

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

Subscription Rights to Shares

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

Basic Policies Regarding Control of the Corporation

Consolidated Statement of Changes in Net Assets

Notes to the Consolidated Financial Statements

Non-consolidated Statement of Changes in Net Assets

Notes to the Non-consolidated Financial Statements

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

**Nisshin Seifun Group Inc.**

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

## Subscription Rights to Shares

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

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

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

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

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

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

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

There are no applicable matters to be reported.

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

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

- [1] Systems for ensuring the compliance of the performance of duties of Directors and employees of the Company and its subsidiaries with laws and the Articles of Incorporation
- 1) The Nisshin Seifun Group has formulated the

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

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

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

(Status of operation)

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

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

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

(Status of operation)

- 1) The Nisshin Seifun Group is working to build a foundation for further growth, in order to achieve the goals set forth in its long-term vision, “NNI ‘Compass for the Future’—Toward a New Stage—Maximizing Group-wide Capabilities and Effecting Business Model Change.”

- 2) Each Group company formulates its profit plans for the fiscal year in line with its business strategies, with implementation thereof by its operating divisions based on the monthly business performance data.

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

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

(Status of operation)

- 1) For important issues concerning the business operations of subsidiaries, the Nisshin Seifun Group refers issues to be discussed by or reported to the Board of Directors of the Company in accordance with the "Matters to be Resolved by and Reported to the Board of Directors" as well as the "Standards for Issues Concerning Subsidiaries to be Discussed by and Reported to the Board of Directors."
- 2) With respect to the internal controls for the purpose of ensuring the reliability of financial reporting,

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

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

### [1] Basic policies

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

In order to properly manage the above issues, we believe that it is necessary to ensure advance and sufficient disclosure of information concerning the content of any management policies and business plans planned by a



(including similar acts as specified by the Board of Directors), or ii) an act of commencing a tender offer on the Company's share certificates, etc., that would result in the ratio of possessions reaching or exceeding 20% of the Company's share certificates, etc. An "Acquisition Proposal" means a written proposal that contains information reasonably requested by the Company, including the Company's

the Board of Directors shall

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

## Consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2021)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at the beginning of current period	17,117	12,638	332,342	(11,172)	350,926
Changes of items during the period					
Dividends from surplus			(10,111)		(10,111)
Purchase of treasury shares			19,011		19,011
				(133)	(133)

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	56,970	(53)	(11,689)	(1,158)	44,069	137	13,908	409,042
Changes of items during the period								
Dividends from surplus								(10,111)
Profit attributable to owners of parent								19,011
Purchase of treasury shares								(133)
Disposal of subsidiaries								

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[3] Leased assets:  
Leased

**II.**





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

In terms of operating liabilities in the form of notes and accounts payable –

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

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

## VII. Notes to Per Share Information

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

2. Earnings per share ¥63.95 (Note 2)

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

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

The Company shares remaining in the Trust are recorded at book value in the Trust (excluding the amount

**Non-consolidated Statement of Changes in Net Assets**

(For the Fiscal Year Ended March 31, 2021)

(Millions of yen)

	Shareholders' equity
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Capital stock



## **Notes to the Non-consolidated Financial Statements**

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

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

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

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

Other securities:

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

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

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

Derivative financial instruments are stated at fair market value.

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

Property, plant and equipment (excluding leased assets):

Depreciation on property, plant and equipment (excluding leased assets) is computed by the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acqiey

## 5. Hedging transactions

(1) Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any monetary claims, obligations or similar items denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.

(2) Hedging methods: Derivative transactions  
(including forward exchange contracts and currency purchase put/call options)

Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies.

(3) The Company employs hedging methods only for hedged items purely to manage fluctuations in foreign currency exchange rates.

(4) Hedging evaluation

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

## 6. Other significant matters regarding basis of presentation of non-consolidated financial statements

(1) Accounting treatment of



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

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

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

Common stock 6,901,857 shares

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

#### **VII. Notes to Tax Effect Accounting**

The Principal components of deferred tax.

Category	Name of Company, etc.	Percentage of Voting Rights, etc.	Transactions with Related Party	Nature of Transactions	Transaction Value (Note 1)	Item	Year-end Balance
Subsidiaries	Oriental Yeast Co., Ltd.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt				

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