

June 6, 2018

Notice of Issuance of Zero Coupon Convertible Bonds due 2025

Nippon Flour Mills Co.,Ltd. (President & COO: Masayuki Kondo; Head Office: Chiyoda-ku, Tokyo; the “Company”) announces that its Board of Directors resolved at its meeting held on June 6, 2018 to issue Zero Coupon Convertible Bonds due 2025. Details are as follows.

[Background and purpose of the issuance of the convertible bonds]

The Company was founded in 1896 as the first industrial flour milling company in Japan, with a venture spirit of “taking on the challenge of commercializing new businesses by employing technical innovation in response to the changing times” as its motto. Since the war, the Nippon Flour Mills Group (the “Group”) has been diversifying its business. The Group is also developing its business in a wide range of areas, with the food business including cooking ingredients and deli products as a growth driver, in addition to processed foods and frozen foods under the “Oh’m’y” brand and the flour milling business under the NIPPIN brand, which are its core operations.

Amid the uncertain outlook of the global economy, the business environment surrounding the Group continues to remain severe. With respect to the Trans-Pacific Strategic Economic Partnership Agreement (TPP), procedures are being carried forward toward the effectuation of a new agreement called TPP11, excluding the United States. Meanwhile, negotiations on the Economic Partnership Agreement (EPA) between Japan and the EU are making progress, and there is concern that major swings could occur in the business environment of the flour milling industry, depending on the content of the negotiations. In the food market, needs for processed foods, frozen foods and ready-made meals are increasing in line with changes in demographics and ordinary citizens in Japan (an increasing number of seniors, the social advancement of women, an increase in double-income households and an increase in single-person households). These developments are providing an opportunity for the Group to expand its business base.

The Group will continue to press forward with the strengthening of systems for the safety and security of consumers and the stable supply of its products and will actively take on challenges with the aim of becoming a “global diversified food company” through active investments in growth areas in Japan and overseas by accurately capturing changes in the size of the market where structural changes are ongoing, as well as efforts to strengthen its competitiveness and reduce costs in each business area.

To respond flexibly and quickly to changing market and needs, the Group is seeking to expand its business base, with cost reductions and sales expansion as the key initiatives. Specifically, the

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Group is working to strengthen its management foundation by formulating the following five basic initiatives: (1) the promotion of low-cost operation in all business areas, (2) the promotion of Group total optimization management, (3) the rebuilding of the business structure and business portfolio, (4) response to changes such as those in the food market, wheat system reforms and the TPP and (5) the promotion of CSR management.

With respect to the low-cost operation strategy, we will focus on cost reductions while improving production efficiency through the consolidation of production into oceanfront plants, the expansion of silos and investments in automated production lines and robots for energy saving in the flour milling business, and make active investments for the purpose of expanding and rebuilding production bases in the ready-made meals business, which is expected to grow in the future. We will also work on enhancing corporate value in the medium to long term through initiatives such as advancement into new business areas, the expansion of overseas business, the development of high value-added products, the strengthening of brands, and the implementation of strategic business alliances and M&As.

On the vacant lot of the former head office building in Sendagaya, Shibuya-ku, Tokyo, we are proceeding with the development project “Shinjuku South Exit Project (Sendagaya 5-chome North District Type 1 Urban Redevelopment Project)” and will engage in the real estate business including leasing from August 2019, when the project will be completed.

To secure funds for further promoting the growth strategies above and acquiring our own shares, which will lead to the sustainable enhancement of the corporate value, we have recently resolved to issue the convertible bonds.

[Use of proceeds]

We will use the proceeds of about 25 billion yen from the issuance of the convertible bonds as follows. We will use:

- (1) Approximately 6 billion yen by the end of March 2020 as capital investment funds to prepare for the future expansion of operations, rationalize production and update equipment in Japan and overseas,
- (2) Approximately 2 billion yen by the end of March 2019 as capital investment funds in the Group’s Kobe Konan Mill for the purpose of increasing production capacity in the flour milling business and the food business,
- (3) Approximately 4 billion yen by the end of March 2020 as capital investment funds in the redevelopment project in the Shinjuku South Exit Project in Sendagaya 5-chome,
- (4) Approximately 6 billion yen by the end of March 2019 as capital investment funds to construct a new plant for the production of ready-to-eat noodles to be operated by a company within the Group for the purpose of increasing production capacity in the ready-made meals business, and

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- (5) Approximately 7 billion yen by the end of March 2019 as funds for acquiring our own shares for the purpose of enhancing shareholder returns and improving capital efficiency.

With respect to the acquisition of our own shares, we have resolved to set an acquisition limit of our own shares with a limit of the total acquisition price of 7 billion yen and an acquisition period of June 7, 2018 to March 31, 2019 at the same time as the resolution to issue the convertible bonds.

If we acquire our own shares before the payment date of the convertible bonds, we will appropriate some of the proceeds from the issuance of the convertible bonds for the repayment of borrowings we have received to acquire our own shares. In addition, because we will acquire our own shares by taking the market environment, etc. into consideration, the total acquisition amount may not reach the amount stated in (5) above. In that case, we will appropriate some of the proceeds for working capital, including capital investment funds.

[Aims of the issuance of the convertible bonds and the acquisition of own shares]

The Company has decided to issue the convertible bonds with the following characteristics based on its judgment that the financing method with the intention of raising funds for growth that will contribute to future business expansion at low cost as possible and prevent dilution in consideration of the existing shareholders is optimal.

- (1) Because the convertible bonds will be issued with zero coupons and a payment amount is higher than the face value of the bonds, it is financing with a low interest rate cost and financing cost.
- (2) Because we will give consideration to the existing shareholders, the conversion price will be set at a higher level than the market value, and therefore the effect of preventing the dilution of earnings per share after issuance is expected.
- (3) Because the clause for contingent conversion is attached to the convertible bonds, which will reduce the possibility of conversion to common shares, the convertible bonds are designed to have a high debt nature in consideration to the existing shareholders.
- (4) Due to the acquisition of own shares that will be funded with the proceeds from the issuance of the convertible bonds, a rise in capital efficiency such as return on equity (ROE) and earnings per share (EPS) is initially expected.

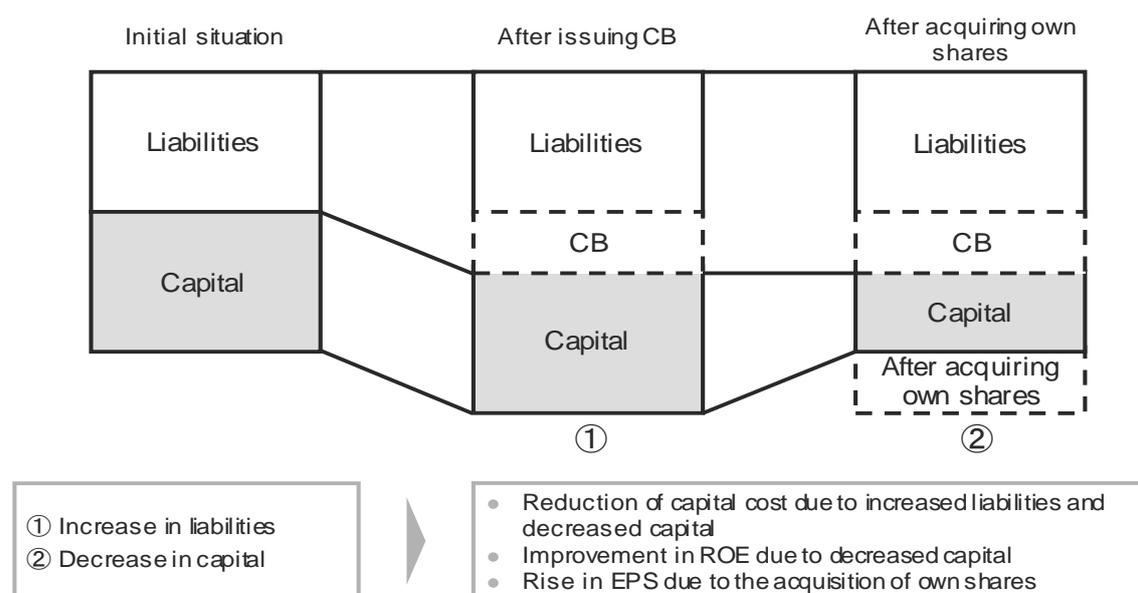
In addition, as stated in the Company's press releases published on June 6, 2018, namely the "Notice of Decision of Matters Relating to the Acquisition of Own Shares" and the "Notice of Acquisition of Own Shares Through Off-Hour Trading (ToSTNeT-3)," the Company has not only resolved to set an acquisition limit of its own shares with a limit of the total acquisition price of 7

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billion yen at the same time as the resolution to issue the convertible bonds, but has also decided to acquire its own shares on June 7, 2018 through the pre-announced acquisition of its own shares through Off-Hour Trading (ToSTNeT-3) that will set the total number of shares to be acquired at a level that is equivalent to the limit of the total acquisition price above. We think that we will be able to acquire our own shares promptly and improve the terms of issue by alleviating the short-term impact of the issuance of the convertible bonds on the supply and demand for the Company's shares as a result of combining the issuance of the convertible bonds and the acquisition of our own shares above. If the number of shares we have acquired through the acquisition of our own shares is short of the number of shares that we plan to acquire, we will continue to consider acquiring our own shares, taking into account the market conditions and various rules, even after June 7, 2018.

Conceptual diagram of this scheme (the issuance of convertible bonds (CB) and the acquisition of own shares)



[Clause for Contingent Conversion]

The clause for contingent conversion is a clause that will prevent investors from exercising their share acquisition rights unless the share price exceeds a certain level of the conversion price for a certain period. In the convertible bonds, in principle, investors can exercise their share acquisition rights in the next quarter only if the closing price of the Company's common shares exceeds 130% of the conversion price on the last trading day of the relevant quarter for the last 20 trading days in

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a row in each quarter. From March 21, 2025 to June 6, 2025, however, the investors can exercise their share acquisition rights at any time.

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Notes

1. Name of bonds

The bonds are named Nippon Flour Mills Co.,Ltd. Zero Coupon Convertible Bonds due 2025 (hereinafter “Convertible Bonds,” of which only the bonds are named “Bonds” while only the share acquisition rights are named “Share Acquisition Rights”).

2. Amount of payment for bonds

100.5% of the face value of the Bonds (the face value of each Bond is 10 million yen)

3. Money to be paid in exchange for share acquisition rights

The payment of money in exchange for the Share Acquisition Rights is not necessary.

4. Payment date and date of issuance of bonds

June 22, 2018 (London time; hereinafter the same unless otherwise indicated.)

5. Matters related to offering

(1) Method of offering

Offering in overseas markets (excluding the United States) centered on Europe and Asia on the basis of joint purchase and subscription in the total amount by the managers (hereinafter “Managers”) with Nomura International plc being the sole bookrunner and joint lead manager and Daiwa Capital Markets Europe Limited and SMBC Nikko Capital Markets Limited being joint lead managers. However, an application for purchase shall be made by 8:00 a.m. on the day following the date of the conclusion of the subscription agreement (Japan time).

(2) Offer price of convertible bonds

103.0% of the face value of the Bonds

6. Matters related to share acquisition rights

(1) Class, details and number of shares subject to share acquisition rights

(A) Class and details

Commons shares of the Company (share unit number: 100 shares)

(B) Number

The number of the Company’s common shares that the Company will deliver due to the exercise of the Share Acquisition Rights shall be a number that is obtained by dividing the total amount of the face values of the Bonds subject to the request for exercise by the conversion price stated in (4) below. However, fractional shares of less than one share that arise from the exercise will be rounded off and will not be reconciled by cash.

(2) Total number of share acquisition rights to be issued

The sum of 2,500 rights and the number of rights that is obtained by dividing the total amount of the face values of the Bonds relating to alternative bonds with share acquisition rights (meaning bonds with share acquisition rights that will be issued after obtaining appropriate certification and compensation in the case of the loss, theft or destruction of the Convertible Bonds (to be defined in 7 (7) below); the same applies below) by 10 million yen.

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(3) Date of allotment of share acquisition rights

June 22, 2018

(4) Details and value of properties to be contributed upon the exercise of share acquisition rights

(A) Upon the exercise of each Share Acquisition Right, the Bonds relating to the Share Acquisition Rights shall be contributed, and the value of the Bonds shall be the same as their face value.

(B) The conversion price is initially determined by the President & COO of the Company based on the power authorized by the Board of Directors, taking into account demand from investors and other market conditions. However, the initial conversion price shall not fall below an amount that is obtained by multiplying the closing price of the Company's common shares (to be defined below) on the date of the conclusion of the subscription agreement between the Company and the managers stated in 5 (1) above in relation to the Convertible Bonds by 1.0.

The "closing price" of the Company's common shares on a certain date means the closing price of the Company's common shares on that day in the regular transactions of Tokyo Stock Exchange, Inc.

(C) The conversion price shall be reconciled based on the calculation formula below if the Company issues its common shares at a payment amount that is less than the market value of the common shares or disposes of the common shares held by the Company after issuing the Convertible Bonds. The "number of shares already issued" in the calculation formula below means the total number of the Company's common shares issued and outstanding (excluding those held by the Company).

Conversion price after reconciliation =

$$\text{Conversion price before reconciliation} \times \frac{\begin{array}{c} \text{Number of} \\ \text{shares} \\ \text{already} \\ \text{issued} \end{array} + \frac{\begin{array}{c} \text{Number of} \\ \text{shares} \\ \text{issued or} \\ \text{disposed of} \end{array} \times \begin{array}{c} \text{Amount of} \\ \text{payment per} \\ \text{share} \end{array}}{\text{Market value}}}{\begin{array}{c} \text{Number of shares already issued} + \text{Number of shares} \\ \text{issued or disposed of} \end{array}}$$

In addition, the conversion price shall also be reconciled as necessary in the following cases: if the Company's common shares are split or consolidated, if share acquisition rights are issued by which the delivery of the Company's common shares at a price below their market price can be requested (including those attached to bonds with share acquisition rights), or if any other specific reason has arisen.

(5) Common stock and capital surplus that will increase if shares are issued due to the exercise of share acquisition rights

The amount of common stock that will increase if shares are issued due to the exercise

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of the Share Acquisition Rights shall be an amount that is obtained by multiplying the maximum amount of the increase in common stock calculated in accordance with the provisions in Article 17 of the Rules of Corporate Accounting by 0.5, and if a fraction of less than 1 yen arises as a result of the calculation, the fraction shall be rounded up. The amount of capital surplus that will increase shall be an amount that is obtained by deducting the amount of common stock that will increase from the maximum amount of the increase in common stock.

(6) Period in which share acquisition rights can be exercised

The period in which the Share Acquisition Rights can be exercised shall be from July 6, 2018 to June 6, 2025 (local time in the location where the request for exercise is accepted). However, the period shall be ① until the day that is three business days before the redemption date in Tokyo in the case of the early redemption of the Bonds stated in 7(4) (A) through (E) below (however, excluding the Share Acquisition Rights relating to the Bonds that are selected not to undergo the early redemption in 7(4) (B) below), ② until the time when the Bonds are retired if the Bonds are purchased and cancelled as stated in 7(5) below or ③ until the time of the forfeiture of the benefit of time if the benefit of time of the Bonds is forfeited as stated in 7(6) below. In any of the cases above, the Share Acquisition Rights cannot be exercised after June 6, 2025 (local time of the location where the request for exercise is accepted).

Notwithstanding the foregoing, if the Company makes a rational decision that it is necessary to conduct an organizational restructure, etc. of the Company (to be defined in 7(4) (C) below), the Share Acquisition Rights cannot be exercised during the period of less than 30 days designated by the Company that will end within 14 days from the day following the effective date of the organizational restructure, etc.

In addition, if the day when the Share Acquisition Rights will become effective (or if such a day is not a business day in Tokyo, the following business day in Tokyo) is the record date set by the Company or if that day is in a period between the day that is two business days in Tokyo before some other day set to determine the shareholders in relation to Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (hereinafter collectively referred to as the “Shareholder Determination Date”) (or if the Shareholder Determination Date is not a business day in Tokyo, the day that is three business days in Tokyo before the Shareholder Determination Date) and the Shareholder Determination Date (or if the Shareholder Determination Date is not a business day in Tokyo, the following business day in Tokyo), the Share Acquisition Rights cannot be exercised. However, if a law, a regulation or a custom related to the delivery of shares relating to the exercise of share acquisition rights through the transfer system based on the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan is changed, the Company can undertake revisions to restrictions on the period in which the Share Acquisition Rights can be exercised as stipulated in this paragraph in order to reflect the said change.

(7) Other conditions for exercising share acquisition rights

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- (A) Each Share Acquisition Right cannot be exercised partially.
- (B) Until March 20, 2025 (including this day), the holders of the Convertible Bonds can exercise the Share Acquisition Rights during the period from the first day to the last day of the next quarter (however, March 20, 2025 in the quarter that will begin on January 1, 2025) only if the closing price of the Company's common shares exceeds 130% of the conversion price that is applicable on the last trading day for 20 consecutive trading days that will end on the last trading day in a certain quarter (to be defined below). However, the conditions for exercising the Share Acquisition Rights stated in this paragraph (B) shall not apply to the periods in ①, ② and ③ below.
- ① (i) The period when the long-term issuer rating of the Company given by Japan Credit Rating Agency, Ltd. or its successor rating agency (hereinafter "JCR") is BBB+ or lower, (ii) the period when the long-term issuer rating of the Company is not given by JCR or (iii) the period when the long-term issuer rating of the Company by JCR is suspended or cancelled.
- ② The period after the day when the Company gives notice of the early redemption of the Bonds stated in 7(4) (A) through (E) below (however, excluding the Share Acquisition Rights relating to the Bonds that were selected not to undergo the early redemption in 7(4) (B) below).
- ③ Unless the Company prohibits the exercise of the Share Acquisition Rights as stated in (6) above when the Company conducts an organizational restructure, etc., the period from the day when the Company gives notice of the organizational restructure, etc. to the holders of the Convertible Bonds according to the terms and conditions of the Convertible Bonds until the effective date of the organizational restructure, etc.

The "trading day" means a day when Tokyo Stock Exchange, Inc. operates, and does not include a day when the closing price of the Company's common shares is not published.

- (8) Delivery of share acquisition rights by a successor company, etc. in the case that the Company conducts an organizational restructure, etc.
- (A) If an organizational restructure, etc. has occurred, the Company shall have a successor company, etc. (to be defined below) succeed its position as the major debtor of the Convertible Bonds according to the terms and conditions of the Convertible Bonds and make its best efforts to have the successor company, etc. deliver new share acquisition rights as an alternative to the Share Acquisition Rights. However, the preconditions for such succession and delivery shall be that (i) the succession and delivery are viable from the perspective of the applicable laws at that time, that (ii) a mechanism to that end has already been built or can be built and that (iii) it is possible for the Company or the successor company, etc. to execute the succession and delivery without bearing unreasonable expenses (including taxes) for the organizational restructure, etc. as a whole (this is judged by the Company). In such a case, the Company shall make its best efforts to ensure that the successor company, etc. is a listed company in Japan on

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the effective date of the organizational restructure, etc. The Company's obligation to make the efforts stated in this paragraph (A) shall not apply if the Company delivers the certification stated in 7(4) (C) (b) below to a trustee company of the Convertible Bonds (hereinafter "Trustee Company").

The "successor company, etc." means the other party in an organizational restructure, etc. and a company that will undertake the obligation of the Company relating to the Convertible Bonds and/or the Share Acquisition Rights.

(B) The details of the share acquisition rights of the successor company, etc. to be delivered according to the provisions of (A) above are as follows.

① Number of share acquisition rights

The same number as the number of the Share Acquisition Rights relating to the Convertible Bonds that remain immediately before the effective date of the organizational restructure, etc.

② Class of shares subject to share acquisition rights

Common shares of the successor company, etc.

③ Number of shares subject to share acquisition rights

The number of common shares of the successor company, etc. to be delivered due to the exercise of the share acquisition rights of the successor company, etc. shall be determined by reference to the terms and conditions of the Convertible Bonds, taking into account the conditions of the organizational restructure, etc. and shall abide by (i) or (ii) below. The conversion price will be subject to a similar reconciliation to that in (4) (C) above.

(i) In the case of a merger, a share exchange or a share transfer, the conversion price shall be set so that the holders of the Company's common shares can receive the same number of common shares of the successor company, etc. as the number of the Company's common shares they would be able to receive if they exercised the Share Acquisition Rights immediately before the effective date of the organizational restructure, etc. when they exercise the share acquisition rights of the successor company, etc. immediately after the effective date of the organizational restructure, etc. When securities other than the common shares of the successor company, etc. or other properties are delivered on the occasion of the organizational restructure, etc., the same number of common shares of the successor company, etc. as the number that is obtained by dividing the value of the securities or the properties by the market value of the common shares of the successor company, etc. can also be received.

(ii) In the case of an organizational restructure, etc. other than the above, the conversion price shall be set so that the holders of the Convertible Bonds can receive the same economic benefits as those they would be able to receive if they exercised the Share Acquisition Rights immediately before the effective date of

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the organizational restructure, etc. when they exercise the share acquisition rights of the successor company, etc. immediately after the effective date of the organizational restructure, etc.

④ Details and value of properties to be contributed upon the exercise of share acquisition rights

Upon the exercise of the share acquisition rights of the successor company, etc., the Bonds that were succeeded shall be contributed, and the value of the Bonds shall be the same as the face value of the succeeded Bonds.

⑤ Period when share acquisition rights can be exercised

From the effective date of the organizational restructure, etc. (possibly a date within 14 days after that) to the last day of the exercise period of the Share Acquisition Rights set in (6) above.

⑥ Other conditions for exercising share acquisition rights

Each share acquisition right of the successor company, etc. cannot be exercised partially. In addition, the exercise of the share acquisition rights of the successor company, etc. are subject to the same restrictions as those in (7) (B) above.

⑦ Common stock and capital surplus that will increase if shares are issued due to the exercise of share acquisition rights

The amount of common stock that will increase if shares are issued due to the exercise of the share acquisition rights of the successor company, etc. shall be an amount that is obtained by multiplying the maximum amount of the increase in common stock calculated in accordance with the provisions in Article 17 of the Rules of Corporate Accounting by 0.5, and if a fraction of less than 1 yen arises as a result of the calculation, the fraction shall be rounded up. The amount of capital surplus that will increase shall be an amount that is obtained by deducting the amount of common stock that will increase from the maximum amount of increase in common stock.

⑧ In the case that an organizational restructure, etc. has occurred

The same treatment as the Convertible Bonds shall apply to the case in which an organizational restructure, etc. has occurred in the successor company, etc.

⑨ Other

Fractional shares of less than one share that will arise from the exercise of the share acquisition rights of the successor company, etc. shall be rounded off and will not be reconciled by cash. The share acquisition rights of the successor company, etc. cannot be transferred by separating them from the succeeded Bonds.

(C) If the Company has the successor company, etc. undertake or succeed its obligations under the trust deed relating to the Bonds and the Convertible Bonds (hereinafter “Trust Deed”) in accordance with the provisions in (A) above, the Company will provide a guarantee in a certain case that is stipulated in the terms and conditions of the Convertible Bonds and abide by the terms and conditions of the Convertible Bonds.

(9) Reason for not requiring the payment of money in exchange for share acquisition rights

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Given that the Share Acquisition Rights are attached to the convertible bonds and cannot be separated from the Bonds and that the Bonds and the Share Acquisition Rights are closely mutually related because the Bonds relating to the Share Acquisition Rights will be contributed upon the exercise of the Share Acquisition Rights, and taking into consideration the economic value the Company will gain based on the value of the Share Acquisition Rights and other terms of issue such as the interest rate of the Bonds and the amount of payment, the Company has decided not to require the payment of money in exchange for the Share Acquisition Rights.

7. Matters related to bonds

(1) Total amount of bonds

The sum of 25 billion yen and the total amount of the face values of the Bonds relating to the alternative bonds with share acquisition rights

(2) Interest rate of bonds

The Bonds are not subject to interest.

(3) Redemption at maturity

The Bonds will be redeemed at 100% of their face value on June 20, 2025 (date of redemption).

(4) Early redemption of bonds

(A) Early redemption due to the cleanup call provision

If the total amount of the face values of the remaining Bonds falls below 10% of the total amount of the face values of the Bonds at the time of issuance at any point in time before giving notice of early redemption as referred to in this paragraph (A), the Company can redeem all the remaining Bonds (partial redemption is not possible) at a price that is 100% of their face value after giving advance notice of not less than 30 days and not more than 60 days to the Trustee Company, the principal agent for payment and receipt of requests for exercising share acquisition rights and the holders of the Convertible Bonds.

(B) Early redemption due to changes in the tax system

If the Company ensures that the Trustee Company understands that the Company will be obligated to pay the additional amount stated in (11) (A) below due to changes in the tax system in Japan, etc. and that the Company will be unable to avoid the obligation to pay such an additional amount even if the Company takes reasonable measures, the Company can redeem all the remaining Bonds (partial redemption is not possible) at a price that is 100% of their face value after giving advance notice of not less than 30 days and not more than 60 days to the Trustee Company, the principal agent for payment and receipt of requests for exercising share acquisition rights and the holders of the Convertible Bonds. However, the Company shall not give notice of such early redemption before the day that is 90 days before the first day when the Company will become obligated to pay the additional amount.

Notwithstanding the foregoing, at the time when such notice is given, if the total amount of the face values of the remaining Bonds is 10% or more of the total amount

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of the face values of the Bonds at the time of issuance, a holder of the Convertible Bonds has the right to choose not to receive the early redemption of the Bonds held by the holder of the Convertible Bonds by giving notice to the Company at least 20 days before the redemption date. In this case, the Company shall not be obligated to pay the additional amount stated in (11) (A) below with respect to payments related to the Bonds after the redemption date, and payments related to the Bonds after the redemption date will be made after withholding or deducting the taxes and public dues stated in (11) (A) below.

(C) Early redemption due to organizational restructure, etc.

Even though an organizational restructure, etc. has occurred, (a) If the measures stated in 6(8) (A) above cannot be undertaken or (b) if the Company has delivered certification to the effect that the Company does not expect that the successor company, etc. will be a listed company in Japan on the effective date of the organizational restructure, etc., whatever the reason may be, to the Trustee Company, the Company shall redeem all the remaining Bonds early (partial redemption is not possible) at the redemption amount mentioned below on the redemption date designated by prior notice of not less than 14 business days in Tokyo (such a redemption date shall be before the effective date of the organizational restructure, etc., in principle) by giving the said prior notice to the Trustee Company, the principal agent for payment and receipt of requests for exercising share acquisition rights and the holders of the Convertible Bonds.

The redemption amount that will be applied to the redemption above shall be calculated in a certain way according to the redemption date and the parity of the Convertible Bonds, so that the redemption amount will be an amount that reflects the value of the Convertible Bonds at the time of the redemption that takes into account the interest rate at the time of determining the conversion price stated in 6(4) (B) above, the share price and the volatility of the Company's common shares, and other market conditions. The minimum amount of the redemption amount calculated in this way shall be 100% of the face value of the Bonds, and the maximum amount shall be 170% of the face value of the Bonds (however, if the redemption date is between June 7, 2025 and June 19, 2025, the redemption amount shall be 100% of the face value of the Bonds). The details of this will be determined by the President & COO of the Company at the same time as the determination of the conversion price stated in 6(4) (B) above based on the delegation of powers by the Company's Board of Directors.

The "organizational restructure, etc." means (i) a merger between the Company and some other company (including a consolidation-type merger and an absorption-type merger but excluding cases where the Company is a surviving company; the same applies below), (ii) the transfer of assets (sale or transfer of all or substantively all of the assets of the Company to some other company, and this is limited to the case in which the Company's obligations based on the Convertible Bonds will be transferred to the other party according to the conditions thereof), (iii) a company split (including

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an incorporation-type company split and an absorption-type company split but limited to the case where the Company's obligations based on the Convertible Bonds will be transferred to a split company), (iv) share exchange or share transfer (limited to the case where the Company will be a wholly owned subsidiary of some other company; the same applies below) or (v) other company reorganizational procedures under Japanese law by which the Company's obligations based on the Bonds or the Share Acquisition Rights will be underwritten by some other company. All of these organizational restructures will be approved by the adoption of the resolution of a general meeting of shareholders of the Company (or a meeting of the Board of Directors if the resolution of the general meeting of shareholder is not necessary).

(D) Early redemption due to delisting, etc.

If (i) a person other than the Company (hereinafter the "Tender Offeror") conducts a tender offer for the Company's common shares according to the Financial Instruments and Exchange Act, (ii) the Company expresses an opinion to agree with the tender offer according to the Financial Instruments and Exchange Act, (iii) the Company or the Tender Offeror publishes or accepts the possibility that the Company's common shares may be delisted as a result of the acquisition of the Company's common shares due to the tender offer in a tender offer statement, etc. (however, excluding the case where the Company or the Tender Offeror makes a public announcement to the effect that it will make its best efforts to ensure that the Company will continue to be a listed company in Japan, even after the acquisition), and (iv) the Tender Offeror has acquired the Company's common shares through the tender offer, the Company shall redeem all the remaining Bonds early (partial redemption is not possible) at a redemption amount calculated by a method equivalent to the one in the case stated in (C) above (the minimum amount shall be 100% of the face value of the Bonds, and the maximum amount shall be 170% of the face value of the Bonds; however, if the redemption date is between June 7, 2025 and June 19, 2025, the redemption amount shall be 100% of the face value of the Bonds) on the redemption date designated in a notice (such a redemption date shall be any day between the 14th business day and the 30th business day in Tokyo from the date of the notice) after giving notice to the Trustee Company, the principal agent for payment and receipt of requests for exercising share acquisition rights and the holders of the Convertible Bonds as soon as practically possible (however, within 14 days from the date of acquisition of the Company's common shares by the tender offer).

Notwithstanding the foregoing, if the Company or the Tender Offeror makes a public announcement to the effect that it plans to conduct an organizational restructure, etc. or plans to give rise the Squeeze-out event (to be defined in (E) below) after the date of acquisition of the Company's common shares by a tender offer in a tender offer statement, etc., the Company's redemption obligation as stated in this paragraph (D) shall not apply. However, if such an organizational restructure, etc. or a Squeeze-out event does not arise within 60 days after the date of acquisition, the Company shall

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redeem all the remaining Bonds early (partial redemption is not possible) at the redemption amount above on the redemption date designated in a notice (such a redemption date shall be any day between the 14th business day and the 30th business day in Tokyo from the date of the notice) after giving notice to the Trustee Company, the principal agent for payment and receipt of requests for exercising share acquisition rights and the holders of the Convertible Bonds as soon as practically possible (however, within 14 days from the final day of the said 60 days).

If the Company comes to undertake the redemption obligation stated in this paragraph (D) and the redemption obligation stated in (C) above or (E) below, the procedures in (C) above or (E) below shall apply.

(E) Early redemption due to squeeze-out

If a resolution to the effect that the Company will acquire all its common shares after making a revision to its Articles of Incorporation that will make its common shares subject to class-wide call is passed at a general meeting of shareholders of the Company, if a resolution to the effect that request to sell the shares made by a special controlling shareholder to other shareholders of the Company will be approved is passed at a meeting of the Company's Board of Directors, or if a resolution to the effect that the consolidation of the Company's common shares associated with the delisting will be approved is passed at a general meeting of shareholders (hereinafter collectively referred to as the "Squeeze-Out event"), the Company shall redeem all the remaining Bonds early (partial redemption is not possible) at a redemption amount calculated using a method equivalent to the one in the case stated in (C) above (the minimum amount shall be 100% of the face value of the Bonds, and the maximum amount shall be 170% of the face value of the Bonds; however, if the redemption date is between June 7, 2025 and June 19, 2025, the redemption amount shall be 100% of the face value of the Bonds) on the redemption date designated by a notice (such a redemption date shall be before the effective date of the Squeeze-Out event and any day between the 14th business day and the 30th business day in Tokyo from the date of the notice; however, if the effective date is before the day that is the 14th business day in Tokyo from the date of the notice, such a redemption date shall be brought forward to a day before the effective date) after giving notice to the Trustee Company, the principal agent for payment and receipt of requests for exercising share acquisition rights and the holders of the Convertible Bonds as soon as practically possible (however, within 14 days from the date of occurrence of the Squeeze Out event).

(F) If the Company gives notice of early redemption based on any of (A) through (E) above, the Company will be unable to give notice of early redemption for any other reasons after that.

In addition, if the obligation of the Company to give notice of early redemption based on (C) or (E) above or if any cause stated in (D) (i) through (iv) above has occurred, the Company will be unable to give notice of early redemption based on (A) or (B) above after that.

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(5) Retirement by purchase

The Company can purchase the Convertible Bonds as required on the open market or by any other means and hold or resell them or retire the Bonds relating to the Convertible Bonds. In addition, a subsidiary of the Company can purchase the Convertible Bonds as required on the open market or by any other means and hold or resell them or deliver them to the Company to retire the Bonds relating to the Convertible Bonds.

(6) Forfeiture of the benefit of time

If the non-performance of or non-compliance with the Trust Deed or any rule of the Bonds or a certain cause that is stipulated in the terms and conditions of the Convertible Bonds has occurred, and when the Trustee Company gives notice of the forfeiture of the benefit of time of the Bonds to the Company according to the provisions of the terms and conditions of the Convertible Bonds, the Company shall forfeit the benefit of time of the Bonds and immediately redeem all the remaining Bonds by adding accrued interest (if any) to the face value of the remaining Bonds.

(7) Face of the convertible bonds

For the Convertible Bonds, registered bond certificates with share acquisition rights under British law (hereinafter “Convertible Bond Certificates”) shall be issued, and a demand for changing the Convertible Bond Certificates to bearer bond certificates cannot be made.

(8) Agent for payment and receipt of requests for exercising share acquisition rights relating to the convertible bonds

Mizuho Trust & Banking (Luxembourg) S.A. (principal agent for payment and receipt of requests for exercising share acquisition rights)

(9) Register administrator for the convertible bonds

Mizuho Trust & Banking (Luxembourg) S.A.

(10) Security or guarantee of bonds

The Bonds will be issued without security or guarantee.

(11) Special provisions

(A) Additional payment

If it is necessary from a legal standpoint to withhold or deduct current and future taxes and public dues that will be imposed by the Japanese government or other sovereigns of taxation in Japan with respect to payments related to the Bonds, the Company will pay the holders of the Convertible Bonds an additional amount as necessary to equalize the amount of payment after the withholding or deduction with the amount that would be paid if the withholding or the deduction did not occur, except for certain cases.

(B) Restrictions on the establishment of security

As long as the Convertible Bonds remain, the Company or its main subsidiaries (to be defined in the terms and conditions of the Convertible Bonds) will neither establish nor keep alive any mortgage, pledge or security interest on all or part of the current or future properties or assets of the Company or its main subsidiaries for the sake of the holders of foreign bonds (to be defined below) with the intention of securing (A)

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payments related to foreign bonds, (B) payments related to foreign bonds based on guarantees or (C) payments related to foreign bonds based on compensation or other similar obligations. However, this does not apply (a) when the same security as that established on such foreign bonds, guarantees, compensation or other similar obligations is established on the Convertible Bonds in advance or at the same time in the form according to which the Trustee Company is satisfied or it is approved by a special resolution at the meeting of holders of the Convertible Bonds, or (b) when any other security or guarantee is established on the Convertible Bonds in advance or at the same time in the form where it is decided by the Trustee Company at its complete discretion that another security or guarantee is not markedly detrimental to the holders of the Convertible Bonds or in the form where it is approved by a special resolution at the meeting of holders of the Convertible Bonds.

In this paragraph, the “foreign bonds” mean corporate bonds, debentures, notes and other similar securities with maturity of more than one year (i) which make payments in foreign currency, to which the right to receive payments in foreign currency is granted or the majority of whose face value is initially offered outside Japan in yen by the Company or its main subsidiaries or with the approval of the Company or its main subsidiaries and (ii) which are or plan to be listed or usually traded and whose prices are formed in a stock exchange, the over-the-counter market or other similar markets outside Japan.

8. Listed exchange

The Convertible Bonds will be listed on the Singapore Exchange Securities Trading Limited.

9. Acquired rating

There is no plan to acquire a credit rating for the Convertible Bonds.

10. Other

The Company will not conduct stabilizing transactions for its common shares.

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(Reference)

1. Use of proceeds

(1) Use of funds raised this time

We will use the proceeds from the issuance of the Convertible Bonds as follows. We will use:

- ① Approximately 6 billion yen by the end of March 2020 as capital investment funds to prepare for the future expansion of operations, rationalize production and update equipment in Japan and overseas,
- ② Approximately 2 billion yen by the end of March 2019 as capital investment funds at the Group's Kobe Konan Mill for the purpose of increasing production capacity in the flour milling business and the food business,
- ③ Approximately 4 billion yen by the end of March 2020 as capital investment funds in the redevelopment project in the Shinjuku South Exit Project in Sendagaya 5-chome,
- ④ Approximately 6 billion yen by the end of March 2019 as capital investment funds to construct a new plant for the production of ready-to-eat noodles to be operated by a company within the Group for the purpose of increasing production capacity in the ready-made meal business, and
- ⑤ Approximately 7 billion yen by the end of March 2019 as funds for acquiring our own shares for the purpose of enhancing shareholder returns and improving capital efficiency.

With respect to the acquisition of our own shares, we have resolved on June 6, 2018 to set an acquisition limit of our own shares with a limit of a total acquisition price of 7 billion yen and an acquisition period from June 7, 2018 to March 31, 2019 at the same time as the resolution to issue the Convertible Bonds.

If we acquire our own shares before the payment date of the Convertible Bonds, we will appropriate some of the proceeds from the issuance of the Convertible Bonds for the repayment of borrowings we have received to acquire our own shares. In addition, because we will acquire our own shares, taking the market environment, etc. into consideration, the total acquisition amount may not reach the amount stated in ⑤ above. In that case, we will appropriate some of the proceeds for working capital, including capital investment funds.

(2) Changes in the use of funds raised the previous time

Not applicable

(3) Outlook for the impact on financial results

There is no change in our financial results forecasts for the current fiscal year.

2. Profit distribution to shareholders, etc.

(1) Basic policy on profit distribution

The basic policy of the Company is to maintain stable and sustainable dividends in consideration of internal reserves, taking into account the strengthening of corporate

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structure and future business development. However, the Company also regards profit distribution to shareholders as one of its important management goals.

(2) Approach when determining dividends

The Company's basic policy is to pay dividends of surplus twice a year in the form of interim dividends and year-end dividends, and the decision-making body of dividends of surplus is a general meeting of shareholders for the year-end dividends and the Board of Directors for the interim dividends.

(3) Use of internal reserves

Internal reserves will be appropriated for funds for future business development such as capital investments, research and development and the strengthening of the business base.

(4) Status of dividends in the past three fiscal years, etc.

	FY2016/3	FY2017/3	FY2018/3
Consolidated profit per share	100.99 yen	111.40 yen	95.34 yen
Annual dividends per share (Interim dividends per share)	28.00 yen (12.00 yen)	30.00 yen (14.00 yen)	30.00 yen (15.00 yen)
Consolidated payout ratio	27.7%	26.9%	31.5%
Consolidated ROE	6.2%	6.5%	5.2%
Consolidated dividends on net assets	1.7%	1.8%	1.6%

- (Notes) 1. Because the Company conducted the consolidation of common shares at a rate of one share for every two shares on October 1, 2016, consolidated profit per share, annual dividends per share and interim dividends per share are calculated on the assumption that the consolidation of common shares was conducted at the beginning of the fiscal year ended March 31, 2016.
2. Consolidated profit per share is calculated based on the average number of shares during the period.
3. Consolidated payout ratio is the value obtained by dividing annual dividends per share by consolidated profit per share.
4. Consolidated ROE is the value obtained by dividing profit attributable to owners of parent by the total consolidated net assets after deducting share acquisition rights and non-controlling interests (average between the beginning and the ending net assets).
5. Consolidated dividends on net assets is the value obtained by dividing annual dividends per share by consolidated net assets per share (average between the beginning and the ending net assets). For consolidated net assets per share, the value calculated on the assumption that the consolidation of shares stated in Note 1 was conducted at the beginning of the fiscal year ended March 31, 2016 is used.
6. The values for the fiscal year ended March 31, 2018 are not audited by an audit corporation under the provisions in Article 193-2, Paragraph 1 of the Financial

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Instruments and Exchange Act. Annual dividends per share are subject to the approval of year-end dividends at the 194th ordinary general meeting of shareholders to be held on June 28, 2018.

3. Others

(1) Designation of the recipient of profit distribution

Not applicable

(2) Information on dilution due to dilutive shares, etc.

The calculation is not made because the conversion price has not yet been determined. We will make an announcement after the conversion price has been fixed.

(3) Status of equity financing conducted for the past three years, etc.

① Status of equity financing

Not applicable

② Changes in the share price in the past three fiscal years and the latest share price, etc.

	FY2016/3	FY2017/3	FY2018/3	FY2019/3
Opening price	1,182 yen	1,832 yen	1,658 yen	1,670 yen
High	1,940 yen	1,832 yen	1,863 yen	1,887 yen
Low	1,162 yen	1,422 yen	1,532 yen	1,619 yen
Closing price	1,850 yen	1,644 yen	1,649 yen	1,886 yen
PER (consolidated)	18.32 times	14.76 times	17.30 times	—

- (Notes) 1. The share price is the one on the First Section of Tokyo Stock Exchange, Inc.
2. Because the Company conducted the consolidation of common shares at a rate of one share for every two shares on October 1, 2016, the share prices in and before the fiscal year ended March 31, 2017 are adjusted retroactively for the impact of the consolidation of shares.
3. The share price in the fiscal year ending March 31, 2019 is the one as of June 5, 2018.
4. PER (consolidated) is the value obtained by dividing the share price (closing price) at the end of the fiscal year by the consolidated profit per share for the fiscal year (PER for the fiscal year ended March 31, 2018 is not audited by an audit corporation under the provisions in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act). PER for the fiscal year ending March 31, 2019 is not stated because it has not yet been fixed.

(4) Lock-up

The Company has arrived at an agreement to the effect that the Company will not issue its common shares, will not issue securities that will be converted to or exchanged for its common shares, or will not issue securities to which the right to receive its common shares is granted during the period from the date of the conclusion of the subscription agreement relating to the Convertible Bonds to the day when 180 days have passed after the date of payment without the prior written consent of Nomura International plc, which represents the

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managers (however, excluding the issuance of the Convertible Bonds, the issuance or delivery of the Company's common shares due to the exercise of the Share Acquisition Rights, the issuance of the Company's common shares based on a share split, the grant of stock options resolved at a general meeting of shareholders of the Company or a meeting of the Board of Directors of the Company, the issuance or delivery of the Company's common shares due to the exercise of share acquisition rights granted as stock option and other cases required by Japanese law, etc.).

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In addition, this document does not constitute the offering of the convertible bonds and shares of common stock of the Company in all areas including the United States. The Company is unable to make the offering or sale of the convertible bonds and shares of common stock of the Company in the United States without undertaking the registration of the convertible bonds and shares of common stock of the Company under the Securities Act of 1933 in the United States or receiving an exemption from registration. If the offering or sale of securities is made in the United States, an English prospectus prepared based on the Securities Act of 1933 will be used. With regard to the matter in this document, the offering or sale of the convertible bonds and shares of common stock of the Company will not be made in the United States.