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Report of Independent Auditors

The Board of Directors
Nisshin Seifun Group Inc.

We have audited the accompanying consolidated balance sheet of Nisshin Seifun Group Inc. and consolidated subsidiaries as of March 31, 2007 and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan.

Consolidated Balance Sheet

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
As of March 31, 2007

Millions of

**LIABILITIES AND
NET ASSETS**

Millions of
yen Thousands of
U.S. dollars (Note 3)

Current Liabilities:

Notes and accounts payable (Note 5)	\ 28,439	\$ 240,907
Short-term debt (Note 9).....	7,491	63,460
Income taxes payable (Note 16)	3,527	29,882
Accrued expenses	12,910	109,364
Other	14,936	126,523
Total current liabilities	67,304	570,136

Long-term Liabilities:

Long-term debt (Note 9)	1,330	11,273
Deferred tax liabilities (Note 16)	22,270	188,654
Allowance for employees' retirement benefits (Note 10)	9,863	83,554
Allowance for directors' retirement benefits	314	2,663
Allowance for repairs	877	7,432
Guarantee deposits receivTf9848 0 0 6.47021.11 L		

Consolidated Statement of Income

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
For the Year Ended March 31, 2007

	Millions of yen	Thousands of U.S. dollars (Note 3)
Net Sales	\ 418,190	\$ 3,542,486
Cost of Sales (Notes 6, 15)	285,598	2,419,303
Gross profit	132,591	1,123,183
Selling, General and Administrative Expenses (Notes 14, 15)	113,407	960,675
Operating Income	19,184	162,508
Other Income (Expenses):		
Interest income	259	2,196
Interest expense	(181)	(1,540)
Dividend income	1,150	9,743
Equity in earnings of affiliated companies	1,574	13,337
Rent income	377	3,199
Gain on sale of property, plant and equipment	290	2,465
Gain on sale of investment securities	2,047	17,347
Gain on liquidation of affiliated companies	1,415	11,986
Loss on disposal of property, plant and equipment	(971)	(8,231)
Loss on disposal of inventories	(160)	(1,355)
Coenzyme Q ₁₀ related loss	(1,533)	(12,987)
Other, net	591	5,013
Total other income, net	4,860	41,172
Income before Income Taxes and Minority Interests	24,044	203,680
Income Taxes (Note 16):		
Current	7,875	66,710
Deferred	1,494	12,661
Total income taxes	9,369	79,371
Minority Interests	2,371	20,086
Net Income	\ 12,303	\$ 104,223

	Yen	U.S. dollars (Note 3)
Per Share of Common Stock (Note 22):		
Basic net income	\ 48.66	\$ 0.41
Diluted net income	48.63	0.41
Cash dividends applicable to the year	18.00	0.15

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
For the Year Ended March 31, 2007

Balance as of March 31, 2006	\	17,117	\	9,483	\	200,487	\	(3,176)	\	40,835
Changes during the fiscal year:										
Dividends from retained earnings						(2,785)				
Interim dividends from retained earnings						(2,279)				
Directors' bonuses						(175)				
Net income						12,303				
Purchases of treasury stock								(86)		
Disposition of treasury stock				296				251		
Net changes in items other than shareholders' equity										(1,732)
Total changes during the fiscal year		-						3		17,117

Notes to Consolidated Financial Statements

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
For the Year Ended March 31, 2007

1. Summary of Significant Accounting Policies

(b) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (together, the "Group"). The excess of cost over the fair value of net assets acquired with respect to the consolidated subsidiaries and companies accounted for by the equity method (goodwill), or the excess of fair value of net assets acquired over cost (negative goodwill) is amortized over a period of five years or fully credited or charged to income when acquired if the amount is immaterial.

(j) Marketable and Investment Securities

Securities other than those of subsidiaries and affiliates are classified into two categories: held-to-maturity or other securities.

Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost. Marketable securities classified as other securities are reported at fair value with unrealized gains and losses, net of the applicable taxes, reported in a separate component of net assets.

Non-marketable securities classified as other securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(m) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability method is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(o) Derivative Financial Instruments

The Group uses foreign currency forward contracts and currency option contracts as a means of hedging exposure to risks arising from fluctuation in foreign currencies. The Group does not enter into derivatives transactions for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: derivatives are carried at fair value with any changes in unrealized gains or losses charged or

2. Changes in Methods of Accounting

3. U.S. Dollar Amounts

4. Investment Securities

(a) Information regarding marketable securities classified as held-to-maturity securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying Value	Market Value	Unrealized Gains (Losses)	Carrying Value	Market Value	Unrealized Gains (Losses)
Securities whose market value exceeds their carrying value:						
Government and municipal bonds						

6. Inventories

Inventories at March 31, 2007 comprised of the following:

	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods.....	21,428	181,524
Raw materials	18,284	154,888
Other.....		

10. Allowance for Employees' Retirement Benefits

The obligation for employees' retirement benefits at March 31, 2007 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	(49,540)	(419,660)
Fair value of plan assets	41,104	348,195
Unrecognized actuarial loss	1,139	9,653
Unrecognized prior service cost	(2,527)	(21,412)
Prepaid pension cost	39	331
Allowance for employees' retirement benefits	(9,863)	(83,554)

* Certain subsidiaries apply a simplified method to calculate benefit obligations.

The components of retirement benefit costs for the year ended March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	1,648	13,969
Interest cost	1,134	9,613
Expected return on plan assets	(963)	(8,163)
Amortization of actuarial loss	249	2,116
Amortization of prior service cost	(198)	(1,679)
Net retirement benefit costs	1,871	15,855

* Retirement benefit costs incurred by consolidated subsidiaries that apply a simplified method are recorded as service cost.

The assumptions used in the above computations for the year ended March 31, 2007 are set forth as follows:

Discount rate	Principally	2.5%
Expected rate of return on plan assets	Principally	2.5%
Amortization period of actuarial difference	Principally	15 years
Amortization period of prior service cost		15 years

11. Stock Option Plans

	2002 Plan	2003 Plan	2004 Plan	2005 Plan
Grantees	10 directors and 13 operating officers of the Company and 26 directors of consolidated subsidiaries	10 directors and 13 operating officers of the Company and 29 directors of consolidated subsidiaries	10 directors and 12 operating officers of the Company and 25 directors of consolidated subsidiaries	9 directors and 10 operating officers of the Company and 26 directors of consolidated subsidiaries
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	275,000 shares	290,400 shares	269,500 shares	258,500 shares
Grant date	July 23, 2002	July 23, 2003	July 26, 2004	August 17, 2005
Conditions for vesting	Not stated	Not stated	Not stated	Not stated
Service period	Not specified	Not specified	Not specified	Not specified
Exercisable period	July 16, 2004 - July 15, 2009	July 16, 2005 - July 15, 2010	July 17, 2006 - July 16, 2011	July 21, 2007 - July 20, 2012
Non-vested (number of shares)	2002 Plan	2003 Plan	2004 Plan	2005 Plan
Outstanding at beginning of the year	-	-	269,500	258,500
Granted during the year	-	-	-	-
Forfeited				

13. Supplemental Information for Consolidated Statement of Changes in Net Assets
(a) Type and number of outstanding shares

	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Year ended March 31, 2007 Thousands of shares Balance at year end
Issued stock:				
Common stock	256,535	-	-	256,535
Treasury stock:				
Common stock	3,800	70	650	3,220

(b) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Cut-off date	Effective date
June 28, 2006	Annual general meeting of shareholders	Common stock	2,785	23,597	11	0.09	March 31, 2006	June 29, 2006
November 10, 2006	Board of Directors	Common stock	2,279	19,314	9	0.08	September 30, 2006	December 8, 2006

(2) Dividends with a cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Cut-off date	Effective date
June 27, 2007	Annual general meeting of shareholders	Common stock	2,280	19,314	9	0.08	March 31, 2007	June 28, 2007

14. Selling, General and Administrative Expenses

	Millions of yen	Thousands of U.S. dollars
Freight	25,212	213,573
Sales incentive	37,083	314,131
Employees' salaries	12,192	103,283
Employees' bonuses and benefits	9,186	77,815
Retirement benefits	1,218	10,319
Other	28,515	241,555
Total	113,407	960,675

15. Research and Development Costs

16. Income Taxes

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Allowance for employees' retirement benefits	6,375	54,010
Allowance for bonuses	1,745	14,786
Investment securities	988	8,373
Accrued sales incentives	971	8,229
Unrealized gain on fixed assets	939	7,958
Inventories	626	5,307
Depreciation and amortization	404	3,429
Allowance for repairs	355	3,008
Accrued enterprise tax	352	2,987
Accrued directors' retirement benefits	350	2,973
Other	2,272	19,253
Gross deferred tax assets	15,383	130,314
Valuation allowance	(834)	(7,066)
Adjusted by deferred tax liabilities	(7,432)	(62,965)
Deferred tax assets, net	7,117	60,283

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17. Contingent Liabilities

	Millions of yen	Thousands of U.S. dollars
Employee housing loans	341	2,894
Hanshin Silo Co., Ltd. (affiliated company)	401	3,402
Nihon-Bio Co., Ltd (client-related)	311	2,639
	<u>1,054</u>	<u>8,935</u>

18. Cash and Cash Equivalents

	Millions of yen	Thousands of U.S. dollars
Cash	45,649	386,695
Marketable securities	15,913	134,801
Total	61,562	521,496
Time deposits with maturities of more than three months	(1,194)	(10,117)
Marketable securities with maturities of more than three months	(11,916)	(100,943)
Cash and cash equivalents	48,452	410,436

19. Derivatives

20. Related Party Transactions

21. Segment Information

Business Segment Information

Operations by business segment for the year ended March 31, 2007 are summarized as follows:

	Millions of yen					
	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
Net Sales:						
Sales to external customers	\ 154,722	\ 220,545	\ 42,922	\ 418,190	\ -	\ 418,190
Intersegment sales and transfers.....	17,253	795	4,278	22,327	(22,327)	-
Total	171,976	221,340	47,200	440,517	(22,327)	418,190
Operating expenses	162,236	216,062	42,485	420,784	(21,778)	399,006
Operating income	\ 9,740	\ 5,278	\ 4,714	\ 19,732	\ (548)	\ 19,184

Total Assets, Depreciation and Amortization, and Capital Expenditures:

Total assets	\ 123,075	\ 143,089	\ 50,313	\ 316,478	\ 91,959	\ 408,437
Depreciation and amortization	5,847	5,874	1,046	12,768	(203)	12,565
Capital expenditures	6,940	5,781	1,599	14,321	(327)	13,993

	Thousands of U.S. dollars					
	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
Net Sales:						
Sales to external customers	\$ 1,310,656	\$ 1,868,237	\$ 363,593	\$ 3,542,486	\$ -	\$ 3,542,486
Intersegment sales and transfers.....	146,152	6,740	36,242	189,133	(189,133)	-
Total	1,456,808	1,874,976	399,835	3,731,620	(189,133)	3,542,486
Operating expenses	1,374,300	1,830,265	359,896	3,564,462	(184,484)	3,379,978
Operating income	\$ 82,508	\$ 44,711	\$ 39,939	\$ 167,158	\$ (4,650)	\$ 162,508

Total Assets, Depreciation and Amortization, and Capital Expenditures:

Total assets	\$ 1,042,572	\$ 1,212,109	\$ 426,207	\$ 2,680,888	\$ 778,984	\$ 3,459,872
Depreciation and amortization	49,538	49,760	8,862	108,160	(1,720)	106,440
Capital expenditures	58,792	48,979	13,547	121,318	(2,777)	118,542

- Business segments were determined based on the similarities of the product types.
- Primary products for each business segment are summarized as follows:
 - Flour Milling.....Flour, bran
 - Processed Food.....Prepared mix, flour for consumer use, pasta, pasta source, frozen food, chilled food, cake and bread ingredients, biochemical products, life science products, healthcare foods
 - Other.....Pet food, engineering, mesh cloths, transport and storage
- Corporate assets included in the "corporate assets and eliminations" column amounted to \99,626 million (\$843,938 thousand) at March 31, 2007, which were consisted primarily of the Company's surplus funds (cash and deposits, and marketable securities) and investment securities.

Geographical Segment Information

Geographical segment information for the year ended March 31, 2007 has been omitted because both total sales and assets of the domestic segment were more than 90% of the total sales and assets of all segments.

Overseas Sales

Overseas sales for the year ended March 31, 2007 have been omitted because total overseas sales were less than 10% of total consolidated sales.

22. Per Share Data

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if diluted securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with applicable adjustments for the related interest expense, net of taxes, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying statement of income are dividends applicable to the respective years including dividends to be paid subsequent to the end of the current fiscal year.

A reconciliation of the differences between basic and diluted net income per share and net assets per share for the year ended March 31, 2007 are as follows:

Basic net income per share:			
Net income available to common shareholders	\	12,303 million	
Effect of dilutive securities:			
Basic		252,865,907 shares	
Warrants		145,454	
Diluted		253,011,361	
Net income per share:			
Basic	\	48.66	\$ 0.41
Diluted		48.63	0.41
Net assets per share			
	\	1,069.71	\$ 9.06