer
7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

**<Subscription rights to shares granted on August 20, 2013>**

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

|   |  |
|---|--|
| Dates of authorizing resolutions  | Date of the ordinary resolution at the General Meeting of Shareholders: June 26, 2013<br>Date of the resolution of the Board of Directors: July 30, 2013 |
| Number and description of persons granted the subscription rights to shares                                 | 14 directors of the Company  |
| Number of the subscription rights to shares granted (Note 1)  | 29 (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 35,090<br>(Notes 3, 7)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,224,520 per subscription right to shares<br>(Notes 4, 7)  |
| Exercise period (Note 1)  | August 21, 2015 – August 3, 2020   |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,012<br>Capital increase per share: ¥506<br>(Note 7)   |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)   |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                            |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)   |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,210.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer
7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

Subscription rights to shares granted for the Company’s executive officers and certain directors of the Company’s consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

|   |   |
|---|---|
| Dates of authorizing resolutions  | Date of the special resolution at the General Meeting of Shareholders: June 26, 2013<br>Date of the resolution of the Board of Directors: July 30, 2013 |
| Number and description of persons granted the subscription rights to shares                                 | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 45 persons     |
| Number of the subscription rights to shares granted (Note 1)  | 61 [58] (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 73,810 [70,180]<br>(Notes 3, 7)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,224,520 per subscription right to shares<br>(Notes 4, 7)   |
| Exercise period (Note 1)  | August 21, 2015 – August 3, 2020  |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,012<br>Capital increase per share: ¥506<br>(Note 7)  |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)  |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                           |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)  |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). Changes in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
- The number of shares corresponding to each subscription right to shares shall equal 1,210.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders’ rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the “grant date”), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the “exercise price”) shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

“Number of shares already issued” in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, “Number of newly issued shares” in the above formula shall be taken to mean “Number of shares of treasury shares in disposal,” “Amount paid per share” shall be taken to mean “Disposal value per share,” and “Share price prior to new issuance” shall be taken to mean “Share price prior to disposal.”

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the “holders”) must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer
7. On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock and on October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

### <Subscription rights to shares granted on August 19, 2014>

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

|   |  |
|---|--|
| Dates of authorizing resolutions  | Date of the ordinary resolution at the General Meeting of Shareholders: June 26, 2014<br>Date of the resolution of the Board of Directors: July 29, 2014 |
| Number and description of persons granted the subscription rights to shares                                 | 14 directors of the Company  |
| Number of the subscription rights to shares granted (Note 1)  | 54 (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 59,400<br>(Notes 3, 7)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,274,900 per subscription right to shares<br>(Notes 4, 7)  |
| Exercise period (Note 1)  | August 20, 2016 – August 2, 2021   |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,159<br>Capital increase per share: ¥580<br>(Note 7)   |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)   |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                            |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)   |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,100.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post

(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer
7. On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

|   |   |
|---|---|
| Dates of authorizing resolutions  | Date of the special resolution at the General Meeting of Shareholders: June 26, 2014<br>Date of the resolution of the Board of Directors: July 29, 2014 |
| Number and description of persons granted the subscription rights to shares                                 | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 44 persons     |
| Number of the subscription rights to shares granted (Note 1)  | 142 [131] (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 156,200 [144,100]<br>(Notes 3, 7)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,274,900 per subscription right to shares<br>(Notes 4, 7)   |
| Exercise period (Note 1)  | August 20, 2016 – August 2, 2021  |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,159<br>Capital increase per share: ¥580<br>(Note 7)  |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)  |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                           |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)  |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). Changes in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
- The number of shares corresponding to each subscription right to shares shall equal 1,100.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post



(except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer
7. On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. For this reason, the number of shares with new subscription rights, the amount payable on the exercise of the subscription rights to shares, and the issuance price and capital increase per share on the exercise of the subscription rights to shares have been adjusted accordingly.

### <Subscription rights to shares granted on August 19, 2015>

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

|   |  |
|---|--|
| Dates of authorizing resolutions  | Date of the ordinary resolution at the General Meeting of Shareholders: June 25, 2015<br>Date of the resolution of the Board of Directors: July 30, 2015 |
| Number and description of persons granted the subscription rights to shares                                 | 14 directors of the Company  |
| Number of the subscription rights to shares granted (Note 1)  | 97 (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 97,000<br>(Note 3)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,748,000 per subscription right to shares<br>(Note 4)  |
| Exercise period (Note 1)  | August 20, 2017 – August 1, 2022   |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,748<br>Capital increase per share: ¥874   |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)   |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                            |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)   |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,000.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory

position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

|   |   |
|---|---|
| Dates of authorizing resolutions  | Date of the special resolution at the General Meeting of Shareholders: June 25, 2015<br>Date of the resolution of the Board of Directors: July 30, 2015 |
| Number and description of persons granted the subscription rights to shares                                 | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 45 persons     |
| Number of the subscription rights to shares granted (Note 1)  | 210 [205] (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 210,000 [205,000]<br>(Note 3)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,748,000 per subscription right to shares<br>(Note 4)   |
| Exercise period (Note 1)  | August 20, 2017 – August 1, 2022  |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,748<br>Capital increase per share: ¥874  |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)  |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                           |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)  |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). Changes in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018) are stated in brackets [ ]. There were no further changes in description for other matters as of one month prior to submission.
- The number of shares corresponding to each subscription right to shares shall equal 1,000.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory

position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer

### <Subscription rights to shares granted on August 15, 2016>

Subscription rights to shares granted as part of the remuneration for directors as stipulated in Article 361 of the Companies Act.

|   |  |
|---|--|
| Dates of authorizing resolutions  | Date of the ordinary resolution at the General Meeting of Shareholders: June 28, 2016<br>Date of the resolution of the Board of Directors: July 26, 2016 |
| Number and description of persons granted the subscription rights to shares                                 | 14 directors of the Company  |
| Number of the subscription rights to shares granted (Note 1)  | 111 (Note 2)   |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 111,000<br>(Note 3)   |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,753,000 per subscription right to shares<br>(Note 4)  |
| Exercise period (Note 1)  | August 16, 2018 – August 1, 2023   |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,753<br>Capital increase per share: ¥877   |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)   |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                            |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)   |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,000.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory

position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer

Subscription rights to shares granted for the Company's executive officers and certain directors of the Company's consolidated subsidiaries (excluding any overseas subsidiaries) as stipulated in Articles 236, 238, and 239 of the Companies Act.

|   |   |
|---|---|
| Dates of authorizing resolutions  | Date of the special resolution at the General Meeting of Shareholders: June 28, 2016<br>Date of the resolution of the Board of Directors: July 26, 2016 |
| Number and description of persons granted the subscription rights to shares                                 | Executive officers of the Company and certain directors of its consolidated subsidiaries (excluding any overseas subsidiaries), totaling 47 persons     |
| Number of the subscription rights to shares granted (Note 1)  | 228 (Note 2)  |
| Type, description and number of shares with new subscription rights (Note 1)                                | Common stock 228,000<br>(Note 3)  |
| Amount payable on the exercise of the subscription rights to shares (Note 1)                                | ¥1,753,000 per subscription right to shares<br>(Note 4)   |
| Exercise period (Note 1)  | August 16, 2018 – August 1, 2023  |
| Issuance price and capital increase per share on the exercise of the subscription rights to shares (Note 1) | Issuance price per share: ¥1,753<br>Capital increase per share: ¥877  |
| Exercise conditions of the subscription rights to shares (Note 1)   | (Note 5)  |
| Transfer conditions of the subscription rights to shares (Note 1)   | Approval of the Board of Directors is required for the acquisition of any subscription rights to shares by means of transfer.                           |
| Issuance of the subscription rights to shares as a result of reorganization (Note 1)                        | (Note 6)  |

Notes:

- Description denotes content as of the end of the fiscal year under review (March 31, 2018). As there was no change in description from the end of the fiscal year as of one month prior to the date of submission (May 31, 2018), any further description as of one month prior to submission has been omitted.
- The number of shares corresponding to each subscription right to shares shall equal 1,000.
- Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit.
- In the event of a stock split or share consolidation subsequent to the date of granting the subscription rights to shares (hereinafter referred to as the "grant date"), the amount payable on the exercise of the subscription rights to shares (hereinafter referred to as the "exercise price") shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Split/consolidation ratio}}$$

In addition, in the event of any new share issuance or treasury shares disposals at less than market price (excluding any share issuance or treasury shares disposals associated with the exercising of the subscription rights to shares) subsequent to the grant date, the exercise price shall be adjusted in accordance with the following formula, with any fractional amounts under ¥1 thus generated rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

"Number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of shares of treasury shares owned by the Company. In the case of treasury shares disposals, "Number of newly issued shares" in the above formula shall be taken to mean "Number of shares of treasury shares in disposal," "Amount paid per share" shall be taken to mean "Disposal value per share," and "Share price prior to new issuance" shall be taken to mean "Share price prior to disposal."

Furthermore, in the event, subsequent to the grant date, of unavoidable reasons that require the adjustment of the exercise price, such as if the Company conducts a merger (except that the Company ceases to exist due to the merger) or becomes a full-ownership parent company as a result of the stock exchange, the Company reserves the right to adjust the exercise price within a reasonable range.

- (1) Persons granted an allotment of the subscription rights to shares (hereinafter referred to as the "holders") must be a director or an 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 that the subscription right to shares is exercised. However, the holders that are no longer a director or an 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 subscription rights to shares up to two years from the date when the holder retired from the Company or the beginning date of the exercise period, whichever comes later.
  - (2) A designated successor that inherits the subscription rights to shares on the death of the holder may own and exercise such subscription rights to shares on the same terms, provided proof of inheritance and other ownership procedures are completed within 10 months of the death of the original holder. However, another person may not inherit such subscription rights to shares on the death of the new holder.
  - (3) The subscription rights to shares may not be sold, pawned, or otherwise disposed of under any circumstances.
  - (4) The subscription rights to shares shall be subject to immediate forfeiture under any circumstances that are deemed to invalidate vesting rights, including, but not limited to: the dismissal of the holder from the position as director or executive officer; voluntary resignation from such post (except for reasons of illness or injury); imprisonment or worse for a criminal offense; or appointment to a directorship or senior advisory



position at a company that is a direct competitor of the Company or one of its subsidiaries.

6. If any contracts and/or plans concerning reorganization of the Nisshin Seifun Group specify the issuance of the subscription rights to shares on the stock of any companies generated as a result of reorganization schemes as described below, such subscription rights to shares shall be issued according to the ratio of said reorganization.
  - (1) Merger, only if the Company ceases to exist.  
The surviving company in the merger or a company established as a result of merger
  - (2) Corporate demerger through absorption  
A company that absorbs and inherits all or part of the rights and obligations the Company has concerning a particular business, as a result of corporate demerger
  - (3) Corporate demerger through establishment  
A company newly established as a result of corporate demerger
  - (4) Stock exchange  
A company that acquires all of the Company's shares issued and outstanding
  - (5) Stock transfer  
A company established as a result of stock transfer

**(2) Description of the rights plan**

There are no applicable matters to be reported.

**(3) Status of other new subscription rights to shares, etc.**

There are no applicable matters to be reported.

### 3. Exercise of bonds, etc., with subscription rights to shares with an amended exercise price

There are no applicable matters to be reported.

### 4. Changes in shares issued and outstanding and in capital

| Date                     | Change in shares issued and outstanding (thousands) | Total number of shares issued and outstanding after change (thousands) | Change in paid-in capital (millions of yen) | Paid-in capital balance (millions of yen) | Change in legal capital surplus (millions of yen) | Legal capital surplus balance (millions of yen) |
|--------------------------|---|--|---|---|---|---|
| October 1, 2013 (Note 1) | 25,153  | 276,688  | —   | 17,117                                    | —   | 9,500   |
| October 1, 2014 (Note 2) | 27,668  | 304,357  | —   | 17,117                                    | —   | 9,500   |

Notes:

- On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock.
- On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock.

### 5. Ownership and share distribution

(As of March 31, 2018)

| Category                          | Shareholders and ownership status (N.B. Minimum trading unit [MTU] = 100 shares) |                        |                               |                    |                            |             |                                    |           | Sub-MTU share holdings (shares) |
|-----------------------------------|--|------------------------|-------------------------------|--------------------|----------------------------|-------------|------------------------------------|-----------|---------------------------------|
|                                   | Government (national and local) entities   | Financial institutions | Financial instruments dealers | Other institutions | Foreign institutions, etc. |             | Individuals and other shareholders | Total     |                                 |
|                                   |  |                        |                               |                    | Non-individual             | Individuals |                                    |           |                                 |
| Numbers of shareholders (persons) | —  | 91                     | 25                            | 349                | 498                        | 5           | 17,714                             | 18,682    | —                               |
| Numbers of shares held (MTUs)     | —  | 1,399,590              | 20,404                        | 705,615            | 452,448                    | 65          | 461,192                            | 3,039,314 | 426,491                         |
| Ratio to total shares (%)         | —  | 46.05                  | 0.67                          | 23.22              | 14.89                      | 0.00        | 15.17                              | 100.00    | —                               |

Notes:

- Treasury shares holdings of 7,341,122 shares consist of 73,410 MTUs listed under “Individuals and other shareholders” and 122 shares listed under “Sub-MTU share holdings.” All of these treasury shares are listed in the shareholder register. As of March 31, 2018, total beneficial ownership of treasury shares was equivalent to 7,340,775 shares. The treasury shares do not include 4,000 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.
- Shares nominally held under the name of Japan Securities Depository Center, Inc. account for 24 MTUs in the column marked “Other institutions” and 27 shares in the column marked “Sub-MTU share holdings.”

## 6. Major shareholders

(As of March 31, 2018)

| Name   | Address                                      | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (excluding treasury shares) (%) |
|--|--|-----------------------------------|--|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo | 26,856                            | 9.04   |
| Nippon Life Insurance Company                        | 5-12, Imabashi 3-chome, Chuo-ku, Osaka       | 19,387                            | 6.52   |
| Yamazaki Baking Co., Ltd.                            | 10-1, Iwamotocho 3-chome, Chiyoda-ku, Tokyo  | 16,988                            | 5.71   |
| Japan Trustee Services Bank, Ltd. (Trust Account)    | 8-11, Harumi 1-chome, Chuo-ku, Tokyo         | 14,521                            | 4.88   |
| Mizuho Bank, Ltd.                                    | 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo     | 10,447                            | 3.51   |
| Mitsubishi Corporation                               | 3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo   | 8,448                             | 2.84   |
| Marubeni Corporation                                 | 7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo      | 6,284                             | 2.11   |
| Sumitomo Corporation                                 | 8-11, Harumi 1-chome, Chuo-ku, Tokyo         | 6,091                             | 2.05   |
| Sumitomo Mitsui Banking Corporation                  | 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo   | 5,585                             | 1.88   |
| The Norinchukin Bank                                 | 13-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo   | 5,432                             | 1.82   |
| Total  | —  | 120,044                           | 40.41  |

Notes:

- In addition to the above, the Company holds 7,341,000 treasury shares.
- The Large Shareholding Report made available to the public on October 5, 2017, contained the information listed below regarding shares held by Nomura International plc and its shareholder company Nomura Asset Management Co., Ltd. as of September 29, 2017. However, because the Company was unable to verify the actual number of shares held as of the end of the fiscal year under review (March 31, 2018), these companies were omitted from the list of major shareholders.

The content of the aforementioned Large Shareholding Report was as follows:

| Name                              | Address                                       | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (%) |
|-----------------------------------|---|-----------------------------------|--|
| Nomura International plc          | 1 Angel Lane, London EC4R 3AB, United Kingdom | 1,384                             | 0.46   |
| Nomura Asset Management Co., Ltd. | 12-1, Nihonbashi 1-chome, Chuo-ku, Tokyo      | 14,272                            | 4.69   |
| Total                             | —   | 15,657                            | 5.14   |

- The Large Shareholding Report (Report of Changes) made available to the public on October 30, 2017, contained the information listed below regarding shares held by MUFG Bank, Ltd. and three joint shareholder companies as of October 23, 2017. However, because the Company was unable to verify the actual number of shares held as of the end of the fiscal year under review (March 31, 2018), these companies were omitted from the list of major shareholders.

The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name   | Address                                    | Number of shares held (thousands) | Shareholding as a proportion of total shares outstanding (%) |
|--|--|-----------------------------------|--|
| MUFG Bank, Ltd.                                    | 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 3,849                             | 1.26   |
| Mitsubishi UFJ Trust and Banking Corporation       | 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 8,590                             | 2.82   |
| Mitsubishi UFJ Kokusai Asset Management Co., Ltd.  | 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo | 3,067                             | 1.01   |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 355                               | 0.12   |
| Total  | —  | 15,863                            | 5.21   |

## 7. Voting rights

### (1) Distribution within shares issued and outstanding

(As of March 31, 2018)

| Category   | Number of shares                               | Number of voting rights | Comments   |
|--|--|-------------------------|--|
| Shares with no voting rights                                 | —  | —                       | —  |
| Shares with restricted voting rights (treasury shares, etc.) | —  | —                       | —  |
| Shares with restricted voting rights (other)                 | —  | —                       | —  |
| Shares with full voting rights (treasury shares, etc.)       | (Treasury shares)<br>Common stock 7,340,700    | —                       | Common stock is the standard type of shares issued by the Company without limitations on the shareholders' rights, and 100 shares form a minimum trading unit. |
|  | (Mutually held shares)<br>Common stock 271,200 | —                       | As above   |
| Shares with full voting rights (other)                       | Common stock<br>296,319,500                    | 2,963,195               | As above   |
| Sub-MTU (minimum trading unit) share holdings                | Common stock 426,491                           | —                       | —  |
| Total number of shares issued and outstanding                | 304,357,891                                    | —                       | —  |
| Total voting rights of all shareholders                      | —  | 2,963,195               | —  |

Notes:

- “Shares with full voting rights (other)” above includes 2,400 shares (24 voting rights) nominally held under the name of Japan Securities Depository Center, Inc. (JASDEC), 300 shares (3 voting rights) listed under Company ownership in the register of shareholders but without any beneficial owner, and 4,000 shares (40 voting rights) held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.
- “Number of shares” for “Sub-MTU share holdings” above includes, in addition to 27 shares nominally held under the name of Japan Securities Depository Center, Inc. (JASDEC), and 47 shares listed under Company ownership in the register of shareholders but without any beneficial owner, treasury shares owned by the Company and mutually held shares shown below.

#### Treasury shares

Nisshin Seifun Group Inc. 75 shares

#### Mutually held shares

Japan Logistic Systems Corp. 55 shares

Chiba Kyodo Silo Co., Ltd. 45 shares

## (2) Treasury shares

(As of March 31, 2018)

| Shareholders' name           | Shareholders' address                               | Number of shares held under own name | Number of shares held under other name | Total number of shares held | Shareholding as proportion of total shares outstanding (%) |
|------------------------------|---|--------------------------------------|--|-----------------------------|--|
| <b>Treasury shares</b>       |   |                                      |  |                             |  |
| Nisshin Seifun Group Inc.    | 25, Kanda-Nishiki-cho<br>1-chome, Chiyoda-ku, Tokyo | 7,340,700                            | —                                      | 7,340,700                   | 2.41   |
| <b>Mutually held shares</b>  |   |                                      |  |                             |  |
| Ishikawa Co., Ltd.           | 2-10, Shimagami-cho<br>1-chome, Hyogo-ku, Kobe      | 168,900                              | —                                      | 168,900                     | 0.05   |
| Chiba Kyodo Silo Co., Ltd.   | 16, Shinminato, Mihama-ku,<br>Chiba                 | 95,700                               | —                                      | 95,700                      | 0.03   |
| Japan Logistic Systems Corp. | 19-17, Ebara 1-chome,<br>Shinagawa-ku, Tokyo        | 6,600                                | —                                      | 6,600                       | 0.00   |
| Total                        | —   | 7,611,900                            | —                                      | 7,611,900                   | 2.50   |

Note:

“Treasury shares” above does not include 300 shares listed under Company ownership in the register of shareholders but without any beneficial owner, and 4,000 shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

## 8. Director and Employee Shareholding System

On May 12, 2017, the Board of Directors passed a resolution to adopt a new stock-based remuneration plan (hereinafter, “the new plan”) available to the Company’s directors and executive officers, and the directors of principal subsidiaries (hereinafter, “eligible directors and others”). On June 28, 2017, the 173rd Ordinary General Meeting of Shareholders passed a resolution authorizing the adoption of this new plan for the Company’s directors. The adoption of this new plan for the directors of principal subsidiaries was subject to resolutions by the individual General Meetings of Shareholders of the respective subsidiaries.

### (1) Overview of the New Plan

For eligible directors and others, the new plan serves as an incentive plan designed to provide recipients with benefits on an annual basis through compensation consisting of Company shares (the “share granting portion”) and cash for tax purposes (the “monetary payment portion”). The number of Company shares granted is calculated based on a set formula derived from the stock remuneration base amount set out according to the positions and other factors of the eligible directors and others. The Company shares are acquired through a trust (hereinafter, “the trust”) established by the Company, using the amount of money that the Company and its principal subsidiaries will contribute, and are vested with eligible directors and others through the trust.

For Company shares delivered annually to the eligible directors and others through this new plan, a transfer restriction period (i.e., period prohibiting the transfer, establishment of security interests and other treatment) is to be established based on share delivery regulations for 3 years from the date of delivery. For eligible directors and others, this restriction will heighten their desire to contribute to improvement in corporate value over the medium to long term, while raising management awareness from the viewpoint of shareholders through shared interest in profit with shareholders.

### (2) Trust Contract

- Trust type: Specified, individually operated trust of money other than money trust
- Trust purpose: Incentive benefit for eligible directors and others
- Settlor: Nisshin Seifun Group Inc.
- Trustee: Mitsubishi UFJ Trust and Banking Corporation  
(Joint trustee: The Master Trust Bank of Japan, Ltd.)
- Beneficiaries: Individuals qualifying as beneficiaries among eligible directors and others
- Trust administrator: Third party with no conflict of interest with the Company or its principal subsidiaries (certified public accountant)
- Trust contract date: May 16, 2017
- Trust period: From May 16, 2017 to July 31, 2020 (forecast)
- Launch date for plan: July 1, 2017
- Handling of voting rights: Not exercisable

- Type of shares for acquisition: Common shares of the Company
- Monetary value of trust: ¥550 million (incl. trust remuneration and expenses)
- Share acquisition period: Amounts below are the maximum purchasable amount of Company shares for each period
  - FY2017: approx. ¥160 million  
From July 6, 2017 to July 20, 2017
  - FY2018: approx. ¥190 million (forecast)  
From July 6, 2018 (forecast) to July 20, 2018 (forecast)
  - FY2019: approx. ¥190 million (forecast)  
From July 5, 2019 (forecast) to July 19, 2019 (forecast)
- Share purchase method: Purchase via stock market
- Rights holder: Nisshin Seifun Group Inc.
- Residual assets: Residual assets receivable by the Company, as the rights holder, are to be within the scope of funds used for trust preparation, after deduction of funds for the purchase of shares from trust funds.

**(3) Upper Limit of Total Number of Shares Scheduled for Acquisition by Eligible Directors and Others**

The total number of Company shares granted to eligible directors and others as the share granting portion based on this new plan is 800,000 shares for consecutive three-year period.

**(4) Scope of Individuals Eligible for Beneficiary Rights and Other Rights Under This New Plan**

Individuals from among eligible directors and others who meet qualifying beneficiary criteria

## (2) Acquisitions of Treasury Shares

[Type of shares, etc.] Acquisitions of common stock according to Article 155, Paragraph 7 of the Companies Act

### 1. Stock acquisitions by resolution of the Ordinary General Meeting of Shareholders

There are no applicable matters to be reported.

### 2. Stock acquisitions by resolution of the Board of Directors

| Item   | Number of shares | Total value (yen) |
|--|------------------|-------------------|
| Resolution of the Board of Directors (May 12, 2017)<br>(Acquisition period: May 17, 2017 to November 31, 2017. However, this excludes July 3, 2017 to July 20, 2017 and a period of five days prior to the end of financial accounting periods (including quarterly accounting periods.) | 7,000,000        | 10,000,000,000    |
| Acquisition of treasury shares prior to the fiscal year under review   | —                | —                 |
| Acquisition of treasury shares during the fiscal year under review   | 5,334,900        | 9,999,961,500     |
| Total remaining shares with voting rights and total value  | 1,665,100        | 38,500            |
| Ratio of unexercised shares as of March 31, 2018 (%)   | 23.79            | 0.00              |
| Acquisition of treasury shares during the fiscal year under review   | —                | —                 |
| Ratio of unexercised shares as of date of filing   | 23.79            | 0.00              |

### 3. Stock acquisitions not based on resolutions of the Ordinary General Meeting of Shareholders or the Board of Directors

| Item  | Number of shares | Total value (yen) |
|---|------------------|-------------------|
| Treasury shares acquired in the year ended March 31, 2018 | 2,948            | 5,847,832         |
| Treasury shares acquired during the term                  | 193              | 452,794           |

Note:

The treasury shares acquired during the term does not include shares acquired by purchasing sub-MTU (minimum trading unit) shares during the period from June 1, 2018, to the date of filing the original Japanese version of this report.

### 4. Disposals or holdings of acquired treasury shares

| Item   | Year ended March 31, 2018 |                                | During the term  |                                |
|--|---------------------------|--------------------------------|------------------|--------------------------------|
|  | Number of shares          | Total value of disposals (yen) | Number of shares | Total value of disposals (yen) |
| Shares of acquired treasury shares that went on offer  | —                         | —                              | —                | —                              |
| Treasury shares retired  | —                         | —                              | —                | —                              |
| Shares of acquired treasury shares involved in transfers accompanying merger, share exchange or corporate demerger | —                         | —                              | —                | —                              |
| Other  |                           |                                |                  |                                |
| (Exercise of subscription rights to shares)  | 290,040                   | 300,486,480                    | 26,780           | 31,567,860                     |
| (Sale upon request of sub-MTU share holdings)  | 108                       | 197,481                        | —                | —                              |
| Shares of treasury shares held   | 7,340,775                 | —                              | 7,314,188        | —                              |

Notes:

- The number of treasury shares retired during the term reflects neither the exercise of the subscription rights to shares between June 1, 2018 and the filing of this report, nor the sale upon request of sub-MTU share holdings.
- The number of treasury shares held during the term reflects neither the exercise of the subscription rights to shares between June 1, 2018 and the filing of this report, nor the purchase or sale upon request of sub-MTU share holdings.
- The number of treasury shares held for the year ended March 31, 2018 and during the term does not include shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

### (3) Dividend Policy

The Company aims to meet the expectations of shareholders to distribute profits, taking into consideration the current and future profitability of its business and financial position, by undertaking the continuous payment of dividends based on a targeted payout ratio of at least 40% on a consolidated basis.

In principle, the Company intends to pay dividends twice a year: interim and fiscal year-end. The Company's Articles of Incorporation prescribe that matters related to the payment of dividends may be decided by the Board of Directors, as well as the General Meeting of Shareholders according to the provision of Article 459, Paragraph 1 of the Companies Act, unless otherwise stipulated by law, and that the payment of interim dividends as provided for by Article 454, Paragraph 5 of the Companies Act may be effected by a resolution of the Board of Directors, with the date of record for such dividends being September 30.

As a further return of profits to shareholders, the Company paid a full-year dividend of ¥29 per share, an increase of ¥3 from the previous fiscal year. Since there was no adjustment made to the dividend per share following a stock split in the fiscal year ended March 31, 2014, effectively increasing dividends for the year, there has effectively been an actual increase in dividends for five consecutive terms. As a result, the dividend payout ratio for the fiscal year was 40.6% on a consolidated basis (44.3% on a non-consolidated basis) and the rate of dividends to net assets was 2.2% on a consolidated basis (2.9% on a non-consolidated basis).

Under the Group's long-term vision, "NNI 'Compass for the Future' —Toward a New Stage— Maximizing Group-wide Capabilities and Effecting Business Model Change," we will take assertive steps to ramp up capital investments, M&A activity, human resource training, technology development and other areas for sustainable growth. At the same time, the Group will move to strengthen stable returns from a long-term perspective to shareholders who share with us "the values created through generations since the establishment of the Company." More precisely, we aim for a payout ratio of 40% or more on a consolidated basis and seek to continuously increase the amount of dividends, while intending to repurchase treasury shares in a flexible manner, taking into account cash flows and demand for funds for strategic investments.

Note:

Payment of dividends for which the date of record falls during the fiscal year ended March 31, 2018 is as follows.

| Authorizing resolution   | Total dividends<br>(millions of yen) | Dividend per share<br>(yen) |
|--|--------------------------------------|-----------------------------|
| Resolution of the Board of Directors made on October 26, 2017                    | 4,161                                | 14                          |
| Resolution of the Ordinary General Meeting of Shareholders made on June 27, 2018 | 4,455                                | 15                          |

### (4) Share Price Movements

#### 1. Share price highs and lows in previous five years

| Fiscal term              | 170th            | 171st            | 172nd     | 173rd     | 174th     |
|--------------------------|------------------|------------------|-----------|-----------|-----------|
| Year-end                 | Mar. 2014        | Mar. 2015        | Mar. 2016 | Mar. 2017 | Mar. 2018 |
| Intra-year high<br>(yen) | 1,368<br>□ 1,157 | 1,352<br>□ 1,484 | 2,056     | 1,895     | 2,334     |
| Intra-year low<br>(yen)  | 1,030<br>□ 939   | 1,101<br>□ 987   | 1,365     | 1,444     | 1,631     |

Notes:

- Share-price highs and lows refer to market trading of the Company's shares listed on the First Section of the Tokyo Stock Exchange.
- On October 1, 2013, the Company conducted a 1.1-for-1 stock split of shares of common stock. Figures marked "□" for the 170th fiscal term denote highest and lowest ex-rights share price after the rights-off due to the stock split.
- On October 1, 2014, the Company conducted a 1.1-for-1 stock split of shares of common stock. Figures marked "□" for the 171st fiscal term denote highest and lowest ex-rights share price after the rights-off due to the stock split.

#### 2. Share price highs and lows in the final six months of the most recent year

| Month                     | Oct. 2017 | Nov. 2017 | Dec. 2017 | Jan. 2018 | Feb. 2018 | Mar. 2018 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Intra-month high<br>(yen) | 2,058     | 2,199     | 2,334     | 2,334     | 2,243     | 2,125     |
| Intra-month low<br>(yen)  | 1,890     | 1,982     | 2,165     | 2,168     | 2,029     | 1,985     |

Note:

Share-price highs and lows refer to market trading of the Company's shares listed on the First Section of the Tokyo Stock Exchange.



## (5) Directors and Audit & Supervisory Board Members

[Male: 20, Female: – (percentage of female officers -%)]

| Title                                      | Position   | Name               | Date of birth     | Career  |  | Term of office | Share holding (thousands) |
|--|--|--------------------|-------------------|---|--|----------------|---------------------------|
| Representative Director and President      |  | Nobuki Kemmoku     | February 13, 1961 | Apr. 1984<br>Sep. 2011<br>Jun. 2012<br>Jun. 2013<br>Jun. 2013<br>Apr. 2015<br>Jun. 2015<br>Apr. 2017<br>Apr. 2017                           | Joined the Company<br>Managing Director, Nisshin Flour Milling Inc.<br>Executive Officer<br>Director<br>Senior Managing Director, Nisshin Flour Milling Inc.<br>Director and President, Nisshin Flour Milling Inc.<br>Managing Director<br>Director and President (to the present)<br>Director and Chairman, Nisshin Flour Milling Inc. (to the present)   | Note 3         | 41                        |
| Representative Director and Vice President | In charge of Corporate Planning Division and Finance and Accounting Division | Masao Nakagawa     | August 17, 1953   | Apr. 1977<br>Jun. 2003<br>Jun. 2006<br>Jun. 2008<br>Jun. 2008<br>Jun. 2012<br>Jun. 2015<br>Apr. 2017  | Joined the Company<br>Group Manager (Accounting Group of Finance and Accounting Division)<br>General Manager (Accounting Department of Finance and Accounting Division)<br>Executive Officer<br>Senior Managing Director, Nisshin Foods Inc.<br>Managing Director and Division Executive (Finance and Accounting Division)<br>Senior Managing Director and Division Executive (Finance and Accounting Division)<br>Director and Vice President (In charge of Corporate Planning Division, and Finance and Accounting Division) (to the present)  | Note 3         | 51                        |
| Representative Director and Vice President | In charge of General Administration Division                                 | Michinori Takizawa | March 27, 1954    | Apr. 1976<br>Jul. 2001<br>Jun. 2005<br>Jun. 2006<br>Jun. 2009<br>Jul. 2011<br>Jun. 2012<br>Jun. 2013<br>Jun. 2015<br>Apr. 2017<br>Jun. 2017 | Joined the Company<br>General Manager, Legal Affairs Group (General Administration Division)<br>Executive Officer and General Manager, Legal Affairs Group (General Administration Division)<br>Executive Officer and General Manager (Legal Department of General Administration Division)<br>Executive Officer and General Manager (Internal Control Department)<br>Executive Officer and Division Executive (Corporate Planning Division)<br>Director and Division Executive (Corporate Planning Division)<br>Managing Director and Division Executive (General Administration Division)<br>Senior Managing Director and Division Executive (General Administration Division)<br>Director, Vice President and Division Executive (General Administration Division)<br>Director and Vice President (In charge of General Administration Division) (to the present) | Note 3         | 40                        |

| Title             | Position  | Name           | Date of birth     | Career   |  | Term of office | Share holding (thousands) |
|-------------------|---|----------------|-------------------|--|--|----------------|---------------------------|
| Managing Director | Division Executive, R&D and Quality Assurance Division  | Takashi Harada | February 9, 1957  | Apr. 1979<br>Jun. 2008<br>Jun. 2009<br>Jun. 2009<br>Jun. 2010<br>Jun. 2015 | Joined the Company<br>Manager (Tsurumi Plant), Nisshin Flour Milling Inc.<br>Executive Officer<br>Director and Manager (Tsurumi Plant), Nisshin Flour Milling Inc.<br>Director and Division Executive (R&D and Quality Assurance Division)<br>Managing Director and Division Executive (R&D and Quality Assurance Division) (to the present)   | Note 3         | 32                        |
| Managing Director | Division Executive, Finance and Accounting Division     | Akira Mori     | December 16, 1956 | Apr. 1979<br>Jun. 2010<br>Jun. 2012<br>Jun. 2013<br>Jun. 2015<br>Apr. 2017 | Joined the Company<br>General Manager (Finance Department of Finance and Accounting Division)<br>Executive Officer and General Manager (Finance Department of Finance and Accounting Division)<br>Director and Division Executive (Corporate Planning Division)<br>Managing Director and Division Executive (Corporate Planning Division)<br>Managing Director and Division Executive (Finance and Accounting Division) (to the present) | Note 3         | 23                        |
| Director          | Division Executive, Technology and Engineering Division | Satoshi Odaka  | November 18, 1958 | Apr. 1983<br>Jun. 2007<br>Apr. 2012<br>Jun. 2012<br>Jun. 2015              | Joined the Company<br>General Manager (Technology and Engineering Department of Technology and Engineering Division)<br>Director and Division Executive (Production Division), Nisshin Flour Milling Inc.<br>Executive Officer<br>Director and Division Executive (Technology and Engineering Division) (to the present)   | Note 3         | 19                        |
| Director          | Division Executive, Corporate Planning Division         | Masashi Koike  | August 6, 1957    | Apr. 1980<br>Jun. 2009<br>Jun. 2013<br>Jul. 2013<br>Apr. 2017<br>Jun. 2017 | Joined the Company<br>General Manager (Legal Department of General Administration Division)<br>Executive Officer and General Manager (Legal Department of General Administration Division)<br>Executive Officer and Deputy Division Executive (Corporate Planning Division)<br>Executive Officer and Division Executive (Corporate Planning Division)<br>Director and Division Executive (Corporate Planning Division) (to the present)  | Note 3         | 15                        |

| Title    | Position  | Name             | Date of birth      | Career   |   | Term of office | Share holding (thousands) |
|----------|---|------------------|--------------------|--|---|----------------|---------------------------|
| Director | Division Executive, General Administration Division | Naoto Masujima   | September 11, 1960 | Apr. 1983<br>Jun. 2009<br>Dec. 2012<br>Jul. 2013<br>Jun. 2014<br>Jun. 2015<br>Jun. 2016<br>Jun. 2017 | Joined the Company<br>General Manager (Investor Relations Office of Corporate Planning Division)<br>General Manager (GS (Overseas Business Development) of Corporate Planning Division)<br>General Manager, GS (Globalization) (Corporate Planning Division)<br>Executive Officer, GS (Globalization) of Corporate Planning Division, and General Manager (China Business Development Office of Corporate Planning Division)<br>Director, General Manager (Corporate Planning Department) and Division Executive (Overseas Business Division), Nisshin Flour Milling Inc.<br>Managing Director, General Manager (Corporate Planning Department) and Division Executive (Overseas Business Division), Nisshin Flour Milling Inc.<br>Director and Division Executive (General Administration Division) (to the present) | Note 3         | 14                        |
| Director |   | Masashi Nakagawa | February 19, 1955  | Apr. 1978<br>Jun. 2003<br>Jun. 2005<br>Jun. 2007<br>Jun. 2009<br>Jun. 2011<br>Jun. 2012              | Joined Oriental Yeast Co., Ltd.<br>Director and General Manager (Life Science Department of Bio Business Division), Oriental Yeast Co., Ltd.<br>Director and Division Executive (Bio Business Division), Oriental Yeast Co., Ltd.<br>Managing Director and Division Executive (Food Business Division), Oriental Yeast Co., Ltd.<br>Managing Director (In charge of Operations & Planning Division), Oriental Yeast Co., Ltd.<br>Director and President, Oriental Yeast Co., Ltd. (to the present)<br>Director (to the present)   | Note 3         | 46                        |
| Director |   | Takao Yamada     | September 27, 1960 | Apr. 1983<br>Jun. 2011<br>Jun. 2012<br>Jun. 2013<br>Jun. 2013<br>Apr. 2015<br>Apr. 2017              | Joined the Company<br>Director and General Manager (Tokyo Sales Department), Nisshin Flour Milling Inc.<br>Executive Officer<br>Director (to the present)<br>Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc.<br>Senior Managing Director and Division Executive (Sales Division), Nisshin Flour Milling Inc.<br>Director and President, Nisshin Flour Milling Inc. (to the present)   | Note 3         | 23                        |
| Director |   | Kiyoshi Sato     | August 19, 1956    | Apr. 1979<br>Jun. 2008<br>Feb. 2010<br>Jun. 2014<br>Jun. 2014  | Joined the Company<br>Director and General Manager (Business Development Department), Nisshin Pharma Inc.<br>Director, Division Executive (Research and Development Division) and General Manager (Business Development Department), Nisshin Pharma Inc.<br>Director (to the present)<br>Director and President, Nisshin Pharma Inc. (to the present)   | Note 3         | 33                        |

| Title                            | Position  | Name              | Date of birth     | Career   |  | Term of office | Share holding (thousands) |
|----------------------------------|-----------|-------------------|-------------------|--|--|----------------|---------------------------|
| Director                         |           | Yuji Koike        | January 16, 1960  | Apr. 1983<br>Jun. 2014<br>Jun. 2014<br>Jun. 2017<br>Jun. 2017  | Joined the Company<br>Executive Officer<br>Director and President, Nisshin Petfood Inc.<br>Director (to the present)<br>Director and President, Nisshin Foods Inc. (to the present)  | Note 3         | 11                        |
| Director                         |           | Kenji Takihara    | February 3, 1966  | Apr. 1988<br>Jun. 2013<br>Jun. 2016<br>Jun. 2017   | Joined the Company<br>Director and Division Executive (Operations & Planning Division), Nisshin Flour Milling Inc. (to the present)<br>Executive Officer<br>Director (to the present)  | Note 3         | 26                        |
| Director                         |           | Akio Mimura       | November 2, 1940  | Apr. 1963<br>Jun. 1993<br>Apr. 1997<br>Apr. 2000<br>Apr. 2003<br>Jun. 2006<br>Apr. 2008<br>Jun. 2009<br>Oct. 2012<br>Jun. 2013<br>Nov. 2013<br>Jun. 2018 | Joined Fuji Iron & Steel Co., Ltd.<br>Director, Nippon Steel Corporation<br>Managing Director, Nippon Steel Corporation<br>Representative Director and Executive Vice President, Nippon Steel Corporation<br>Representative Director and President, Nippon Steel Corporation<br>Audit & Supervisory Board Member<br>Representative Director and Chairman, Nippon Steel Corporation<br>Director (to the present)<br>Director and Senior Advisor, Nippon Steel & Sumitomo Metal Corporation<br>Senior Advisor, Nippon Steel & Sumitomo Metal Corporation<br>Senior Advisor and Honorary Chairman, Nippon Steel & Sumitomo Metal Corporation<br>Senior Advisor, Honorary Chairman, Nippon Steel & Sumitomo Metal Corporation (to the present) | Note 3         | 37                        |
| Director                         |           | Kazuhiko Fushiya  | January 26, 1944  | Apr. 1967<br>Jul. 1999<br>Jul. 2001<br>Jul. 2002<br>Jan. 2006<br>Feb. 2008<br>Jan. 2009<br>Jun. 2009<br>Jun. 2015  | Joined the Ministry of Finance<br>Commissioner, National Tax Agency<br>Deputy Governor, National Life Finance Corporation<br>Assistant Chief Cabinet Secretary<br>Commissioner, Board of Audit of Japan<br>Commissioner (President), Board of Audit of Japan<br>Retired<br>Audit & Supervisory Board Member<br>Director (to the present)   | Note 3         | 1                         |
| Audit & Supervisory Board Member | Full-time | Yukihiro Kumazawa | July 24, 1955     | Apr. 1979<br>Jun. 2011<br>Jun. 2014<br>Jun. 2017   | Joined the Company<br>Assistant General Manager, Internal Control Department<br>General Manager, Internal Control Department<br>Audit & Supervisory Board Member (to the present)  | Note 4         | 2                         |
| Audit & Supervisory Board Member | Full-time | Shoh Ohuchi       | February 13, 1961 | Apr. 1983<br>Jun. 2011<br>Jun. 2013<br>Jun. 2014<br>Jun. 2015<br>Jun. 2018   | Joined the Company<br>Director and General Manager (Administration Department), Nisshin Foods Inc.<br>Deputy General Manager (Finance Department of Finance and Accounting Division)<br>General Manager (Finance Department of Finance and Accounting Division)<br>Executive Officer and General Manager (Finance Department of Finance and Accounting Division)<br>Audit & Supervisory Board Member (to the present)  | Note 5         | 9                         |

| Title                            | Position | Name          | Date of birth | Career   |  | Term of office | Share holding (thousands) |
|----------------------------------|----------|---------------|---------------|--|--|----------------|---------------------------|
| Audit & Supervisory Board Member |          | Tetsuo Kawawa | June 15, 1947 | Apr. 1975<br>Apr. 1996<br>Aug. 2002<br>Sep. 2002<br>Jun. 2007  | Admitted in Japan as attorney-at-law<br>Managing Partner, Kawawa Law Offices (to the present)<br>Member of Legislative Council of the Ministry of Justice (Modernization of Company Act)<br>Specially designated member of the Judicial System Research Board, Japan Federation of Bar Associations<br>Audit & Supervisory Board Member (to the present)   | Note 6         | —                         |
| Audit & Supervisory Board Member |          | Satoshi Ito   | July 25, 1942 | Jan. 1967<br>Dec. 1970<br>Sep. 1978<br>Oct. 1993<br>Aug. 2001<br>Apr. 2002<br>Mar. 2007<br>Jun. 2010 | Joined Arthur Andersen & Co., Japan Branch<br>Qualified as a Certified Public Accountant<br>Partner, Arthur Andersen & Co.<br>Representative Partner, Asahi & Co. (currently KPMG AZSA LLC)<br>Proprietor, Ito Certified Public Accountant Offices (to the present)<br>Specially Appointed Professor, Institute of Accounting Research, Chuo University<br>Retired from Institute of Accounting Research, Chuo University<br>Audit & Supervisory Board Member (to the present)   | Note 5         | —                         |
| Audit & Supervisory Board Member |          | Motoo Nagai   | March 4, 1954 | Apr. 1977<br>Apr. 2005<br>Apr. 2007<br>Apr. 2011<br>Jun. 2011<br>Apr. 2014<br>Jun. 2014<br>Jun. 2015 | Joined Industrial Bank of Japan, Limited (IBJ)<br>Executive Officer, Mizuho Corporate Bank, Ltd.<br>Managing Executive Officer, Mizuho Corporate Bank, Ltd.<br>Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.<br>Deputy President (Representative Director) and Deputy President - Executive Officer, Mizuho Trust & Banking Co., Ltd.<br>Commissioner, Mizuho Trust & Banking Co., Ltd.<br>Retired from Mizuho Trust & Banking Co., Ltd.<br>Audit & Supervisory Board Member (to the present) | Note 6         | —                         |
| Total                            |          |               |               |  |  |                | 431                       |

Notes:

1. Directors Akio Mimura and Kazuhiko Fushiya are Outside Directors.
2. Audit & Supervisory Board Members Tetsuo Kawawa, Satoshi Ito and Motoo Nagai are Outside Audit & Supervisory Board Members.
3. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 27, 2018, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2019.
4. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 28, 2017, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2021.
5. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 27, 2018, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2022.
6. The term of office began when elected at the Ordinary General Meeting of Shareholders on June 25, 2015, and ends at the closing of the Ordinary General Meeting of Shareholders concerning the fiscal year ending March 31, 2019.

## **(6) Corporate Governance and Other Matters**

### **1. Corporate governance**

This section provides an overview of corporate governance at the Company and the Nisshin Seifun Group. All data are accurate as of the date of filing the original Japanese version of this report (June 27, 2018).

#### **(1) Corporate governance systems**

<Basic policy on corporate governance>

The Nisshin Seifun Group espouses two corporate philosophies, “the basis of business is built on trust” and to be “in tune with the changing climate.” Underpinned by a corporate principle of “to contribute to a healthy and fruitful life for all,” the Group’s mission is to stably supply safe and reliable food centering on wheat flour. Based on this corporate philosophy, the Company aims to realize sustainable growth and maximize long-term corporate value. Hence, the Company’s basic policy on corporate governance focuses on building a functional management system and maintaining accountability and transparency. The policy also emphasizes that the Company respects the position of all stakeholders, including shareholders, and promotes management that is highly transparent and carries out agile and appropriate decision-making. Under this philosophy, the Company fulfills its duties to a wide range of stakeholders, including shareholders who have entrusted us with management of the Company. In addition, the Company has defined its “basic policy on corporate governance” to realize effective governance that will lead to sustainable growth and medium- to long-term creation of corporate value.

<Description of the Company’s corporate governance systems and reasons for adopting such systems>

##### 1) Reasons for adopting a holding company structure

The Company evaluates and supervises operating subsidiaries from the standpoint of a shareholder, and has adopted a holding company structure with the objective of executing Group management that ensures strategic utilization of management resources and effective governance. In the execution of Company operations, there is clear management accountability and the Company uses a system that promotes timely and appropriate decision-making.

##### 2) Management system

The Company appoints two Outside Directors, who provide opinions at meetings of the Board of Directors from an independent and third-party viewpoint. The Company adopts the Executive Officer system to expedite the execution of business operations. In addition to the Board of Directors as a body for making managerial decisions and supervising operational execution, the Company has the Group Management Meeting, which mainly consists of Directors and Audit & Supervisory Board Members who discuss and exchange opinions as to important matters regarding the management of the Nisshin Seifun Group and the group companies. The Group Management Meeting meets twice a month, in principle, and whenever the need arises, to assist the Board of Directors in making decisions.

##### 3) Auditing system

The Company’s Audit & Supervisory Board comprises five Audit & Supervisory Board Members, who attend important Company meetings, including meetings of the Board of Directors, in accordance with the Audit Standards and Audit Plan. Two members of the Audit & Supervisory Board are appointed on a full-time basis, and hold regular meetings with the Company’s Representative Directors. These full-time Audit & Supervisory Board Members hold concurrent appointments as audit and supervisory board members of the Company’s principal subsidiaries, and carry out audits of Nisshin Seifun Group companies. Principal subsidiaries each have an audit and supervisory board, and members of these boards attend regular meetings of the Nisshin Seifun Group Audit & Supervisory Board Members’ Liaison Committee. To support the Group’s auditing structure, there are 7 Audit & Supervisory Board Member assistants to support auditing by the Audit & Supervisory Board Members. In addition, the Company appoints several employees with extensive practical business experience at the Company and have held posts above a certain level to specialist positions for auditing Group companies. The Company and its major subsidiaries have an independent auditing contract with Deloitte Touche Tohmatsu LLC, which conducts audits as stipulated in the Companies Act and the Financial Instruments and Exchange Act under that contract.

##### 4) Committee structure voluntarily established in relation to the corporate governance system

The Company has an Outside Directors’ Council. This Council comprises all Outside Directors and all Outside Audit & Supervisory Board Members, and is used as a forum for members to share information. The Council also discusses and offers advice on remuneration policy for senior management (including the presidents of major operating companies) and the appointment of Representative Directors, Outside Directors and Outside Audit & Supervisory Board Members, in response to consultations from the Board of Directors.

5) Reasons for adopting the corporate governance systems

To maximize the effect of the holding company structure, the Company's Board of Directors comprises (i) directors who exclusively belong to the holding company and are responsible for functions that unify the overall Group; (ii) Directors who concurrently hold the position of managing major operating companies, being familiar with the market environment and having experienced management skills for those businesses; (iii) Outside Directors who possess an independent, third-party viewpoint. We believe that this structure is suitable for promoting management that respects the standpoint of each stakeholder group, including shareholders, maintains a high degree of transparency, and carries out timely and appropriate decision-making. The Company appoints two Outside Directors, who offer opinions at Board of Directors meetings based on extensive experience and broad knowledge. Their opinions are delivered from the same viewpoint as the Company's shareholders and the general society surrounding the Company, and such opinions are extremely important for examining the management of the Company.

<Outline of a limited liability contract>

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company holds a limited liability contract with its Outside Directors and Outside Audit & Supervisory Board Members to the effect that the maximum amount of liability as stipulated in Article 423, Paragraph 1 of the Companies Act shall be the sum of the amounts stipulated in each item of Article 425, Paragraph 1 of the Companies Act, as long as they perform their duties in good faith and without gross negligence.

<Basic policy on internal control systems and status>

The internal control systems of the Company establish the hierarchical command structure and clarify authority and responsibility while putting in place management control of department heads or managers in operational departments, internal checks between departments (i.e. operations division and accounting division), as well as the following systems.

- 1) Systems to ensure the duties of directors and employees of the Company and its subsidiaries are performed in compliance with law and the Articles of Incorporation
  - (a) 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 recognize their duty to comply with said Code and Guidelines, and shall take the lead in following said rules and publicizing them to the people concerned. Said presidents and directors shall also endeavor to grasp internal and external opinion at all times, and adjust their internal systems accordingly to enhance their effectiveness, while promoting corporate ethics throughout their companies.
  - (b) The Audit & Supervisory Board Members of the Company and its subsidiaries shall audit the performance of duties by each director, and oversee and verify whether directors construct and operate systems for internal control in an appropriate manner.
  - (c) The Internal Audit Department, directly supervised by representative directors of the Company, shall lead the enhancement and operation of the Nisshin Seifun Group's internal control systems.  
As an independent organization, the Internal Audit Department shall evaluate the internal control systems of the Nisshin Seifun Group and perform internal audits of the Group's business operations.
  - (d) The Company's Social Committee shall address all 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, providing education on CSR throughout the Group and ensuring recognition of and compliance with laws, the Articles of Incorporation and social norms.
  - (e) The Nisshin Seifun Group shall not bow to unreasonable demands of antisocial forces that could threaten the order and safety of civil society and shall take organized countermeasures in collaboration with specialized institutions.
  - (f) The Company shall operate and maintain the Compliance Hotline, which was established as a measure for Nisshin Seifun Group employees, etc., to directly report any acts of non-compliance so that such acts can be early detected and dealt with.
- 2) Rules and systems for managing the danger of loss to the Company and its subsidiaries
  - (a) In the Nisshin Seifun Group, issues concerning business operations, approval and reporting procedures shall be determined according to their level of importance, impact, etc., and evaluation of such issues, including risk assessment thereof, shall be made in advance.
  - (b) In the Nisshin Seifun Group, in line with the Nisshin Seifun Group Risk Management Rules, in parallel with evaluation and review of risks, the Company's Risk Management Committee shall supervise the overall risk management efforts of the Nisshin Seifun Group by confirming and providing guidance to ensure that subsidiaries have appropriate control over the risks that subsidiaries recognize, analyze, and evaluate, and that no risks are left unnoticed.

- (c) In the Nisshin Seifun Group, in line with the Nisshin Seifun Group Crisis Control Rules, any emergence of crises or fear thereof shall be reported by employees, etc. 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 shall immediately set up countermeasures headquarters to handle them in an appropriate manner to minimize damages.
- (d) The Audit & Supervisory Board Members of the Company and its subsidiaries shall take the necessary measures, such as advice and recommendation, whenever they recognize the possibility that each director may bring about a significant loss or serious accidents.
- 3) Systems for ensuring that duties of directors of the Company and its subsidiaries are performed efficiently
- (a) 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 and directors in charge. This enables directors to perform their duties in a prompt and appropriate manner.
- (b) The Nisshin Seifun Group clarifies its business strategies and their potential direction, according to which each subsidiary formulates its profit plans on a yearly basis. The term of office of directors shall be 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.
- 4) Systems for ensuring that proper business operations are conducted within the group of companies that consists of the Company and its subsidiaries
- (a) The Nisshin Seifun Group has adopted a holding company structure under Nisshin Seifun Group Inc., whereby the Company, as the holding company constantly oversees and evaluates the actions of subsidiaries with the best interests of the shareholders in mind.
- (b) For important issues concerning the business operations of subsidiaries, standardized criteria determine the matters to be submitted for discussion or report to the Company's Board of Directors.
- (c) The Nisshin Seifun Group "Corporate Code of Conduct and Employee Action Guidelines" stipulate and specify the Corporate Principle, the Basic Management Policy, the Basic Attitude toward Stakeholders, and the Corporate Code of Conduct and Employee Action Guidelines, and awareness of these throughout the Group is promoted.
- (d) The procedures and methods for creation of the Group's financial reports, including the consolidated financial statements, are stipulated to eliminate wrongful acts and errors and ensure the reliability of consolidated financial statements and other financial reporting from the Nisshin Seifun Group.
- (e) The Audit & Supervisory Board Members of the Company and its subsidiaries hold regular meetings of Audit & Supervisory Board Members' Liaison Committee of the Nisshin Seifun Group to exchange opinions on audit cases, etc., and share issues to be addressed.
- (f) The Company provides special audits, such as of facilities, safety, environment and quality assurance for the Nisshin Seifun Group.
- (g) The Internal Audit Department, directly supervised by representative directors of the Company, shall lead the enhancement and operation of the Nisshin Seifun Group's internal control systems.  
As an independent organization, the Internal Audit Department shall evaluate the internal control systems of the Nisshin Seifun Group and perform internal audits of the Group's business operations.
- (h) The subsidiaries of the Nisshin Seifun Group have their own Internal Control Committee, headed by the president, which leads efforts to enhance and operate their internal control systems.
- 5) Systems for ensuring the preservation and management of information in relation to the performance of the duties of the directors of the Company  
The minutes of Board of Directors' meetings, request for managerial decision, and other documents and information relating to the directors' performance of their duties shall be preserved and managed appropriately as confidential information in accordance with the relevant regulations.
- 6) Provisions concerning the individuals assisting the Company's Audit & Supervisory Board Members in performing their duties, their independence from directors, and ensuring the efficacy of directions given to such individuals
- (a) The Audit & Supervisory Board appoints audit & supervisory board members assistants who assist the Audit & Supervisory Board Members in performing their duties. The audit & supervisory board member assistants assist the Audit & Supervisory Board Members in performing audits under the direction of the Audit & Supervisory Board Members, and personnel changes concerning the audit & supervisory board member assistants require the consent of the Audit & Supervisory Board Members.
- (b) Directors pay close attention to ensuring that no unreasonable constraints exist that could potentially hinder the independence of the audit & supervisory board members assistants in the performance of their duties.



- 7) Systems for reporting to Audit & Supervisory Board Members of the Company by the directors and employees of the Company, the directors, auditors and employees of subsidiaries, and individuals who receive reports from these individuals
  - (a) The Audit & Supervisory Board Members of the Company attend the meetings of the Board of Directors and other important meetings, including meetings of the Group Management Meeting, the Credit Management Committee and the Normative Ethics Committee, and state their opinions as appropriate.
  - (b) The Audit & Supervisory Board of the Company may ask for reporting from the independent accounting auditors, the Directors, the Internal Audit Department and others at its meetings, whenever such necessity arises.
  - (c) When Directors of the Company or its subsidiaries recognize anything that could cause remarkable damage or serious accidents to their respective companies, they shall immediately report that to their respective Audit & Supervisory Board Members, with subsequent reporting by the respective Audit & Supervisory Board Members to the Company's Audit & Supervisory Board Members.
  - (d) The results of audits conducted by subsidiaries' Audit & Supervisory Board Members shall also be reported to the Company's Audit & Supervisory Board.
  - (e) The results of internal control system evaluations and internal audits conducted by the Company's Internal Audit Department are also reported to the Company's Audit & Supervisory Board.
  - (f) The results of specialized audits, equipment and safety audits, environmental audits, and quality assurance audits, are also reported to the Company's Audit & Supervisory Board.
  - (g) Any information obtained through the Compliance Hotline is reported immediately to the Audit & Supervisory Board Members of the Company.
  - (h) Documents for taking over the duties of the executive managers of the Company's divisions and the presidents of its subsidiaries are submitted to the Audit & Supervisory Board of the Company.
  - (i) All circular requisitions of the Company and its subsidiaries are transmitted to each Audit & Supervisory Board Member.
  
- 8) System for ensuring individuals reporting to the Company's Audit & Supervisory Board Members can do so without fear of reprisal for doing so
 

Individuals reporting any of the previously addressed items, including those reporting via the Compliance Hotline, will face no reprisals, through personnel systems or in any other way, for such reporting.
  
- 9) Provisions regarding policies guiding procedures for the prepayment or reimbursement of expenses incurred by the Company's Audit & Supervisory Board Members in the execution of their duties and other expenses incurred in the execution of such duties or fulfillment of related responsibilities
 

Anticipated expenses incurred by the Audit & Supervisory Board Members in the execution of their duties are budgeted; expenses incurred beyond those budgeted, excluding such expenses deemed unnecessary for execution of the duties of the Audit & Supervisory Board Members, shall be dealt with immediately by the Company pursuant to Article 388 of the Companies Code.
  
- 10) Other systems for ensuring that the audits by Audit & Supervisory Board Members of the Company are conducted efficiently
 

The Audit & Supervisory Board Members hold regular meetings with Representative Directors, and exchange opinions on prospective challenges and risks for the Company, as well as the status of the environment for audits by the Audit & Supervisory Board Members and other important auditing issues.

<Basic policy and status of efforts for elimination of antisocial forces>

The Nisshin Seifun Group shall not bow to unreasonable demands of antisocial forces that could threaten the order and safety of civil society and shall take organized countermeasures in collaboration with specialized institutions. The Group's detailed efforts to achieve this are as follows.

- (a) The Nisshin Seifun Group Corporate Code of Conduct calls for strict compliance with all relevant laws and social norms, while the Employee Action Guidelines call upon employees to maintain a resolute attitude to reject unreasonable demands from antisocial forces.
- (b) Within the Nisshin Seifun Group Inc., an office for control of countermeasures against unreasonable demands and a person responsible for the rejection of such demands are provided to collect information about antisocial forces and to take organized countermeasures in collaboration with specialized institutions. In addition, educational opportunities on ethics and compliance are provided to have the organized countermeasures effectively in place throughout the Group.
- (c) Within the Nisshin Seifun Group Inc., a Normative Ethics Committee, comprised of members from Group companies, and Social Norms Committees at key subsidiaries, have been established. The committees thoroughly review each case to ensure a resolute attitude to reject unreasonable requests from antisocial forces,

and to confirm that no illegal payoffs or other such actions occur.

<Status of risk management systems>

As mentioned in “Basic policy on internal control systems and status” above, the Group has risk management systems as follows.

To ensure that the Company fulfills its social responsibilities, the Nisshin Seifun Group has formulated the Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines. The Company undertakes Group-wide training and other educational activities to ensure that all employees understand and abide by this code of conduct. Environmental and other specialist audits are undertaken as a further check of the code’s effectiveness. The Company has also established a Compliance Hotline System that allows employees to communicate directly with external legal counsel or internal departments regarding any compliance-related matters.

Separately, the Nisshin Seifun Group has established the Nisshin Seifun Group Risk Management Rules and the Crisis Control Rules to prevent crisis occurrence and ensure that appropriate actions are taken in the event of any such emergency, as well as to give clear definitions of risk management and crisis. The Company has also set up the Risk Management Committee as a center for overseeing the efforts of risk management throughout the Nisshin Seifun Group. All Nisshin Seifun Group employees are obliged to report any crisis to the Company’s call center so that the information can be relayed swiftly to senior management. The system aims to ensure that any damage caused is minimal due to prompt initial action.

## **(2) Status of internal audits and audits by the Audit & Supervisory Board Members**

Within the Company’s internal control systems, the Internal Audit Department and the expert personnel in charge of audits covering specialized areas such as facilities, safety, environmental protection and quality assurance are responsible for overseeing internal audits of the Nisshin Seifun Group companies. Currently, the Internal Audit Department has a staff of 20 people and the expert personnel teams comprise eight people for facility/safety audits, six people for environmental audits and seven people for quality assurance audits.

All five Audit & Supervisory Board Members sit on the Audit & Supervisory Board and conduct financial audits in line with auditing standards and plans formulated by the Board of Audit & Supervisory Board Members. Two of the Audit & Supervisory Board Members are Audit & Supervisory Board Members (Full-time), and their duties also include acting as audit & supervisory board members for major Nisshin Seifun Group subsidiaries. The Company has appointed seven Audit & Supervisory Board Member assistants as staff to support the duties of Audit & Supervisory Board Members. In addition, the Company has appointed several employees with extensive practical business experience at the Company and has held posts above a certain level to specialist positions for auditing Group companies.

Audit & Supervisory Board Member Shoh Ohuchi has experience in accounting and finance work. Audit & Supervisory Board Member Satoshi Ito has the qualification of Certified Public Accountant (CPA).

Audit & Supervisory Board Members and the Internal Audit Department report mutually on the results of audits, etc., as they arise. Members of the audit and supervisory boards of principal subsidiaries and specialist auditing staff report auditing results to Audit & Supervisory Board Members and the Internal Audit Department. Through this process, each of these parties works to enhance mutual cooperation. Audit & Supervisory Board Members, together with members of the audit and supervisory boards of principal subsidiaries and the Internal Audit Department, regularly hold meetings of the Nisshin Seifun Group Audit & Supervisory Board Members’ Liaison Committee. At these meetings, opinions are exchanged on auditing case studies, and efforts are focused on sharing awareness of problems and raising the quality of auditing across the Group as a whole.

The Company and its major subsidiaries have an independent auditing contract with Deloitte Touche Tohmatsu LLC, which conducts audits as stipulated in the Companies Act and the Financial Instruments and Exchange Act under that contract. Audit & Supervisory Board Members and the Internal Audit Department hold regular liaison meetings with the Company’s contracted independent auditor, Deloitte Touche Tohmatsu LLC, and receive reports and explanations on the audit plan and the results of audits. They also strive to maintain adequate cooperation with the independent auditor, including through the exchange of necessary information.

Audit & Supervisory Board Members also hold regular meetings with the Representative Directors and the Directors in charge of administrative and legal affairs and accounting and financial matters to exchange opinions on important auditing issues.

### (3) Outside Directors and Outside Audit & Supervisory Board Members

The Company has two Outside Directors and three Outside Audit & Supervisory Board Members.

There are no conflicts of interest of a personal, financial or trading nature that could affect general shareholders between the Outside Directors, Outside Members of the Audit & Supervisory Board and the Company.

Outside Directors Akio Mimura and Kazuhiko Fushiya provide appropriate advice on and supervise the Company's execution of business operations from an independent standpoint. Outside Audit & Supervisory Board Members Tetsuo Kawawa, Satoshi Ito and Motoo Nagai perform audits of the Company's management from an objective and independent viewpoint.

In light of the Company's aims of achieving sustainable growth and improving medium- to long-term corporate value, Akio Mimura was regarded as appropriate for the position of Outside Director because his extensive experience and insight as a corporate manager were believed to enable him to provide appropriate advice on and supervision of the Company's execution of business operations. Similarly, Kazuhiko Fushiya was regarded as appropriate for the position of Outside Director because he held important positions in the Ministry of Finance and has accumulated extensive experience and possesses highly professional expertise, which will enable him to provide appropriate advice on and supervision of the Company's execution of business operations. Tetsuo Kawawa was regarded as appropriate for the position of Outside Audit & Supervisory Board Member because his extensive knowledge and experience as an attorney at law were believed to help enhance the Company's auditing systems in terms of legal compliance. Satoshi Ito was regarded as appropriate for the position of Outside Audit & Supervisory Board Member because he has considerable auditing experience as a Certified Public Accountant and considerable professional knowledge on financial and accounting matters. Motoo Nagai was regarded as appropriate for the position of Outside Audit & Supervisory Board Member because his extensive experience, expansive knowledge and insight pertaining to corporate management from his career as the manager of a financial institution were considered to enable him to apply that knowledge to the Company's auditing systems.

The Board Meeting Administration Office acts as liaison for the Outside Directors and Outside Audit & Supervisory Board Members. Care is taken over the timing of the distribution of reports and reference materials for Board of Directors meetings, and where necessary supplementary information is provided. With regard to agenda items at meetings of the Board of Directors, where necessary, divisions with responsibility related to agenda items provide explanations in advance. Based on such preparative arrangements, the Outside Directors and Outside Audit & Supervisory Board Members attend meetings of the Board of Directors and express their opinions and ask questions about the matters reported and resolved at the meetings.

Outside Audit & Supervisory Board Members are assisted by Audit & Supervisory Board Member assistants in the performance of their duties. Assistants prepare reports and reference materials for Audit & Supervisory Board meetings, and in cases where explanations regarding agenda items are necessary, these are provided by Audit & Supervisory Board Members (Full-time) or assistants. At meetings of the Audit & Supervisory Board, Outside Audit & Supervisory Board Members receive reports on the auditing situation from Audit & Supervisory Board Members (Full-time). Outside Audit & Supervisory Board Members also regularly attend liaison meetings with the independent auditor.

Furthermore, pursuant to criteria concerning independence as defined by the Tokyo Stock Exchange, the Company has stipulated the following "Criteria regarding the independence of Outside Directors and Outside Audit & Supervisory Board Members" detailed below.

#### <Criteria regarding the independence of Outside Directors and Outside Audit & Supervisory Board Members>

To be regarded as independent, Outside Directors and Outside Audit & Supervisory Board Members of the Company must not be associated with any of the criteria stipulated below.

- 1) The party regards the Company as a major business partner or executive thereof, or the party is one of the Company's major business partners or an executive thereof (excluding individuals highlighted in 2) below).
  - \* "Party regards the Company as a major business partner" refers to parties who, in the most recent fiscal year, received payments from the Company totaling 2% of annual consolidated net sales (including functional equivalents to net sales, same herein) or ¥100 million, whichever is larger.
  - \* "Party is one of the Company's major business partners" refers to parties who, in the most recent fiscal year, made payments to the Company totaling at least 2% of the Company's annual consolidated net sales (in the case of financial institutions from which the Company has obtained loans, this applies only to those institutions on which the Company is so reliant for its fund procurement that they are considered indispensable and irreplaceable).
- 2) Consultants, accounting specialists and legal specialists who receive significant monetary sums or other assets beyond remuneration as Directors or Audit & Supervisory Board Members from the Company (this includes parties associated with organizations that receive the aforementioned assets, such as corporations, unions and professional offices).
  - \* "Significant monetary sums or other assets" refer to monetary sums or assets (excluding remuneration for Directors and Audit & Supervisory Board Members) that, in the most recent fiscal year, accounted for at least

10% or at least ¥10 million, whichever is larger, of the party's annual net sales.

- 3) Any party to which any of items (a) through (d) recently applies. However, item (c) only applies when determining the independence of Outside Audit & Supervisory Board Members.
  - (a) Parties fitting either 1) or 2) above
  - (b) Directors from the Company's parent company, whether executive or non-executive
  - (c) Audit & Supervisory Board Members from the Company's parent company
  - (d) Executives from the Company's sibling companies
  - \* Cases for which "any of items (a) through (d) recently applies" refer to cases in which any of the reasons stated in (a) through (d) can be viewed to substantively apply currently to a given party; this suggests that at the time that the agenda for the General Meeting of Shareholders was decided by the Company's Board of Directors, any one of items (a) through (d) applied to a party put forward as an independent candidate standing for election as either an Outside Director or an Outside Audit & Supervisory Board Member.
  
- 4) Parents or other close relatives of parties to whom any of the following (a) through (g) apply (excluding non-vital parties). However, (c) and (e) apply only to determining the independence of Outside Audit & Supervisory Board Members.
  - (a) Parties fitting items 1) through 3) above
  - (b) Executives from the Company's subsidiaries
  - (c) Non-executive directors from the Company's subsidiaries
  - (d) Directors from the Company's parent company, whether executive or non-executive
  - (e) Audit & Supervisory Board Members from the Company's parent company
  - (f) Executives from the Company's sibling companies
  - (g) Parties to whom (b), (c) recently apply, or parties who are an executive of the Company (when deciding the independence of Outside Audit & Supervisory Board Members, this includes non-executive directors)
  - \* Whether the term "non-vital" applies is determined by criteria stipulated in Article 74, Paragraph 4, Section 6 (x) of the Ordinance for Enforcement of the Companies Act; specifically, for parties to whom 1) above applies, this refers to parties of the director or general manager class of each company or partner; for parties to whom 2) above applies, this refers to certified public accounts affiliated with each relevant independent corporate auditing firm, or attorneys affiliated with each relevant law office (including so-called "associates").
  - \* The term "close relatives" refers to parental-level relatives. The term "close relatives" is not applicable to parties for whom such familial relationships have been dissolved as a result of divorce or other official means.

#### (4) Remuneration of executives

a. Total amounts of remuneration paid to the Company's executives are as specified below.

| Category of executives  | Total amounts of remuneration (millions of yen) | Total amounts by category of remuneration (millions of yen) |               |         |                          | Number of eligible executives |
|---|---|---|---------------|---------|--------------------------|-------------------------------|
|   |   | Basic remuneration  | Stock options | Bonuses | Stock-based remuneration |                               |
| Directors (excluding Outside Directors)   | 371   | 232   | 15            | 72      | 51                       | 16                            |
| Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) | 26  | 26  | —             | —       | —                        | 3                             |
| Outside executives  | 49  | 46  | 1             | —       | 2                        | 5                             |

b. The total amounts of remuneration paid to individual executives of the Company

This information is not disclosed because there were no individual executives who received remuneration of ¥100 million or more.

c. The amounts of remuneration for executives and the policy and method of determining such amounts

On June 28, 2017, the 173rd Ordinary General Meeting of Shareholders passed a resolution authorizing the adoption of a new plan of remuneration (hereinafter, "the new plan") for the Company's directors. In order that remuneration of Directors of the Company functions as a healthy incentive for sustainable growth with adoption of this plan, it is the Company's policy that remuneration should comprise one or several of the following components: (i) fixed remuneration based on seniority role or position (basic remuneration); (ii) variable remuneration reflecting business performance (bonus); and (iii) stock-based remuneration with the objective of promoting management that focuses on shareholder value. No new issuance of new share subscription rights as stock options is scheduled to take place with the adoption of this new plan.

For details regarding this plan, refer to "[4] Other Matters Related to Nisshin Seifun Group Inc., 1 Share-Related Matters, (8) Director and Employee Shareholding System." Based on the new plan, the total number of the Company's shares deliverable to Directors of the Company as stock-based portion of remuneration is capped at 350,000 shares for any consecutive three fiscal years. Additionally, based on the new plan, the total amount of the Company's contribution to the trust for these shares and the total amount of the monetary benefit portion payable is capped at ¥300 million for every consecutive three fiscal-year period for the portion of the Company's salary pool for Directors.

By a resolution at the 173rd Ordinary General Meeting of Shareholders held on June 28, 2017, the Company set the maximum annual amounts of remuneration for Directors (consisting of a fixed basic portion according to his/her position and a variable performance-based portion) at ¥400 million. Also, by a resolution at the 162nd Ordinary General Meeting of Shareholders held on June 28, 2006, the Company set the maximum annual amounts of remuneration for Audit & Supervisory Board Members at ¥90 million.

Regarding its approach to remuneration for Directors, the Company's policy is to task the deliberation of this matter to a committee comprised of Independent Outside Directors and Audit & Supervisory Board members in order to enhance independence and objectivity in the functioning of the Board of Directors. The amounts of remuneration for individual Directors and Audit & Supervisory Board Members are determined by resolution of the Board of Directors and deliberation by the Audit & Supervisory Board members, respectively.

**(5) Status of stocks held**

## a. Stocks for investment held for any purpose other than pure investment

Number of issuers of such stocks held: 47

Total carrying value: ¥94,267 million

## b. Holding classification, issuer, number of shares held, carrying value, and purposes for ownership of the stocks for investment held for any purpose other than pure investment

(Previous year)

Specific stocks for investment

| Issuer                                | Number of shares held | Carrying value (millions of yen) | Purposes for ownership   |
|---------------------------------------|-----------------------|----------------------------------|--|
| Yamazaki Baking Co., Ltd.             | 11,062,343            | 25,535                           | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| NISSIN FOODS HOLDINGS CO., LTD.       | 1,264,982             | 8,157                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Mitsubishi Corporation                | 3,038,474             | 7,555                            | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Nichirei Corporation                  | 2,719,750             | 7,434                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Sumitomo Corporation                  | 4,180,244             | 6,331                            | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Mitsubishi UFJ Financial Group, Inc.  | 4,227,150             | 3,135                            | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.   |
| SHIMIZU CORPORATION                   | 2,947,000             | 3,037                            | There is a contract relationship of construction and maintenance transactions between the Group and the issuer, and this stock ownership is designed to maintain and expand such business transactions.  |
| Sumitomo Mitsui Financial Group, Inc. | 674,394               | 2,887                            | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.   |
| Kikkoman Corporation                  | 660,486               | 2,260                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Marubeni Corporation                  | 3,135,511             | 2,248                            | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Toppan Printing Co., Ltd.             | 1,895,000             | 2,198                            | There is a relationship of purchasing transactions for packaging materials and other products between the Group and the issuer (including its group companies), and this stock ownership is designed to maintain and strengthen the aforementioned relationship. |
| Kewpie Corporation                    | 689,100               | 2,171                            | The Group and the issuer (including its group companies) have a relationship of purchasing materials and others, and this stock ownership is designed to maintain and expand such business relationship.   |
| Hosokawa Micron Corporation           | 2,500,000             | 2,138                            | This stock ownership is designed to solidify the business alliance concerning the powder-processing machine and plant engineering businesses between the Group and the issuer.   |
| Suruga Bank, Ltd.                     | 833,910               | 2,045                            | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.   |

| Issuer                               | Number of shares held | Carrying value (millions of yen) | Purposes for ownership  |
|--------------------------------------|-----------------------|----------------------------------|---|
| Nippon Express Co., Ltd.             | 3,208,000             | 1,917                            | There is a relationship of logistics transactions between the Group and the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions. |
| Eurogerm S.A.                        | 634,580               | 1,884                            | This stock ownership is designed to solidify the business alliance concerning bread improvers and others in Asia between the Group and the issuer.  |
| KYORIN Holdings, Inc.                | 754,000               | 1,823                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions.   |
| Nisshinbo Holdings Inc.              | 1,139,800             | 1,324                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).                 |
| Mizuho Financial Group, Inc.         | 4,846,513             | 1,020                            | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.      |
| Hakuhodo DY Holdings Inc.            | 734,600               | 1,009                            | This ownership is designed to effectively engage in advertising and promotion activities of the Group through group companies of the issuer.  |
| The Gunma Bank, Ltd.                 | 1,507,620             | 947                              | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                        |
| DENTSU INC.                          | 130,400               | 805                              | This ownership is designed to effectively engage in advertising and promotion activities of the Group through the issuer (including group companies).   |
| Sumitomo Mitsui Trust Holdings, Inc. | 192,033               | 772                              | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.      |
| The Hyakugo Bank, Ltd.               | 1,360,013             | 635                              | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                        |
| Tokio Marine Holdings, Inc.          | 59,770                | 296                              | There is a relationship of insurance transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.      |
| The Awa Bank, Ltd.                   | 371,865               | 286                              | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                        |
| Oriental Land Co., Ltd.              | 40,000                | 255                              | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).                                   |
| Sompo Holdings, Inc.                 | 43,312                | 185                              | There is a relationship of insurance transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.      |
| The Nisshin Oillio Group, Ltd.       | 254,100               | 158                              | The Group and the issuer (including its group companies) have a relationship of purchasing materials and others, and this stock ownership is designed to maintain and expand such business relationship.    |
| The 77 Bank, Ltd.                    | 212,608               | 109                              | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                        |

(Current year)

Specific stocks for investment

| Issuer  | Number of shares held | Carrying value (millions of yen) | Purposes for ownership   |
|---|-----------------------|----------------------------------|--|
| Yamazaki Baking Co., Ltd.                       | 11,062,343            | 23,693                           | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| NISSIN FOODS HOLDINGS CO., LTD.                 | 1,264,982             | 9,119                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Mitsubishi Corporation                          | 3,038,474             | 8,834                            | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Nichirei Corporation                            | 2,719,750             | 7,555                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Sumitomo Corporation                            | 4,180,244             | 7,463                            | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Hosokawa Micron Corporation <sup>(Note 1)</sup> | 500,000               | 3,822                            | This stock ownership is designed to solidify the business alliance concerning the powder-processing machine and plant engineering businesses between the Group and the issuer.   |
| Sumitomo Mitsui Financial Group, Inc.           | 674,394               | 3,059                            | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.   |
| Mitsubishi UFJ Financial Group, Inc.            | 4,127,150             | 2,955                            | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.   |
| SHIMIZU CORPORATION                             | 2,947,000             | 2,814                            | There is a contract relationship of construction and maintenance transactions between the Group and the issuer, and this stock ownership is designed to maintain and expand such business transactions.  |
| Kikkoman Corporation                            | 660,486               | 2,783                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Eurogerm S.A.                                   | 634,580               | 2,612                            | This stock ownership is designed to solidify the business alliance concerning bread improvers and others in Asia between the Group and the issuer.   |
| Marubeni Corporation                            | 3,135,511             | 2,427                            | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Nippon Express Co., Ltd. <sup>(Note 2)</sup>    | 320,800               | 2,244                            | There is a relationship of logistics transactions between the Group and the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions.  |
| Kewpie Corporation                              | 689,100               | 2,011                            | The Group and the issuer (including its group companies) have a relationship of purchasing materials and others, and this stock ownership is designed to maintain and expand such business relationship.   |
| Nisshinbo Holdings Inc.                         | 1,139,800             | 1,689                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).  |
| Toppan Printing Co., Ltd.                       | 1,895,000             | 1,671                            | There is a relationship of purchasing transactions for packaging materials and other products between the Group and the issuer (including its group companies), and this stock ownership is designed to maintain and strengthen the aforementioned relationship. |
| KYORIN Holdings, Inc.                           | 754,000               | 1,527                            | The Group sells merchandise and products to the issuer's group companies, and this stock ownership is designed to maintain and expand such business transactions.  |



| Issuer                                  | Number of shares held | Carrying value (millions of yen) | Purposes for ownership  |
|---|-----------------------|----------------------------------|---|
| Suruga Bank, Ltd.                       | 833,910               | 1,334                            | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                      |
| Hakuhodo DY Holdings Inc.               | 734,600               | 1,099                            | This ownership is designed to effectively engage in advertising and promotion activities of the Group through group companies of the issuer.  |
| The Gunma Bank, Ltd.                    | 1,507,620             | 944                              | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                      |
| Sumitomo Mitsui Trust Holdings, Inc.    | 192,033               | 836                              | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.    |
| The Hyakugo Bank, Ltd.                  | 1,360,013             | 682                              | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                      |
| DENTSU INC.                             | 130,400               | 604                              | This ownership is designed to effectively engage in advertising and promotion activities of the Group through the issuer (including group companies).   |
| Mizuho Financial Group, Inc.            | 2,946,513             | 572                              | There is a relationship of financial transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.    |
| Oriental Land Co., Ltd.                 | 40,000                | 418                              | The Group sells merchandise and products to the issuer, and this stock ownership is designed to maintain and expand such business transactions (including indirect ones).                                 |
| Tokio Marine Holdings, Inc.             | 59,770                | 292                              | There is a relationship of insurance transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.    |
| The Awa Bank, Ltd.                      | 371,865               | 257                              | There is a relationship of financial transactions between the Group and the issuer, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.                      |
| Sompo Holdings, Inc.                    | 43,312                | 178                              | There is a relationship of insurance transactions between the Group and the issuer's group companies, and this stock ownership is designed to maintain and strengthen the aforementioned relationship.    |
| The Nisshin Oillio Group, Ltd. (Note 3) | 50,820                | 147                              | The Group and the issuer (including its group companies) have a relationship of purchasing materials and others, and this stock ownership is designed to maintain and expand such business relationship.  |
| YAMAE HISANO Co., Ltd.                  | 92,371                | 117                              | The Group sells merchandise and products to the issuer (including its group companies), and this stock ownership is designed to maintain and expand such business transactions (including indirect ones). |

Notes

1. Hosokawa Micron Corporation executed a 5-for-1 reverse stock split of common shares on April 1, 2017.
2. Nippon Express Co., Ltd. executed a 10-for-1 reverse stock split of common shares on October 1, 2017.
3. The Nisshin Oillio Group, Ltd. executed a 5-for-1 reverse stock split of common shares on October 1, 2017.

- c. The total amounts of stocks held solely for pure investment carried on the balance sheets for the fiscal years ended March 31, 2017 and 2018, as well as the total amounts of dividend income associated with such stocks, and gains and losses on sale and revaluation of such stocks

There are no applicable matters to be reported.

**(6) Certified Public Accountants who lead the accounting audit**

The Company and its major subsidiaries have an independent auditing contract with Deloitte Touche Tohmatsu LLC, which conducts audits as stipulated in the Companies Act and the Financial Instruments and Exchange Act under that contract. The Certified Public Accountants who lead the independent audit of the accounts for the Company are Yasuyoshi Ichikawa, Atsushi Numata and Shinji Dobata. The support staff for the auditing team (including audits of consolidated subsidiaries) consists of 25 CPAs and 21 others.

**(7) The number of Directors**

The Company's Articles of Incorporation prescribe that the number of the Company's Directors be not more than 15.

**(8) Requirements for a resolution on the appointment of Directors**

The Company's Articles of Incorporation prescribe that a resolution on the appointment of Directors be adopted by a majority of the voting rights of shareholders attending the General Meeting of Shareholders who collectively hold one-third or more of all voting rights, and that cumulative voting not be applied to pass a resolution on the appointment of Directors.

**(9) The bodies that make a decision on the payment of dividends, etc.**

To enable the Company to maintain a dynamic capital stance, the Company's Articles of Incorporation prescribe that matters specified in all items of Article 459, Paragraph 1 of the Companies Act, including those related to the payment of dividends, may be decided by the Board of Directors, as well as the General Meeting of Shareholders, unless otherwise stipulated by law.

**(10) The body that makes a decision on the payment of interim dividends**

To enable the expeditious return of profits to shareholders, the Company's Articles of Incorporation prescribe that the payment of interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act, for which the date of record is September 30 each year, may be enabled by a resolution of the Board of Directors.

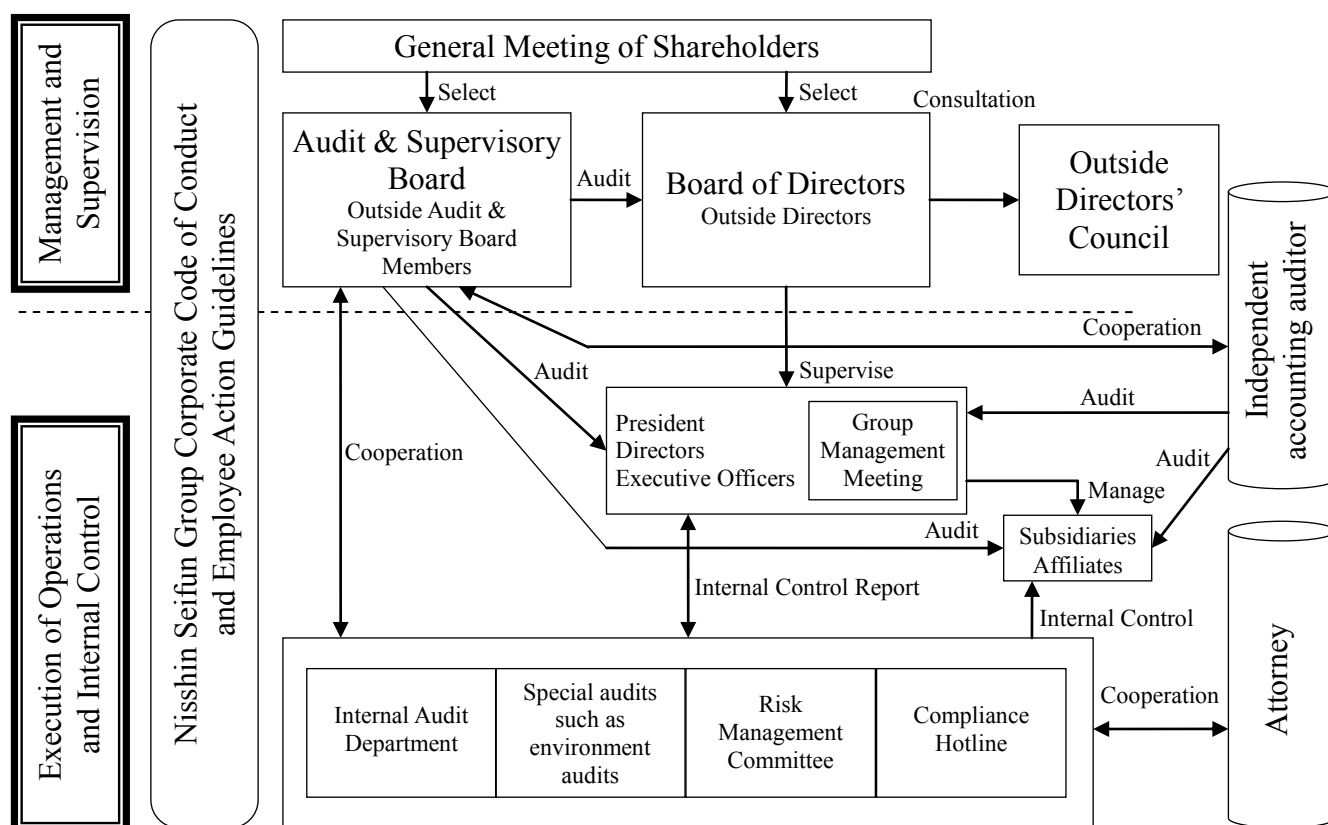
**(11) Requirements for a special resolution by the General Meeting of Shareholders**

To ensure the integrity of deliberation on matters for special resolution at the General Meeting of Shareholders as defined in Article 309, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation prescribe that such special resolution be adopted by two-thirds or more of the voting rights of shareholders attending the General Meeting of Shareholders who collectively hold one-third or more of all voting rights.

**(12) Exemption from liabilities for directors and audit & supervisory board members**

To ensure that the Directors and Audit & Supervisory Board Members perform their expected roles in an appropriate manner by limiting the liabilities they assume to a reasonable range, the Company's Articles of Incorporation prescribe that Directors (including former ones) and Audit & Supervisory Board Members (including former ones) may be exempt from the liabilities for damages as defined in Article 423, Paragraph 1 of the Companies Act to a statutorily acceptable degree by a resolution of the Board of Directors in accordance with Article 426, Paragraph 1 of said Act.

The diagram below sets out the structure of the Nisshin Seifun Group for management/supervision, execution of operations, and internal control.



## 2. Audit fee, etc.

### (1) Payments made to the Certified Public Accountants and others involved in the audits of the Company and its consolidated subsidiaries

| Category                  | Year ended March 31, 2017                                  |   | Year ended March 31, 2018                                  |   |
|---------------------------|--|---|--|---|
|                           | Payments for certified auditing services (millions of yen) | Payments for services other than certified auditing (millions of yen) | Payments for certified auditing services (millions of yen) | Payments for services other than certified auditing (millions of yen) |
| The Company               | 55   | —   | 52   | 5   |
| Consolidated subsidiaries | 118  | 3   | 110  | 13  |
| Total                     | 173  | 3   | 162  | 18  |

### (2) Other important payments

(For the year ended March 31, 2017 and year ended March 31, 2018)

There are no applicable matters to be reported.

**(3) Services other than certified auditing provided by the Certified Public Accountants and others to the Company**

(For the year ended March 31, 2017)

Consolidated subsidiaries entrust “accounting and internal control guidance and advisory services” to the former independent accounting auditor, Ernst & Young ShinNihon LLC, which is a service outside the services stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit services).

(For the year ended March 31, 2018)

The Company and consolidated subsidiaries entrust “accounting and internal control guidance and advisory services” to the independent accounting auditor, which is a service outside the services stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit services).

The Company and consolidated subsidiaries entrust “procedural services accompanying replacement of the independent accounting auditor ” to the former independent accounting auditor, Ernst & Young ShinNihon LLC, which is a service outside the services stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit services). The Company’s consolidated subsidiaries entrust “accounting and internal control guidance and advisory services” to Ernst & Young ShinNihon LLC, which is a service outside the services stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit services).

**(4) Policy for determining the audit fee**

There is no applicable policy, but the audit fee is basically determined according to the scale of the companies audited and the number of days required for the audit, etc.

## [5] Financial Accounts

### 1. Basis of presentation for consolidated and non-consolidated financial statements

- (1) The Company's consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No. 28, 1976).
- (2) The non-consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Regulation No. 59, 1963) (hereinafter, "Regulations on Financial Statements.")

As a company designated for the submission of financial statements prepared in accordance with special provision, the Company prepares its financial statements pursuant to Article 127 of the Regulations on Financial Statements.

### 2. Independent auditing of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company arranged for the auditing firm Deloitte Touche Tohmatsu LLC to conduct independent audits of the consolidated and non-consolidated financial statements of the Company for the fiscal year under review (April 1, 2017 to March 31, 2018; the 174th fiscal term).

The Company replaced its independent accounting auditor as described below.

Consolidated financial statements and financial statements for the Company's 173rd fiscal term

Ernst & Young ShinNihon LLC

Consolidated financial statements and financial statements for the Company's 174th fiscal term

Deloitte Touche Tohmatsu LLC

The following matters were printed in the extraordinary report.

- (1) Names of certified public accountants and others involved in the transfer
  1. Names of certified public accountants and others selected Deloitte Touche Tohmatsu LLC
  2. Names of certified public accountants and others resigning Ernst & Young ShinNihon LLC
- (2) Transfer date  
June 28, 2017
- (3) Most recent date that resigning certified public accountants and others assumed their roles  
June 28, 2016
- (4) Matters pertaining to opinions offered in audit reports from the last three years by resigning certified public accountants and others  
None to report.
- (5) Transfer decision, rationale and timeline  
The Company's independent accounting auditor, Ernst & Young ShinNihon LLC, concluded its contract and resigned with the conclusion of the 173rd Ordinary General Meeting of Shareholders held on June 28, 2017. The Audit & Supervisory Board, giving due consideration to the continuous years of audits the independent accounting auditor perform, and in line with board standards for selection and evaluation of independent accounting auditors, conducted a comprehensive examination of candidates in terms of their independence, quality control structure and global accounting framework. Accordingly, the Company retained the services of Deloitte Touche Tohmatsu LLC as independent accounting auditor, and anticipates that this selection will bring new insights with regard to audit performance.
- (6) Opinions of the resigning certified public accountants and others pertaining to matters printed in the audit report and other sources regarding the rationale and timeline discussed in (5) above  
Response received to the effect that there were no particular opinions offered.

### **3. Particular efforts to secure the appropriateness of the consolidated financial statements and other financial reports**

The Company conducts efforts to secure the appropriateness of the consolidated financial statements and other financial reports. Specifically, the Company endeavors to acquire information that would ensure a good understanding of the corporate accounting standards and keep itself updated on any changes in the accounting standards by participating in the Financial Accounting Standards Foundation and educational opportunities provided by said Foundation, accounting firms and other institutions, as well as subscribing to accounting journals. In addition, the president of each consolidated subsidiary shall sign and seal a written oath to declare the appropriateness of the subsidiary's non-consolidated financial reports that constitute basic information for the preparation of the Company's consolidated financial statements after it is duly confirmed by the subsidiary's managers of the accounting and other related departments, and submit it to the president of the Company. As to such financial reports prepared within the Company, the responsible accounting managers and managers of other related departments shall sign and seal a written oath to declare their appropriateness upon due confirmation thereof, and submit it to the president of the Company.

# (1) Consolidated Financial Statements, etc.

## 1. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

|  | Year ended<br>March 31, 2017<br>(As of March 31, 2017) |         | Year ended<br>March 31, 2018<br>(As of March 31, 2018) |         |
|--|--|---------|--|---------|
| Assets                                 |  |         |  |         |
| Current assets                         |  |         |  |         |
| Cash and deposits                      |  | 85,458  |  | 91,635  |
| Notes and accounts receivable – trade  |  | 69,584  |  | 79,676  |
| Securities                             |  | 7,094   |  | 7,857   |
| Inventories                            | Note 1   | 64,012  | Note 1   | 71,882  |
| Deferred tax assets                    |  | 4,685   |  | 4,690   |
| Other                                  |  | 8,221   |  | 9,892   |
| Allowance for doubtful accounts        |  | (197)   |  | (193)   |
| Total current assets                   |  | 238,858 |  | 265,442 |
| Non-current assets                     |  |         |  |         |
| Property, plant and equipment          |  |         |  |         |
| Buildings and structures, net          | Notes 2, 3   | 55,441  | Notes 2, 3   | 55,979  |
| Machinery, equipment and vehicles, net | Notes 2, 3   | 39,296  | Notes 2, 3   | 38,700  |
| Land                                   |  | 41,447  |  | 42,208  |
| Construction in progress               |  | 4,587   |  | 10,337  |
| Other, net                             | Note 2   | 4,066   | Note 2   | 3,716   |
| Total property, plant and equipment    |  | 144,840 |  | 150,942 |
| Intangible assets                      |  |         |  |         |
| Goodwill                               |  | 7,050   |  | 5,623   |
| Other                                  |  | 8,039   |  | 6,786   |
| Total intangible assets                |  | 15,089  |  | 12,409  |
| Investments and other assets           |  |         |  |         |
| Investment securities                  | Note 4   | 151,963 | Note 4   | 158,211 |
| Net defined benefit asset              |  | 205     |  | 238     |
| Deferred tax assets                    |  | 3,541   |  | 3,045   |
| Other                                  | Note 4   | 3,191   | Note 4   | 3,329   |
| Allowance for doubtful accounts        |  | (122)   |  | (125)   |
| Total investments and other assets     |  | 158,779 |  | 164,699 |
| Total non-current assets               |  | 318,709 |  | 328,051 |
| Total assets                           |  | 557,568 |  | 593,493 |

(Millions of yen)

|   | Year ended<br>March 31, 2017<br>(As of March 31, 2017) | Year ended<br>March 31, 2018<br>(As of March 31, 2018) |
|---|--|--|
| <b>Liabilities</b>                                    |  |  |
| <b>Current liabilities</b>                            |  |  |
| Notes and accounts payable – trade                    | 40,320   | 58,492   |
| Short-term loans payable                              | 9,745  | 7,892  |
| Income taxes payable                                  | 5,437  | 4,397  |
| Accrued expenses                                      | 18,265   | 19,291   |
| Other   | 16,065   | 24,184   |
| <b>Total current liabilities</b>                      | <b>89,833</b>  | <b>114,258</b>   |
| <b>Non-current liabilities</b>                        |  |  |
| Long-term loans payable                               | 4,967  | 7,194  |
| Deferred tax liabilities                              | 26,687   | 29,097   |
| Provision for repairs                                 | 1,509  | 1,159  |
| Net defined benefit liability                         | 20,881   | 20,782   |
| Long-term deposits received                           | 5,401  | 5,402  |
| Other   | 1,481  | 1,804  |
| <b>Total non-current liabilities</b>                  | <b>60,928</b>  | <b>65,441</b>  |
| <b>Total liabilities</b>                              | <b>150,762</b>   | <b>179,699</b>   |
| <b>Net assets</b>                                     |  |  |
| <b>Shareholders' equity</b>                           |  |  |
| Capital stock   | 17,117   | 17,117   |
| Capital surplus                                       | 12,898   | 12,894   |
| Retained earnings                                     | 293,165  | 306,415  |
| Treasury shares                                       | (2,026)  | (11,695)   |
| <b>Total shareholders' equity</b>                     | <b>321,154</b>   | <b>324,732</b>   |
| <b>Accumulated other comprehensive income</b>         |  |  |
| Valuation difference on available-for-sale securities | 65,475   | 69,467   |
| Deferred gains or losses on hedges                    | 93   | (473)  |
| Foreign currency translation adjustment               | 7,836  | 6,352  |
| Remeasurements of defined benefit plans               | (939)  | (800)  |
| <b>Total accumulated other comprehensive income</b>   | <b>72,466</b>  | <b>74,546</b>  |
| Subscription rights to shares                         | 175  | 189  |
| Non-controlling interests                             | 13,009   | 14,327   |
| <b>Total net assets</b>                               | <b>406,805</b>   | <b>413,794</b>   |
| <b>Total liabilities and net assets</b>               | <b>557,568</b>   | <b>593,493</b>   |



## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated Statements of Income

(Millions of yen)

|   | Year ended<br>March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) |         | Year ended<br>March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |         |
|---|--|---------|--|---------|
| Net sales   |  | 532,040 |  | 540,094 |
| Cost of sales   | Notes 1, 2   | 374,028 | Notes 1, 2   | 378,742 |
| Gross profit  |  | 158,012 |  | 161,352 |
| Selling, general and administrative expenses                  | Notes 2, 3   | 132,500 | Notes 2, 3   | 134,152 |
| Operating profit  |  | 25,511  |  | 27,200  |
| Non-operating income  |  |         |  |         |
| Interest income   |  | 160     |  | 305     |
| Dividend income   |  | 2,393   |  | 2,412   |
| Share of profit of entities accounted for using equity method |  | 1,960   |  | 1,771   |
| Rent income   |  | 285     |  | 284     |
| Other   |  | 319     |  | 311     |
| Total non-operating income                                    |  | 5,119   |  | 5,084   |
| Non-operating expenses  |  |         |  |         |
| Interest expenses   |  | 202     |  | 221     |
| Foreign exchange losses                                       |  | —       |  | 52      |
| Share issuance cost   |  | —       |  | 54      |
| Other   |  | 98      |  | 156     |
| Total non-operating expenses                                  |  | 301     |  | 485     |
| Ordinary profit   |  | 30,329  |  | 31,800  |
| Extraordinary income  |  |         |  |         |
| Gain on sales of non-current assets                           | Note 4   | 387     | Note 4   | 1,007   |
| Gain on sales of investment securities                        |  | 401     |  | 357     |
| Gain on sales of shares of subsidiaries and associates        | Note 5   | 1,880   |  | —       |
| Total extraordinary income                                    |  | 2,669   |  | 1,365   |
| Extraordinary losses  |  |         |  |         |
| Loss on retirement of non-current assets                      | Note 6   | 527     | Note 6   | 605     |
| Impairment loss   | Note 7   | 958     | Note 7   | 129     |
| Loss on restructuring of production system                    | Note 8   | 323     |  | —       |
| Total extraordinary losses                                    |  | 1,809   |  | 734     |
| Profit before income taxes                                    |  | 31,189  |  | 32,430  |
| Income taxes – current  |  | 9,924   |  | 8,664   |
| Income taxes – deferred                                       |  | 501     |  | 1,096   |
| Total income taxes  |  | 10,426  |  | 9,760   |
| Profit  |  | 20,763  |  | 22,669  |
| Profit attributable to non-controlling interests              |  | 1,296   |  | 1,330   |
| Profit attributable to owners of parent                       |  | 19,466  |  | 21,339  |

Consolidated Statements of Comprehensive Income

(Millions of yen)

|   | Year ended<br>March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) | Year ended<br>March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |
|---|--|--|
| Profit  | 20,763   | 22,669   |
| Other comprehensive income  |  |  |
| Valuation difference on available-for-sale securities                                   | 9,459  | 3,945  |
| Deferred gains or losses on hedges  | 358  | (570)  |
| Foreign currency translation adjustment   | (2,311)  | (1,118)  |
| Remeasurements of defined benefit plans   | 225  | 109  |
| Share of other comprehensive income of affiliates<br>accounted for by the equity method | (36)   | 111  |
| Total other comprehensive income  | Note 1 7,694   | Note 1 2,478   |
| Comprehensive income  | 28,457   | 25,148   |
| (Breakdown)   |  |  |
| Comprehensive income attributable to owners of parent                                   | 27,545   | 23,419   |
| Comprehensive income attributable to non-controlling<br>interests                       | 912  | 1,728  |

### (3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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               | 12,834          | 281,324           | (2,289)         | 308,987                    |
| Changes of items during the period  |                      |                 |                   |                 |                            |
| Dividends from surplus  |                      |                 | (7,546)           |                 | (7,546)                    |
| Profit attributable to owners of parent   |                      |                 | 19,466            |                 | 19,466                     |
| Purchase of treasury shares   |                      |                 |                   | (2)             | (2)                        |
| Disposal of treasury shares   |                      | 62              |                   | 265             | 327                        |
| Change of fiscal term of consolidated subsidiaries  |                      |                 | (80)              |                 | (80)                       |
| 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  | —                    | 63              | 11,840            | 263             | 12,167                     |
| Balance at the end of current period  | 17,117               | 12,898          | 293,165           | (2,026)         | 321,154                    |

|   | 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  | 55,974  | (301)                              | 9,859                                   | (1,144)                                 | 64,387                                       | 147                           | 12,962                    | 386,485          |
| Changes of items during the period  |   |                                    |   |   |  |                               |                           |                  |
| Dividends from surplus  |   |                                    |   |   |  |                               |                           | (7,546)          |
| Profit attributable to owners of parent   |   |                                    |   |   |  |                               |                           | 19,466           |
| Purchase of treasury shares   |   |                                    |   |   |  |                               |                           | (2)              |
| Disposal of treasury shares   |   |                                    |   |   |  |                               |                           | 327              |
| Change of fiscal term of consolidated subsidiaries  |   |                                    |   |   |  |                               |                           | (80)             |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |   |   |  |                               |                           | 0                |
| Net changes of items other than shareholders' equity                                      | 9,501   | 395                                | (2,023)                                 | 204                                     | 8,078  | 28                            | 46                        | 8,153            |
| Total changes of items during the period  | 9,501   | 395                                | (2,023)                                 | 204                                     | 8,078  | 28                            | 46                        | 20,320           |
| Balance at the end of current period  | 65,475  | 93                                 | 7,836                                   | (939)                                   | 72,466                                       | 175                           | 13,009                    | 406,805          |

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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               | 12,898          | 293,165           | (2,026)         | 321,154                    |
| Changes of items during the period  |                      |                 |                   |                 |                            |
| Dividends from surplus  |                      |                 | (8,088)           |                 | (8,088)                    |
| Profit attributable to owners of parent   |                      |                 | 21,339            |                 | 21,339                     |
| Purchase of treasury shares   |                      |                 |                   | (10,164)        | (10,164)                   |
| Disposal of treasury shares   |                      | (3)             |                   | 495             | 491                        |
| 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  | —                    | (3)             | 13,250            | (9,669)         | 3,577                      |
| Balance at the end of current period  | 17,117               | 12,894          | 306,415           | (11,695)        | 324,732                    |

|   | 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  | 65,475  | 93                                 | 7,836                                   | (939)                                   | 72,466                                       | 175                           | 13,009                    | 406,805          |
| Changes of items during the period  |   |                                    |   |   |  |                               |                           |                  |
| Dividends from surplus  |   |                                    |   |   |  |                               |                           | (8,088)          |
| Profit attributable to owners of parent   |   |                                    |   |   |  |                               |                           | 21,339           |
| Purchase of treasury shares   |   |                                    |   |   |  |                               |                           | (10,164)         |
| Disposal of treasury shares   |   |                                    |   |   |  |                               |                           | 491              |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |   |   |  |                               |                           | 0                |
| Net changes of items other than shareholders' equity                                      | 3,991   | (567)                              | (1,483)                                 | 138                                     | 2,079  | 13                            | 1,318                     | 3,411            |
| Total changes of items during the period  | 3,991   | (567)                              | (1,483)                                 | 138                                     | 2,079  | 13                            | 1,318                     | 6,988            |
| Balance at the end of current period  | 69,467  | (473)                              | 6,352                                   | (800)                                   | 74,546                                       | 189                           | 14,327                    | 413,794          |

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

|   | Year ended<br>March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) | Year ended<br>March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |
|---|--|--|
| Net cash provided by (used in) operating activities   |  |  |
| Profit before income taxes  | 31,189   | 32,430   |
| Depreciation and amortization   | 16,132   | 15,509   |
| Impairment loss   | 958  | 129  |
| Amortization of goodwill  | 1,195  | 1,224  |
| Increase (decrease) in net defined benefit liability  | (400)  | (110)  |
| Decrease (increase) in net defined benefit asset  | 8  | (32)   |
| Interest and dividend income  | (2,553)  | (2,717)  |
| Interest expenses   | 202  | 221  |
| Share of (profit) loss of entities accounted for using equity method                                      | (1,960)  | (1,771)  |
| Loss (gain) on sales of investment securities   | (401)  | (357)  |
| Loss (gain) on sales of shares of subsidiaries and associates   | (1,880)  | —  |
| Decrease (increase) in notes and accounts receivable – trade  | 1,636  | (10,217)   |
| Decrease (increase) in inventories  | 6,255  | (8,010)  |
| Increase (decrease) in notes and accounts payable – trade   | (9,272)  | 18,185   |
| Other, net  | 2,701  | 5,607  |
| Subtotal  | 43,811   | 50,092   |
| Interest and dividend income received   | 3,109  | 3,704  |
| Interest expenses paid  | (161)  | (217)  |
| Income taxes paid   | (11,397)   | (10,710)   |
| Net cash provided by (used in) operating activities   | 35,361   | 42,869   |
| Net cash provided by (used in) investing activities   |  |  |
| Payments into time deposits   | (1,820)  | (4,369)  |
| Proceeds from withdrawal of time deposits   | 2,530  | 5,128  |
| Purchase of securities  | (1,842)  | (2,955)  |
| Proceeds from sales of securities   | 1,816  | 2,970  |
| Purchase of property, plant and equipment and intangible assets   | (13,549)   | (19,704)   |
| Proceeds from sales of property, plant and equipment and intangible assets                                | 767  | 898  |
| Purchase of investment securities   | (37)   | (625)  |
| Proceeds from sales of investment securities  | 853  | 858  |
| Purchase of shares of subsidiaries and associates   | (17)   | (54)   |
| Proceeds from sales of shares of subsidiaries and associates  | 102  | 122  |
| Proceeds from redemption of shares of subsidiaries and associates   | 2,713  | —  |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation               | Note 2<br>3,206  | —  |
| Other, net  | 36   | (334)  |
| Net cash provided by (used in) investing activities   | (5,240)  | (18,067)   |
| Net cash provided by (used in) financing activities   |  |  |
| Increase in short-term loans payable  | 400  | —  |
| Decrease in short-term loans payable  | (5,841)  | (3,253)  |
| Proceeds from long-term loans payable   | 1,951  | 3,369  |
| Repayments of long-term loans payable   | (2)  | —  |
| Proceeds from sales of treasury shares  | 327  | 339  |
| Purchase of treasury shares   | (2)  | (10,164)   |
| Cash dividends paid   | (7,546)  | (8,088)  |
| Other, net  | (757)  | (795)  |
| Net cash provided by (used in) financing activities   | (11,470)   | (18,593)   |
| Effect of exchange rate changes on cash and cash equivalents  | (246)  | 1,415  |
| Net increase (decrease) in cash and cash equivalents  | 18,404   | 7,624  |
| Cash and cash equivalents at beginning of period  | 72,960   | 90,837   |
| Increase (decrease) in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries | (527)  | —  |
| Cash and cash equivalents at end of period  | Note 1<br>90,837   | Note 1<br>98,461   |

**[Notes to the Consolidated Financial Statements]**  
**[Basis of Presentation of Consolidated Financial Statements]**

1. Scope of consolidation

(1) Consolidated subsidiaries: 47 companies

- Names of principal subsidiaries: Nisshin Flour Milling Inc., Miller Milling Company, LLC, Champion Flour Milling Ltd., Nisshin Foods Inc., Nisshin Seifun Premix Inc., Ma•Ma-Macaroni Co., Ltd., Initio Foods Inc., Joyous Foods Co., Ltd., Oriental Yeast Co., Ltd., Nisshin Pharma Inc., Nisshin Petfood Inc., Nisshin Engineering Inc., NBC Meshtec Inc.
- Of the remaining subsidiaries, Nisshin Managerial Technology Center Co., Ltd. and other three 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 the scope of consolidation

- There were no changes in the scope of consolidation during the fiscal year under review.

2. Scope of the equity method

(1) Subsidiaries and affiliates accounted for by the equity method: 10 (1 non-consolidated subsidiary and 9 affiliates)

- Names of principal subsidiaries and affiliates accounted for by the equity method: Marubeni Nisshin Feed Co., Ltd., Tokatsu Foods Co., Ltd., Japan Logistic Systems Corp.
- The contributions to consolidated profit/loss, consolidated retained earnings and other consolidated financial statements of three non-consolidated subsidiaries and five 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

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

| Company name                                | Year-end    |
|---|-------------|
| Rogers Foods Ltd.                           | January 31  |
| Thai Nisshin Seifun Co., Ltd. and 19 others | December 31 |

4. Significant accounting principles

(1) Valuation standards and methodology for material assets

a. Securities

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

Other securities

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

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

b. Derivatives

Derivative financial instruments are stated at fair market value.

c. Inventories

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 and amortization methods for material depreciable assets

a. Property, plant and equipment (excluding lease assets)

The Company and domestic consolidated subsidiaries mainly apply the declining balance method.

However, for buildings acquired on or after April 1, 1998 (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016, they apply the straight-line method.

Foreign consolidated subsidiaries mainly apply the straight-line method.

b. Intangible assets (excluding lease assets)

Amortization is computed by the straight-line method.

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

c. Lease assets

Lease 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.

(3) Basis of material allowances

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 claims are generally deemed irrecoverable in the case of foreign consolidated subsidiaries.

(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 retirement benefit asset from its retirement benefit obligation, based on estimates as of the end of the fiscal year under review.

a. Imputation method for retirement benefit estimates

In calculating retirement benefit liability, the method for imputing the applicable period until the end of the fiscal year under review for the estimated retirement benefit is determined by the benefit calculation standard.

b. 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 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

a. 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.

b. 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.

c. The Company employs derivative financial instruments only for the aforementioned transactions purely to manage fluctuations in foreign currency exchange rates.

d. Hedging evaluation

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

(6) 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 year it is realized.

(7) Cash and cash equivalents in the consolidated statements of cash flows

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

(8) Accounting treatment of consumption tax

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

**[Accounting standards not yet applied, etc.]**

1. Implementation guidance on tax effect accounting, etc.

- “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, revised February 16, 2018, Accounting Standards Board of Japan)
- “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, final revision February 16, 2018, Accounting Standards Board of Japan)

(1) Overview

The “Implementation Guidance on Tax Effect Accounting,” etc. made the following revisions that, while adhering fundamentally to the content, were deemed necessary upon transfer of the Practical Guidelines on Accounting Standards for Tax Effect Accounting of the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan.

(Major revised accounting treatments)

- Accounting treatment of taxable temporary difference pertaining to subsidiaries’ shares, etc. in non-consolidated financial statements
- Accounting treatment of recoverability of deferred tax assets in companies that fall under (Category 1)

(2) Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2019.

(3) Effect of application of the accounting standards, etc.

The monetary effect on consolidated financial statements is currently under review.

2. Accounting standard for revenue recognition, etc.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition, and in May 2014 published “Revenue from Contracts with Customers” (IFRS 15 at IASB, Topic 606 at FASB). Given that IFRS 15 will be applied to fiscal years with dates on or after January 1, 2018 and Topic 606 will be applied to fiscal years with dates after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them along with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to add alternative accounting treatments without losing comparability if there is an item that should be taken into account in practices, etc. that have been conducted in Japan.

(2) Planned date of application

The fiscal year of application for these standards is currently under review.



(3) Effect of application of the accounting standards, etc.

The monetary effect on consolidated financial statements is currently under review.

### **[Changes in Presentation Methods]**

(Consolidated Statements of Cash Flows)

“Proceeds from sales of shares of subsidiaries and associates,” posted in “Other, net” under “Net cash provided by (used in) investing activities” in the previous fiscal year, has been listed as a separate line item from the fiscal year under review due to its material importance. The consolidated financial statements for the previous fiscal year have been configured to reflect this change in presentation method.

As a result, ¥138 million posted for “Other, net” under “Net cash provided by (used in) investing activities” in the Consolidated Statement of Cash Flows for the previous fiscal year has been configured into “Proceeds from sales of shares of subsidiaries and associates” of ¥102 million and “Other, net” of ¥36 million.

### **[Additional Information]**

(Stock-based remuneration plan)

From the fiscal year under review, the Company adopted a new stock-based remuneration plan (hereinafter, “the plan”) available to the Company’s directors and executive officers, and the directors of principal subsidiaries (hereinafter, “eligible directors and others”).

For Company shares delivered annually to the eligible directors and others through this plan, a transfer restriction period has been established based on share delivery regulations for 3 years from the date of delivery. For eligible directors and others, this restriction will heighten their desire to contribute to improvement in corporate value over the medium to long term, while raising management awareness from the viewpoint of shareholders through shared interest in profit with shareholders.

In terms of accounting treatment, this plan is subject to “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc.” (PITF No. 30, March 26, 2015).

#### (1) Transaction overview

As part of this plan, the Company’s own shares granted to eligible directors and others are purchased via a trust established by the Company (hereinafter, “the trust”), using as funding money contributed by the Company and its principal subsidiaries, with shares subsequently vested with eligible directors and others through the trust. For eligible directors and others, the number of Company shares granted is calculated based on a set formula derived from the stock remuneration base amount set out according to the positions and other factors of the eligible directors and others. Both the number of shares granted and the amount of money required from the standpoint of tax settlement are provided as benefits on an annual basis.

#### (2) Company shares remaining in the trust

Depending on the carrying value of the trust (excluding money for attendant expenses), Company shares remaining in the trust are posted as part of “Treasury shares” under “Net assets.” As of March 31, 2018, the carrying value of such treasury shares was ¥7 million, accounting for 4,000 shares.

**[Consolidated Balance Sheets]**

## 1. Components of inventories are as follows.

|                                | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|--------------------------------|---|---|
| Merchandise and finished goods | ¥24,993 million                                     | ¥24,241 million                                     |
| Work in process                | ¥3,757 million                                      | ¥5,657 million                                      |
| Raw materials and supplies     | ¥35,261 million                                     | ¥41,983 million                                     |

## 2. Accumulated depreciation of property, plant and equipment

|  | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|--|---|---|
|  | ¥268,847 million                                    | ¥275,602 million                                    |

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

|   | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|---|---|---|
| Reduction entry of property, plant and equipment purchased during the year under review | ¥1 million  | —   |
| Accumulated reduction entry of property, plant and equipment                            | ¥352 million  | ¥351 million  |

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

|   | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|---|---|---|
| Investment securities                                 | ¥25,443 million                                     | ¥26,191 million                                     |
| Others  | ¥160 million  | ¥170 million  |
| [Investments in joint ventures included in the above] | [¥160 million]                                      | [¥170 million]                                      |

**[Consolidated Statements of Income]**

## 1. The value of inventories at the fiscal year-end represents the value after written down of the book value according to a decrease in profitability, and the following loss on revaluation of inventories is included in the cost of sales.

|  | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|--|--|--|
|  | ¥840 million   | ¥512 million   |

## 2. R&amp;D expenditures included in general and administrative expenses and manufacturing costs

|  | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|--|--|--|
|  | ¥5,648 million   | ¥5,913 million   |

3. Major components of selling, general and administrative expenses are as follows.

|                             | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|-----------------------------|--|--|
| Sales freight expenses      | ¥35,161 million  | ¥35,668 million  |
| Sales promotion expenses    | ¥40,576 million  | ¥40,669 million  |
| Salaries                    | ¥14,190 million  | ¥14,195 million  |
| Bonuses and allowance       | ¥10,455 million  | ¥10,666 million  |
| Retirement benefit expenses | ¥1,346 million   | ¥1,248 million   |

4. Gain on sales of non-current assets

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017) and Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

This figure mainly reflects gains on the sale of land.

5. Gain on sales of shares of subsidiaries and associates

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

This figure mainly reflects gains on the sale of shares of Daisen Ham Co., Ltd.

6. Loss on retirement of non-current assets

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017) and Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

This figure mainly reflects losses on the disposal of machinery and equipment.

7. Impairment losses

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Impairment losses were posted for the asset groups below during the fiscal year ended March 31, 2017.

| Location                                  | Application  | Type  |
|---|--|---|
| Ueda, Nagano Prefecture                   | Manufacturing facility for raw materials for pharmaceuticals | Buildings and structures, machinery, equipment and vehicles, others |
| Yokohama, Kanagawa Prefecture, and others | Assets scheduled for disposal (company housing/dormitory)    | 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.

For the manufacturing facility for raw materials for pharmaceuticals, due to changes in the market environment, the recoverable value of this asset fell below the book value. In light of this reduction in recoverable value to the book value, the Company posted an extraordinary loss of ¥785 million as an impairment loss reflecting this decrease. The breakdown of the impairment loss includes ¥275 million for buildings and structures, ¥482 million for machinery, equipment and vehicles, and other items totaling ¥27 million. The recoverable value is measured based on the useable value (discount rate of 6.6%).

Due to their immaterial impact, impairment losses other than those listed above have been omitted.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

While impairment losses were posted, the figure has been omitted due to their immaterial impact.

8. Loss on restructuring of production system

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

This consists of expenses related to production system restructuring in the Processed Food Segment.

**[Consolidated Statements of Comprehensive Income]**

1. Amount for reclassification adjustment pertaining to other comprehensive income and tax effect

|   | Year ended March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |
|---|---|---|
| <b>Valuation difference on available-for-sale securities</b>                                    |   |   |
| Gain in the current period  | ¥13,681 million   | ¥5,725 million  |
| Reclassification adjustment   | ¥(154) million  | ¥(5) million  |
| Before tax effect adjustment  | ¥13,527 million   | ¥5,719 million  |
| Tax effect  | ¥(4,068) million  | ¥(1,773) million  |
| Valuation difference on available-for-sale securities   | ¥9,459 million  | ¥3,945 million  |
| <b>Deferred gains or losses on hedges</b>   |   |   |
| Gain (Loss) in the current period   | ¥528 million  | ¥(813) million  |
| Reclassification adjustment   | ¥(15) million   | ¥(7) million  |
| Before tax effect adjustment  | ¥513 million  | ¥(821) million  |
| Tax effect  | ¥(154) million  | ¥250 million  |
| Deferred gains or losses on hedges  | ¥358 million  | ¥(570) million  |
| <b>Foreign currency translation adjustment</b>  |   |   |
| Gain in the current period  | ¥(2,311) million  | ¥(1,118) million  |
| <b>Remeasurements of defined benefit plans</b>  |   |   |
| Gain in the current period  | ¥(51) million   | ¥(54) million   |
| Reclassification adjustment   | ¥280 million  | ¥205 million  |
| Before tax effect adjustment  | ¥229 million  | ¥150 million  |
| Tax effect  | ¥(4) million  | ¥(41) million   |
| Remeasurements of defined benefit plans   | ¥225 million  | ¥109 million  |
| <b>Share of other comprehensive income of affiliates<br/>accounted for by the equity method</b> |   |   |
| Gain in the current period  | ¥(36) million   | ¥111 million  |
| <b>Total other comprehensive income</b>   | <b>¥7,694 million</b>   | <b>¥2,478 million</b>   |

## [Consolidated Statements of Changes in Net Assets]

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

### 1. Type and number of issued shares and treasury shares

(Thousands of shares)

|                 | Number of shares at the beginning of the year | Increase in shares during the year | Decrease in shares during the year | Number of shares at the end of the year |
|-----------------|---|------------------------------------|------------------------------------|---|
| Issued shares   |   |                                    |                                    |   |
| Common stock    | 304,357                                       | —                                  | —                                  | 304,357                                 |
| Treasury shares |   |                                    |                                    |   |
| Common stock    | 2,674   | 1                                  | 301                                | 2,374                                   |

Notes:

1. Portion of the increase in common stock accounted for by treasury shares:  
1 thousand shares, as result of repurchasing sub-MTU (minimum trading unit) shares
2. Portion of the decrease in common stock accounted for by treasury shares:  
301 thousand shares, as result of exercise of stock options

### 2. Subscription rights to shares and treasury subscription rights to shares

| Category                                    | Composition of the subscription rights to shares | Type of shares to be issued | Number of shares to be issued |                          |                          |                        | Balance at the end of the year (millions of yen) |
|---|--|-----------------------------|-------------------------------|--------------------------|--------------------------|------------------------|--|
|   |  |                             | At the beginning of the year  | Increase during the year | Decrease during the year | At the end of the year |  |
| Nisshin Seifun Group, Inc. (parent company) | Subscription rights to shares as stock options   |                             |                               | —                        |                          |                        | 175  |
| Total                                       |  |                             |                               | —                        |                          |                        | 175  |

### 3. Dividends

#### (1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2016.

- Dividends on common stock:
  - i) Total dividends to be paid      ¥3,621 million
  - ii) Dividend per share              ¥12
  - iii) Record date                      March 31, 2016
  - iv) Effective date                     June 29, 2016

The following resolution was made at the meeting of the Board of Directors held on October 27, 2016.

- Dividends on common stock:
  - i) Total dividends to be paid      ¥3,924 million
  - ii) Dividend per share              ¥13
  - iii) Record date                      September 30, 2016
  - iv) Effective date                     December 2, 2016

#### (2) Dividends for which the record date came during the year ended March 31, 2017, but for which the effective date will come after said period

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2017.

- Dividends on common stock:
  - i) Total dividends to be paid      ¥3,926 million
  - ii) Source of dividends              Retained earnings
  - iii) Dividend per share              ¥13
  - iv) Record date                        March 31, 2017
  - v) Effective date                      June 29, 2017

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

1. Type and number of issued shares and treasury shares

(Thousands of shares)

|                 | Number of shares at the beginning of the year | Increase in shares during the year | Decrease in shares during the year | Number of shares at the end of the year |
|-----------------|---|------------------------------------|------------------------------------|---|
| Issued shares   |   |                                    |                                    |   |
| Common stock    | 304,357                                       | —                                  | —                                  | 304,357                                 |
| Treasury shares |   |                                    |                                    |   |
| Common stock    | 2,374   | 5,426                              | 374                                | 7,426                                   |

Notes:

- Portion of the increase in common stock accounted for by treasury shares:
  - 5,334 thousand shares, as a result of purchasing treasury shares based on resolution of May 12, 2017 meeting of Board of Directors
  - 88 thousand shares, as a result of share delivery trust
  - 2 thousand shares, as result of repurchasing sub-MTU (minimum trading unit) shares
- Portion of the decrease in common stock accounted for by treasury shares:
  - 0 thousand shares, as a result of sale of sub-MTU (minimum trading unit) shares
  - 84 thousand shares, as a result of share delivery trust
  - 290 thousand shares, as result of exercise of stock options
- The treasury shares as of March 31, 2018 include 4,000 Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

2. Subscription rights to shares and treasury subscription rights to shares

| Category                                    | Composition of the subscription rights to shares | Type of shares to be issued | Number of shares to be issued |                          |                          |                        | Balance at the end of the year (millions of yen) |
|---|--|-----------------------------|-------------------------------|--------------------------|--------------------------|------------------------|--|
|   |  |                             | At the beginning of the year  | Increase during the year | Decrease during the year | At the end of the year |  |
| Nisshin Seifun Group, Inc. (parent company) | Subscription rights to shares as stock options   |                             |                               | —                        |                          |                        | 189  |
| Total                                       |  |                             |                               | —                        |                          |                        | 189  |

3. Dividends

(1) Dividends paid

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 28, 2017.

- Dividends on common stock:
  - Total dividends to be paid      ¥3,926 million
  - Dividend per share                      ¥13
  - Record date                                March 31, 2017
  - Effective date                              June 29, 2017

The following resolution was made at the meeting of the Board of Directors held on October 26, 2017.

- Dividends on common stock:
  - Total dividends to be paid      ¥4,161 million
  - Dividend per share                      ¥14
  - Record date                                September 30, 2017
  - Effective date                              December 4, 2017

(Note) "Total dividends to be paid" includes dividends of ¥1 million for 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 year ended March 31, 2018, but for which the effective date will come after said period

The following resolution was made at the Ordinary General Meeting of Shareholders held on June 27, 2018.

- Dividends on common stock:
  - Total dividends to be paid      ¥4,455 million
  - Source of dividends                      Retained earnings
  - Dividend per share                      ¥15
  - Record date                                March 31, 2018
  - Effective date                              June 28, 2018

(Note) "Total dividends to be paid" includes dividends of ¥0 million for Company shares held by the Master Trust Bank of Japan, Ltd. as trust assets

for the stock-based remuneration plan.



**[Consolidated Statements of Cash Flows]**

1. The reconciliation between year-end balance of cash and cash equivalents and amounts stated in the consolidated balance sheets

|   | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|---|--|--|
| Cash and deposits   | ¥85,458 million  | ¥91,635 million  |
| Securities  | ¥7,094 million   | ¥7,857 million   |
| <b>Total</b>  | <b>¥92,553 million</b>   | <b>¥99,493 million</b>   |
| Time deposits with maturities of more than three months   | ¥(745) million   | ¥0 million   |
| Debt securities with maturities of more than three months | ¥(970) million   | ¥(1,032) million   |
| <b>Cash and cash equivalents at end of period</b>         | <b>¥90,837 million</b>   | <b>¥98,461 million</b>   |

2. Major breakdown of assets and liabilities of former consolidated subsidiary resulting from sale of shares

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

A breakdown of assets and liabilities for former consolidated subsidiary Daisen Ham Co., Ltd., removed from the scope of consolidation due to the sale of shares, along with details regarding the share sales price and related proceeds (net) from the sale are presented as follows.

|  |                         |
|--|-------------------------|
| Current assets   | ¥3,634 million          |
| Non-current assets                                     | ¥2,426 million          |
| Current liabilities                                    | ¥(2,308) million        |
| Non-current liabilities                                | ¥(615) million          |
| Non-controlling interests                              | ¥(463) million          |
| Other  | ¥(50) million           |
| Gain on sales of shares of subsidiaries and associates | ¥1,862 million          |
| <b>Share sales price</b>                               | <b>¥4,484 million</b>   |
| <b>Cash and cash equivalents</b>                       | <b>¥(1,387) million</b> |
| <b>Proceeds from sale of shares</b>                    | <b>¥3,097 million</b>   |

## [Leases]

### 1. Finance leases (for the lessee)

Finance leases other than those that transfer ownership

#### (1) Details of the lease assets

- a. Property, plant and equipment: mainly information system equipment (tools, furniture and fixtures)
- b. Intangible assets: software

#### (2) Depreciation and amortization of the lease assets

Depreciation and amortization of the lease assets is as described in “4. Significant accounting policies (2) Depreciation and amortization methods for material depreciable assets” under the Basis of Presentation of Consolidated Financial Statements.

### 2. Operating leases

Future minimum lease commitments under non-cancelable operating leases

(Lessee)

(Millions of yen)

|                     | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|---------------------|---|---|
| Due within one year | 293   | 279   |
| Due after one year  | 603   | 351   |
| Total               | 897   | 630   |

(Lessor)

(Millions of yen)

|                     | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|---------------------|---|---|
| Due within one year | 45  | 45  |
| Due after one year  | 292   | 247   |
| Total               | 337   | 292   |

## [Financial Instruments]

### 1. Status of financial instruments

#### (1) Policies on financial instruments

The Group observes a fund management policy that cash reserves for future strategic investments and temporary surplus funds shall be managed in the form of time deposits with a fixed yield of interest and securities, and it shall not manage these funds to gain marginal gains in trades or for speculative purposes. As for fund procurement, the Group complies with the policy of financing with the most appropriate means, such as bank borrowings for short-term financial requirements, and bank borrowings, the issuance of corporate bonds and an increase in capital for long-term financial requirements, while taking into account market conditions and other factors.

With regard to investment securities, it is the Company's policy to hold such shares in cases where the Company recognizes the rationality of holding shares and the contribution to the medium- to long-term corporate value of shareholdings from the perspective of making the pursuit of joint businesses and/or business alliances smoother and strengthening such relationships, and building and strengthening long-term, stable trading relationships.

The Group utilizes derivative financial instruments to hedge its exposure to various risks described below and abides by a policy of not using them separately to gain marginal gains in trades or for speculative purposes.

#### (2) Description of financial instruments, related risks and risk management system

Cash and deposits is mainly managed as term deposits, and securities are mainly operated in the form of bonds. Both cash and securities are exposed to the credit risk of the relevant depository or issuer and the fluctuation risk of market prices. These risks are intended to be minimized and diversified using internal regulations at the respective Group companies by limiting such items as the target assets of fund management, the depository or the issuer, the period for management and the upper limit for management at each depository or issuer.

Notes and accounts receivable – trade, as operating receivables, are exposed to the credit risk of the respective customers. To cope with this risk, the Group conducts maturity management and balance management by counterparty in accordance with the internal regulations at the respective Group companies and has established a system for periodically measuring the creditworthiness of major counterparties to quickly determine and mitigate any concerns on the collection of claims that might be caused by deteriorated financial conditions at a counterparty.

Investment securities, which primarily consist of the shares relating to business or capital alliance relationships with the counterparties, are exposed to the risk of market price fluctuations. The Group has established a system of periodically measuring their market value, and for principal shareholdings, confirming the trading situation, earnings and financial situation, shareholder return, and creditworthiness so that the Board of Directors can verify the rationality of medium- to long-term holding of such shares each year based on the risk and return involved.

Although notes and accounts payable – trade, as operating payables, are exposed to liquidity risk, most of them have a maturity for payment within one year. The Group therefore manages them by making each Group company prepare a cash-flow projection.

As for derivative transactions, the Group uses forward foreign exchange contracts, currency options and the like to hedge against the adverse impact of future fluctuations in foreign currency exchange rates on specific foreign currency denominated assets and liabilities including notes and accounts receivable – trade and notes and accounts payable – trade. Meanwhile, some foreign consolidated subsidiaries use commodity futures and other financial instruments targeting wheat to hedge against the risk of future fluctuations in the market for wheat and other risks. These derivative transactions often entail a general market risk due to the fluctuation of rates.

To reduce the exposure to market risk, derivative transactions beyond the targeted, real demand are forbidden by the internal regulations of each Group company, and the regulations set forth a certain percentage of allowable derivative transactions against the total relevant underlying trading amounts. Currency options are limited only to buying put/call options (long position) in accordance with the respective internal regulations. These transactions are traded by the Finance and Accounting Division of the Company mainly based on the instructions given by the governing department of the operating company that might suffer from the exchange-rate fluctuation risk. At several consolidated subsidiaries, they are traded by the department in charge of financial affairs at each company mainly based on the instructions given by the governing department. In managing the derivative transactions, the aforementioned Finance and Accounting Division of the Company or the department in charge of financial affairs at each company receives a notice of position balances on derivative transactions every month from the correspondent bank, checks how these balances agree with performance figures and reports the monitored results to the Division Executive of the Finance and Accounting Division of the Company or the director of the department in charge of financial affairs at each company and the responsible director of the governing department. The Group believes that the risk that the counterparty to its derivative transactions could default is almost insignificant as the Group enters into derivative transactions only with financial institutions of high caliber.

#### (3) Supplemental explanation on the fair value of financial instruments, etc.

The fair value of financial instruments includes the value reasonably calculated for those without market price, in addition to the value based on the market price. As several variable factors are incorporated in calculating the fair value,

the resulting amount may vary depending on the different preconditions employed. The contract amounts, etc., regarding derivative transactions in “2. Fair value of financial instruments, etc.” are not necessarily indicative of the market risk with regard to derivative transactions.

## 2. Fair value of financial instruments, etc.

Carrying values in the consolidated balance sheets, fair values and the unrealized gains (losses) are presented as follows. Assets and liabilities, for which it is deemed difficult to measure the fair value, are not included in the following table. (Refer to Note 2.)

Year ended March 31, 2017 (As of March 31, 2017)

(Millions of yen)

|   | Carrying value | Fair value | Unrealized gains (losses) |
|---|----------------|------------|---------------------------|
| (1) Cash and deposits   | 85,458         | 85,458     | —                         |
| (2) Notes and accounts receivable – trade                       | 69,584         | 69,584     | —                         |
| (3) Securities and investment securities                        |                |            |                           |
| Other securities  | 129,734        | 129,734    | —                         |
| Total assets  | 284,777        | 284,777    | —                         |
| (1) Notes and accounts payable – trade                          | 40,320         | 40,320     | —                         |
| Total liabilities   | 40,320         | 40,320     | —                         |
| Derivative transactions*  |                |            |                           |
| 1) Transactions for which hedge accounting has not been adopted | 14             | 14         | —                         |
| 2) Transactions for which hedge accounting has been adopted     | 140            | 140        | —                         |
| Total derivative transactions                                   | 154            | 154        | —                         |

\* Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Year ended March 31, 2018 (As of March 31, 2018)

(Millions of yen)

|   | Carrying value | Fair value | Unrealized gains (losses) |
|---|----------------|------------|---------------------------|
| (1) Cash and deposits   | 91,635         | 91,635     | —                         |
| (2) Notes and accounts receivable – trade                       | 79,676         | 79,676     | —                         |
| (3) Securities and investment securities                        |                |            |                           |
| Other securities  | 135,910        | 135,910    | —                         |
| Total assets  | 307,222        | 307,222    | —                         |
| (1) Notes and accounts payable – trade                          | 58,492         | 58,492     | —                         |
| Total liabilities   | 58,492         | 58,492     | —                         |
| Derivative transactions*  |                |            |                           |
| 1) Transactions for which hedge accounting has not been adopted | (35)           | (35)       | —                         |
| 2) Transactions for which hedge accounting has been adopted     | (680)          | (680)      | —                         |
| Total derivative transactions                                   | (716)          | (716)      | —                         |

\* Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Note 1: Calculation method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable – trade

As these assets are settled within a short time, the fair value thereof is almost equal to the carrying value. Accordingly, the calculation of the fair value of these assets is based on the carrying value concerned.

(3) Securities and investment securities

The calculation of the fair value of stocks is based on the prices traded at the stock exchange. The calculation of the fair value of bonds is based on the prices traded at the stock exchange or the prices presented by the correspondent financial institution. Refer to the Notes to [Securities] with regard to the notable matters regarding securities held by holding purpose.

Liabilities

(1) Notes and accounts payable – trade

As these liabilities are settled within a short time, the fair value is almost equal to the carrying value. Accordingly, the calculation of the fair value of these liabilities is based on the carrying value concerned.

Derivative transactions

Refer to the Notes to [Derivative Transactions].

Note 2: Carrying value of financial instruments for which it is deemed difficult to measure the fair value

(Millions of yen)

| Classification  | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|-----------------|---|---|
| Unlisted stocks | 26,577  | 27,363  |

The above unlisted stocks have no market prices and relevant future cash flows cannot be easily estimated and may require excessive estimation cost, and it is therefore deemed difficult to measure their fair value. Accordingly, they are not included in (3) Securities and investment securities.

Note 3: Redemption schedule for monetary receivables and securities with maturity dates after the consolidated closing date (March 31)

Year ended March 31, 2017 (As of March 31, 2017)

(Millions of yen)

|   | Due within one year | Due after one year but<br>within five years |
|---|---------------------|---|
| Cash and deposits                                       | 85,458              | —   |
| Notes and accounts receivable – trade                   | 69,584              | —   |
| Securities and investment securities                    |                     |   |
| Other securities with maturity dates (government bonds) | 7,105               | —   |
| Total   | 162,148             | —   |

Year ended March 31, 2018 (As of March 31, 2018)

(Millions of yen)

|   | Due within one year | Due after one year but<br>within five years |
|---|---------------------|---|
| Cash and deposits                                       | 91,635              | —   |
| Notes and accounts receivable – trade                   | 79,676              | —   |
| Securities and investment securities                    |                     |   |
| Other securities with maturity dates (government bonds) | 7,866               | —   |
| Total   | 179,178             | —   |

**[Securities]**

1. Securities classified as other securities

Year ended March 31, 2017 (As of March 31, 2017)

(Millions of yen)

|  | Item                              | Carrying value | Acquisition cost | Unrealized gains (losses) |
|--|-----------------------------------|----------------|------------------|---------------------------|
| Securities whose carrying value exceeds their acquisition cost         | (1) Equity securities             | 122,623        | 28,767           | 93,855                    |
|  | (2) Bonds:                        |                |                  |                           |
|  | a. Government and municipal bonds | 323            | 323              | 0                         |
|  | b. Corporate bonds                | —              | —                | —                         |
|  | c. Other                          | —              | —                | —                         |
|  | (3) Other                         | —              | —                | —                         |
|  | Subtotal                          | 122,947        | 29,091           | 93,855                    |
| Securities whose carrying value does not exceed their acquisition cost | (1) Equity securities             | 16             | 18               | (1)                       |
|  | (2) Bonds:                        |                |                  |                           |
|  | a. Government and municipal bonds | 6,770          | 6,771            | (1)                       |
|  | b. Corporate bonds                | —              | —                | —                         |
|  | c. Other                          | —              | —                | —                         |
|  | (3) Other                         | —              | —                | —                         |
|  | Subtotal                          | 6,787          | 6,789            | (2)                       |
| Total  |                                   | 129,734        | 35,881           | 93,853                    |

Note:

The above “other securities” do not include unlisted stocks with a carrying value of ¥3,879 million because they have no market prices and may require excessive cost to estimate their future cash flows, and it is therefore regarded as extremely difficult to identify their current fair value.

Year ended March 31, 2018 (As of March 31, 2018)

(Millions of yen)

|  | Item                              | Carrying value | Acquisition cost | Unrealized gains (losses) |
|--|-----------------------------------|----------------|------------------|---------------------------|
| Securities whose carrying value exceeds their acquisition cost         | (1) Equity securities             | 128,052        | 28,479           | 99,572                    |
|  | (2) Bonds:                        |                |                  |                           |
|  | a. Government and municipal bonds | 691            | 691              | 0                         |
|  | b. Corporate bonds                | —              | —                | —                         |
|  | c. Other                          | —              | —                | —                         |
|  | (3) Other                         | —              | —                | —                         |
|  | Subtotal                          | 128,744        | 29,171           | 99,573                    |
| Securities whose carrying value does not exceed their acquisition cost | (1) Equity securities             | —              | —                | —                         |
|  | (2) Bonds:                        |                |                  |                           |
|  | a. Government and municipal bonds | 7,165          | 7,166            | (0)                       |
|  | b. Corporate bonds                | —              | —                | —                         |
|  | c. Other                          | —              | —                | —                         |
|  | (3) Other                         | —              | —                | —                         |
|  | Subtotal                          | 7,165          | 7,166            | (0)                       |
| Total  |                                   | 135,910        | 36,337           | 99,572                    |

Note:

The above “other securities” do not include unlisted stocks with a carrying value of ¥3,967 million because they have no market prices and may require excessive cost to estimate their future cash flows, and it is therefore regarded as extremely difficult to identify their current fair value.

2. Sale of securities classified as other securities

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

| Type              | Proceeds from sales | Total gain on sales | Total loss on sales |
|-------------------|---------------------|---------------------|---------------------|
| Equity securities | 853                 | 401                 | —                   |

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

| Type              | Proceeds from sales | Total gain on sales | Total loss on sales |
|-------------------|---------------------|---------------------|---------------------|
| Equity securities | 858                 | 357                 | —                   |

## [Derivative Transactions]

### 1. Derivative transactions for which hedge accounting is not adopted

#### (1) Currency-related

Year ended March 31, 2017 (As of March 31, 2017)

(Millions of yen)

| Classification          | Type of transactions                | Contract amounts | Portion due    | Fair value | Unrealized gains (losses) |
|-------------------------|-------------------------------------|------------------|----------------|------------|---------------------------|
|                         |                                     |                  | after one year |            |                           |
| Market transactions     | Currency futures:                   |                  |                |            |                           |
|                         | Buy: Canadian dollar                | 1,403            | —              | 28         | 28                        |
| Non-market transactions | Forward foreign exchange contracts: |                  |                |            |                           |
|                         | Sell: U.S. dollar                   | 342              | —              | (4)        | (4)                       |
|                         | Euro                                | 40               | —              | 0          | 0                         |
|                         | Buy: U.S. dollar                    | 777              | —              | 15         | 15                        |
|                         | Euro                                | 42               | —              | (0)        | (0)                       |
|                         | Yen                                 | 2                | —              | (0)        | (0)                       |
| Total                   |                                     | 2,607            | —              | 38         | 38                        |

Note:

Calculation of fair value is based on the closing prices of the relevant futures markets and the prices and other information presented by associated financial institutions and others.

Year ended March 31, 2018 (As of March 31, 2018)

(Millions of yen)

| Classification          | Type of transactions                | Contract amounts | Portion due    | Fair value | Unrealized gains (losses) |
|-------------------------|-------------------------------------|------------------|----------------|------------|---------------------------|
|                         |                                     |                  | after one year |            |                           |
| Market transactions     | Currency futures:                   |                  |                |            |                           |
|                         | Buy: Canadian dollar                | 896              | —              | 29         | 29                        |
| Non-market transactions | Forward foreign exchange contracts: |                  |                |            |                           |
|                         | Sell: U.S. dollar                   | 234              | —              | 2          | 2                         |
|                         | Euro                                | 39               | —              | 0          | 0                         |
|                         | Buy: U.S. dollar                    | 503              | —              | (4)        | (4)                       |
|                         | Euro                                | 42               | —              | (0)        | (0)                       |
|                         | Yen                                 | 1                | —              | (0)        | (0)                       |
|                         | British pound                       | 19               | —              | (0)        | (0)                       |
| Total                   |                                     | 1,737            | —              | 28         | 28                        |

Note:

Calculation of fair value is based on the closing prices of the relevant futures markets and the prices and other information presented by associated financial institutions and others.



## (2) Commodity-related

Year ended March 31, 2017 (As of March 31, 2017)

(Millions of yen)

| Classification      | Type of transactions | Contract amounts | Portion due    | Fair value | Unrealized gains (losses) |
|---------------------|----------------------|------------------|----------------|------------|---------------------------|
|                     |                      |                  | after one year |            |                           |
| Market transactions | Commodity futures:   |                  |                |            |                           |
|                     | Sell: Wheat          | 3,671            | 5              | (2)        | (2)                       |
|                     | Buy: Wheat           | 3,555            | 216            | (45)       | (45)                      |
|                     | Options:             |                  |                |            |                           |
|                     | Sell put:            |                  |                |            |                           |
|                     | Wheat                | 12               | —              | 18         | (6)                       |
|                     | Sell call:           |                  |                |            |                           |
| Wheat               | 5                    | —                | 0              | 4          |                           |
| Buy call:           |                      |                  |                |            |                           |
| Wheat               | 20                   | —                | 4              | (16)       |                           |
| Total               |                      | 7,265            | 222            | (24)       | (66)                      |

Note:

Calculation of fair value is based on the closing prices of the relevant futures markets.

Year ended March 31, 2018 (As of March 31, 2018)

(Millions of yen)

| Classification      | Type of transactions | Contract amounts | Portion due    | Fair value | Unrealized gains (losses) |
|---------------------|----------------------|------------------|----------------|------------|---------------------------|
|                     |                      |                  | after one year |            |                           |
| Market transactions | Commodity futures:   |                  |                |            |                           |
|                     | Sell: Wheat          | 2,773            | 102            | 45         | 45                        |
|                     | Buy: Wheat           | 4,519            | —              | (110)      | (110)                     |
| Total               |                      | 7,292            | 102            | (64)       | (64)                      |

Note:

Calculation of fair value is based on the closing prices of the relevant futures markets.

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related

Year ended March 31, 2017 (As of March 31, 2017)

(Millions of yen)

| Method of hedge accounting | Type of transactions                                     | Major hedged items                        | Contract amounts | Portion due after one year | Fair value |
|----------------------------|--|---|------------------|----------------------------|------------|
|                            |  |   |                  |                            |            |
| Deferral hedge accounting  | Forward foreign exchange contracts:<br>Sell: U.S. dollar | Anticipated foreign currency transactions | 799              | —                          | 2          |
|                            | Forward foreign exchange contracts:<br>Buy: U.S. dollar  | Anticipated foreign currency transactions | 3,862            | —                          | 88         |
|                            | Thai baht  |   | 1,178            | —                          | 47         |
|                            | Euro   |   | 639              | —                          | 2          |
| Appropriation treatment    | Forward foreign exchange contracts:<br>Sell: U.S. dollar | Accounts receivable                       | 73               | —                          | —          |
|                            | Forward foreign exchange contracts:<br>Buy: U.S. dollar  | Accounts payable                          | 175              | —                          | —          |
|                            |  |   | Euro             | 0                          | —          |
| Total                      |  |   | 6,729            | —                          | 140        |

Notes:

1. Calculation of fair value is based on the prices and other information presented by associated financial institutions and others.
2. Because forward foreign exchange contracts subject to appropriation are handled as a unit with accounts receivable and accounts payable to be hedged, the fair value of those is included in the fair value of the relevant accounts receivable and accounts payable.

Year ended March 31, 2018 (As of March 31, 2018)

(Millions of yen)

| Method of hedge accounting | Type of transactions                                     | Major hedged items                        | Contract amounts | Portion due after one year | Fair value |       |
|----------------------------|--|---|------------------|----------------------------|------------|-------|
|                            |  |   |                  |                            |            |       |
| Deferral hedge accounting  | Forward foreign exchange contracts:<br>Sell: U.S. dollar | Anticipated foreign currency transactions | 1,099            | —                          | 23         |       |
|                            | Forward foreign exchange contracts:<br>Buy: U.S. dollar  | Anticipated foreign currency transactions | 4,687            | —                          | (135)      |       |
|                            |  |   | Thai baht        | 1,606                      | —          | (3)   |
|                            |  |   | Euro             | 935                        | 105        | (8)   |
|                            |  |   | Indian rupee     | 6,681                      | 2,709      | (556) |
| Appropriation treatment    | Forward foreign exchange contracts:<br>Sell: U.S. dollar | Accounts receivable                       | 131              | —                          | —          |       |
|                            | Forward foreign exchange contracts:<br>Buy: U.S. dollar  | Accounts payable                          | 29               | —                          | —          |       |
|                            |  |   | Euro             | 2                          | —          | —     |
| Total                      |  |   | 15,174           | 2,814                      | (680)      |       |

Notes:

1. Calculation of fair value is based on the prices and other information presented by associated financial institutions and others.
2. Because forward foreign exchange contracts subject to appropriation are handled as a unit with accounts receivable and accounts payable to be hedged, the fair value of those is included in the fair value of the relevant accounts receivable and accounts payable.

## [Retirement Benefits]

### 1. Outline of retirement benefit plans

The Company and its consolidated subsidiaries provide a lump-sum retirement benefit plan (unfunded plan) and a defined-contribution pension plan to meet the retirement benefits of their employees. In addition, the Company and certain consolidated subsidiaries provide for a defined-benefit corporate pension plan (funded plan) limited to already retired pension recipients. Certain consolidated subsidiaries belong to multi-employer defined-benefit pension plans. Certain subsidiaries adopt a simplified method for calculating the retirement benefit obligation. Moreover, employees leaving the Company may in some cases receive an additional severance payment beyond that computed on the basis of the actuarial retirement benefit calculated using the relevant accounting standard.

### 2. Defined benefit plan (including multi-employer plans)

#### (1) Adjustment of balance of retirement benefit obligation at beginning and end of the year

|   | Year ended March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |
|---|---|---|
| Retirement benefit obligation at beginning of year    | ¥29,623 million   | ¥27,294 million   |
| Service cost  | ¥1,266 million  | ¥1,233 million  |
| Interest expense                                      | ¥185 million  | ¥182 million  |
| Actuarial loss  | ¥(13) million   | ¥39 million   |
| Retirement benefits payable                           | ¥(3,000) million  | ¥(2,588) million  |
| Decrease due to exclusion from consolidation          | ¥(600) million  | —   |
| Increase/decrease due to changes in accounting period | ¥(3) million  | —   |
| System changes  | ¥(171) million  | ¥(145) million  |
| Other   | ¥7 million  | ¥0 million  |
| Retirement benefit obligation at end of the year      | ¥27,294 million   | ¥26,015 million   |

#### (2) Adjustment of balance of pension assets at beginning and end of the year

|   | Year ended March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |
|---|---|---|
| Pension assets at beginning of year                   | ¥7,945 million  | ¥6,618 million  |
| Expected return on plan assets                        | ¥96 million   | ¥73 million   |
| Actuarial gain  | ¥(64) million   | ¥(15) million   |
| Retirement benefits payable                           | ¥(1,416) million  | ¥(1,262) million  |
| Employer contribution                                 | ¥57 million   | ¥57 million   |
| Increase/decrease due to changes in accounting period | ¥(0) million  | —   |
| Pension assets at end of year                         | ¥6,618 million  | ¥5,470 million  |

Note:

Plan assets mainly pertain to a defined-benefit corporate pension plan limited to already retired pension recipients.

#### (3) Adjustment of balance of retirement benefit obligation and pension assets at end of year and net defined benefit liability and assets posted on the consolidated balance sheet

|  | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|--|---|---|
| Retirement benefit obligation for funded plans                 | ¥6,562 million                                      | ¥5,350 million                                      |
| Pension assets   | ¥(6,618) million                                    | ¥(5,470) million                                    |
|  | ¥(55) million                                       | ¥(120) million                                      |
| Retirement benefit obligation for unfunded plans               | ¥20,731 million                                     | ¥20,664 million                                     |
| Net obligation and assets posted on consolidated balance sheet | ¥20,675 million                                     | ¥20,544 million                                     |
| Net defined benefit liability                                  | ¥20,881 million                                     | ¥20,782 million                                     |
| Net defined benefit assets                                     | ¥(205) million                                      | ¥(238) million                                      |
| Net liability and assets posted on consolidated balance sheet  | ¥20,675 million                                     | ¥20,544 million                                     |

(4) Retirement benefit expenses and detailed breakdown

|  | Year ended March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |
|--|---|---|
| Service cost   | ¥1,266 million  | ¥1,233 million  |
| Interest expense   | ¥185 million  | ¥182 million  |
| Expected return on plan assets   | ¥(96) million   | ¥(73) million   |
| Amortization of actuarial loss   | ¥526 million  | ¥450 million  |
| Amortization of prior service cost                                       | ¥(245) million  | ¥(245) million  |
| Retirement benefit expenses related to defined-contribution pension plan | ¥1,636 million  | ¥1,547 million  |

Note:

The retirement benefit expenses incurred by the consolidated subsidiaries that adopt a simplified method of calculation are posted under service cost.

(5) Adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) posted as adjustments related to retirement benefits is as follows.

|                    | Year ended March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |
|--------------------|---|---|
| Prior service cost | ¥(245) million  | ¥(245) million  |
| Actuarial gain     | ¥474 million  | ¥395 million  |
| Total              | ¥229 million  | ¥150 million  |

(6) Cumulative adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) posted as cumulative adjustments related to retirement benefits is as follows.

|                                 | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|---------------------------------|---|---|
| Unrecognized prior service cost | ¥(1,326) million                                    | ¥(1,081) million                                    |
| Unrecognized actuarial loss     | ¥2,651 million                                      | ¥2,256 million                                      |
| Total                           | ¥1,325 million                                      | ¥1,174 million                                      |

(7) Items related to pension assets

a. Breakdown of principal pension assets

The main categories by percentage of total pension assets are as follows.

|                  | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|------------------|---|---|
| Regular accounts | 50%   | 50%   |
| Bonds            | 45%   | 44%   |
| Other            | 5%  | 6%  |
| Total            | 100%  | 100%  |

b. Method for setting long-term expected rate of return

The current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise the pool of pension assets are considered when determining the long-term expected rate of return on pension assets.

(8) Basic items for calculating actuarial differences

Basics for calculating principal actuarial differences for the fiscal year under review

|  | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|--|---|---|
| Discount rate                                    | Mainly 0.9%   | Mainly 0.9%   |
| Long-term expected rate of return on plan assets | Mainly 1.0%   | Mainly 1.0%   |

3. Defined contribution plan

The defined contribution of the Company and its consolidated subsidiaries was ¥834 million for the year ended March 31, 2017 and ¥875 million for the year ended March 31, 2018.

## [Stock Options]

### 1. The account and the amount of expenses concerning stock options

(Millions of yen)

|  | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|--|--|--|
| Selling, general and administrative expenses | 74   | 53   |

### 2. The amount recorded as profit owing to the non-exercise of rights resulting in forfeiture

(Millions of yen)

| Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|--|--|
| 4  | 1  |

### 3. Description and changes in the size of stock options

#### (1) Description of stock options

|  | 2010 Plan  | 2011 Plan  | 2012 Plan   | 2013 Plan  |
|--|--|--|---|--|
| Category and number of grantees        | 12 directors and 12 executive officers (Note 1) of the Company and 24 directors of consolidated subsidiaries | 13 directors and 10 executive officers (Note 1) of the Company and 42 directors of consolidated subsidiaries | 15 directors and 9 executive officers (Note 1) of the Company and 35 directors of consolidated subsidiaries | 14 directors and 10 executive officers (Note 1) of the Company and 35 directors of consolidated subsidiaries |
| Number of shares granted by stock type | 318,230 shares of common stock (Note 2)  | 424,710 shares of common stock (Note 2)  | 388,410 shares of common stock (Note 2)   | 373,890 shares of common stock (Note 2)  |
| Grant date                             | August 18, 2010  | August 18, 2011  | August 16, 2012   | August 20, 2013  |
| Conditions for vesting                 | Not stated   | Not stated   | Not stated  | Not stated   |
| Service period                         | Not specified  | Not specified  | Not specified   | Not specified  |
| Exercisable period                     | August 19, 2012 – August 1, 2017   | August 19, 2013 – August 1, 2018   | August 17, 2014 – August 1, 2019  | August 21, 2015 – August 3, 2020   |

|  | 2014 Plan  | 2015 Plan  | 2016 Plan  |
|--|--|--|--|
| Category and number of grantees        | 14 directors and 10 executive officers (Note 1) of the Company and 34 directors of consolidated subsidiaries | 14 directors and 10 executive officers (Note 1) of the Company and 35 directors of consolidated subsidiaries | 14 directors and 11 executive officers (Note 1) of the Company and 36 directors of consolidated subsidiaries |
| Number of shares granted by stock type | 337,700 shares of common stock (Note 3)  | 326,000 shares of common stock   | 339,000 shares of common stock   |
| Grant date                             | August 19, 2014  | August 19, 2015  | August 15, 2016  |
| Conditions for vesting                 | Not stated   | Not stated   | Not stated   |
| Service period                         | Not specified  | Not specified  | Not specified  |
| Exercisable period                     | August 20, 2016 – August 2, 2021   | August 20, 2017 – August 1, 2022   | August 16, 2018 – August 1, 2023   |

#### Notes:

- These executive officers of the Company include those who concurrently serve as directors of consolidated subsidiaries.
- The Company undertook a 1.1-for-1 common stock split on October 1, 2013. The Company also conducted a 1.1-for-1 stock split of shares of common stock on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.
- The Company undertook a 1.1-for-1 common stock split on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the fiscal year ended March 31, 2018. The number of stock options is translated into the number of shares.

1. Number of stock options

|   | 2010 Plan<br>(Note 1) | 2011 Plan<br>(Note 1) | 2012 Plan<br>(Note 1) | 2013 Plan<br>(Note 1) | 2014 Plan<br>(Note 2) | 2015 Plan | 2016 Plan |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------|-----------|
| Non-vested (shares):                        |                       |                       |                       |                       |                       |           |           |
| Outstanding at the end of the previous year | —                     | —                     | —                     | —                     | —                     | 326,000   | 339,000   |
| Granted during the year                     | —                     | —                     | —                     | —                     | —                     | —         | —         |
| Forfeited during the year                   | —                     | —                     | —                     | —                     | —                     | —         | —         |
| Vested during the year                      | —                     | —                     | —                     | —                     | —                     | 326,000   | —         |
| Outstanding at the end of the year          | —                     | —                     | —                     | —                     | —                     | —         | 339,000   |
| Vested (shares):                            |                       |                       |                       |                       |                       |           |           |
| Outstanding at the end of the previous year | 41,140                | 70,180                | 62,920                | 220,220               | 276,100               | —         | —         |
| Vested during the year                      | —                     | —                     | —                     | —                     | —                     | 326,000   | —         |
| Exercised during the year                   | 31,460                | 39,930                | 27,830                | 111,320               | 60,500                | 19,000    | —         |
| Forfeited during the year                   | 9,680                 | —                     | —                     | —                     | —                     | —         | —         |
| Outstanding at the end of the year          | —                     | 30,250                | 35,090                | 108,900               | 215,600               | 307,000   | —         |

Notes:

1. The Company undertook a 1.1-for-1 common stock split on October 1, 2013, followed by another 1.1-for-1 common stock split on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.
2. The Company undertook a 1.1-for-1 common stock split on October 1, 2014. These figures concerning the number of shares in the above table reflect this stock split.

2. Per share prices

(Yen)

|                                    | 2010 Plan<br>(Note 1) | 2011 Plan<br>(Note 1) | 2012 Plan<br>(Note 1) | 2013 Plan<br>(Note 1) | 2014 Plan<br>(Note 2) | 2015 Plan | 2016 Plan |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------|-----------|
| Exercise price                     | 909                   | 848                   | 792                   | 1,012                 | 1,159                 | 1,748     | 1,753     |
| Average stock price upon exercise  | 1,795                 | 1,944                 | 1,938                 | 1,943                 | 2,080                 | 2,089     | —         |
| Fair value per share at grant date | 179                   | 140                   | 152                   | 101                   | 122                   | 266       | 220       |

Notes:

1. The Company undertook a 1.1-for-1 common stock split on October 1, 2013, followed by another 1.1-for-1 common stock split on October 1, 2014. These figures concerning per share prices in the above table reflect this stock split.
2. The Company undertook a 1.1-for-1 common stock split on October 1, 2014. These figures concerning per share prices in the above table reflect this stock split.

4. Method for estimating the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of stock options vested only reflects the number of options that have actually expired.

## [Tax Effect Accounting]

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

|   | Year ended<br>March 31, 2017<br>(As of March 31, 2017) | Year ended<br>March 31, 2018<br>(As of March 31, 2018) |
|---|--|--|
| (Millions of yen)   |  |  |
| Deferred tax assets:  |  |  |
| Net defined benefit liability                               | 6,166  | 6,158  |
| Provision for bonuses                                       | 1,359  | 1,421  |
| Investment securities, etc.                                 | 1,368  | 1,333  |
| Intangible assets   | 1,846  | 1,322  |
| Accrued sales incentives                                    | 1,158  | 1,119  |
| Unrealized gains (losses) on non-current assets             | 1,071  | 1,023  |
| Impairment loss on non-current assets                       | 807  | 585  |
| Inventories   | 715  | 516  |
| Net operating loss carry forwards                           | 291  | 514  |
| Accrued enterprise tax                                      | 445  | 396  |
| Provision for repairs                                       | 460  | 353  |
| Unrealized gains (losses) on inventories                    | 201  | 232  |
| Depreciation and amortization                               | 259  | 219  |
| Other   | 1,789  | 1,712  |
| Gross deferred tax assets                                   | 17,942   | 16,909   |
| Amount offset by deferred tax liabilities                   | (6,859)  | (6,608)  |
| Net deferred tax assets                                     | 11,083   | 10,300   |
| Valuation allowance   | (2,856)  | (2,564)  |
| Deferred tax assets, net                                    | 8,227  | 7,735  |
| Deferred tax liabilities:                                   |  |  |
| Valuation difference on available-for-sale securities       | (28,357)   | (30,130)   |
| Reserve for advanced depreciation of non-current assets     | (1,731)  | (1,874)  |
| Retained earnings of associates                             | (406)  | (1,029)  |
| Short-fall of depreciation and amortization                 | (1,221)  | (1,012)  |
| Securities returned from employee retirement benefits trust | (964)  | (964)  |
| Other   | (1,172)  | (763)  |
| Gross deferred tax liabilities                              | (33,853)   | (35,774)   |
| Amount offset by deferred tax assets                        | 6,859  | 6,608  |
| Deferred tax liabilities, net                               | (26,994)   | (29,166)   |

## [Changes in Presentation Methods]

“Retained earnings of associates,” posted in “Other” under “Deferred tax liabilities” in the previous fiscal year, has been listed as a separate line item from the fiscal year under review due to its growing monetary importance. The notes to the consolidated financial statements for the previous fiscal year have been configured to reflect this change in presentation method.

As a result, negative ¥1,578 million posted in “Other” under “Deferred tax liabilities” for the previous fiscal year has been configured into “Retained earnings of associates” of negative ¥406 million and “Other” of negative ¥1,172 million.



2. The reconciliation between the statutory effective tax rate and the actual effective tax rate when there is a major difference between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is as follows.

Year ended March 31, 2017 (As of March 31, 2017)

|   |        |
|---|--------|
| Statutory effective tax rate  | 30.8%  |
| (Adjustments)   |        |
| Non-taxable permanent differences such as dividend income           | (0.8)% |
| Non-deductible permanent differences such as entertainment expenses | 1.0%   |
| Income tax deductions   | (1.1)% |
| Effect of exclusion from consolidation                              | 2.9%   |
| Equity in earnings of affiliates                                    | (1.9)% |
| Valuation allowance   | 0.8%   |
| Other   | 1.7%   |
| <hr/>   |        |
| Actual effective tax rate after adoption of tax effect accounting   | 33.4%  |

Year ended March 31, 2018 (As of March 31, 2018)

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

3. Revisions to amounts of deferred tax assets and deferred tax liabilities due to corporate tax rate changes

On December 22, 2017 (local time), tax reform legislation was passed into law in the United States that lowers the federal corporate tax rate from January 1, 2018. Accordingly, the deferred tax assets and liabilities of U.S.-based subsidiaries have been calculated using the effective tax rate based on the post-reform tax rate.

The effect of this change in tax rate is negligible.

## [M&A Activity]

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Business Divestiture)

### 1. Overview of business divestiture

#### (1) Name of receiver of divested business

Air Water Inc.

#### (2) Content of divested business

Daisen Ham Co., Ltd. (Business lines: Manufacturing and sales of processed meat products)

#### (3) Main reason for business divestiture

The Group is taking several measures toward management challenges for a “restructured earnings foundation” that places emphasis on the bottom line as laid out in the new medium-term management plan “NNI-120 II” announced in May 2015, and is continuing to examine a restructuring of the business portfolio as one of those measures.

On this occasion, the Company transferred all shares of Daisen Ham Co., Ltd. held by its consolidated subsidiaries, Nisshin Foods Inc., Oriental Yeast Co., Ltd., and Nisshin Associates Inc. to Air Water Inc.

Agriculture and foods are key industries for Air Water Inc., which has as its subsidiary Saveur SS Inc., a company engaged in the processed meat industry. Daisen Ham Co., Ltd. will become a key company within the Air Water Group, improving its value as a company and its outlook for sustainable growth into the future.

#### (4) Date of divestiture

September 20, 2016

#### (5) Other matters concerning the summary of transaction, including legal framework

Consideration for transfer of shares will be cash or other assets only.

### 2. Summary of accounting measures taken

#### (1) Gain (or losses) from transfer

Gain on sales of shares of subsidiaries and associates ¥1,862 million

#### (2) Appropriate carrying value and details of assets and liabilities related to transferred business

Current assets ¥3,634 million

Non-current assets ¥2,426 million

Total assets ¥6,060 million

Current liabilities ¥2,308 million

Non-current liabilities ¥615 million

Total liabilities ¥2,924 million

#### (3) Accounting

The difference in the sale price for the shares of Daisen Ham Co., Ltd. and its consolidated carrying value were accounted for as extraordinary income labeled “Gain on sales of shares of subsidiaries and associates.”

### 3. Reporting segment that contained divested business

Processed Food Segment

### 4. Summarized profit and loss for divested business as accounted for in the consolidated statements of income

Net sales ¥3,887 million

Operating profit ¥22 million

Ordinary profit ¥30 million

Profit attributable to owners of parent ¥6 million

**[Segment Information, etc.]**

[Segment information]

1. Outline of reportable segment

The Nisshin Seifun Group's reportable segments and the other businesses are components of the Group, for which discrete financial information is available and the operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to and assess the performance of the segments.

The Company, as the holding company of the Group, plans and determines group strategies for, allocates resources to and assesses the performance of each of its businesses, which are classified by type of products and services in Flour Milling, Processed Food and Others.

The Group designates the Flour Milling and Processed Food segments as its reportable segments. Major products of the reportable segments are as follows.

|                 |  |
|-----------------|--|
| Flour Milling:  | Wheat flour, bran  |
| Processed Food: | Prepared mix, wheat flour for household-use, pasta, pasta sauce, frozen food, prepared food, cake and bread ingredients, biochemical products, life science business, healthcare foods |

2. Calculation methods of net sales, profit (loss), assets and other items for each reportable segment

The accounting methods used for reportable segments are the same as those discussed under "Basis of Presentation of Consolidated Financial Statements." Segment income figures are the same as operating profit figures. Intersegment sales and transfers are based on market prices.

3. Information about net sales, profit (loss), assets and other items for each reportable segment

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

|   | Reportable segment |                   |         | Others<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Carried on<br>consolidated<br>financial<br>statements<br>(Note 3) |
|---|--------------------|-------------------|---------|--------------------|---------|------------------------|---|
|   | Flour<br>Milling   | Processed<br>Food | Total   |                    |         |                        |   |
| Net sales   |                    |                   |         |                    |         |                        |   |
| Sales to external customers                                     | 233,618            | 254,944           | 488,562 | 43,478             | 532,040 | —                      | 532,040   |
| Intersegment sales and transfers                                | 16,910             | 426               | 17,336  | 2,951              | 20,288  | (20,288)               | —   |
| Total   | 250,528            | 255,370           | 505,899 | 46,429             | 552,329 | (20,288)               | 532,040   |
| Segment profit  | 9,823              | 12,426            | 22,250  | 2,956              | 25,206  | 304                    | 25,511  |
| Segment assets  | 200,279            | 161,119           | 361,399 | 61,803             | 423,203 | 134,365                | 557,568   |
| Other items   |                    |                   |         |                    |         |                        |   |
| Depreciation and amortization                                   | 8,791              | 6,070             | 14,861  | 1,552              | 16,414  | (281)                  | 16,132  |
| Investment for affiliates accounted for by the equity method    | 2,764              | 6,234             | 8,998   | 16,175             | 25,173  | —                      | 25,173  |
| Increase in property, plant and equipment and intangible assets | 6,973              | 4,784             | 11,757  | 1,102              | 12,860  | (170)                  | 12,689  |

Notes:

- Business segment of "Others" is excluded from reportable segment, which includes pet food, engineering, mesh cloths, handling and storage businesses.
- Segment profit adjustment refers to intersegment transaction eliminations.  
The adjustment in segment assets includes the Group's assets (¥144,439 million): mainly, the Company's surplus operating cash (cash and deposits and securities) and investment securities.
- Segment profit has been adjusted for the operating profit appearing in the consolidated statements of income.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

|  | Reportable segment |                   |         | Others<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Carried on<br>consolidated<br>financial<br>statements<br>(Note 3) |
|--|--------------------|-------------------|---------|--------------------|---------|------------------------|---|
|  | Flour<br>Milling   | Processed<br>Food | Total   |                    |         |                        |   |
| Net sales  |                    |                   |         |                    |         |                        |   |
| Sales to external customers  | 234,799            | 254,000           | 488,799 | 51,295             | 540,094 | —                      | 540,094   |
| Intersegment sales and transfers                                   | 15,958             | 406               | 16,365  | 2,675              | 19,040  | (19,040)               | —   |
| Total  | 250,758            | 254,406           | 505,164 | 53,970             | 559,135 | (19,040)               | 540,094   |
| Segment profit   | 9,957              | 13,473            | 23,430  | 3,613              | 27,044  | 155                    | 27,200  |
| Segment assets   | 211,235            | 177,116           | 388,352 | 74,108             | 462,460 | 131,033                | 593,493   |
| Other items  |                    |                   |         |                    |         |                        |   |
| Depreciation and amortization                                      | 8,607              | 5,579             | 14,186  | 1,577              | 15,764  | (255)                  | 15,509  |
| Investment for affiliates accounted<br>for by the equity method    | 2,965              | 6,760             | 9,725   | 16,258             | 25,983  | —                      | 25,983  |
| Increase in property, plant and<br>equipment and intangible assets | 11,660             | 8,783             | 20,443  | 1,157              | 21,601  | (116)                  | 21,484  |

Notes:

1. Business segment of "Others" is excluded from reportable segment, which includes pet food, engineering, mesh cloths, handling and storage businesses.
2. Segment profit adjustment refers to intersegment transaction eliminations.  
The adjustment in segment assets includes the Group's assets (¥141,859 million): mainly, the Company's surplus operating cash (cash and deposits and securities) and investment securities.
3. Segment profit has been adjusted for the operating profit appearing in the consolidated statements of income.

[Related information]

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

1. Information by geographic segment

(1) Net sales

(Millions of yen)

| Japan   | U.S.   | Other regions | Total   |
|---------|--------|---------------|---------|
| 440,836 | 59,999 | 31,205        | 532,040 |

Note:

Net sales are classified based on customer location.

(2) Property, plant and equipment

(Millions of yen)

| Japan   | U.S.   | Other regions | Total   |
|---------|--------|---------------|---------|
| 113,691 | 18,475 | 12,673        | 144,840 |

2. Information by major customer

(Millions of yen)

| Name of customer       | Net sales | Related segment name                  |
|------------------------|-----------|---------------------------------------|
| Mitsubishi Corporation | 62,097    | Flour milling, Processed food, Others |

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

1. Information by geographic segment

(1) Net sales

(Millions of yen)

| Japan   | U.S.   | Other regions | Total   |
|---------|--------|---------------|---------|
| 443,804 | 63,546 | 32,743        | 540,094 |

Note:

Net sales are classified based on customer location.

(2) Property, plant and equipment

(Millions of yen)

| Japan   | U.S.   | Other regions | Total   |
|---------|--------|---------------|---------|
| 111,725 | 21,871 | 17,346        | 150,942 |

2. Information by major customer

(Millions of yen)

| Name of customer       | Net sales | Related segment name                  |
|------------------------|-----------|---------------------------------------|
| Mitsubishi Corporation | 61,944    | Flour milling, Processed food, Others |

[Impairment loss of non-current assets by reportable segment]

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

|                 | Processed Food | Corporate/Eliminations | Total |
|-----------------|----------------|------------------------|-------|
| Impairment loss | 785            | 173                    | 958   |

Note:

Figures for "Corporate/Eliminations" are impairment losses pertaining to Group-wide assets not attributable to any individual segment.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

|                 | Processed Food |
|-----------------|----------------|
| Impairment loss | 129            |

[Amortization of goodwill and unamortized balance by reportable segment]

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

|   | Flour Milling | Processed Food | Total |
|---|---------------|----------------|-------|
| Amortization for the year under review      | 1,024         | 170            | 1,195 |
| Balance at the end of the year under review | 6,565         | 484            | 7,050 |

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

|   | Flour Milling | Processed Food | Total |
|---|---------------|----------------|-------|
| Amortization for the year under review      | 1,054         | 170            | 1,224 |
| Balance at the end of the year under review | 5,309         | 313            | 5,623 |

[Business transactions with related parties]

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

1. Business transactions with related parties

(1) Business transactions between the Company and related parties

Officers and major shareholders of the Company (only in the case of individuals), etc.

| Category                           | Name of company, etc. or individual | Location | Paid-in capital or investment (millions of yen) | Businesses/position  | Share of voting rights (shares owned) (%) | Relationship with related parties | Nature of transactions  | Transaction value (millions of yen) | Item | Year-end balance (millions of yen) |
|------------------------------------|-------------------------------------|----------|---|--|---|-----------------------------------|---|-------------------------------------|------|------------------------------------|
| Officers and their close relatives | Hiroshi Oeda                        | —        | —   | Representative Director and President of the Company <sup>(Note 2)</sup> | (shares owned) direct ownership 0.0       | —                                 | Exercise of subscription rights to shares <sup>(Note 1)</sup> | 12                                  | —    | —                                  |
| Officers and their close relatives | Kazuo Ikeda                         | —        | —   | Director and Vice President of the Company <sup>(Note 3)</sup>           | (shares owned) direct ownership 0.0       | —                                 | Exercise of subscription rights to shares <sup>(Note 1)</sup> | 11                                  | —    | —                                  |

Notes:

1. The figure posted represents rights exercised during the fiscal year under review for stock options granted based on resolutions of the General Meeting of Shareholders held on June 28, 2011; June 26, 2013 and June 26, 2014, respectively. For the “Transaction value” the figure posted represents the number of shares granted from the exercise of rights for stock options during the fiscal year under review times the exercise price.
2. Appointed as Special Advisor on June 28, 2017.
3. Appointed as Full-time Advisor on June 28, 2017.

2. Notes concerning the parent company and significant affiliates

There are no applicable matters to be reported.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

1. Business transactions with related parties

(1) Business transactions between the Company and related parties

Officers and major shareholders of the Company (only in the case of individuals), etc.

| Category                           | Name of company, etc. or individual | Location | Paid-in capital or investment (millions of yen) | Businesses/position     | Share of voting rights (shares owned) (%) | Relationship with related parties | Nature of transactions  | Transaction value (millions of yen) | Item | Year-end balance (millions of yen) |
|------------------------------------|-------------------------------------|----------|---|-------------------------|---|-----------------------------------|---|-------------------------------------|------|------------------------------------|
| Officers and their close relatives | Akio Mimura                         | —        | —   | Director of the Company | (shares owned) direct ownership 0.0       | —                                 | Exercise of subscription rights to shares <sup>(Note 1)</sup> | 11                                  | —    | —                                  |
| Officers and their close relatives | Masashi Nakagawa                    | —        | —   | Director of the Company | (shares owned) direct ownership 0.0       | —                                 | Exercise of subscription rights to shares <sup>(Note 1)</sup> | 10                                  | —    | —                                  |

Note:

1. The figure posted represents rights exercised during the fiscal year under review for stock options granted based on resolutions of the General Meeting of Shareholders held on June 26, 2013 and June 26, 2014, respectively. For the “Transaction value” the figure posted represents the number of shares granted from the exercise of rights for stock options during the fiscal year under review times the exercise price.

2. Notes concerning the parent company and significant affiliates

There are no applicable matters to be reported.

**[Per Share Information]**

(Yen)

|                                  | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|----------------------------------|--|--|
| Net assets per share             | 1,303.45   | 1,344.68   |
| Earnings per share               | 64.50  | 71.47  |
| Fully diluted earnings per share | 64.43  | 71.40  |

2. The basis of calculation for net assets per share

|   | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|---|---|---|
| Total net assets, as stated on the consolidated balance sheets (millions of yen)          | 406,805   | 413,794   |
| Net assets associated with common stock (millions of yen)                                 | 393,620   | 399,278   |
| Major components of the difference (millions of yen):                                     |   |   |
| Subscription rights to shares   | 175   | 189   |
| Non-controlling interests   | 13,009  | 14,327  |
| Number of shares of common stock issued and outstanding (shares)                          | 304,357,891   | 304,357,891   |
| Number of treasury shares of common stock (shares)  | 2,374,365   | 7,426,065   |
| Number of shares of common stock used in the calculation of net assets per share (shares) | 301,983,526   | 296,931,826   |

3. The basis of calculation for earnings per share and fully diluted earnings per share

|   | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017)  | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|---|---|--|
| Profit attributable to owners of parent, as stated on the consolidated statements of income (millions of yen)                     | 19,466  | 21,339   |
| Amount not attributable to owners of common stock (millions of yen)   | —   | —  |
| Profit attributable to owners of parent associated with common stock (millions of yen)  | 19,466  | 21,339   |
| Average number of shares of common stock during the year (shares)   | 301,822,349   | 298,575,490  |
| Adjustment to profit attributable to owners of parent (millions of yen)   | —   | —  |
| Main components of increase in number of shares of common stock used in calculation of fully diluted earnings per share (shares): |   |  |
| Subscription rights to shares   | 330,488   | 307,190  |
| Details of shares not included in calculation of fully diluted earnings per share due to non-dilutive effect                      | <ul style="list-style-type: none"> <li>• Subscription rights to shares</li> <li>    Date of resolution at the General Meeting of Shareholders: June 25, 2015 (111 subscription rights to shares)</li> <li>    (215 subscription rights to shares)</li> <li>    Date of resolution at the General Meeting of Shareholders: June 28, 2016 (111 subscription rights to shares)</li> <li>    (228 subscription rights to shares)</li> </ul> | —  |

Note:

When calculating net assets per share, 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, 2018, 4,000 Company shares were held in the aforementioned trust.

Furthermore, when calculating earnings per share and fully diluted earnings per share, 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, 2018, the average number of shares of common stock for Company shares held in the aforementioned trust was 22,246 shares.

**[Material Subsequent Events]**

There are no applicable matters to be reported.



## (5) Supplementary Consolidated Data

[Debentures]

There are no applicable matters to be reported.

[Borrowings]

| Category   | Balance at the beginning of the year<br>[April 1, 2017]<br>(millions of yen) | Balance at the end of the year<br>[March 31, 2018]<br>(millions of yen) | Average interest rate<br>(%) | Repayment dates |
|--|--|---|------------------------------|-----------------|
| Short-term loans payable                               | 8,408  | 6,714   | 1.2568                       | —               |
| Current portion of long-term loans payable             | 1,336  | 1,178   | 1.4696                       | —               |
| Current portion of lease obligation                    | 354  | 368   | —                            | —               |
| Long-term loans payable<br>(excluding current portion) | 4,967  | 7,194   | 2.4396                       | 2019 – 2028     |
| Lease obligation<br>(excluding current portion)        | 767  | 665   | —                            | 2019 – 2031     |
| Other interest-bearing liabilities                     | —  | —   | —                            | —               |
| Total  | 15,834   | 16,120  | —                            | —               |

Notes:

1. Components of long-term loans payable (excluding current portion) and lease obligation (excluding current portion) with repayments scheduled within five years after March 31, 2018 are detailed in the table below.

(Millions of yen)

|                         | Within 1–2 years | Within 2–3 years | Within 3–4 years | Within 4–5 years |
|-------------------------|------------------|------------------|------------------|------------------|
| Long-term loans payable | 940              | 1,131            | 980              | 986              |
| Lease obligation        | 248              | 181              | 135              | 89               |

2. Average interest rates are computed as the weighted average interest rate on debt outstanding at the fiscal year-end. Average interest rates on lease obligations are not provided because the lease obligations stated on the consolidated balance sheet represent the amounts that do not deduct interest equivalents from total lease payments.
3. The Group (Nisshin Seifun Group Inc. and its consolidated subsidiaries) has entered into commitment line agreement with its principal financial institutions in order to ensure efficient procurement of working capital.

The total amount of commitment line agreements      ¥28,730 million

Balance outstanding as of March 31, 2018              ¥3,583 million

Credit facility fees for year ended March 31, 2018      ¥21 million (Amount included in “Other” category within non-operating expenses)

[Asset Retirement Obligations]

The balance of asset retirement obligations at the beginning and at the end of the fiscal year ended March 31, 2018 was less than 1/100th of the balance of liabilities and net assets at the beginning and at the end of the fiscal year ended March 31, 2018. Consequently, pursuant to Article 92-2 of the Regulations for Consolidated Financial Statements, this information has been omitted.

## 2. Others

Quarterly financial information for the year ended March 31, 2018

(Millions of yen)

| (Cumulative period)                     | First Quarter | Second Quarter | Third Quarter | Year ended March 31, 2018 |
|---|---------------|----------------|---------------|---------------------------|
| Net sales                               | 130,788       | 262,140        | 402,550       | 540,094                   |
| Profit before income taxes              | 8,167         | 15,687         | 26,620        | 32,430                    |
| Profit attributable to owners of parent | 5,521         | 10,553         | 18,087        | 21,339                    |
| Earnings per share (yen)                | 18.32         | 35.17          | 60.48         | 71.47                     |

| (Fiscal period)          | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--------------------------|---------------|----------------|---------------|----------------|
| Earnings per share (yen) | 18.32         | 16.85          | 25.37         | 10.95          |

## (2) Non-consolidated Financial Statements, etc.

### 1. Non-consolidated Financial Statements

#### (1) Non-consolidated Balance Sheets

(Millions of yen)

|   | Year ended<br>March 31, 2017<br>(As of March 31, 2017) | Year ended<br>March 31, 2018<br>(As of March 31, 2018) |
|---|--|--|
| Assets  |  |  |
| Current assets  |  |  |
| Cash and deposits   | 41,530   | 38,557   |
| Accounts receivable – trade                                 | Note 1 228   | Note 1 245   |
| Prepaid expenses  | 167  | 191  |
| Deferred tax assets   | 396  | 409  |
| Income taxes receivable                                     | 2,964  | 3,798  |
| Other   | Note 1 532   | Note 1 500   |
| Total current assets  | 45,819   | 43,703   |
| Non-current assets  |  |  |
| Property, plant and equipment                               |  |  |
| Buildings, net  | 6,202  | 6,140  |
| Structures, net   | 511  | 463  |
| Machinery and equipment, net                                | 532  | 598  |
| Vehicles, net   | 3  | 16   |
| Tools, furniture and fixtures, net                          | 427  | 425  |
| Land  | 15,227   | 16,213   |
| Lease assets, net   | 554  | 377  |
| Construction in progress                                    | 89   | 35   |
| Total property, plant and equipment                         | 23,549   | 24,269   |
| Intangible assets   |  |  |
| Leasehold right   | 143  | 93   |
| Software  | 92   | 133  |
| Lease assets  | 108  | 68   |
| Other   | 59   | 58   |
| Total intangible assets                                     | 404  | 354  |
| Investments and other assets                                |  |  |
| Investment securities                                       | 91,562   | 94,267   |
| Shares of subsidiaries and associates                       | 129,770  | 131,807  |
| Investments in capital                                      | 317  | 326  |
| Investments in capital of subsidiaries and associates       | 666  | 666  |
| Long-term loans receivable from subsidiaries and associates | 37,743   | 40,775   |
| Other   | 414  | 416  |
| Allowance for doubtful accounts                             | (25)   | (25)   |
| Total investments and other assets                          | 260,449  | 268,235  |
| Total non-current assets                                    | 284,403  | 292,859  |
| Total assets  | 330,223  | 336,563  |

(Millions of yen)

|   | Year ended<br>March 31, 2017<br>(As of March 31, 2017) | Year ended<br>March 31, 2018<br>(As of March 31, 2018) |
|---|--|--|
| Liabilities   |  |  |
| Current liabilities                                     |  |  |
| Lease obligations                                       | 198  | 192  |
| Accounts payable – other                                | 312  | 355  |
| Accrued expenses  | Note 1 1,528   | Note 1 1,852   |
| Deposits received                                       | Note 1 6,608   | Note 1 7,217   |
| Provision for directors' bonuses                        | 87   | 75   |
| Other   | 42   | 125  |
| Total current liabilities                               | 8,777  | 9,818  |
| Non-current liabilities                                 |  |  |
| Lease obligations                                       | 300  | 139  |
| Deferred tax liabilities                                | 21,883   | 23,256   |
| Provision for retirement benefits                       | 3,584  | 3,400  |
| Other   | 216  | 355  |
| Total non-current liabilities                           | 25,984   | 27,151   |
| Total liabilities                                       | 34,761   | 36,969   |
| Net assets  |  |  |
| Shareholders' equity                                    |  |  |
| Capital stock   | 17,117   | 17,117   |
| Capital surplus   |  |  |
| Legal capital surplus                                   | 9,500  | 9,500  |
| Other capital surplus                                   | 268  | 264  |
| Total capital surpluses                                 | 9,768  | 9,764  |
| Retained earnings                                       |  |  |
| Legal retained earnings                                 | 4,379  | 4,379  |
| Other retained earnings                                 |  |  |
| Reserve for dividends                                   | 2,000  | 2,000  |
| Reserve for advanced depreciation of non-current assets | 2,160  | 2,562  |
| General reserve   | 170,770  | 170,770  |
| Retained earnings brought forward                       | 42,164   | 53,231   |
| Total retained earnings                                 | 221,475  | 232,943  |
| Treasury shares   | (2,018)  | (11,688)   |
| Total shareholders' equity                              | 246,342  | 248,137  |
| Valuation and translation adjustment                    |  |  |
| Valuation difference on available-for-sale securities   | 48,943   | 51,363   |
| Deferred gains or losses on hedges                      | —  | (96)   |
| Total valuation and translation adjustment              | 48,943   | 51,266   |
| Subscription rights to shares                           | 175  | 189  |
| Total net assets  | 295,461  | 299,593  |
| Total liabilities and net assets                        | 330,223  | 336,563  |

**(2) Non-consolidated Statements of Income**

(Millions of yen)

|  | Year ended<br>March 31, 2017<br>(April 1, 2016 to<br>March 31, 2017) |        | Year ended<br>March 31, 2018<br>(April 1, 2017 to<br>March 31, 2018) |        |
|--|--|--------|--|--------|
| Operating revenue                          | Note 1   | 25,221 | Note 1   | 30,056 |
| Operating expenses                         | Notes 1, 2   | 12,572 | Notes 1, 2   | 13,305 |
| Operating profit                           |  | 12,648 |  | 16,751 |
| Non-operating income                       |  |        |  |        |
| Interest income                            | Note 1   | 391    | Note 1   | 402    |
| Dividend income                            |  | 1,467  |  | 1,773  |
| Other                                      | Note 1   | 29     | Note 1   | 32     |
| Total non-operating income                 |  | 1,888  |  | 2,208  |
| Non-operating expenses                     |  |        |  |        |
| Interest expenses                          | Note 1   | 11     | Note 1   | 17     |
| Commission for purchase of treasury shares |  | 0      |  | 18     |
| Commitment fee                             |  | 8      |  | 8      |
| Other                                      |  | 7      |  | 3      |
| Total non-operating expenses               |  | 27     |  | 48     |
| Ordinary profit                            |  | 14,509 |  | 18,911 |
| Extraordinary income                       |  |        |  |        |
| Gain on sales of non-current assets        |  | 354    |  | 839    |
| Gain on sales of investment securities     |  | 14     |  | 357    |
| Total extraordinary income                 |  | 368    |  | 1,196  |
| Extraordinary losses                       |  |        |  |        |
| Loss on retirement of non-current assets   |  | 50     |  | 111    |
| Impairment loss                            |  | 173    |  | —      |
| Total extraordinary losses                 |  | 223    |  | 111    |
| Profit before income taxes                 |  | 14,654 |  | 19,996 |
| Income taxes – current                     |  | 26     |  | 156    |
| Income taxes – deferred                    |  | 19     |  | 282    |
| Total income taxes                         |  | 45     |  | 439    |
| Profit                                     |  | 14,608 |  | 19,557 |

### (3) Non-consolidated Statements of Changes in Net Assets

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

|   | Shareholders' equity |                       |                       |                         |                         |                         |   |   |                 |
|---|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|---|---|-----------------|
|   | Capital stock        | Capital surplus       |                       |                         | Legal retained earnings | Retained earnings       |   |   |                 |
|   |                      | Legal capital surplus | Other capital surplus | Total capital surpluses |                         | Other retained earnings |   |   |                 |
|   |                      |                       |                       |                         |                         | Reserve for dividends   | Reserve for advanced depreciation of non-current assets | Reserve for special account for advanced depreciation of non-current assets | General reserve |
| Balance at the beginning of current period  | 17,117               | 9,500                 | 205                   | 9,705                   | 4,379                   | 2,000                   | 2,197   | 16  | 170,770         |
| Changes of items during the period  |                      |                       |                       |                         |                         |                         |   |   |                 |
| Reversal of reserve for advanced depreciation of non-current assets                     |                      |                       |                       |                         |                         |                         | (36)  |   |                 |
| Reversal of reserve for special account for advanced depreciation of non-current assets |                      |                       |                       |                         |                         |                         |   | (16)  |                 |
| Dividends from surplus  |                      |                       |                       |                         |                         |                         |   |   |                 |
| Profit  |                      |                       |                       |                         |                         |                         |   |   |                 |
| Purchase of treasury shares   |                      |                       |                       |                         |                         |                         |   |   |                 |
| Disposal of treasury shares   |                      |                       | 62                    | 62                      |                         |                         |   |   |                 |
| Net changes of items other than shareholders' equity                                    |                      |                       |                       |                         |                         |                         |   |   |                 |
| Total changes of items during the period  | —                    | —                     | 62                    | 62                      | —                       | —                       | (36)  | (16)  | —               |
| Balance at the end of current period  | 17,117               | 9,500                 | 268                   | 9,768                   | 4,379                   | 2,000                   | 2,160   | —   | 170,770         |

|   | Shareholders' equity              |                         |                 |                            | Valuation and translation adjustment                  |  | Subscription rights to shares | Total net assets |
|---|-----------------------------------|-------------------------|-----------------|----------------------------|---|--|-------------------------------|------------------|
|   | Retained earnings                 |                         | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustment |                               |                  |
|   | Other retained earnings           | Total retained earnings |                 |                            |   |  |                               |                  |
|   | Retained earnings brought forward |                         |                 |                            |   |  |                               |                  |
| Balance at the beginning of current period  | 35,048                            | 214,412                 | (2,281)         | 238,953                    | 40,481  | 40,481                                     | 147                           | 279,581          |
| Changes of items during the period  |                                   |                         |                 |                            |   |  |                               |                  |
| Reversal of reserve for advanced depreciation of non-current assets                     | 36                                | —                       |                 | —                          |   |  |                               | —                |
| Reversal of reserve for special account for advanced depreciation of non-current assets | 16                                | —                       |                 | —                          |   |  |                               | —                |
| Dividends from surplus  | (7,546)                           | (7,546)                 |                 | (7,546)                    |   |  |                               | (7,546)          |
| Profit  | 14,608                            | 14,608                  |                 | 14,608                     |   |  |                               | 14,608           |
| Purchase of treasury shares   |                                   |                         | (2)             | (2)                        |   |  |                               | (2)              |
| Disposal of treasury shares   |                                   |                         | 265             | 327                        |   |  |                               | 327              |
| Net changes of items other than shareholders' equity                                    |                                   |                         |                 |                            | 8,462   | 8,462                                      | 28                            | 8,491            |
| Total changes of items during the period  | 7,116                             | 7,062                   | 263             | 7,388                      | 8,462   | 8,462                                      | 28                            | 15,880           |
| Balance at the end of current period  | 42,164                            | 221,475                 | (2,018)         | 246,342                    | 48,943  | 48,943                                     | 175                           | 295,461          |

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

|  | Shareholders' equity |                       |                       |                         |                         |                         |   |                 |
|--|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|---|-----------------|
|  | Capital stock        | Capital surplus       |                       |                         | Legal retained earnings | Retained earnings       |   |                 |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surpluses |                         | Other retained earnings |   |                 |
|  |                      |                       |                       |                         |                         | Reserve for dividends   | Reserve for advanced depreciation of non-current assets | General reserve |
| Balance at the beginning of current period                           | 17,117               | 9,500                 | 268                   | 9,768                   | 4,379                   | 2,000                   | 2,160   | 170,770         |
| Changes of items during the period                                   |                      |                       |                       |                         |                         |                         |   |                 |
| Provision of reserve for advanced depreciation of non-current assets |                      |                       |                       |                         |                         |                         | 436   |                 |
| Reversal of reserve for advanced depreciation of non-current assets  |                      |                       |                       |                         |                         |                         | (34)  |                 |
| Dividends from surplus   |                      |                       |                       |                         |                         |                         |   |                 |
| Profit   |                      |                       |                       |                         |                         |                         |   |                 |
| Purchase of treasury shares  |                      |                       |                       |                         |                         |                         |   |                 |
| Disposal of treasury shares  |                      |                       | (3)                   | (3)                     |                         |                         |   |                 |
| Net changes of items other than shareholders' equity                 |                      |                       |                       |                         |                         |                         |   |                 |
| Total changes of items during the period                             | —                    | —                     | (3)                   | (3)                     | —                       | —                       | 401   | —               |
| Balance at the end of current period                                 | 17,117               | 9,500                 | 264                   | 9,764                   | 4,379                   | 2,000                   | 2,562   | 170,770         |

|  | Shareholders' equity              |                         |                 |                            | Valuation and translation adjustment                  |                                    |  | Subscription rights to shares | Total net assets |
|--|-----------------------------------|-------------------------|-----------------|----------------------------|---|------------------------------------|--|-------------------------------|------------------|
|  | Retained earnings                 |                         | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustment |                               |                  |
|  | Other retained earnings           | Total retained earnings |                 |                            |   |                                    |  |                               |                  |
|  | Retained earnings brought forward |                         |                 |                            |   |                                    |  |                               |                  |
| Balance at the beginning of current period                           | 42,164                            | 221,475                 | (2,018)         | 246,342                    | 48,943  | —                                  | 48,943                                     | 175                           | 295,461          |
| Changes of items during the period                                   |                                   |                         |                 |                            |   |                                    |  |                               |                  |
| Provision of reserve for advanced depreciation of non-current assets | (436)                             | —                       |                 | —                          |   |                                    |  |                               | —                |
| Reversal of reserve for advanced depreciation of non-current assets  | 34                                | —                       |                 | —                          |   |                                    |  |                               | —                |
| Dividends from surplus   | (8,088)                           | (8,088)                 |                 | (8,088)                    |   |                                    |  |                               | (8,088)          |
| Profit   | 19,557                            | 19,557                  |                 | 19,557                     |   |                                    |  |                               | 19,557           |
| Purchase of treasury shares  |                                   |                         | (10,164)        | (10,164)                   |   |                                    |  |                               | (10,164)         |
| Disposal of treasury shares  |                                   |                         | 495             | 491                        |   |                                    |  |                               | 491              |
| Net changes of items other than shareholders' equity                 |                                   |                         |                 |                            | 2,419   | (96)                               | 2,323                                      | 13                            | 2,336            |
| Total changes of items during the period                             | 11,066                            | 11,468                  | (9,669)         | 1,795                      | 2,419   | (96)                               | 2,323                                      | 13                            | 4,131            |
| Balance at the end of current period                                 | 53,231                            | 232,943                 | (11,688)        | 248,137                    | 51,363  | (96)                               | 51,266                                     | 189                           | 299,593          |

## [Notes to the Non-consolidated Financial Statements]

### [Significant Accounting Policies]

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

- (1) Held-to-maturity debt securities are stated at amortized cost.
- (2) Equity in subsidiaries and affiliates is stated at cost, with cost being determined by the moving average method.
- (3) 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 and amortization methods for non-current assets

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

- (2) Amortization on intangible assets (excluding lease assets) is computed by the straight-line method.

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

- (3) Lease assets

Lease 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

- (1) Allowance for doubtful accounts

The Company provides for possible credit losses stemming from monetary claims and other receivables. Estimates of irrecoverable amounts are determined by considering historical loan-loss ratios for general receivables and on a consideration of recoverable amounts on a case-by-case basis in instances of suspected bad debt or other dubious accounts.

- (2) Provision for directors' bonuses

Provision is made for directors' bonuses based on the estimated amounts of payment at the end of the fiscal year.

- (3) Provision for retirement benefits

The Company provides for employees and already retired pension recipients based on the estimated amounts of projected benefit obligation and the market value of the pension plan assets at the fiscal year-end.

- a. Imputation method for retirement benefit estimates

In calculating retirement benefit liability, the method for imputing the applicable period until the end of the fiscal year under review for the estimated retirement benefit is determined by the benefit calculation standard.

- b. 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.

In the event that the amount of pension assets as of March 31, 2018 exceeds retirement benefit liabilities after deduction of actuarial differences, this amount will be included in "Other" under "Investments and other assets" as a prepaid pension cost.



## 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 derivative financial instruments only for the aforementioned transactions purely to manage fluctuations in foreign currency exchange rates.

(4) Hedging evaluation

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

## 6. Accounting treatment of retirement benefits

The accounting method for unrecognized actuarial losses related to retirement benefits and unsettled unrecognized prior service cost differs from the accounting method applied to these items in the consolidated financial statements.

## 7. Accounting treatment of consumption tax

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

### **[Changes in Presentation Methods]**

(Non-consolidated Statements of Income)

"Commission for purchase of treasury shares" and "Commitment fee," posted in "Other" under "Non-operating expenses" in the previous fiscal year, have been listed as separate line items from the fiscal year under review due to their material importance. The non-consolidated financial statements for the previous fiscal year have been configured to reflect this change in presentation method.

As a result, ¥16 million posted for "Other" under "Non-operating expenses" in the Non-consolidated Statements of Income for the previous fiscal year has been configured into "Commission for purchase of treasury shares" of ¥0 million, "Commitment fee" of ¥8 million and "Other" of ¥7 million.

### **[Additional information]**

(Stock-based remuneration plan)

The same information can be found under "Notes to the Consolidated Financial Statements (Additional information)," and is thus omitted here.

**[Non-consolidated Balance Sheets]**

## 1. Monetary claims and obligations to affiliates

|                        | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|------------------------|---|---|
| Short-term claims      | ¥543 million  | ¥521 million  |
| Short-term obligations | ¥6,291 million                                      | ¥6,866 million                                      |

**[Non-consolidated Statements of Income]**

## 1. Transaction balance with affiliates

|   | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|---|--|--|
| Transaction balance from operating transactions     |  |  |
| Operating revenue                                   | ¥25,147 million  | ¥29,981 million  |
| Operating expenses                                  | ¥817 million   | ¥789 million   |
| Transaction balance from non-operating transactions | ¥427 million   | ¥440 million   |

## 2. Major components of operating expenses are as follows.

All of the operating expenses are categorized as general and administrative expenses.

|                               | Year ended March 31, 2017<br>(April 1, 2016 to March 31, 2017) | Year ended March 31, 2018<br>(April 1, 2017 to March 31, 2018) |
|-------------------------------|--|--|
| Salaries                      | ¥1,788 million   | ¥1,904 million   |
| Bonuses and allowance         | ¥1,496 million   | ¥1,554 million   |
| Retirement benefit expenses   | ¥162 million   | ¥117 million   |
| Research study expenses       | ¥2,147 million   | ¥2,391 million   |
| Advertising expenses          | ¥1,903 million   | ¥2,015 million   |
| Depreciation and amortization | ¥677 million   | ¥688 million   |
| Other                         | ¥4,396 million   | ¥4,632 million   |

## [Securities]

### Equity securities in subsidiaries and affiliates

Year ended March 31, 2017 (As of March 31, 2017)

(Millions of yen)

| Type                              | Carrying value | Fair value | Unrealized gains (losses) |
|-----------------------------------|----------------|------------|---------------------------|
| Equity securities in subsidiaries | —              | —          | —                         |
| Equity securities in affiliates   | 200            | 217        | 16                        |
| Total                             | 200            | 217        | 16                        |

Year ended March 31, 2018 (As of March 31, 2018)

(Millions of yen)

| Type                              | Carrying value | Fair value | Unrealized gains (losses) |
|-----------------------------------|----------------|------------|---------------------------|
| Equity securities in subsidiaries | —              | —          | —                         |
| Equity securities in affiliates   | 200            | 222        | 21                        |
| Total                             | 200            | 222        | 21                        |

Note: Carrying value of equity securities in subsidiaries and affiliates for which the fair value is not readily determinable

(Millions of yen)

| Type                              | Year ended March 31, 2017<br>(As of March 31, 2017) | Year ended March 31, 2018<br>(As of March 31, 2018) |
|-----------------------------------|---|---|
| Equity securities in subsidiaries | 119,841   | 121,878   |
| Equity securities in affiliates   | 9,728   | 9,728   |

These equity securities are not included in "Equity securities in subsidiaries and affiliates" above because they do not have market price and considerable cost would be required to estimate their future cash flows; therefore, their fair value is regarded to be not readily determinable.

**[Tax Effect Accounting]**

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

|   | Year ended<br>March 31, 2017<br>(As of March 31, 2017) | Year ended<br>March 31, 2018<br>(As of March 31, 2018) |
|---|--|--|
| (Millions of yen)   |  |  |
| Deferred tax assets:  |  |  |
| Provision for retirement benefits                           | 1,096  | 1,040  |
| Investment securities, etc.                                 | 531  | 482  |
| Provision for bonuses                                       | 161  | 161  |
| Other   | 359  | 372  |
| Gross deferred tax assets                                   | 2,148  | 2,056  |
| Amount offset by deferred tax liabilities                   | (1,122)  | (1,045)  |
| Net deferred tax assets                                     | 1,026  | 1,010  |
| Valuation allowance   | (629)  | (601)  |
| Deferred tax assets, net                                    | 396  | 409  |
| Deferred tax liabilities:                                   |  |  |
| Valuation difference on available-for-sale securities       | (21,088)   | (22,207)   |
| Reserve for advanced depreciation of non-current assets     | (952)  | (1,129)  |
| Securities returned from employee retirement benefits trust | (964)  | (964)  |
| Gross deferred tax liabilities                              | (23,005)   | (24,302)   |
| Amount offset by deferred tax assets                        | 1,122  | 1,045  |
| Deferred tax liabilities, net                               | (21,883)   | (23,256)   |

2. The reconciliation between the statutory effective tax rate and the actual effective tax rate when there is a major difference between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is as follows.

|   | Year ended<br>March 31, 2017<br>(As of March 31, 2017) | Year ended<br>March 31, 2018<br>(As of March 31, 2018) |
|---|--|--|
| Statutory effective tax rate  | 30.8%  | 30.8%  |
| (Adjustments)   |  |  |
| Dividend income and other items excluded from gross revenue         | (29.7)%  | (29.4)%  |
| Entertainment expenses and other items not qualifying for deduction | 0.6%   | 1.0%   |
| Valuation allowance   | (1.5)%   | (0.1)%   |
| Other   | 0.1%   | (0.1)%   |
| Actual effective tax rate after adoption of tax effect accounting   | 0.3%   | 2.2%   |

**[Material Subsequent Events]**

There are no applicable matters to be reported.

#### (4) Supplementary Data

[Property, plant and equipment]

(Millions of yen)

| Category                      | Asset type                    | Balance at the beginning of the year | Increase during the year | Decrease during the year | Depreciation and amortization during the year | Balance at the end of the year | Accumulated depreciation and amortization at the end of the year |
|-------------------------------|-------------------------------|--------------------------------------|--------------------------|--------------------------|---|--------------------------------|--|
| Property, plant and equipment | Buildings                     | 6,202                                | 285                      | 20                       | 327   | 6,140                          | 12,439   |
|                               | Structures                    | 511                                  | 3                        | 0                        | 51  | 463                            | 1,222  |
|                               | Machinery and equipment       | 532                                  | 215                      | 19                       | 130   | 598                            | 1,466  |
|                               | Vehicles                      | 3                                    | 17                       | 2                        | 0   | 16                             | 5  |
|                               | Tools, furniture and fixtures | 427                                  | 195                      | 7                        | 190   | 425                            | 2,585  |
|                               | Land                          | 15,227                               | 1,003                    | 17                       | —   | 16,213                         | —  |
|                               | Lease assets                  | 554                                  | 40                       | —                        | 217   | 377                            | 721  |
|                               | Construction in progress      | 89                                   | 1,745                    | 1,799                    | —   | 35                             | —  |
|                               | Total                         | 23,549                               | 3,507                    | 1,868                    | 918   | 24,269                         | 18,441   |
| Intangible assets             | Leasehold rights              | 143                                  | —                        | 50                       | —   | 93                             | —  |
|                               | Software                      | 92                                   | 78                       | —                        | 37  | 133                            | —  |
|                               | Lease assets                  | 108                                  | —                        | —                        | 40  | 68                             | —  |
|                               | Other                         | 59                                   | —                        | 0                        | 0   | 58                             | —  |
|                               | Total                         | 404                                  | 78                       | 50                       | 77  | 354                            | —  |

Note:

Depreciation and amortization expenses of ¥308 million related to the Research Center for Basic Science Research and Development, QE Center and Research Center for Production and Technology are included in research study expenses.

[Other reserves]

(Millions of yen)

| Category                         | Balance at the beginning of the year | Increase during the year | Decrease during the year | Balance at the end of the year |
|----------------------------------|--------------------------------------|--------------------------|--------------------------|--------------------------------|
| Allowance for doubtful accounts  | 25                                   | —                        | —                        | 25                             |
| Provision for directors' bonuses | 87                                   | 75                       | 87                       | 75                             |

**2. [Major assets and liabilities]**

Consolidated financial statements have been prepared, thus major assets and liabilities are omitted here.

**3. Others**

There are no applicable matters to be reported.

## [6] Stock-related Administration

|  |  |                                      |        |  |        |   |        |  |        |  |        |
|--|--|--------------------------------------|--------|--|--------|---|--------|--|--------|--|--------|
| Fiscal year  | From April 1 to March 31   |                                      |        |  |        |   |        |  |        |  |        |
| Ordinary General Meeting of Shareholders           | June   |                                      |        |  |        |   |        |  |        |  |        |
| Record date (final dividend)                       | March 31   |                                      |        |  |        |   |        |  |        |  |        |
| Record date (interim dividend)                     | September 30<br>March 31   |                                      |        |  |        |   |        |  |        |  |        |
| Minimum trading unit (MTU)                         | 100 shares   |                                      |        |  |        |   |        |  |        |  |        |
| Purchase and sale of sub-MTU share holdings        |  |                                      |        |  |        |   |        |  |        |  |        |
| Handling office (main)                             | (Special account)<br>Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo JAPAN  |                                      |        |  |        |   |        |  |        |  |        |
| Custodian of shareholder register                  | (Special account)<br>Sumitomo Mitsui Trust Bank, Limited<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo JAPAN   |                                      |        |  |        |   |        |  |        |  |        |
| Handling locations                                 | —  |                                      |        |  |        |   |        |  |        |  |        |
| Share purchase/sale commissions                    | Commission rates for purchase or sale of sub-MTU shares vary depending on the value per MTU (see below).<br><br><table style="margin-left: 40px; border: none;"> <tr> <td>For MTU values of ¥1,000,000 or less</td> <td style="text-align: right;">1.150%</td> </tr> <tr> <td>For MTU values above ¥1,000,000 up to ¥5,000,000</td> <td style="text-align: right;">0.900%</td> </tr> <tr> <td>For MTU values above ¥5,000,000 up to ¥10,000,000</td> <td style="text-align: right;">0.700%</td> </tr> <tr> <td>For MTU values above ¥10,000,000 up to ¥30,000,000</td> <td style="text-align: right;">0.575%</td> </tr> <tr> <td>For MTU values above ¥30,000,000 up to ¥50,000,000</td> <td style="text-align: right;">0.375%</td> </tr> </table><br>(Commissions are rounded down to the nearest ¥1).<br><br>The minimum value per MTU is set at ¥2,500. | For MTU values of ¥1,000,000 or less | 1.150% | For MTU values above ¥1,000,000 up to ¥5,000,000 | 0.900% | For MTU values above ¥5,000,000 up to ¥10,000,000 | 0.700% | For MTU values above ¥10,000,000 up to ¥30,000,000 | 0.575% | For MTU values above ¥30,000,000 up to ¥50,000,000 | 0.375% |
| For MTU values of ¥1,000,000 or less               | 1.150%   |                                      |        |  |        |   |        |  |        |  |        |
| For MTU values above ¥1,000,000 up to ¥5,000,000   | 0.900%   |                                      |        |  |        |   |        |  |        |  |        |
| For MTU values above ¥5,000,000 up to ¥10,000,000  | 0.700%   |                                      |        |  |        |   |        |  |        |  |        |
| For MTU values above ¥10,000,000 up to ¥30,000,000 | 0.575%   |                                      |        |  |        |   |        |  |        |  |        |
| For MTU values above ¥30,000,000 up to ¥50,000,000 | 0.375%   |                                      |        |  |        |   |        |  |        |  |        |
| Method of public notice                            | Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nikkei newspaper.<br>The electronic public notice is presented on the Company's Web site at <a href="https://www.nisshin.com">https://www.nisshin.com</a> .   |                                      |        |  |        |   |        |  |        |  |        |
| Shareholder privileges                             | All shareholders of record as of March 31 with holdings of at least 500 shares are entitled to receive complimentary supplies of Nisshin Seifun Group products.  |                                      |        |  |        |   |        |  |        |  |        |

Note:

According to the Company's Articles of Incorporation, sub-MTU shareholders do not have any rights except for those listed in Article 189, Paragraph 2 of the Companies Act, the right of claim, the right to be allotted the shares and/or subscription rights to shares offered according to the number of shares held and the right to ask for sale of sub-MTU shares (top-up purchase) as stipulated in Article 166, Paragraph 1 of the Companies Act.

## [7] Corporate Reference Data

### (1) Information on the Parent Company of Nisshin Seifun Group Inc.

Nisshin Seifun Group Inc. has no parent company as stipulated in Article 24-7, Paragraph 1, of the Financial Instruments and Exchange Act.

### (2) Other Reference Data

The following publications were issued by the Company (in Japanese) between the start of the fiscal year under review and the submittal of the Japanese version of this Securities Report.

|  |  |   |   |
|--|--|---|---|
| (1) Securities Report (including supplementary documentation) and Confirmation Letters                       | For the 173rd fiscal term  | Covering the period: April 1, 2016 to March 31, 2017      | Submitted to Director, Kanto Local Finance Bureau: June 28, 2017  |
| (2) Amendment to Securities Report and Confirmation Letters  | For the 173rd fiscal term  | Covering the period: April 1, 2016 to March 31, 2017      | Submitted to Director, Kanto Local Finance Bureau: January 23, 2018   |
| (3) Internal Control Report (including supplementary documentation)  |  |   | Submitted to Director, Kanto Local Finance Bureau: June 28, 2017  |
| (4) Quarterly Reports and Confirmation Letters   | For the first quarter of the 174th fiscal term   | Covering the period: April 1, 2017 to June 30, 2017       | Submitted to Director, Kanto Local Finance Bureau: August 10, 2017  |
|  | For the second quarter of the 174th fiscal term  | Covering the period: July 1, 2017 to September 30, 2017   | Submitted to Director, Kanto Local Finance Bureau: November 14, 2017  |
|  | For the third quarter of the 174th fiscal term   | Covering the period: October 1, 2017 to December 31, 2017 | Submitted to Director, Kanto Local Finance Bureau: February 8, 2018   |
| (5) Shelf Registration Statement (share certificates, debenture bonds, etc.) and supplementary documentation |  |   | Submitted to Director, Kanto Local Finance Bureau: June 28, 2017  |
| (6) Amendments to Shelf Registration Statement   |  |   | Submitted to Director, Kanto Local Finance Bureau: June 29, 2017<br>January 23, 2018  |
| (7) Extraordinary Report   | According to the provision of Article 19, Paragraph 2, Item 9-2, "Outcome of the Exercise of Voting Rights at General Meetings of Shareholders" of the Cabinet Office Regulations, regarding the disclosure of corporate information |   | Submitted to Director, Kanto Local Finance Bureau: June 29, 2017  |
| (8) Treasury Shares Purchasing Report  |  |   | Submitted to Director, Kanto Local Finance Bureau: July 5, 2017<br>August 3, 2017<br>September 5, 2017<br>October 4, 2017<br>November 6, 2017<br>December 5, 2017 |



***Part B: Information on Corporate Guarantor for Nisshin Seifun Group Inc.***

There are no applicable matters to be reported.