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Subscription Rights to Shares

[1] Status of subscription rights to shares as of March 31, 2023

	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
14-1st subscription rights to shares (Granted on August 15, 2016)	74	Common Stock 74,000 shares (1,000 shares per subscription right to shares)	Without charge	Directors of the Company	¥1,753,000 per subscription right to shares	August 16, 2018 – August 1, 2023
14-2nd subscription rights to shares (Granted on August 15, 2016)	127	Common Stock 127,000 shares (1,000 shares per subscription right to shares)	Without charge	Executive Officers of the Company and some Directors of its consolidated subsidiaries	¥1,753,000 per subscription right to shares	August 16, 2018 – August 1, 2023

Conditions for exercise of the above subscription rights to shares:

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

[2] Subscription rights to shares granted as remuneration

Independent Auditor

[1] Name of the Independent Auditor: Deloitte Touche Tohmatsu LLC

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

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

- [1] Systems for ensuring the compliance of the performance of duties of Directors and employees of the Company and its subsidiaries with laws and the Articles of Incorporation
- 1) The Nisshin Seifun Group has formulated the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines.” The Presidents and Directors of the Company and its subsidiaries must recognize their duty to comply with the Corporate Code of Conduct and Employee Action Guidelines and take the lead in following the rules and publicizing them to the people concerned. The Presidents and Directors must also endeavor to understand internal and external opinions at all times and adjust their internal systems accordingly to enhance their effectiveness, while promoting corporate ethics throughout their companies.
 - 2) The Audit & Supervisory Committee of the Company and Audit & Supervisory Board Members of its subsidiaries audit the performance of duties by each Director, and oversee Directors to verify whether they construct and operate the internal control systems in an appropriate manner.
 - 3) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee of the Company, leads efforts to enhance and operate the internal control systems of the Nisshin Seifun Group. As an independent organization, the Internal Audit Department evaluates the internal control systems of the Nisshin Seifun Group and performs internal audits of the Group’s business operations.
 - 4) The Social Committee of the Company addresses all the Nisshin Seifun Group’s corporate social responsibility (CSR) issues by discussing a comprehensive range of CSR issues, including corporate ethics and compliance, promoting practical CSR measures at the Group and ensuring awareness of compliance with laws, the Articles of Incorporation and social norms.
 - 5) The Nisshin Seifun Group shall not bow to unreasonable demands of antisocial forces that threaten the order and safety of civil society and takes organized countermeasures in collaboration with external specialized institutions.
 - 6) The Company operates and maintains the Compliance Hotline System, which was established as a measure for the Nisshin Seifun Group employees, etc., to directly report any acts of non-compliance so that such acts can be detected early and dealt with.
- (Status of operation)
- 1) The Nisshin Seifun Group has introduced the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” in the Group companies including overseas subsidiaries and affiliates as the Group’s common basis for discipline, whereby striving to ensure awareness of these guidelines.
 - 2) The Company is promoting awareness among employees of the “Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines” along with the Compliance Hotline System through human resources training programs.
 - 3) The Internal Audit Department of the Company is conducting the internal control evaluation and internal audit at each Group company and verifying the level of awareness and the status of compliance with the internal rules.
 - 4) The Company held two meetings of the Social Committee during the fiscal year ended March 31, 2023 to discuss a comprehensive range of CSR issues, including compliance, thereby promoting the Nisshin Seifun Group’s CSR measures.
 - 5) The Company also organizes the Normative Ethics Committee, whereby ensuring that no illegal payment is made to antisocial forces and examining the appropriateness of donations.
- [2] Rules and systems for managing the danger of loss to the Company and its subsidiaries
- 1) For issues concerning business operations at the Nisshin Seifun Group, approval and reporting procedures must be determined according to their level of importance, impact, etc., and evaluation of such issues, including risk assessment thereof, are made in advance.
 - 2) In line with the Nisshin Seifun Group Risk Management Rules, the Nisshin Seifun Group conducts the risk evaluation and reviews measures against risks, and the Company’s Risk Management Committee supervises the overall risk management efforts of the Nisshin Seifun Group by confirming and providing guidance to ensure that its subsidiaries have appropriate control over the risks that are evaluated by themselves, and that no risks are ignored.

3) In line with the Nisshin Seifun Group Crisis Control Rules, employees, etc., must report any emergence

- 5) Audit & Supervisory Committee Members of the Company and Audit & Supervisory Board Members of subsidiaries hold regular meetings of the Audit & Supervisory Liaison Committee of the Nisshin Seifun Group to exchange opinions on audit cases and share issues to be addressed.
- 6) The Company provides special audits, such as of facilities, safety, environment and quality assurance, for the Nisshin Seifun Group.
- 7) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee of the Company, leads efforts to enhance and operate the internal control systems of the Nisshin Seifun Group. As an independent organization, the Internal Audit Department evaluates the internal control systems of the Nisshin Seifun Group and performs internal audits of the Group's business operations.
- 8) Each subsidiary of the Nisshin Seifun Group establishes its own Internal Control Committee, headed by the president, which leads efforts to enhance and operate its internal control systems.

(Status of operation)

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

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

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

(Status of operation)

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

- [6] Provisions concerning the employees who assist the Company's Audit & Supervisory Committee in

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

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

(Status of operation)

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

Consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2023)

(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	12,622	347,165	(10,960)	365,946
Changes of items during the period					
Dividends from surplus			(11,603)		(11,603)
Loss attributable to owners of parent			(10,381)		(10,381)
Purchase of treasury shares				(190)	(190)
Disposal of treasury shares		1		161	162
Change in ownership interest of parent due to transactions with non-controlling interests		104			104
Net changes of items other than shareholders' equity					
Total changes of items during the period		105	(21,984)	(29)	(21,908)
Balance at the end of current period	17,117	12,728	325,181	(10,989)	344,037

(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	60,585	445	23,059	(862)	83,227	95	11,373	460,643
Changes of items during the period								
Dividends from surplus								(11,603)
Loss attributable to owners of parent								(10,381)
Purchase of treasury shares								(190)

Notes to the Consolidated Financial Statements

I. Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries: 68 companies

- Names of principal subsidiaries: Nisshin Flour Milling Inc., Kumamoto Flour Milling Co., Ltd., Miller

- (2) Depreciation methods for material depreciable assets
- [1] Property, plant and equipment (excluding leased assets and right-of-use assets):
The Company and domestic consolidated subsidiaries mainly apply the declining balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016.
Foreign consolidated subsidiaries mainly apply the straight-line method.
- [2] Intangible assets (excluding leased assets):
Depreciation is computed by the straight-line method. Software used in-house is depreciated over its estimated useful life (within 5 years) based on the straight-line method.
- [3] Leased assets:
Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.
- [4] Right-of-use assets:
Right-of-use assets are depreciated using the straight-line method with zero residual values.
- (3) Basis of material allowances
- [1] Allowance for doubtful accounts:
The Company and domestic consolidated subsidiaries provide for possible credit losses stemming from monetary receivables. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific dubious accounts. Specific receivables are generally deemed irrecoverable in the case of foreign consolidated subsidiaries.
- [2] Provision for repairs:
To prepare for expenditure associated with the periodic repair of plant facilities, certain consolidated subsidiaries provide for a portion of the total projected expenditure to be incurred until the end of the consolidated fiscal year ended March 31, 2023.
- (4) Basis of revenues and expenses
- The Group is mainly engaged in the flour milling, processed food, and prepared dishes and other prepared foods businesses.
- [1] Flour Milling Segment

- [1] Imputation method for retirement benefit estimates
In calculating projected benefit obligation, the method for imputing the applicable period until the end of the consolidated fiscal year ended March 31, 2023 for the estimated retirement benefit is determined by the benefit calculation standard.
- [2] Treatment method for actuarial differences and expenses related to prior service cost
Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the fiscal year-end.
Actuarial differences are amortized on a straight-line basis from the following consolidated fiscal year over a period equaling the average remaining service period of employees (mainly 15 years) expected to receive pension benefits as of the consolidated fiscal year-end.
- (6) Significant hedging transactions
- [1] Hedging transactions are accounted for on a deferred basis. However, the contracted exchange rates are applied in the case of any monetary claims, obligations or similar items denominated in foreign currencies with assigned foreign currency forwards or other hedging instruments.
- [2] Hedging methods: Derivative transactions
(including forward exchange contracts and currency purchase put/call options)
Hedged items: Any monetary receivables and payables and planned trading transactions that are denominated in foreign currencies.
- [3] The Group employs hedging methods only for hedged items purely to manage fluctuations in foreign currency exchange rates.
- [4] Hedging evaluation
Since hedging methods and hedged items of each hedging transaction share the same conditions that apply at the start of hedging activities and throughout subsequent periods, the Group's hedging approach enables exchange rate fluctuations to be offset completely. Hence, the Group considers its hedging method to be highly effective.

or liabilities, and in cases where such acquisition cost exceeds the net amount allocated to assets or liabilities, such excess amount is recorded as goodwill under assets. Goodwill and intangible assets other than goodwill are amortized on a regular basis, over the period during which they remain effective, and the unamortized balance is subject to impairment measures.

If there are signs of impairment, the Group evaluates whether impairment losses are recognized by the comparison between the total amount of future cash flows before discounting gained from assets or asset group and the book value. If the total amount of future cash flows before discounting falls below the book value, the Group determines that the recognition of impairment losses is necessary and the book value of the assets or asset group is reduced to the recoverable value. The recoverable value shall be the higher of use value or net sale value.

As stated in Impairment losses, V. Notes to the Consolidated Statements of Income, during the consolidated fiscal year ended March 31, 2023, the Group posted impairment losses for goodwill and intangible assets other than goodwill identified when the Group acquired 100% of shares of PFG Topco1 Pty Ltd., the parent company of Allied Pinnacle Pty Ltd, a flour milling company in Australia, on April 1, 2019.

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

IV. Notes to the Consolidated Balance Sheet

1.

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

2. Market value of financial instruments

The book value, market value and difference between each for major consolidated balance sheet items as of March 31, 2023 (the consolidated balance sheet date) are presented as follows. Shares, etc. with no market value (book value: ¥23,282 million) are not included in Other securities. Additionally, given the short settlement period of cash and deposits, notes and accounts receivable – trade and contract assets, notes and accounts payable – trade, and short-term loans payable, the market value and book value are almost the same, and therefore, notes thereof are omitted.

(Millions of yen)

	Book value (*1)	Market value (*1)	Difference
(1) Investment securities			
Other securities	97,851	97,871	20
Shares of subsidiaries and affiliated companies	3,591	1,186	(2333)
(2) Bonds	(20,000)	(18,541)	(1,458)
(3) Long-term loans payable (*2)	(15,396)	(14,488)	(907)
(4) Derivative transactions (*3)	61	61	

(*1) Liabilities are shown in parentheses.

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

(*3) Net claims and debts resulting from d82.36 5()-5.7(10.5 0 097,)7.(d82.36 .2(nthn1 TD.008rom)13.62nt)4.1()JTJ

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

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares		35		35
Shares of subsidiaries and affiliated companies				
Shares of affiliated companies	1,186			1,186
Total assets	1,186	35		1,221
Bonds		18,541		18,541
Long-term loans payable		14,488		14,488
Total liabilities		33,030		33,030

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

Investment securities

Listed shares are valued using the stock-exchange price, etc. The market values of listed shares are classified into Level 1, as they are traded on active markets.

Equity golf club memberships are classified into Level 2, as they are valued based on the quoted market prices among vendors, etc.

Derivative transactions

Derivative transactions traded at the stock exchanges are valued using the stock-exchange price, etc. Their market values are classified into Level 1, as they are traded on active markets.

Derivative transactions other than the above are classified into Level 2, as they are valued using the price indicated by the transacting financial institution in question, etc.

Bonds and long-term loans payable

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

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

(1) Outline of transactions

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

(2) The Company shares remaining in the Trust

The Company shares remaining in the Trust are recorded at book value in the Trust (excluding the amount of incidental expenses) as treasury shares under net assets. At the end of the consolidated fiscal year ended March 31, 2023, the book value of the corresponding treasury shares was ¥103 million and the number thereof was 64,000 shares.

X. Other Notes

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

2. Note to corporate merger, etc.

(Corporate merger via acquisition)

At a meeting of the Board of Directors on June 23, 2022, the Company’s consolidated subsidiary Nisshin Flour Milling Inc. (Nisshin Flour Milling) reached the decision, pending regulatory approval, to acquire 85% of the shares issued and outstanding of Kumamoto Flour Milling Co., Ltd. (Kumamoto Flour Milling) from Nagasaka Corporation. Following conclusion of the share transfer agreement, the acquisition took place on January 4, 2023.

Building a more robust relationship between Nisshin Flour Milling and Kumamoto Flour Milling going forward will enable them to meet their responsibilities in the supply of wheat flour, contributing to the business development of their respective customers while striving for sustainable growth, stability in business continuity and expansion in corporate value.

[3] Date of merger

January 4, 2023

[4] Legal form of merger

Share acquisition at cash value

[5] Post-merger name

Kumamoto Flour Milling Co., Ltd.

[6] Percentage of voting rights acquired

85%

Non-consolidated Statement of Changes in Net Assets

(For the Fiscal Year Ended March 31, 2023)

(Millions of yen)

	Shareholders' equity	
	Capital surplus	Retained earnings

Capital stock

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	(10,952)	261,394	46,681	46,681	95	308,172
Changes of items during the period						
Reversal of reserve for tax purpose reduction entry of non-current assets						

Notes to the Non-consolidated Financial Statements

I. Significant Accounting Policies

VI. Notes to the Non-consolidated Statement of Changes in Net Assets
Class and number of treasury shares as at the fiscal year-end

VIII. Notes to Related Party Transactions

Subsidiaries, Affiliated Companies, etc.

(Millions of yen)

Category	Name of Company, etc.	Percentage of Voting Rights, etc.	Transactions with Related Party	Nature of Transactions	Transaction Value	Item	Year-end Balance
Subsidiaries	Nisshin Flour Milling Inc.	Direct holding 100.0					

Category	Name of Company, etc.	Percentage of Voting Rights, etc.	Transactions with Related Party	Nature of Transactions	Transaction Value	Item	Year-end Balance
			of officers	(Note 2)			
	Nisshin Engineering Inc.	Direct holding 100.0	Licensing of trademark, etc., Receipt of funds, Leasing of offices, Concurrent serving of officers	Receipt of funds (Note 2) Payment of interests (Note 2)	11,882 0	Deposits received Accrued expenses	124 0
	NBC Meshtec Inc.	Direct holding 100.0	Licensing of trademark, etc., Lending and receipt of funds	Lending of working capital (Note 4) Receipt of interests (Note 4)	5,143 65	Long-term loans receivable from subsidiaries and associates Other under Current assets	5,086 19