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Independent Auditor's Report

The Board of Directors
Nisshin Seifun Group Inc.

We have audited the accompanying consolidated financial statements of Nisshin Seifun Group Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nisshin Seifun Group Inc. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 28, 2016

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2016**	2015	**2016**
Current Assets:			
Cash and deposits (Notes 18 and 20)	¥ 61,665	¥ 42,584	$ 547,258
Notes and accounts receivable – trade (Note 18)	72,871	74,688	646,707
Short-term investment securities (Notes 18 and 20)	13,790	25,565	122,382
Inventories (Note 5)	72,038	76,268	639,315
Deferred tax assets (Note 15)	5,127	5,274	45,501
Other	8,115	5,630	72,018
Allowance for doubtful accounts	(210)	(208)	(1,864)
Total current assets	233,398	229,804	2,071,355
Property, Plant and Equipment (Notes 6 and 7):			
Land	42,152	40,497	374,086
Buildings and structures, net	56,657	54,001	502,813
Machinery, equipment and vehicles, net	43,079	40,602	382,313
Construction in progress	5,222	9,552	46,344
Other, net	4,227	4,048	37,513
Property, plant and equipment, net	151,339	148,702	1,343,087
Intangible Assets:			
Goodwill	8,610	10,355	76,411
Other	9,879	11,273	87,673
Total intangible assets	18,489	21,629	164,084
Investments and Other Assets:			
Investment securities (Notes 7, 18 and 19)	140,347	143,288	1,245,536
Net defined benefit asset (Note 8)	214	30	1,899
Deferred tax assets (Note 15)	3,841	3,118	34,088
Other	2,798	2,863	24,831
Allowance for doubtful accounts	(124)	(129)	(1,100)
Total investments and other assets	147,077	149,170	1,305,263
Total assets	¥ 550,305	¥ 549,307	$ 4,883,786

LIABILITIES AND NET ASSETS	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 4) 2016
Current Liabilities:			
Notes and accounts payable – trade (Note 18)	¥ 51,348	¥ 57,561	$ 455,698
Short-term loans payable (Note 7)	15,219	17,175	135,064
Income taxes payable (Note 15)	5,227	3,157	46,388
Accrued expenses	18,534	17,042	164,483
Other	16,472	17,303	146,184
Total current liabilities	106,802	112,240	947,835
Noncurrent Liabilities:			
Long-term loans payable (Note 7)	4,386	3,874	38,924
Deferred tax liabilities (Note 15)	22,621	24,837	200,754
Provision for repairs	1,480	1,473	13,135
Net defined benefit liability (Note 8)	21,892	21,421	194,285
Long-term deposits received	5,385	5,589	47,790
Other	1,250	1,154	11,093
Total noncurrent liabilities	57,017	58,351	506,008
Commitments and Contingent Liabilities (Note 16)			
Net Assets (Notes 9, 10 and 11):			
Shareholders' equity:			
Capital stock: authorized – 932,856,000 shares			
Issued – 304,357,891 shares in 2016 and 2015	17,117	17,117	151,908
Capital surplus	12,834	9,571	113,898
Retained earnings	281,324	275,194	2,496,663
Less: Treasury stock			
2,674,306 shares in 2016 and 3,098,077 shares in 2015	(2,289)	(2,659)	(20,314)
Total shareholders' equity	308,987	299,224	2,742,164
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	55,974	57,298	496,752
Deferred (losses) gains on hedges	(301)	118	(2,671)
Foreign currency translation adjustment	9,859	11,911	87,496
Remeasurements of defined benefit plans (Note 8)	(1,144)	(1,471)	(10,153)
Total accumulated other comprehensive income	64,387	67,857	571,415
Subscription rights to shares	147	179	1,305
Noncontrolling interests	12,962	11,454	115,034
Total net assets	386,485	378,715	3,429,934
Total liabilities and net assets	¥ 550,305	¥ 549,307	$ 4,883,786

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Net Sales	**¥ 556,701**	¥ 526,144	**$ 4,940,548**
Cost of Sales (Notes 5 and 13)	**402,218**	377,729	**3,569,560**
Gross Profit	**154,483**	148,414	**1,370,989**
Selling, General and Administrative Expenses (Notes 9, 12 and 13)	**130,713**	127,937	**1,160,037**
Operating Income	**23,769**	20,476	**210,942**
Non-operating Income (Expenses):			
Interest income	**201**	203	**1,784**
Interest expenses	**(172)**	(179)	**(1,526)**
Dividends income	**2,303**	1,905	**20,438**
Equity in earnings of affiliates	**1,446**	2,104	**12,833**
Rent income	**308**	328	**2,733**
Gain on sales of noncurrent assets	**113**	950	**1,003**
Gain on sales of investment securities	**7**	67	**62**
Gain on liquidation of investment securities	**-**	161	**-**
Loss on retirement of noncurrent assets	**(757)**	(548)	**(6,718)**
Litigation settlement (Note 14)	**-**	(732)	**-**
Other, net	**241**	690	**2,139**
Total non-operating income, net	**3,694**	4,951	**32,783**
Income before Income Taxes	**27,462**	25,427	**243,717**
Income Taxes (Note 15):			
Income taxes – current	**8,496**	6,871	**75,399**
Income taxes – deferred	**534**	1,684	**4,739**
Total income taxes	**9,031**	8,555	**80,147**
Net Income	**18,431**	16,871	**163,569**
Net Income Attributable to Noncontrolling Interests	**869**	835	**7,712**
Net Income Attributable to Owners of the Parent	**¥ 17,561**	¥ 16,036	**$ 155,848**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2016 and 2015

	Millions of yen				Thousands of U.S. dollars (Note 4)	
	2016		2015		**2016**	
Net income	**¥**	**18,431**	¥	16,871	**$**	**163,569**
Other Comprehensive Income (Note 22):						
Valuation difference on available-for-sale securities		**(1,290)**		24,990		**(11,448)**
Deferred (losses) gains on hedges		**(365)**		96		**(3,239)**
Foreign currency translation adjustment		**(2,764)**		8,425		**(24,530)**
Remeasurements of defined benefit plans		**303**		329		**2,689**
Share of other comprehensive income of affiliates accounted for using equity method		**(174)**		273		**(1,544)**
Total other comprehensive income		**(4,290)**		34,116		**(38,072)**
Comprehensive Income	**¥**	**14,140**	¥	50,988	**$**	**125,488**
Comprehensive Income Attributable to:						
Owners of the parent	**¥**	**14,092**	¥	49,213	**$**	**125,062**
Noncontrolling interests		**48**		1,774		**426**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2016 and 2015

	Millions of yen										
	Shareholders' equity				Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for sale securities	Deferred (losses) gains on hedges	Foreign currency translation adjustment	Remeasu-rements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥ 17,117	¥ 9,483	¥266,581	¥ (3,088)	¥ 32,253	¥ 21	¥ 4,237	¥ (1,831)	¥ 260	¥ 9,057	¥334,092
Cumulative effects of changes in accounting policies			(1,950)								(1,950)
Restated balance at April 1, 2014	17,117	9,483	264,630	(3,088)	32,253	21	4,237	(1,831)	260	9,057	332,141
Changes of items during the period:											
Dividends from surplus			(5,472)								(5,472)
Net income attributable to owners of the parent			16,036								16,036
Purchase of treasury stock				(20)							(20)
Disposal of treasury stock		87		448							536
Net changes of items other than shareholders' equity					25,045	97	7,674	359	(80)	2,397	35,494
Total changes of items during the period	-	87	10,563	428	25,045	97	7,674	359	(80)	2,397	46,574
Balance at March 31, 2015	17,117	9,571	275,194	(2,659)	57,298	118	11,911	(1,471)	179	11,454	378,715
Cumulative effects of changes in accounting policies		3,173	(4,196)								(1,023)
Restated balance at April 1, 2015	17,117	12,744	270,997	(2,659)	57,298	118	11,911	(1,471)	179	11,454	377,692
Changes of items during the period:											
Dividends from surplus			(7,235)								(7,235)
Net income attributable to owners of the parent			17,561								17,561
Purchase of treasury stock				(6)							(6)
Disposal of treasury stock		80		375							456
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		9									9
Net changes of items other than shareholders' equity					(1,324)	(420)	(2,052)	327	(32)	1,508	(1,993)
Total changes of items during the period	-	90	10,326	369	(1,324)	(420)	(2,052)	327	(32)	1,508	8,792
Balance at March 31, 2016	¥ 17,117	¥ 12,834	¥281,324	¥ (2,289)	¥ 55,974	¥ (301)	¥ 9,859	¥ (1,144)	¥ 147	¥ 12,962	¥386,485

	Thousands of U.S. dollars (Note 4)										
	Shareholders' equity				Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for sale securities	Deferred (losses) gains on hedges	Foreign currency translation adjustment	Remeasu-rements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	$ 151,908	$ 84,940	$ 2,442,261	$ (23,598)	$ 508,502	$ 1,047	$ 105,706	$ (13,055)	$ 1,589	$ 101,651	$ 3,360,978
Cumulative effects of changes in accounting policies		28,159	(37,238)								(9,079)
Restated balance at April 1, 2015	151,908	113,099	2,405,014	(23,598)	508,502	1,047	105,706	(13,055)	1,589	101,651	3,351,899
Changes of items during the period:											
Dividends from surplus			(64,208)								(64,208)
Net income attributable to owners of the parent			155,848								155,848
Purchase of treasury stock				(53)							(53)
Disposal of treasury stock		710		3,328							4,047
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		80									80
Net changes of items other than shareholders' equity					(11,750)	(3,727)	(18,211)	2,902	(284)	13,383	(17,687)
Total changes of items during the period	-	799	91,640	3,275	(11,750)	(3,727)	(18,211)	2,902	(284)	13,383	78,026
Balance at March 31, 2016	$ 151,908	$ 113,898	$ 2,496,663	$ (20,314)	$ 496,752	$ (2,671)	$ 87,496	$ (10,153)	$ 1,305	$ 115,034	$ 3,429,934

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 27,462**	¥ 25,427	**$ 243,717**
Depreciation and amortization	**16,816**	14,747	**149,237**
Amortization of goodwill	**1,157**	990	**10,268**
Litigation settlement	**-**	732	**-**
Increase (decrease) in net defined benefit liability	**100**	(238)	**887**
Increase in net defined benefit asset	**(183)**	(30)	**(1,624)**
Interest and dividends income	**(2,505)**	(2,108)	**(22,231)**
Interest expenses	**172**	179	**1,526**
Equity in earnings of affiliates	**(1,446)**	(2,104)	**(12,833)**
Gain on sales of investment securities	**(5)**	(67)	**(44)**
Decrease (increase) in notes and accounts receivable – trade	**3,116**	(5,955)	**27,654**
Decrease (increase) in inventories	**3,828**	(11,336)	**33,972**
(Decrease) increase in notes and accounts payable – trade	**(7,992)**	10,941	**(70,927)**
Other	**(527)**	209	**(4,677)**
Subtotal	**39,993**	31,385	**354,925**
Interest and dividends income received	**3,244**	2,271	**28,789**
Interest expenses paid	**(192)**	(184)	**(1,704)**
Litigation settlement paid	**-**	(732)	**-**
Income taxes paid	**(7,205)**	(7,633)	**(63,942)**
Net cash provided by operating activities	**35,839**	25,107	**318,060**
Cash Flows from Investing Activities:			
Payments into time deposits	**(10,804)**	(21,342)	**(95,882)**
Proceeds from withdrawal of time deposits	**16,326**	14,533	**144,888**
Purchase of short-term investment securities	**(2,109)**	(4,382)	**(18,717)**
Proceeds from sales of short-term investment securities	**2,166**	8,400	**19,223**
Purchase of property, plant and equipment and intangible assets	**(15,534)**	(19,009)	**(137,859)**
Proceeds from sales of property, plant and equipment and intangible assets	**(161)**	1,314	**(1,429)**
Purchase of investment securities	**(229)**	(1,147)	**(2,032)**
Proceeds from sales of investment securities	**32**	147	**284**
Purchase of stocks of subsidiaries and affiliates	**(164)**	(62)	**(1,455)**
Payments for transfer of business (Note 20)	**-**	(22,187)	**-**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 20)	**(1,733)**	-	**(15,380)**
Other, net	**9**	99	**80**
Net cash used in investing activities	**(12,201)**	(43,636)	**(108,280)**
Cash Flows from Financing Activities:			
Increase in short-term loans payable	**60**	10,179	**532**
Decrease in short-term loans payable	**(3,599)**	(2,184)	**(31,940)**
Proceeds from long-term loans payable	**1,130**	950	**10,028**
Repayment of long-term loans payable	**-**	(2)	**-**
Proceeds from sales of treasury stock	**456**	536	**4,047**
Purchase of treasury stock	**(6)**	(20)	**(53)**

Cash dividends paid	(7,235)	(5,472)	(64,208)
Other, net	(253)	345	(2,245)
Net cash (used in) provided by financing activities	(9,446)	4,331	(83,830)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(1,128)	1,409	(10,011)
Net Increase (Decrease) in Cash and Cash Equivalents	13,062	(12,788)	115,921
Cash and Cash Equivalents at Beginning of Period	59,897	72,685	531,567
Cash and Cash Equivalents at End of Period (Note 20)	¥ 72,960	¥ 59,897	$ 647,497

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

For the Years Ended March 31, 2016 and 2015

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements of Nisshin Seifun Group Inc. (the "Company") and its consolidated subsidiaries are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Principles of Consolidation and Accounting for Investment in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (together, the "Group"). As of March 31, 2016, the number of consolidated subsidiaries was 48. The newly acquired Joyous Foods Co., Ltd. has been included in the scope of consolidated subsidiaries.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated and accounted for by the equity method are stated at cost as adjusted for equity in undistributed earnings and losses from the date of acquisition. As of March 31, 2016, the number of subsidiaries and affiliates accounted for by the equity method was 10.

There are some subsidiaries with fiscal period which is different from the Company as below;
Rogers Foods Ltd.: January 31st
Thai Nisshin Seifun Co., Ltd. and other 19 consolidated subsidiaries: December 31st
Since the difference from the Company's fiscal year end is within 3 months in both cases, financial statements as of their original fiscal year ends are consolidated. If there are any significant transactions between their original fiscal year ends and the Company's fiscal year end, necessary adjustments are made for the consolidation.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method for a period of mainly 10 years. However, immaterial goodwill is charged to income in the year of acquisition.

1. Summary of Significant Accounting Policies (continued)

(c) Translation of Foreign Currency Accounts

Current and non-current receivables and payables denominated in foreign currencies are translated at current rates of exchange prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in earnings. Financial statements of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date, with the exceptions that the components of net assets excluding noncontrolling interests are translated at their historical rates and that statement of income items are translated at the average rates of exchange in effect during the year.

Translation adjustments resulting from translation of foreign currency financial statements are presented as foreign currency translation adjustments and noncontrolling interests in the accompanying consolidated balance sheets.

(d) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include short-term investment securities, time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

Reconciliations between cash in the consolidated balance sheets and cash equivalents in the consolidated statements of cash flows are presented in Note 20.

(e) Inventories

Inventories are stated at the lower of cost or market.

For finished goods, cost for flour and bran is determined by the retail cost method and cost for other products is principally determined by the periodic average method. For raw materials, cost is principally determined by first-in-first-out method.

(f) Allowance for Doubtful Accounts

The Company and its domestic consolidated subsidiaries provide allowance for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period, plus an estimated uncollectible amount based on an analysis of certain individual accounts, including claims in bankruptcy.

Overseas consolidated subsidiaries provide allowance for doubtful accounts based on an estimate of uncollectible amounts for specific accounts.

1. Summary of Significant Accounting Policies (continued)

(g) Depreciation and Amortization (excluding leased assets)

Property, plant and equipment are carried at cost less accumulated depreciation.

Depreciation of property, plant and equipment is principally computed by the declining-balance method for the Company and its domestic consolidated subsidiaries (excluding buildings acquired on or after April 1, 1998), and by the straight-line method for overseas consolidated subsidiaries over the estimated useful lives of the respective assets. Depreciation of buildings acquired on or after April 1, 1998 is computed by the straight-line method for the Company and its domestic consolidated subsidiaries.

Amortization of intangible assets is computed by the straight-line method. Software for internal use is carried at cost less accumulated amortization, which is calculated by the straight-line method over its estimated useful life (within five years).

(h) Leases

All finance lease transactions are capitalized to recognize leased assets and lease obligations in the balance sheets and depreciated by the straight-line method over the lease period, with no residual value.

(i) Investment Securities

Securities other than those of subsidiaries and affiliates are classified into two categories: held-to-maturity or available-for-sale 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. Securities classified as available-for-sale securities with fair market value are reported at fair value with unrealized gains and losses, net of the applicable taxes, reported in a separate component of net assets. Cost of available-for-sale securities with fair market value sold is determined by the moving-average method.

Securities classified as available-for-sale securities without fair market value 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.

(j) Retirement Benefits

To provide for employees' and retired pension recipients' retirement benefits, the Group recorded the estimated amount of projected benefit obligation after deducting plan assets at the balance sheet date as net defined benefit asset and net defined benefit liability.

The benefit formula method is used to attribute expected benefits to the period through the end of the year in calculating projected benefit obligation.

Prior service cost is amortized by the straight-line method over a period equal to the average remaining years of service of the participants of the plans (mainly 15 years).

Actuarial gain or loss is amortized primarily by the straight-line method over a period equal to the average remaining years of service of the participants of the plans (mainly 15 years) from the year following the year in which the gain or loss is recognized.

1. Summary of Significant Accounting Policies (continued)

(k) 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 income taxes are measured by applying currently enacted tax laws to the temporary differences.

(l) Derivatives

The Group uses forward exchange contracts and currency option contracts as a means of hedging exposure to risks arising from fluctuation in foreign currencies. Certain overseas consolidated subsidiaries use commodity futures and options on wheat solely for the purpose of mitigating future risks arising from fluctuation in commodity prices. 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 credited to income; however, for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. In addition, if forward exchange contracts qualify for hedge accounting, the related hedged items such as foreign currency receivables and payables are translated at the corresponding contracted rates.

Since the significant conditions of the hedging instruments and the related hedged items are the same and it can be considered that the fluctuations in the market would be completely eliminated during the period of hedging, the hedging activity is evaluated as highly effective.

(m) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

2. Changes in Accounting Policies and Adoption of New Accounting Standards

Accounting Standard for Business Combinations, etc.

Effective March 31, 2016, the Company has applied "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21, issued on September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards"). Consequently, under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary is recognized in capital surplus and acquisition-related costs are recorded as expenses in the year in which the costs are incurred. The Company also changed its accounting treatment for the reallocation of acquisition costs due to the completion following provisional accounting procedures to reflect such reallocation in the consolidated financial statements for the year in which the business combination took place. In addition, the presentation method of net income was amended and the reference to "minority interests" was changed to "noncontrolling interests" is also changed. Certain amounts in the prior year comparative information is reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company follows the provisional accounting procedures in article 58-2 (3) of Statement No. 21, article 44-5 (3) of Statement No. 22 and article 57-4 (3) of Statement No. 7 and recognized in capital surplus or retained earnings the cumulative effect as of the beginning of the current fiscal year that resulted from the retrospective application of the new accounting policies for all of the previous fiscal years.

As a result, goodwill decreased by ¥1,252 million ($11,111 thousand), capital surplus increased by ¥3,173 million ($28,159 thousand) and retained earnings decreased by ¥4,196 million ($37,238 thousand) as of April 1, 2015. The impact on profit or loss for the year ended March 31, 2016 was immaterial.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash Flows from Financing Activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash Flows from Operating Activities".

Since the cumulative effect is reflected in net assets as of the beginning of the year ended March 31, 2016, capital surplus increased by ¥3,173 million ($28,159 thousand) and retained earnings decreased by ¥4,196 million ($37,238 thousand), respectively, as of April 1, 2015, in the consolidated statement of changes in net assets.

3. Accounting Standards Issued but Not yet Effective

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the ASBJ revised “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26).

(1) Overview
Following the framework in Auditing Committee Report No. 66 “Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets”, which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2) Criteria for types 2 and 3;
3) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences; and
5) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Expected effective date
The Company expects to apply this guidance from the beginning of the year ending March 31, 2017.

(3) Effects of the application
The Company is evaluating the effects at the time when the consolidated financial statements are prepared.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥112.68 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2016.

The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Inventories

Inventories at March 31, 2016 and 2015 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished goods	**¥ 27,547**	¥ 27,903	**$ 244,471**
Work in process	**4,601**	4,614	**40,832**
Raw materials and supplies	**39,890**	43,749	**354,011**
Total	**¥ 72,038**	¥ 76,268	**$ 639,315**

Revaluation loss on inventories of ¥552 million ($4,899 thousand) and ¥308 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31, 2016 and 2015, respectively.

6. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2016 and 2015 amounted to ¥266,506 million ($2,365,158 thousand) and ¥258,809 million, respectively. Reduction entry of property, plant and equipment purchased using funds from a government subsidy for the years ended March 31, 2016 and 2015 amounted ¥29 million ($257 thousand) and nil, respectively. Accumulated reduction entry of property, plant and equipment purchased using funds from a government subsidy amounted to ¥351 million ($3,115 thousand) and ¥368 million at March 31, 2016 and 2015, respectively.

7. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Short-term loans payable with average interest rate of 0.7938% at March 31, 2016	¥ 13,917	¥ 16,268	$ 123,509
Current portion of long-term loans payable with average interest rate of 1.3023% at March 31, 2016	1,301	906	11,546
Current portion of lease obligations	347	311	3,080
Total short-term loans payable	15,566	17,486	138,143
Long-term loans payable at March 31, 2016 with average interest rate of 1.5823%, less current portion, due from 2017 to 2028	4,386	3,874	38,924
Long-term lease obligations at March 31, 2016, due from 2017 to 2023	929	671	8,245
Total long-term loans payable	5,315	4,545	47,169
Total	¥ 20,884	¥ 22,033	$ 185,339

* Average interest rates of loans payable represent the weighted-average rates for the outstanding balances at March 31, 2016.
* Disclosure of average interest rates of lease obligations has been omitted because the amounts of lease obligations recorded on consolidated balance sheet at March 31, 2016 were calculated based on inclusive-of-interest method.

The annual maturities of long-term loans payable within 5 years of March 31, 2016, excluding the current portion, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 1,367	$ 12,132
2019	1,161	10,304
2020	779	6,913
2021	255	2,263

The annual maturities of long-term lease obligations within 5 years of March 31, 2016 excluding the current portion are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 322	$ 2,858
2019	261	2,316
2020	139	1,234
2021	78	692

7. Short-Term and Long-Term Loans Payable (continued)

The Group has entered into certain line-of-credit agreements with major financial institutions amounting to ¥29,677 million ($263,374 thousand) and ¥29,968 million at March 31, 2016 and 2015, respectively.

Loans payable outstanding under these line-of-credit agreements amounted to ¥10,671 million ($94,702 thousand) and ¥13,133 million at March 31, 2016 and 2015, respectively.

Contracted fees for these line-of-credit agreements amounted to ¥17 million ($151 thousand) and ¥16 million for the years ended March 31, 2016 and 2015, respectively. These amounts are presented as other non-operating expenses.

The carrying amounts of assets pledged as collateral at March 31, 2016 and 2015 for short-term loans payable of ¥100 million (¥887 thousand) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Buildings and structures	**¥ 1,097**	¥ 1,134	**$ 9,736**
Machinery, equipment and vehicles	**507**	489	**4,499**
Investment securities (Note)	**-**	5,324	**-**
Other	**127**	124	**1,127**
Total	**¥ 1,733**	¥ 7,072	**$ 15,380**

Note: This is pledged as third party mortgage to collateralize loans payable of an affiliate of the Company.

8. Employees' Retirement Benefits

The Group has unfunded lump-sum retirement plans and defined contribution pension plans to provide for employees' retirement benefits. The Company and certain consolidated subsidiaries also have funded defined benefit corporate pension plans limited for retired pension recipients. Certain consolidated subsidiaries enroll multiemployer defined benefit corporate pension plans. Certain consolidated subsidiaries apply the simplified method in computing projected benefit obligation. Besides these retirement benefits, certain employees may be entitled to additional special retirement benefits based on the conditions under which termination occurs.

Defined benefit plans

(a) The changes in projected benefit obligation during the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 30,376**	¥ 29,011	**$ 269,578**
Cumulative effects of changes in accounting policies	**-**	3,055	**-**
Restated balance at beginning of year	**30,376**	32,067	**269,578**
Service cost	**1,276**	1,271	**11,324**
Interest cost	**189**	195	**1,677**
Actuarial loss (gain)	**1**	(80)	**9**
Retirement benefits paid	**(2,868)**	(3,095)	**(25,453)**
Other	**(13)**	18	**(115)**
Increase resulting from newly consolidated subsidiary	**660**	-	**5,857**
Balance at end of year	**¥ 29,623**	¥ 30,376	**$ 262,895**

8. Employees' Retirement Benefits (continued)

(b) The changes in plan assets during the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥ 8,986	¥ 10,425	$ 79,748
Expected return on plan assets	89	104	790
Actuarial gain	100	109	887
Retirement benefits paid	(1,506)	(1,653)	(13,365)
Increase resulting from newly consolidated subsidiary	275	-	2,441
Balance at end of year	¥ 7,945	¥ 8,986	$ 70,509

* Fair value of plan assets for the years ended March 31, 2016 and 2015 pertains to defined benefit corporate pension plans limited for retired pension recipients.

(c) Reconciliation between the balances of projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded projected benefit obligation	¥ 7,945	¥ 8,955	$ 70,509
Plan assets at fair value	(7,945)	(8,986)	(70,509)
	(0)	(30)	(0)
Unfunded projected benefit obligation	21,678	21,421	192,386
Net liability and asset recorded on the consolidated balance sheet	21,678	21,390	192,386
Net defined benefit liability	21,892	21,421	194,285
Net defined benefit asset	(214)	(30)	(1,899)
Net liability and asset recorded on the consolidated balance sheet	¥ 21,678	¥ 21,390	$ 192,386

(d) The components of retirement benefit costs for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 1,276	¥ 1,271	$ 11,324
Interest cost	189	195	1,677
Expected return on plan assets	(89)	(104)	(790)
Amortization of actuarial loss	610	636	5,414
Amortization of prior service cost	(245)	(245)	(2,174)
Net retirement benefit costs	¥ 1,741	¥ 1,753	$ 15,451

* Retirement benefit costs incurred by consolidated subsidiaries that applied the simplified method were recorded as service cost.

8. Employees' Retirement Benefits (continued)

(e) The components of remeasurements of defined benefit plans (before income tax effect) in other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Prior service cost	**¥ (245)**	¥ (245)	**$ (2,174)**
Actuarial loss (gain)	**708**	826	**6,283**
Total	**¥ 463**	¥ 581	**$ 4,109**

(f) The components of remeasurements of defined benefit plans (before income tax effect) in accumulated other comprehensive income as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ (1,571)**	¥ (1,817)	**$ (13,942)**
Unrecognized actuarial loss (gain)	**3,126**	3,835	**27,742**
Total	**¥ 1,554**	¥ 2,018	**$ 13,791**

(g) Plan assets

(1) The components of plan assets are summarized as follows:

	2016	2015
General account	**48%**	49%
Bonds	**47**	48
Cash and deposits	**5**	3
Total	**100%**	100%

(2) Expected long-term rate of return

The expected long-term rate of return on plan assets is determined by considering current and expected distribution of plan assets and long-term rate of return derived from various components of the plan assets.

(h) Principal assumptions used for the actuarial calculation for the years ended March 31, 2016 and 2015 are set forth as follows:

		2016	2015
Discount rate	Principally	**0.9%**	0.9%
Expected long-term rate of return on plan assets	Principally	**1.0%**	1.0%

Defined contribution plans

The required contribution amount to defined contribution plans by the Group for the years ended March 31, 2016 and 2015 amounted to ¥819 million ($7,268 thousand) and ¥776 million, respectively.

9. Stock Option Plans

Stock option expenses included in "Selling, General and Administrative Expenses" in the accompanying consolidated statements of income for the years ended March 31, 2016 and 2015 amounted to ¥54 million ($479 thousand) and ¥42 million, respectively. Gain on forfeiture of unexercised stock options for the years ended March 31, 2016 and 2015 amounted to ¥22 million ($195 thousand) and ¥43 million, respectively.

At March 31, 2016, the Company and consolidated subsidiaries had the following stock option plans:

	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Grantees	12 directors and 12 executive officers of the Company and 24 directors of consolidated subsidiaries	12 directors and 12 executive officers of the Company and 23 directors of consolidated subsidiaries	12 directors and 12 executive officers of the Company and 24 directors of consolidated subsidiaries	13 directors and 10 executive officers of the Company and 42 directors of consolidated subsidiaries
Type of stock	Common Stock	Common stock	Common stock	Common stock
Number of shares granted	321,860 shares *1	309,760 shares *1	318,230 shares *1	424,710 shares *1
Grant date	August 19, 2008	August 18, 2009	August 18, 2010	August 18, 2011
Conditions for vesting	Not stated	Not stated	Not stated	Not stated
Service period	Not specified	Not specified	Not specified	Not specified
Exercisable period	August 20, 2010-July 30, 2015	August 19, 2011-August 1, 2016	August 19, 2012-August 1, 2017	August 19, 2013-August 1, 2018

	2008 Plan *1	2009 Plan *1	2010 Plan *1	2011 Plan *1
Non-Vested (number of shares)				
Outstanding at beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	-	-
Outstanding at end of the year	-	-	-	-
Vested (number of shares)				
Outstanding at beginning of the year	114,950	135,520	140,360	242,000
Vested during the year	-	-	-	-
Exercised during the year	37,510	54,450	73,810	111,320
Forfeited during the year	77,440	31,460	8,470	18,150
Outstanding at end of the year	-	49,610	58,080	112,530
Exercise price (Yen)	¥1,155	¥936	¥909	¥848
Exercise price (U.S. dollars)	$10.25	$8.31	$8.07	$7.53
Weighted-average market price upon exercise (Yen)	¥1,678	¥1,793	¥1,757	¥1,637
Weighted-average market price upon exercise (U.S. dollars)	$14.89	$15.91	$15.59	$14.53
Fair value as of grant date (Yen)	¥166	¥192	¥179	¥140
Fair value as of grant date (U.S. dollars)	$1.47	$1.70	$1.59	$1.24

9. Stock Option Plans (continued)

	2012 Plan	2013 Plan	2014 Plan	2015 Plan
Grantees	15 directors and 9 executive officers of the Company and 35 directors of consolidated subsidiaries	14 directors and 10 executive officers of the Company and 35 directors of consolidated subsidiaries	14 directors and 10 executive officers of the Company and 34 directors of consolidated subsidiaries	14 directors and 10 executive officers of the Company and 35 directors of consolidated subsidiaries
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	388,410 shares *1	373,890 shares *1	337,700 shares *2	326,000 shares
Grant date	August 16, 2012	August 20, 2013	August 19, 2014	August 19, 2015
Conditions for vesting	Not stated	Not stated	Not stated	Not stated
Service period	Not specified	Not specified	Not specified	Not specified
Exercisable period	August 17, 2014-August 1, 2019	August 21, 2015-August 3, 2020	August 20, 2016-August 2, 2021	August 20, 2017-August 1, 2022

	2012 Plan *1	2013 Plan *1	2014 Plan *2	2015 Plan
Non-Vested (number of shares)				
Outstanding at beginning of the year	-	373,890	337,700	-
Granted during the year	-	-	-	326,000
Forfeited during the year	-	-	-	-
Vested during the year	-	373,890	-	-
Outstanding at end of the year	-	-	337,700	326,000
Vested (number of shares)				
Outstanding at beginning of the year	214,170	-	-	-
Granted during the year	-	373,890	-	-
Exercised during the year	72,600	77,440	-	-
Forfeited during the year	-	-	-	-
Outstanding at end of the year	141,570	296,450	-	-
Exercise price (Yen)	¥792	¥1,012	¥1,159	¥1,748
Exercise price (U.S. dollars)	$7.03	$8.98	$10.29	$15.51
Weighted-average market price upon exercise (Yen)	¥1,747	¥1,801	-	-
Weighted-average market price upon exercise (U.S. dollars)	$15.50	$15.98	-	-
Fair value as of grant date (Yen)	¥152	¥101	¥122	¥266
Fair value as of grant date (U.S. dollars)	$1.35	$0.90	$1.08	$2.36

*1 The Company carried out a stock split by the ratio of 1.1 shares per share on October 1, 2013 and on October 1, 2014. Number of shares and prices in the above tables are restated to reflect the stock split.

*2 The Company carried out a stock split by the ratio of 1.1 shares per share on October 1, 2014. Number of shares and prices in the above tables are restated to reflect the stock split.

9. Stock Option Plans (continued)

The fair value of options granted as of the grant date was estimated using the Black-Scholes option-pricing model based on the following assumptions:

	2015 Plan
Expected volatility *1 (%)	21.9
Expected remaining period *2 (years)	4.5
Expected dividends per share *3 (yen)	¥22
Expected dividends per share *3 (U.S. dollars)	$0.20
Risk free interest rate *4 (%)	0.05

*1 Expected volatility is estimated based on the actual stock price in the period from February 2011 to August 2015.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividends per share refer to the annual amount for the year ended March 31, 2015.

*4 Risk free interest rate represents the interest rate of government bonds whose remaining period corresponds to the expected remaining period of the above stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested numbers is based on actual forfeitures in prior periods.

10. Shareholders' Equity

The Companies Act of Japan (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

11. Supplemental Information for Consolidated Statements of Changes in Net Assets

(a) Type and number of outstanding shares

	Thousands of shares			
	Year ended March 31, 2016			
Types of shares	Balance at Beginning of Year	Increase in Shares during the Year	Decrease in Shares during the Year	Balance at Year End
Issued stock: Common stock	**304,357**	**-**	**-**	**304,357**
Treasury stock: Common stock	**3,098**	**3**	**427**	**2,674**

1. Treasury stock increased due to a repurchase of odd-lot shares of less than one unit (3 thousand shares).
2. Treasury stock decreased due to (a) a disposal of odd-lot shares of less than one unit (0 thousand shares) and (b) exercise of stock options (427 thousand shares).

	Thousands of shares			
	Year ended March 31, 2015			
Types of shares	Balance at Beginning of Year	Increase in Shares during the Year	Decrease in Shares during the Year	Balance at Year End
Issued stock: Common stock	276,688	27,668	-	304,357
Treasury stock: Common stock	3,264	320	486	3,098

1. The Company carried out a stock split by the ratio of 1.1 shares per share of common stock on October 1, 2014.
2. Issued stock increased due to the stock split (27,668 thousand shares).
3. Treasury stock increased due to (a) the stock split (301 thousand shares), (b) a repurchase of odd-lot shares of less than one unit (18 thousand shares) and (c) acquisition of treasury stock by companies which are accounted for by the equity method (0 thousand shares).
4. Treasury stock decreased due to (a) a disposal of odd-lot shares of less than one unit (0 thousand shares) and (b) exercise of stock options (485 thousand shares).

(b) Subscription rights to shares

		Balance at March 31, 2016	
Category	Details of Options	Millions of yen	Thousands of U.S. dollars
Supplying company	Subscription rights to shares as stock options	**¥ 147**	**$ 1,305**
(Parent Company)	Total	**¥ 147**	**$ 1,305**

		Balance at March 31, 2015
Category	Details of Options	Millions of yen
Supplying company	Subscription rights to shares as stock options	¥ 179
(Parent Company)	Total	¥ 179

11. Supplemental Information for Consolidated Statements of Changes in Net Assets (continued)

(c) Dividends

(1) Dividends paid to shareholders

Year ended March 31, 2016

Date of Approval	Resolution Approved by	Type of Shares	Amount		Amount per Share		Cut-off Date	Effective Date
			(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
June 25, 2015	**Annual general meeting of shareholders**	**Common stock**	**¥3,616**	**$ 32,091**	**¥12**	**$ 0.11**	**March 31, 2015**	**June 26, 2015**
October 29, 2015	**Board of directors**	**Common stock**	**¥3,619**	**$ 32,118**	**¥12**	**$ 0.11**	**September 30, 2015**	**December 4, 2015**

Year ended March 31, 2015

Date of Approval	Resolution Approved by	Type of Shares	Amount	Amount per Share	Cut-off Date	Effective Date
			(Millions of yen)	(Yen)		
June 26, 2014	Annual general meeting of shareholders	Common stock	¥2,734	¥10	March 31, 2014	June 27, 2014
October 30, 2014	Board of directors	Common stock	¥2,737	¥10	September 30, 2014	December 5, 2014

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

Year ended March 31, 2016

Date of Approval	Resolution Approved by	Type of Shares	Source of Dividends	Amount		Amount per Share		Cut-off Date	Effective Date
				(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
June 28, 2016	**Annual general meeting of shareholders**	**Common stock**	**Retained earnings**	**¥ 3,621**	**$ 32,135**	**¥ 12**	**$ 0.11**	**March 31, 2016**	**June 29, 2016**

Year ended March 31, 2015

Date of Approval	Resolution Approved by	Type of Shares	Source of Dividends	Amount	Amount per Share	Cut-off Date	Effective Date
				(Millions of yen)	(Yen)		
June 25, 2015	Annual general meeting of shareholders	Common stock	Retained earnings	¥ 3,616	¥ 12	March 31, 2015	June 26, 2015

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Freight	**¥ 33,198**	¥ 31,015	**$ 294,622**
Sales promotion and sales incentives	**40,359**	41,632	**358,174**
Employees' salaries	**14,398**	14,307	**127,778**
Employees' bonuses and benefits	**10,369**	10,107	**92,022**
Retirement benefits	**1,463**	1,449	**12,984**
Other	**30,922**	29,426	**274,423**
Total	**¥130,713**	¥127,937	**$ 1,160,037**

13. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs were ¥5,580 million ($49,521 thousand) and ¥5,467 million for the years ended March 31, 2016 and 2015, respectively.

14. Litigation settlement

Litigation settlement is the payment for the year ended March 31, 2015 to former shareholders of Miller Milling Company, LLC, which is a subsidiary of the Company in the U.S., in order to settle the litigation which relates to the appraisal value of its assets at the timing of the acquisition.

15. Income Taxes

Income taxes applicable to the Group consist of corporate tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 33.0% and 35.5% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Net defined benefit liability	**¥ 6,433**	¥ 6,762	**$ 57,091**
Investment securities	**1,670**	1,254	**14,821**
Intangible assets	**1,532**	526	**13,596**
Provision for bonuses	**1,376**	1,418	**12,212**
Accrued sales incentives	**1,215**	1,285	**10,783**
Unrealized gain on noncurrent assets	**1,141**	1,057	**10,126**
Loss carryforward	**955**	643	**8,475**
Impairment loss	**573**	656	**5,085**
Inventories	**571**	416	**5,067**
Provision for repairs	**451**	476	**4,002**
Accrued enterprise taxes	**415**	259	**3,683**
Depreciation	**278**	293	**2,467**
Unrealized gain on inventories	**177**	274	**1,571**
Other	**1,859**	2,031	**16,498**
Gross deferred tax assets	**18,652**	17,356	**165,531**
Valuation allowance	**(2,808)**	(2,535)	**(24,920)**
Amount offset by deferred tax liabilities	**(6,874)**	(6,428)	**(61,005)**
Deferred tax assets, net	**¥ 8,969**	¥ 8,392	**$ 79,597**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (24,288)**	¥ (26,792)	**$ (215,548)**
Reserve for reduction entry of noncurrent assets	**(1,792)**	(1,937)	**(15,903)**
Lower depreciation	**(1,238)**	(946)	**(10,987)**
Securities returned from employee retirement benefit trust	**(964)**	(1,014)	**(8,555)**
Other	**(1,215)**	(577)	**(10,783)**
Gross deferred tax liabilities	**(29,499)**	(31,269)	**(261,794)**
Amount offset by deferred tax assets	**6,874**	6,428	**61,005**
Deferred tax liabilities, net	**¥ (22,624)**	¥ (24,841)	**$ (200,781)**

15. Income Taxes (continued)

"Lower depreciation" which was included in "Other" within "Gross deferred tax liabilities" in the year ended March 31, 2015 is separately disclosed since the amount is significant in the year ended March 31, 2016. In order to reflect the change of the presentation, the presentation of the footnote for the year ended March 31, 2015 has also been reclassified. As a result, "Other" of ¥(1,524) million in the year ended March 31, 2015 has been reclassified as "Lower depreciation" of ¥(946) million and "Other" of ¥(577) million.

Disclosure of the reconciliation for the year ended March 31, 2016 has been omitted as the difference was less than 5% of the statutory tax rate.

Disclosure of the reconciliation between the statutory and effective tax rates for the year ended March 31, 2015 was as follows:

	Year ended March 31
	2015
Statutory tax rate	35.5%
Non-taxable dividend income and others	(1.6)
Non-deductible expenses	1.4
Tax credits	(1.7)
Effect of changes in statutory tax rate	2.7
Equity in earnings of affiliates	(2.9)
Other	0.2
Effective tax rate	33.6%

The "Act on Partial Revision of the Income Tax Act" (Act No. 15 of 2016) and the "Act on Partial Revision of the Local Tax Act" (Act No. 13 of 2016) were enacted in the National Diet session on March 29, 2016 and the statutory tax rate will be reduced effective from years beginning on or after April 1, 2016. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 32.2% to 30.8% and 30.6% for the temporary differences expected to reverse in the fiscal years beginning April 1, 2016 and 2017, and temporary differences expected to reverse from the fiscal years beginning April 1, 2018, respectively. As a result of this change, deferred tax liabilities, net of deferred tax assets, decreased by ¥892 million ($7,916 thousand) and income taxes—deferred increased by ¥373 million ($3,310 thousand) as of and for the year ended March 31, 2016.

16. Leases

The Group primarily leases information system equipment and software.

The future minimum lease commitments under noncancellable operating leases subsequent to March 31, 2016 are summarized as follows:

(As Lessee)

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 320	$ 2,840
Due after one year	831	7,375
Total	¥ 1,151	$ 10,215

(As Lessor)

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 45	$ 399
Due after one year	337	2,991
Total	¥ 382	$ 3,390

17. Per Share Data

	2016	2015	2016
Net income per share:			
Basic	¥ 58.25	¥ 53.28	$ 0.52
Diluted	58.15	53.22	0.52
Net assets per share	¥ 1,237.64	¥ 1,218.49	$ 10.98

The Company carried out a stock split by the ratio of 1.1 shares per share of common stock on October 1, 2014. Net income per share for the year ended March 31, 2015 was restated based on the assumption that the stock split was carried out at the beginning of the year ended March 31, 2015.

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

With respect to the computation of diluted net income per share, both net income attributable to owners of the parent and the weighted-average number of shares of common stock outstanding are adjusted assuming the exercise of rights relevant to potentially issuable shares.

Net assets per share are computed by dividing the net assets excluding subscription rights to shares and noncontrolling interests by the number of shares of common stock outstanding at the year end.

17. Per Share Data (continued)

The bases for calculating basic and diluted net income per share are as follows:

	2016	2015
Net income attributable to owners of the parent available for distribution to common shareholders	¥ 17,561 million ($155,848 thousand)	¥ 16,036 million
Weighted average number of shares for basic net income	301,478,316 shares	300,996,604 shares
Increase in shares of common stock		
Subscription rights to shares	520,362 shares	302,093 shares
Number of shares for diluted net income	301,998,678 shares	301,298,697 shares
Summary of potentially issuable shares that do not have a dilutive effect on net income per share	111 and 215 subscription rights to shares approved by the annual general meeting of shareholders at June 25, 2015 Preferred stock issued by affiliates under equity method: TOKATU FOODS CO., LTD. type-B preferred stock (54,275 shares issued)	96 and 211 subscription rights to shares approved by the annual general meeting of shareholders at June 26, 2014 17 and 60 subscription rights to shares approved by the annual general meeting of shareholders at June 26, 2008 Preferred stock issued by affiliates under equity method: TOKATU FOODS CO., LTD. type-B preferred stock (54,275 shares issued)

The bases for calculating net assets per share are as follows:

	2016	2015	2016
Total net assets	¥ 386,485 million	¥ 378,715 million	$ 3,429,934 thousand
Amounts deducted from total net assets			
Subscription rights to shares	147 million	179 million	1,305 thousand
Noncontrolling interests	12,962 million	11,454 million	115,034 thousand
Net assets attributable to shares of common stock	373,375 million	367,081 million	3,313,587 thousand
Number of shares of common stock used in the calculation of net assets per share	301,683,585 shares	301,259,814 shares	

18. Financial Instruments

(a) Overview

(1) Investment policy of financial instruments

The Group mainly operates funds for future strategic investments and manages temporary surpluses by secured time deposits and short-term investment securities. The Group does not operate these funds for trading or speculative purposes. The Group obtains financing through bank borrowings for short-term financial requirements and bank loans, bond issuance and capital increases for long-term financial requirements, considering market conditions and other factors.

Investment securities are held when holding equity securities improves the mid-to long-term corporate value and is regarded as reasonable from the viewpoint of facilitation and enhancement of business partnership and joint venture, and building and enhancement of long-term and stable business relationship.

Derivative transactions are only utilized to hedge the following risks, and it is a policy not to enter into derivative transactions for trading or speculative purposes.

(2) Types of financial instruments and related risk and risk management

Cash and deposits are mainly time deposits and short-term investment securities are mainly debt securities. These are exposed to credit risk and market fluctuation risk. The Group minimizes and diversifies these risks according to internal rules that state certain specified limits.

Notes and accounts receivable - trade are exposed to credit risk. Each company in the Group follows internal rules and monitors credit conditions of customers periodically and manages the due date and balance per each customer.

Investment securities are mainly equity securities of companies in which a business relationship has been established or capital alliances and exposed to market fluctuation risk. The Group reviews fair values of these securities periodically and verifies the reasonableness of mid-to long-term possession of major equity securities considering the risk and the returns at the Board of Directors meeting annually after ensuring business relationship, earnings and financial conditions, return to shareholders, creditworthiness, etc.

Notes and accounts payable - trade are exposed to liquidity risk, however, most of them are due within one year and the Group manages the risk by preparing cash management plans.

(3) Supplemental information on fair value of financial instruments

As well as the values based on market prices, fair value of financial instruments includes values, which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied. Also, for the contract amount and others regarding derivative transactions described in Note 21, the contract amount itself does not indicate market risk related to derivative transactions.

18. Financial Instruments (continued)

(b) Fair value of financial instruments

Carrying value on the consolidated balance sheets as of March 31, 2016 and 2015, fair value and differences are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	2016					
	Millions of yen			Thousands of U.S. dollars		
	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
Cash and deposits	¥ 61,665	¥ 61,665	¥ -	$ 547,258	$ 547,258	$ -
Notes and accounts receivable – trade	72,871	72,871	-	646,707	646,707	-
Short-term investment securities and investment securities:						
Other securities	122,905	122,905	-	1,090,744	1,090,744	-
Total assets	¥257,443	¥257,443	¥ -	$2,284,727	$2,284,727	$ -
Notes and accounts payable – trade	51,348	51,348	-	455,698	455,698	-
Total liabilities	¥ 51,348	¥ 51,348	¥ -	$ 455,698	$ 455,698	$ -
Derivative transactions: (*)						
Hedge accounting not applied	(319)	(319)	-	(2,831)	(2,831)	-
Hedge accounting applied	(372)	(372)	-	(3,301)	(3,301)	-
Total derivative transactions	¥ (692)	¥ (692)	¥ -	$ (6,141)	$ (6,141)	$ -

	2015		
	Millions of yen		
	Carrying Value	Fair Value	Difference
Cash and deposits	¥ 42,584	¥ 42,584	¥ -
Notes and accounts receivable - trade	74,688	74,688	-
Short-term investment securities and investment securities:			
Other securities	137,652	137,652	-
Total assets	¥254,925	¥254,925	¥ -
Notes and accounts payable - trade	57,561	57,561	-
Total liabilities	¥ 57,561	¥ 57,561	¥ -
Derivative transactions: (*)			
Hedge accounting not applied	(181)	(181)	-
Hedge accounting applied	161	161	-
Total derivative transactions	¥ (19)	¥ (19)	¥ -

(*) Net assets and liabilities arising from derivative transactions are presented on a net basis with liabilities shown in parenthesis.

18. Financial Instruments (continued)

Note 1: Valuation method for financial instruments and information of investment securities are as follows:

Assets:
Cash and deposits and Notes and accounts receivable - trade
The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

Short-term investment securities and investment securities
Fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or the price provided by the correspondent financial institutions.

Liabilities:
Notes and accounts payable – trade
The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

Derivative transactions:
Please refer to Note 21.

Note 2: Unlisted equity securities of ¥28,514 million ($253,053 thousand) and ¥28,431 million whose fair values are extremely difficult to determine as of March 31, 2016 and 2015, respectively, are not included in the above tables.

(c) The redemption schedule for financial instruments and securities with maturities as of March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
	Due in One Year or Less	Due in One Year or Less	Due in One Year or Less
Cash and deposits	**¥ 61,665**	¥ 42,584	**$ 547,258**
Notes and accounts receivable – trade	**72,871**	74,688	**646,707**
Short-term investment securities and investment securities:			
Other securities	**12,696**	25,576	**112,673**
Total	**¥ 147,234**	¥ 142,850	**$1,306,656**

19. Investment Securities

Investments in unconsolidated subsidiaries and affiliates included in "Investment securities" as of March 31, 2016 and 2015 amounted to ¥26,827 million ($238,081 thousand) and ¥26,170 million, respectively.

(a) Information regarding available-for-sale securities with fair market value

	2016					
	Millions of yen			Thousands of U.S. dollars		
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥109,058	¥ 28,706	¥ 80,351	$ 967,856	$ 254,757	$713,090
Bonds:						
Government and municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	109,058	28,706	80,351	967,856	254,757	713,090
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	57	62	(4)	506	550	(35)
Bonds:						
Government and municipal bonds	6,690	6,690	(0)	59,372	59,372	(0)
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	7,100	7,100	-	63,010	63,010	-
Subtotal	13,847	13,852	(5)	122,888	122,932	(44)
Total	¥122,905	¥ 42,559	¥ 80,346	$ 1,090,744	$ 377,698	$713,046

	2015		
	Millions of yen		
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥112,033	¥ 27,880	¥ 84,152
Bonds:			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Subtotal	112,033	27,880	84,152
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	52	59	(6)
Bonds:			
Government and municipal bonds	8,565	8,566	(0)
Corporate bonds	-	-	-
Other	-	-	-
Other	17,000	17,000	-
Subtotal	25,618	25,626	(7)
Total	¥137,652	¥ 53,506	¥ 84,145

19. Investment Securities (continued)

(b) Sale of securities classified as available-for-sale securities

Information regarding the sale of securities classified as available-for-sale securities for the years ended March 31, 2016 and 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds from sales	¥ 32	¥ 147	$ 284
Aggregate gains on sales	7	67	62
Aggregate losses on sales	(1)	(0)	(9)

20. Cash and Cash Equivalents

(1) Cash and deposits on the accompanying consolidated balance sheets and cash and cash equivalents on the accompanying consolidated statements of cash flows are reconciled as of March 31, 2016 and 2015 as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and deposits	¥ 61,665	¥ 42,584	$ 547,258
Short-term investment securities	13,790	25,565	122,382
Total	75,455	68,150	669,640
Time deposits with maturities of more than three months	(1,536)	(7,157)	(13,632)
Debt securities with maturities of more than three months	(959)	(1,096)	(8,511)
Cash and cash equivalents	¥ 72,960	¥ 59,897	$ 647,497

(2) Assets and liabilities of newly consolidated subsidiary by stock acquisition

Major components of assets and liabilities of Joyous Foods Co., Ltd., which was newly consolidated by the stock acquisition and details of the difference between the acquisition costs and net payment for the stock acquisition for the year ended March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Current assets	¥ 4,204	$ 37,309
Noncurrent assets	4,839	42,945
Goodwill	683	6,061
Current liabilities	(3,660)	(32,481)
Noncurrent liabilities	(1,433)	(12,717)
Noncontrolling interests	(1,378)	(12,229)
Acquisition costs	3,255	28,887
Cash and cash equivalents	(1,521)	(13,498)
Net payment for the stock acquisition	¥ (1,733)	$ (15,380)

20. Cash and Cash Equivalents (continued)

(3) Assets and liabilities increased by transfer of business

Major components of assets and liabilities by the transfer of four flour milling plants in the U.S., which was acquired by Miller Milling Company, LLC. and details of the difference between the transfer costs of the business and net payment for the year ended March 31, 2015 were as follows:

	Millions of yen
	2015
Current assets	¥ 4,427
Noncurrent assets	12,827
Goodwill	4,932
Transfer of business costs	22,187
Cash and cash equivalents	-
Net payment for the transfer of business	¥ (22,187)

21. Derivatives

Derivative transactions for which hedge accounting is not applied at March 31, 2016 and 2015 are as follows:

	2016							
	Millions of yen				Thousands of U.S. dollars			
	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency futures:								
Buy:								
Canadian dollars	¥ 1,617	¥ -	¥ (43)	¥ (43)	$ 14,350	$ -	$ (382)	$ (382)
Forward exchange contracts:								
Sell:								
U.S. dollars	¥ 212	¥ -	¥ 5	¥ 5	$ 1,881	$ -	$ 44	$ 44
Euro	54	-	(0)	(0)	479	-	(0)	(0)
Turkish lira	330	-	(9)	(9)	2,929		(80)	(80)
Buy:								
U.S. dollars	637	-	3	3	5,653	-	27	27
Euro	64	-	0	0	568	-	0	0
Japanese yen	1	-	(0)	(0)	9		(0)	(0)
Turkish lira	201	-	0	0	1,784	-	0	0
Total	¥ 3,120	¥ -	¥ (43)	¥ (43)	$ 27,689	$ -	$ (382)	$ (382)
Commodity futures:								
Sell:								
Wheat	¥ 2,911	¥ -	¥ 56	¥ 56	$ 25,834	$ -	$ 497	$ 497
Buy:								
Wheat	6,287	-	(318)	(318)	55,795	-	(2,822)	(2,822)
Commodity options:								
Sell put:								
Wheat	170	-	(14)	(14)	1,509	-	(124)	(124)
Total	¥ 9,370	¥ -	¥ (276)	¥ (276)	$ 83,156	$ -	$(2,449)	$(2,449)

21. Derivatives (continued)

	2015			
	Millions of yen			
	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency futures:				
Buy:				
Canadian dollars	¥ 1,064	¥ -	¥ (79)	¥ (79)
Forward exchange contracts:				
Sell:				
U.S. dollars	¥ 250	¥ -	¥ (5)	¥ (5)
Euro	57	-	0	0
Buy:				
U.S. dollars	894	-	8	8
Euro	106	-	(3)	(3)
Japanese yen	2	-	(0)	(0)
Total	¥ 2,377	¥ -	¥ (80)	¥ (80)
Commodity futures:				
Sell:				
Wheat	¥ 5,154	¥ -	¥ (242)	¥ (242)
Buy:				
Wheat	6,016	-	139	139
Commodity options:				
Sell put:				
Wheat	5	-	1	3
Total	¥ 11,176	¥ -	¥ (101)	¥ (98)

* Fair value of derivative transactions is stated based on the quoted market price and the price presented by the counterparty financial institutions.

21. Derivatives (continued)

Derivative transactions for which hedge accounting is applied at March 31, 2016 and 2015 are as follows:

		2016					
		Millions of yen			Thousands of U.S. dollars		
	Hedged Item	Contract Amount and Others	Due after One Year	Fair Value	Contract Amount and Others	Due after One Year	Fair Value
Benchmark method							
Forward exchange contracts:							
Sell:							
U.S. dollars	Anticipated foreign currency transactions	¥ 994	¥ -	¥ (56)	$ 8,821	$ -	$ (497)
Buy:							
U.S. dollars	Accounts payables	6,080	-	(263)	53,958	-	(2,334)
Thai baht		1,366	-	(56)	12,123	-	(497)
Australian dollars		7	-	(0)	62	-	(0)
Euro		975	-	10	8,653	-	89
Swiss franc		103	-	(7)	914		(62)
Currency options:							
Buy call:							
U.S. dollars	Accounts payables	2	-	0	18	-	0
Allocation method							
Forward exchange contracts:							
Sell:							
U.S. dollars	Accounts receivables	¥ 125	¥ -	¥ -	$ 1,109	$ -	$ -
Buy:							
U.S. dollars	Accounts payables	93	-	-	825	-	-
Thai baht		13	-	-	115	-	-
Euro		2	-	-	18	-	-
		¥ 9,765	¥ -	¥ (372)	$ 86,661	$ -	$ (3,301)

		2015		
		Millions of yen		
	Hedged Item	Contract Amount and Others	Due after One Year	Fair Value
Benchmark method				
Forward exchange contracts:				
Sell:				
U.S. dollars	Anticipated foreign currency transactions	¥ 459	¥ -	¥ (51)
Buy:				
U.S. dollars	Accounts payables	5,114	-	164
Thai baht		2,031	-	100
Australian dollars		62	-	(1)
Euro		712	-	(49)
Allocation method				
Forward exchange contracts:				
Sell:				
U.S. dollars	Accounts receivables	¥ 401	¥ -	¥ -
Buy:				
U.S. dollars	Accounts payables	42	-	-
Thai baht		1	-	-
		¥ 8,826	¥ -	¥ 161

22. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Valuation difference on available-for-sale securities:			
(Losses) gains arising during the year	**¥ (3,796)**	¥ 34,214	**$ (33,688)**
Reclassification adjustments	**(2)**	(67)	**(18)**
Before income tax effects	**(3,798)**	34,146	**(33,706)**
Income tax effects	**2,508**	(9,155)	**22,258**
Total	**(1,290)**	24,990	**(11,448)**
Deferred (losses) gains on hedges:			
(Losses) gains arising during the year	**(467)**	99	**(4,144)**
Reclassification adjustments	**(66)**	42	**(586)**
Before income tax effects	**(534)**	142	**(4,739)**
Income tax effects	**169**	(45)	**1,500**
Total	**(365)**	96	**(3,239)**
Foreign currency translation adjustment:			
Adjustments arising during the year	**(2,764)**	8,425	**(24,530)**
Remeasurements of defined benefit plans:			
Adjustments arising during the year	**98**	190	**870**
Reclassification adjustments	**364**	391	**3,230**
Before income tax effects	**463**	581	**4,109**
Income tax effects	**(159)**	(251)	**(1,411)**
Total	**303**	329	**2,689**
Share of other comprehensive income in subsidiaries and affiliates accounted for using equity method:			
Adjustments arising during the year	**(174)**	273	**(1,544)**
Total other comprehensive income	**¥ (4,290)**	¥ 34,116	**$ (38,072)**

23. Related Party Transactions

Related party transactions for the year ended March 31, 2016 are as follows:

(1) Directors and major individual shareholders of the Company

Category	Related party	Occupation	Ownership (Owned) ratio (%)	Details of transaction	Transaction amount
Directors and their close relatives	Hiroshi Oeda	Representative director and president of the Company	(Owned) Direct 0.0	Exercise of stock options (Note)	¥12 million ($106 thousand)
Directors and their close relatives	Kazuo Ikeda	Director and vice president of the Company	(Owned) Direct 0.0	Exercise of stock options (Note)	¥11 million ($98 thousand)

Note: Stock options granted based on resolution at annual general meetings of shareholders held on June 25, 2010, June 27, 2012 and June 26, 2013 and exercised in the year ended March 31, 2016 are presented. Transaction amount shows the number of shares granted by exercise of stock options in the year ended March 31, 2016 multiplied by the exercise price.

23. Related Party Transactions (continued)

Related party transactions for the year ended March 31, 2015 are as follows:

(1) Unconsolidated subsidiaries and affiliates of the Company

Category	Related party	Location	Capital	Details of business	Ownership (Owned) ratio (%)	Relationship	Details of transaction	Transaction amount
Affiliates	TOKATU FOODS CO., LTD.	Kohoku ward, Yokohama-shi, Kanagawa	¥100 million	Food manufacturing and sales	(Own) Direct 49.0	Concurrent officers and temporary assignment	Collateral deposit (Note)	¥6,600 million

Note: The Company provided shares of TOKATU FOODS CO., LTD. as third party mortgage to collateralize loans payable from financial institutions of TOKATU FOODS CO., LTD. Maximum amount is capped at ¥3,000 million. Transaction amount shows outstanding balance of the loans payable as of March 31, 2015.

(2) Directors and major individual shareholders of the Company

Category	Related party	Occupation	Ownership (Owned) ratio (%)	Details of transaction	Transaction amount
Directors and their close relatives	Kazuo Ikeda	Director and vice president of the Company	(Owned) Direct 0.0	Exercise of stock options (Note)	¥22 million
Directors and their close relatives	Akio Mimura	Director of the Company	(Owned) Direct 0.0	Exercise of stock options (Note)	¥21 million

Note: Stock options granted based on resolution at annual general meetings of shareholders held on June 26, 2008, June 25, 2009, June 25, 2010, June 28, 2011 and June 27, 2012 and exercised in the year ended March 31, 2015 are presented. Transaction amount shows the number of shares granted by exercise of stock options in the year ended March 31, 2015 multiplied by the exercise price.

24. Segment Information

1. Overview of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular consideration by the Company's Board of Directors are being performed in order to decide how resources should be allocated among the Group and evaluate operating results. The Company, as a holding company, develops and determines group strategy, allocates management resources, and evaluates operations by business segments of "Flour Milling," "Processed Food" and other business which are classified by products and services. Therefore, the Group's reportable segment comprises of "Flour Milling" and "Processed Food."

Primary products for each business segment are summarized as follows:

Flour Milling .... Flour, bran
Processed Food .... Prepared mix, flour for consumer use, pasta, pasta sauce, frozen food, chilled food, cake and bread ingredients, biochemical products, life science business, healthcare foods

2. Method of calculating net sales, income, assets and other items by reportable segment

Accounting policies of the reportable segments are consistent to those described in Note 1. "Summary of Significant Accounting Policies." Income by reportable segment is based on operating income. Intersegment transactions are based on prevailing market price.

24. Segment Information (continued)

3. Net sales, income, assets and other items by reportable segment

	Millions of yen						
	2016						
	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	¥ 262,463	¥ 246,703	¥ 509,166	¥ 47,534	¥ 556,701	¥ -	¥ 556,701
Intersegment sales and transfers	18,465	464	18,929	5,838	24,768	(24,768)	-
Total	280,928	247,167	528,096	53,373	581,469	(24,768)	556,701
Segment income	¥ 9,244	¥ 11,507	¥ 20,752	¥ 3,152	¥ 23,904	¥ (134)	¥ 23,769
Segment assets	¥ 210,530	¥ 170,271	¥ 380,802	¥ 64,154	¥ 444,956	¥ 105,349	¥ 550,305
Other items:							
Depreciation and amortization	¥ 9,358	¥ 6,231	¥ 15,590	¥ 1,525	¥ 17,115	¥ (298)	¥ 16,816
Investment in affiliates accounted for using equity method	2,577	8,579	11,157	15,330	26,487	-	26,487
Increase in property, plant and equipment and intangible assets	7,507	6,540	14,047	1,500	15,548	(578)	14,970

	Millions of yen						
	2015						
	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	¥ 237,327	¥ 244,941	¥ 482,269	¥ 43,874	¥ 526,144	¥ -	¥ 526,144
Intersegment sales and transfers	20,277	471	20,749	8,594	29,343	(29,343)	-
Total	257,605	245,413	503,018	52,469	555,487	(29,343)	526,144
Segment income	¥ 7,611	¥ 9,728	¥ 17,340	¥ 3,540	¥ 20,880	¥ (403)	¥ 20,476
Segment assets	¥ 208,559	¥ 161,982	¥ 370,542	¥ 68,172	¥ 438,715	¥ 110,592	¥ 549,307
Other items:							
Depreciation and amortization	¥ 7,999	¥ 5,663	¥ 13,663	¥ 1,346	¥ 15,010	¥ (262)	¥ 14,747
Investment in affiliates accounted for using equity method	2,451	8,199	10,651	15,349	26,001	-	26,001
Increase in property, plant and equipment and intangible assets	10,690	7,288	17,978	2,418	20,397	(501)	19,895

	Thousands of U.S. dollars						
	2016						
	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	$ 2,329,278	$ 2,189,412	$ 4,518,690	$ 421,849	$ 4,940,548	$ -	$ 4,940,548
Intersegment sales and transfers	163,871	4,118	167,989	51,810	219,808	(219,808)	-
Total	2,493,149	2,193,530	4,686,688	473,669	5,160,357	(219,808)	4,940,548
Segment income	$ 82,038	$ 102,121	$ 184,168	$ 27,973	$ 212,141	$ (1,189)	$ 210,942
Segment assets	$ 1,868,388	$ 1,511,102	$ 3,379,499	$ 569,347	$ 3,948,846	$ 934,940	$ 4,883,786
Other items:							
Depreciation and amortization	$ 83,049	$ 55,298	$ 138,356	$ 13,534	$ 151,890	$ (2,645)	$ 149,237
Investment in affiliates accounted for using equity method	22,870	76,136	99,015	136,049	235,064	-	235,064
Increase in property, plant and equipment and intangible assets	66,622	58,040	124,663	13,312	137,984	(5,130)	132,854

24. Segment Information (continued)

1. The "Other" incorporates operations not included in reportable segments, including pet food, engineering, mesh cloths, handling and storage.

2. Adjustments of segment income refer to elimination of intersegment transactions. Adjustments of segment assets amounted to ¥116,918 million ($1,037,611 thousand) and ¥120,520 million for the years ended March 31, 2016 and 2015, respectively, consisted primarily of the Company's surplus funds (cash and deposits and short-term investment securities) and investment securities.

3. Segment income is adjusted to operating income on the consolidated statements of income.

4. Geographic information

(1) Sales

2016			
Millions of yen			
Japan	U.S.	Other areas	Total
¥ 447,266	¥ 74,303	¥ 35,131	¥ 556,701

2015			
Millions of yen			
Japan	U.S.	Other areas	Total
¥ 441,378	¥ 51,043	¥ 33,722	¥ 526,144

2016			
Thousands of U.S. dollars			
Japan	U.S.	Other areas	Total
$ 3,969,347	$ 659,416	$ 311,777	$ 4,940,548

Sales in the U.S. is disclosed since it exceeds 10% of net sales in the consolidated statement of income for the year ended March 31, 2016. The sales in the U.S. for the year ended March 31, 2015 is also disclosed as a comparable information.

(2) Property, plant and equipment

2016			
Millions of yen			
Japan	U.S.	Other areas	Total
¥ 120,214	¥ 19,845	¥ 11,280	¥ 151,339

2015			
Millions of yen			
Japan	U.S.	Other areas	Total
¥ 116,467	¥ 20,752	¥ 11,483	¥ 148,702

2016			
Thousands of U.S. dollars			
Japan	U.S.	Other areas	Total
$ 1,066,862	$ 176,118	$ 100,106	$ 1,343,087

24. Segment Information (continued)

5. Information about major customers

	2016		
	Name of the related segment	Millions of yen	Thousands of U.S. dollars
Mitsubishi Corporation	**Flour Milling, Processed Foods and Other**	**¥ 62,617**	**$ 555,706**

	2015	
	Name of the related segment	Millions of yen
Mitsubishi Corporation	Flour Milling, Processed Foods and Other	¥ 64,907

6. Information about amortization and unamortized balance of goodwill by reportable segment

	2016			
	Millions of yen			
	Flour Milling	Processed Food	Other	Total
Amortization	**¥ 1,133**	**¥ -**	**¥ 24**	**¥ 1,157**
Unamortized balance	**7,926**	**683**	**-**	**8,610**

	2015		
	Millions of yen		
	Flour Milling	Other	Total
Amortization	¥ 965	¥ 24	¥ 990
Unamortized balance	10,331	24	10,355

	2016			
	Thousands of U.S. dollars			
	Flour Milling	Processed Food	Other	Total
Amortization	**$ 10,055**	**$ -**	**$ 213**	**$ 10,268**
Unamortized balance	**70,341**	**6,061**	**-**	**76,411**

25. M&A Activity

For the year ended March 31, 2016

<Business combination by the acquisition>

1. Overview of M&A activity

(1) Name of acquired company and description of the business
Name of the acquired company: Joyous Foods Co., Ltd.
Description of the business: Production and sales of processed noodles, etc.

(2) Rationale for M&A activity
The Company has positioned the prepared dishes and other prepared foods business as a growing field, and is taking steps to groom it into one of the Group's core business. In December 2012, the Company entered a capital tie-up with Tokatsu Foods Co., Ltd., a supplier of bento boxes, seasoned rice balls and prepared dishes primarily to convenience stores. Further, the Company determined to acquire shares of Joyous Foods Co., Ltd. together with Tokatsu Foods Co., Ltd. as the acquisition is expected to be vital to spurring even greater expansion in the prepared dishes and other prepared foods business.

(3) Date of acquisition
January 29, 2016

(4) Legal form of the M&A activity
Stock acquisition and subscription of stocks through shareholder allotment in consideration for cash

(5) Name after the M&A activity
Joyous Foods Co., Ltd.

(6) Percentage of voting rights acquired
65.1%

(7) Reasons for determining the acquired company
The Company acquired majority voting rights through stock acquisition and subscription of stocks through shareholder allotment in consideration for cash.

2. The period for which acquired company results are included in consolidated financial statements
Only balance sheet as of January 29, 2016, the date of M&A activity, has been included in the consolidated balance sheet as of March 31, 2016.

3. Acquisition cost details

		Millions of yen	Thousands of U.S. dollars
		2016	2016
Stock acquisition through transfer of stocks	Cash and deposits	¥ 0	$ 0
Stock acquisition through subscription of stocks through shareholder allotment	Cash and deposits	3,255	28,887
Total acquisition cost		¥ 3,255	$ 28,887

4. The details and the amount of major acquisition-related expenses
Advisory fees, etc.: ¥129 million ($1,145 thousand)

25. M&A Activity (continued)

5. Amount, reasons, amortization method and period of goodwill
(1) Amount of goodwill
¥683 million ($6,061 thousand)

(2) Reasons
The incidence of goodwill is attributable to the excess earnings power expected from the future business development based on a reasonable estimate.

(3) Amortization method and period
Amortized using the straight-line method over a period of 4 years.

6. Details of the assets acquired and the liabilities undertaken at the date of the M&A activity

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Current assets	¥ 4,204	$ 37,309
Noncurrent assets	4,839	42,945
Total assets	¥ 9,043	$ 80,254
Current liabilities	¥ 3,660	$ 32,481
Noncurrent liabilities	1,433	12,717
Total liabilities	¥ 5,094	$ 45,208

The amount of goodwill in 5. (1) is not included in the total assets acquired in the above table.

7. The impact of estimated amounts on the consolidated statements of income for the year ended March 31, 2016 on the assumption that the acquisition was completed on the commencement date of the consolidated fiscal year, and calculation methods
Net sales: ¥17,056 million ($151,367 thousand)
Operating income: ¥289 million ($2,565 thousand)
Net income attributable to owners of the parent: ¥76 million ($674 thousand)

(Calculation methods)
The impact of estimated amounts is the difference between net sales and profit or loss calculated on the assumption that the acquisition was completed on the commencement date of the consolidated fiscal year and net sales and profit or loss recorded on the Company' consolidated statements of income. This note has not been certified by way of audit.

25. M&A Activity (continued)

For the year ended March 31, 2015

<Business combination by the acquisition>

1. Overview of M&A activity

On April 24, 2014, Miller Milling Company, LLC, a subsidiary of the Company, entered into an asset transfer agreement for the acquisition of four flour milling plants in the U.S. (Los Angeles Plant, Oakland Plant, Saginaw Plant and New Prague Plant) and their respective inventories as of the asset transfer date from Cargill, Inc., Horizon Milling, LLC, and ConAgra Foods Food Ingredients Company, Inc., and acquired them on May 25, 2014.

* Los Angeles Plant was acquired from Cargill, Inc. and Horizon Milling, LLC. The other three plants were acquired from ConAgra Foods Food Ingredients Company, Inc.

(1) Rationale for M&A activity

The U.S. is the largest flour milling market in the developed world. The Company advanced into this market with the purchase of Miller Milling Company, LLC in March 2012. In the U.S., the Group aims to further expand its business scope by leveraging the advantages of its flour milling business, strengths in product development and techniques and capacities to supply wheat flour that is consistent in quality.

Also, this acquisition will substantially increase the purchasing volume of raw materials by Miller Milling Company, LLC, and will diversify the type, variety, and production location of wheat that it handles. This development will make available a broader range of raw material information and acquisition of expertise. This is especially meaningful given the Group's aspirations for the development of the flour milling business in the global market.

(2) Date of acquisition

May 25, 2014

2. The period for which acquired company results are included in consolidated financial statements

From May 25, 2014 to December 31, 2014

3. Acquisition cost details

	Millions of yen
	2015
Compensation for the acquisition	¥ 21,645
Direct costs for acquisition	541
Total acquisition cost	¥ 22,187

4. Amount, reasons, amortization method and period of goodwill

(4) Amount of goodwill

¥4,932 million

(5) Reasons

The incidence of goodwill is attributable to the excess earnings power expected from the future business development based on a reasonable estimate.

(6) Amortization method and period

Amortized using the straight-line method over a period of 10 years.

25. M&A Activity (continued)

5. Details of the assets acquired and the liabilities undertaken at the acquisition date

	Millions of yen
	2015
Current assets	¥ 4,427
Noncurrent assets	12,827
Total assets	¥ 17,254

The amount of goodwill in 4. (1) is not included in the total assets acquired in the above table.

6. The impact of estimated amounts on the consolidated statements of income for the year ended March 31, 2015 on the assumption that the acquisition was completed on the commencement date of the consolidated fiscal year, and calculation methods

Net sales: ¥13 billion

(Calculation methods)

The impact of estimated amounts is the difference between net sales calculated on the assumption that the acquisition was completed on the commencement date of the year ended March 31, 2015 and net sales recorded on the Company' consolidated statements of income. The impact on profit or loss was not presented because of immateriality. This note has not been certified by way of audit.