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Report of Independent Auditors

The Board of Directors
Nisshin Seifun Group Inc.

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

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nisshin Seifun Group Inc. and consolidated subsidiaries at March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon

June 27, 2007

Consolidated Balance Sheet

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

ASSETS	Millions of yen	Thousands of U.S. dollars (Note 3)
Current Assets:		
Cash (Note 18)	¥ **45,649**	$ 386,695
Trade notes and accounts receivable (Note 5)	**60,093**	509,049
Marketable securities (Note 18)	**15,913**	134,801
Inventories (Note 6)	**44,647**	378,211
Deferred tax assets (Note 16)	**4,811**	40,758
Other	**7,748**	65,641
Allowance for doubtful accounts	**(214)**	(1,819)
Total current assets	**178,649**	1,513,335
Property, Plant and Equipment, Net (Notes 7, 8, 9):		
Land	**30,851**	261,345
Buildings and structures	**44,224**	374,625
Machinery, equipment and vehicles	**33,596**	284,599
Construction in progress	**3,194**	27,063
Other	**2,833**	24,005
Property, plant and equipment, net	**114,701**	971,637
Intangible assets	**6,527**	55,294
Investments and Other Assets:		
Investment securities (Note 4)	**103,612**	877,700
Long-term loans receivable	**99**	841
Deferred tax assets (Note 16)	**2,304**	19,524
Other	**2,830**	23,975
Allowance for doubtful accounts	**(287)**	(2,434)
Total investments and other assets	**108,559**	919,606
Total assets	¥ **408,437**	$ 3,459,872

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS		Millions of yen		Thousands of U.S. dollars (Note 3)
Current Liabilities:				
Notes and accounts payable (Note 5)	¥	**28,439**	$	240,907
Short-term debt (Note 9)		**7,491**		63,460
Income taxes payable (Note 16)		**3,527**		29,882
Accrued expenses		**12,910**		109,364
Other		**14,936**		126,523
Total current liabilities		**67,304**		570,136
Long-term Liabilities:				
Long-term debt (Note 9)		**1,330**		11,273
Deferred tax liabilities (Note 16)		**22,270**		188,654
Allowance for employees' retirement benefits (Note 10)		**9,863**		83,554
Allowance for directors' retirement benefits		**314**		2,663
Allowance for repairs		**877**		7,432
Guarantee deposits received		**5,481**		46,437
Negative goodwill		**144**		1,221
Other		**544**		4,613
Total long-term liabilities		**40,827**		345,847
Commitments and Contingent Liabilities (Note 17				
Net assets (Notes 11, 12):				
Shareholders' equity:				
Common stock: authorized - 932,856,000 shares				
issued - 256,535,448 shares		**17,117**		145,005
Additional paid-in capital		**9,779**		82,844
Retained earnings		**207,550**		1,758,154
Less: Treasury stock, at cost - 3,220,188 shares		**(3,010)**		(25,506)
Total shareholders' equity		**231,436**		1,960,498
Valuation, translation adjustments and other:				
Unrealized holding gain on securities		**39,102**		331,240
Deferred gains on hedging transactions		**41**		348
Foreign currency translation adjustments		**394**		3,338
Total valuation, translation adjustments and other		**39,537**		334,925
Minority interests		**29,331**		248,466
Total net assets		**300,306**		2,543,889
Total liabilities and net assets	¥	**408,437**	$	3,459,872

See notes to consolidated financial statements.

Consolidated Statement of Income

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

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

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

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

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

	Millions of yen				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities
Balance as of March 31, 2006	**¥ 17,117**	**¥ 9,483**	**¥ 200,487**	**¥ (3,176)**	**¥ 40,835**
Changes during the fiscal year:					
Dividends from retained earnings			**(2,785)**		
Interim dividends from retained earnings			**(2,279)**		
Directors' bonuses			**(175)**		
Net income			**12,303**		
Purchases of treasury stock				**(86)**	
Disposition of treasury stock		**296**		**251**	
Net changes in items other than shareholders' equity					**(1,732)**
Total changes during the fiscal year	**-**	**296**	**7,062**	**165**	**(1,732)**
Balance as of March 31, 2007	**¥ 17,117**	**¥ 9,779**	**¥ 207,550**	**¥ (3,010)**	**¥ 39,102**

	Millions of yen			
	Deferred gains on hedging transactions	Foreign currency translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2006	**¥ -**	**¥ (212)**	**¥ 27,498**	**¥ 292,033**
Changes during the fiscal year:				
Dividends from retained earnings				**(2,785)**
Interim dividends from retained earnings				**(2,279)**
Directors' bonuses				**(175)**
Net income				**12,303**
Purchases of treasury stock				**(86)**
Disposition of treasury stock				**547**
Net changes in items other than shareholders' equity	**41**	**606**	**1,833**	**748**
Total changes during the fiscal year	**41**	**606**	**1,833**	**8,272**
Balance as of March 31, 2007	**¥ 41**	**¥ 394**	**¥ 29,331**	**¥ 300,306**

	Thousands of U.S. dollars (Note 3)				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities
Balance as of March 31, 2006	$ 145,005	$ 80,335	$ 1,698,326	$ (26,906)	$ 345,919
Changes during the fiscal year:					
Dividends from retained earnings			(23,597)		
Interim dividends from retained earnings			(19,314)		
Directors' bonuses			(1,485)		
Net income			104,223		
Purchases of treasury stock				(731)	
Disposition of treasury stock		2,510		2,131	
Net changes in items other than shareholders' equity					(14,679)
Total changes during the fiscal year	-	2,510	59,828	1,400	(14,679)
Balance as of March 31, 2007	$ 145,005	$ 82,844	$ 1,758,154	$ (25,506)	$ 331,240

	Thousands of U.S. dollars (Note 3)			
	Deferred gains on hedging transactions	Foreign currency translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2006	$ -	$ (1,803)	$ 232,939	$ 2,473,815
Changes during the fiscal year:				
Dividends from retained earnings				(23,597)
Interim dividends from retained earnings				(19,314)
Directors' bonuses				(1,485)
Net income				104,223
Purchases of treasury stock				(731)
Disposition of treasury stock				4,641
Net changes in items other than shareholders' equity	348	5,140	15,527	6,337
Total changes during the fiscal year	348	5,140	15,527	70,075
Balance as of March 31, 2007	$ 348	$ 3,338	$ 248,466	$ 2,543,889

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of yen	Thousands of U.S. dollars (Note 3)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ **24,044**	$ 203,680
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	**12,565**	106,440
Decrease in allowance for employees' retirement benefits	**(2,756)**	(23,349)
Interest and dividend income	**(1,409)**	(11,939)
Interest expense	**181**	1,540
Equity in earnings of affiliated companies	**(1,574)**	(13,337)
Gain on sale of investment securities	**(2,348)**	(19,895)
Increase in trade notes and accounts receivable	**(2,256)**	(19,111)
Increase in inventories	**(4,782)**	(40,509)
Increase in accounts payable	**2,490**	21,098
Other	**456**	3,869
Subtotal	**24,612**	208,488
Interest and dividends received	**2,753**	23,327
Interest paid	**(173)**	(1,469)
Income taxes paid	**(9,723)**	(82,365)
Net cash provided by operating activities	**17,469**	147,980
Cash flows from investing activities:		
Payments for time deposits	**(12,173)**	(103,122)
Proceeds from repayment of time deposits	**19,326**	163,711
Payments for purchases of marketable securities	**(12,141)**	(102,851)
Proceeds from sale of marketable securities	**13,500**	114,358
Payments for purchases of fixed assets	**(14,096)**	(119,407)
Proceeds from sale of fixed assets	**298**	2,532
Payments for purchases of investment securities	**(5,813)**	(49,245)
Proceeds from sale of investment securities	**1,990**	16,865
Payments for long-term loans receivable	**(2)**	(23)
Proceeds from collection of long-term loans receivable	**35**	302
Other	**2,114**	17,911
Net cash used in investing activities	**(6,961)**	(58,969)
Cash flows from financing activities:		
Proceeds from short-term debt	**239**	2,028
Repayment of short-term debt	**(779)**	(6,605)
Repayment of long-term debt	**(5)**	(47)
Proceeds from sale of treasury stock	**1,259**	10,673
Payments for purchases of treasury stock	**(86)**	(731)
Cash dividends paid	**(5,065)**	(42,911)
Other	**(787)**	(6,672)
Net cash used in financing activities	**(5,225)**	(44,265)
Effect of exchange rate changes on cash and cash equivalents	**366**	3,106
Net increase in cash and cash equivalents	**5,648**	47,852
Cash and cash equivalents at beginning of year	**42,803**	362,584
Cash and cash equivalents at end of year	¥ **48,452**	$ 410,436

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Summary of Significant Accounting Policies

(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 Securities and Exchange Law 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 Securities and Exchange Law, 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) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (together, the "Group"). The excess of cost over the fair value of net assets acquired with respect to the consolidated subsidiaries and companies accounted for by the equity method (goodwill), or the excess of fair value of net assets acquired over cost (negative goodwill) is amortized over a period of five years or fully credited or charged to income when acquired if the amount is immaterial.
All significant intercompany accounts and transactions have been eliminated in consolidation.
In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

(c) Equity Method

Investments in certain unconsolidated subsidiaries and affiliated companies are accounted for by the equity method and, accordingly, stated at cost as adjusted for equity in undistributed earnings and losses from the date of acquisition.

(d) 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 minority interests are translated at their historical rates and statement of income items resulting from transactions with the Company at the rates used by the Company.
Translation adjustments resulting from translation of foreign currency financial statements are presented as foreign currency translation adjustments and minority interests in the accompanying consolidated balance sheet.

(e) 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 marketable securities, time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.
A reconciliation between cash in the consolidated balance sheet and cash and cash equivalents in the consolidated statement of cash flows at March 31, 2007 is presented in Note 18.

(f) Inventories

Flour and bran are stated at the lower of cost or market, cost being determined by the retail cost method; other products are stated at the lower of cost or market, cost being determined by the periodic average method.
Raw materials are principally stated at cost determined by the moving average method.

(g) 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.

(h) Depreciation and Amortization

Property, plant and equipment are carried at cost less accumulated depreciation.
Depreciation of property, plant and equipment is computed by the declining-balance method for the Company and its domestic subsidiaries, and by the straight-line method for overseas 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 subsidiaries.
Amortization of intangible assets is computed by the straight-line method. Software for intercompany use is carried at cost less accumulated amortization, which is calculated by the straight-line method over its estimated useful life (five years).

(i) Leases

Finance leases other than those that are deemed to transfer ownership of the leased assets to the lessee are accounted for as operating leases.
Under the Japanese accounting standard for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(j) Marketable and Investment Securities

Securities other than those of subsidiaries and affiliates are classified into two categories: held-to-maturity or other securities.
Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost. Marketable securities classified as other securities are reported at fair value with unrealized gains and losses, net of the applicable taxes, reported in a separate component of net assets.
Non-marketable securities classified as other securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(k) Allowance for Employees' Retirement Benefits

The Company and domestic consolidated subsidiaries have funded defined benefit pension plans covering substantially all employees. The Company and domestic consolidated subsidiaries provide allowance for retirement benefits based on the projected benefit obligation and the fair value of plan assets at the balance sheet date.
Prior service cost is amortized on a straight-line basis over a period equal to the average remaining years of service of the participants of the plans.
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 from the year following the year in which the gain or loss is recognized.

(l) Allowance for Directors' Retirement Benefits

Eight of the Company's domestic consolidated subsidiaries accrue for the necessary payments for directors' retirement benefits based on the projected benefits to be paid at the year end in accordance with internal policies.

(m) Income Taxes

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

(n) Distributions of Retained Earnings

Distributions of retained earnings are reflected in the accompanying consolidated financial statements for the following fiscal year upon shareholders' approval.

(o) Derivative Financial Instruments

The Group uses foreign currency forward contracts and currency option contracts as a means of hedging exposure to risks arising from fluctuation in foreign currencies. The Group does not enter into derivatives transactions for trading or speculative purposes.
Derivative financial instruments are classified and accounted for as follows: derivatives are carried at fair value with any changes in unrealized gains or losses charged or 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. However, if foreign currency forward contracts qualify for hedge accounting, hedged items such as foreign currency receivables and payables are translated at the corresponding contracted rates.

2. Changes in Methods of Accounting

(a) Accounting Standard for Bonuses to Directors and Statutory Auditors

Effective the year ended March 31, 2007, the Company and domestic consolidated subsidiaries have adopted a new accounting standard for bonuses to directors and statutory auditors which requires that such bonuses be recorded as expenses in the year in which they were incurred. The effect of the adoption of this standard was to decrease operating income and income before income taxes and minority interests by ¥177 million ($1,502 thousand) for the year ended March 31, 2007 from the corresponding amounts which would have been recorded under the previous method.
Payments for bonuses to directors approved at an ordinary general shareholders' meeting held in June 2006 have been recorded in the accompanying consolidated statement of changes in net assets.

(b) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for presentation of net assets in the balance sheet and the related implementation guidance. Total shareholders' equity under the previous method of presentation amounted to ¥270,580 million ($2,292 thousand) as of March 31, 2007.
In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity.

(c) Accounting Standard for Business Combinations

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for business combinations and the related implementation guidance.

3. 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 ¥118.05 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007.
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.

4. Investment Securities

Information regarding marketable securities classified as held-to-maturity securities and other securities at March 31, 2007 is summarized as follows:

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

	Millions of yen			Thousands of U.S. dollars		
	Carrying Value	Market Value	Unrealized Gains (Losses)	Carrying Value	Market Value	Unrealized Gains (Losses)
Securities whose market value exceeds their carrying value:						
Government and municipal bonds	¥ -	¥ -	¥ -	$ -	$ -	$ -
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Securities whose carrying value exceeds their market value:						
Government and municipal bonds	**2,997**	**2,997**	**(0)**	25,393	25,390	(2)
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	**2,997**	**2,997**	**(0)**	25,393	25,390	(2)
Total	¥ **2,997**	¥ **2,997**	¥ **(0)**	$ 25,393	$ 25,390	$ (2)

(b) Information regarding marketable securities classified as other securities

	Millions of yen			Thousands of U.S. dollars		
	Acquisition Cost	Carrying Value	Unrealized Gains (Losses)	Acquisition Cost	Carrying Value	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ **13,394**	¥ **79,938**	¥ **66,543**	$ 113,465	$ 677,156	$ 563,690
Bonds:						
Government and municipal bonds	**3,097**	**3,098**	**1**	26,235	26,251	16
Corporate bonds	**3,512**	**3,513**	**0**	29,754	29,760	7
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	**20,004**	**86,550**	**66,546**	**169,455**	**733,167**	**563,713**
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	**351**	**260**	**(90)**	2,977	2,211	(766)
Bonds:						
Government and municipal bonds	**4,506**	**4,505**	**(1)**	38,176	38,163	(13)
Corporate bonds	**1,798**	**1,798**	**(0)**	15,235	15,234	(2)
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	**6,656**	**6,564**	**(92)**	56,388	55,607	(781)
Total	¥ **26,660**	¥ **93,114**	¥ **66,454**	$ 225,843	$ 788,775	$ 562,932

(c) Sale of securities classified as other securities

Sale, and aggregate gain on the sale, of securities classified as other securities for the year ended March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Sale proceeds	¥ **1,990**	$ 16,865
Aggregate gain	**1,899**	16,092

(d) Other securities without determinable market value

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Other securities		
Unlisted securities	¥ **5,707**	$ 48,351

(e) The redemption schedule of held-to-maturity securities is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Bonds:				
Government and municipal bonds	¥ **10,601**	¥ -	$ 89,801	$ -
Corporate bonds	**5,300**	-	44,896	-
Other	-	-	-	-
Total	¥ **15,901**	¥ -	$ 134,697	$ -

5. Notes Maturing at End of Year

The Group settles notes based on the notes' clearing dates at the end of the fiscal year. Because March 31, 2007, the end of the current fiscal year, coincided with a bank holiday, the following accounts at March 31, 2007 included the matured notes:

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥ **590**	$ 5,005
Notes payable	**19**	161

6. Inventories

Inventories at March 31, 2007 comprised of the following:

	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	¥ **21,428**	$ 181,524
Raw materials	**18,284**	154,888
Other	**4,934**	41,798
Total	¥ **44,647**	$ 378,211

A valuation loss on inventories of¥128 million ($1,089 thousand) incurred based on a valuation determined by the lower of cost or market method was deducted from inventories at March 31, 2007.

7. Leases

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation and net book value of the leased assets at March 31, 2007,which would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Acquisition Cost	Accumulated Depreciation	Net Book Value
Machinery, equipment and vehicles	¥ **3,481**	¥ **1,903**	¥ **1,577**	$ 29,488	$ 16,128	$ 13,359
Other	**2,473**	**1,510**	**962**	20,956	12,798	8,157
Total	¥ **5,954**	¥ **3,414**	¥ **2,540**	$ 50,443	$ 28,927	$ 21,517

The future minimum lease commitments under finance leases subsequent to March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ **814**	$ 6,902
Due after one year	**1,725**	14,615
Total	¥ **2,540**	$ 21,517

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥981 million ($8,316 thousand) for the year ended March 31, 2007.
Depreciation is computed by the straight-line method over the estimated useful lives of the related assets assuming that the Company guarantees a nil residual value at the end of each lease term.

The future minimum lease commitments under operating leases subsequent to March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ **5**	$ 44
Due after one year	**-**	-
Total	¥ **5**	$ 44

8. Accumulated Depreciation

Accumulated depreciation of property, plant and equipment at March 31, 2007 amounted to ¥199,698 million ($1,691,644 thousand).
Accumulated advanced depreciation of property, plant and equipment obtained from a delivery of a governmental subsidy at March 31, 2007 amounted to ¥264 million ($2,240 thousand).

9. Short-Term and Long-Term Debt

Short-term and long-term debt as of March 31, 2007 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Short-term debt with average interest rate of 1.2329%	¥ **7,214**	$ 61,117
Current portion of long-term debt with average interest rate of 2.9959%	**276**	2,343
Total short-term debt	**7,491**	63,460
Long-term debt with average interest rate of 3.4192%, less current portion, due from 2008 to 2036	**1,330**	11,273
Other long-term liabilities, less current portion	**-**	-
Total long-term debt	**1,330**	11,273
Total	¥ **8,822**	$ 74,733

※Average interest rate of debt represents the weighted-average rate for the outstanding balances at March 31, 2007.

The aggregate annual maturities of long-term debt subsequent to March 31, 2007, excluding the current portion, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ **255**	$ 2,165
2010	**233**	1,974
2011	**238**	2,020
2012	**244**	2,075
Total	¥ **972**	$ 8,234

The Group has entered into specific line-of-credit agreements with major financial institutions amounting to¥17,530 million ($148,496 thousand).
There were no loans payable outstanding at March 31, 2007 under these line-of-credit agreements. Administrative expenses related to these line-of-credit agreements for the year ended March 31, 2007 were ¥17 million ($147 thousand).

The carrying amounts of assets pledged as collateral for short-term debt of ¥509 million ($4,317 thousand) and long-term debt of ¥630 million ($5,341 thousand) as of March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings	¥ **1,395**	$ 11,824
Machinery and equipment	**772**	6,544
Land	**92**	783
Other	**144**	1,228
Total	¥ **2,405**	$ 20,378

10. Allowance for Employees' Retirement Benefits

The Company and domestic consolidated subsidiaries have funded defined benefit pension plans, such as tax-qualified pension plans and lump-sum retirement plans.
The Company and certain domestic consolidated subsidiaries also have an employee pension trust.
Certain employees may be entitled to additional special retirement benefits (which have not been provided for) based on the conditions under which termination occurs.

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

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

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

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

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

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

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

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

11. Stock Option Plans

At March 31, 2007, the Company had the following stock option plans:

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

	2002 Plan	**2003 Plan**	**2004 Plan**	**2005 Plan**
Non-vested (number of shares)				
Outstanding at beginning of the year	-	-	269,500	258,500
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	269,500	-
Outstanding at end of the year	-	-	-	258,500
Vested (number of shares)				
Outstanding at beginning of the year	100,100	174,900	-	-
Granted during the year	-	-	269,500	-
Exercised during the year	67,100	83,600	56,100	-
Forfeited during the year	-	-	-	-
Outstanding at ending of the year	33,000	91,300	213,400	-
Exercise price (Yen)	¥805	¥811	¥999	¥1,085
Exercise price (U.S. dollars)	$6.82	$6.87	$8.46	$9.19
Weighted-average market price upon exercise (Yen)	¥1,232	¥1,237	¥1,266	-
Weighted-average market price upon exercise (U.S. dollars)	$10.44	$10.48	$10.72	-

12. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retired 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.
In the accompanying consolidated balance sheet, capital surplus has been included in additional paid-in capital.

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

Year ended March 31, 2007
Thousands of shares

Type 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	256,535	-	-	256,535
Treasury stock:				
Common stock	3,800	70	650	3,220

1. Treasury stock increased due to a repurchase of odd-lot shares of less than one unit.
2. Treasury stock decreased due to (a) sale of odd-lot shares of less than one unit (9 thousand shares), (b) exercise of stock options (206 thousand shares), and (c) sale of shares of common stock in treasury held by consolidated subsidiaries (434 thousand shares).

(b) Dividends

(1) Dividends paid to shareholders

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

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

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

14. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2007 are summarized as follows:

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

15. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs were ¥5,071 million ($42,958 thousand) for the year ended March 31, 2007.

16. Income Taxes

Income taxes applicable to the Group consist of corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the year ended March 31, 2007.
The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Allowance for employees' retirement benefits	¥ **6,375**	$ 54,010
Allowance for bonuses	**1,745**	14,786
Investment securities	**988**	8,373
Accrued sales incentives	**971**	8,229
Unrealized gain on fixed assets	**939**	7,958
Inventories	**626**	5,307
Depreciation and amortization	**404**	3,429
Allowance for repairs	**355**	3,008
Accrued enterprise tax	**352**	2,987
Accrued directors' retirement benefits	**350**	2,973
Other	**2,272**	19,253
Gross deferred tax assets	**15,383**	130,314
Valuation allowance	**(834)**	(7,066)
Amount offset by deferred tax liabilities	**(7,433)**	(62,965)
Deferred tax assets, net	¥ **7,116**	$ 60,283

	Millions of yen	Thousands of U.S. dollars
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	¥ **(26,982)**	$ (228,566)
Reserve for advanced depreciation of property, plant and equipment	**(2,224)**	(18,843)
Other	**(497)**	(4,210)
Gross deferred tax liabilities	**(29,703)**	(251,619)
Amount offset by deferred tax assets	**7,433**	62,965
Deferred tax liabilities, net	¥ **(22,270)**	$ (188,654)

Disclosure of a reconciliation between the statutory and effective tax rates for the year ended March 31, 2007 has been omitted as such difference was immaterial.

17. Contingent Liabilities

At March 31, 2007, the Company was contingently liable as a guarantor of loan obligations from financial institutions for one affiliated company and others as follows:

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

18. Cash and Cash Equivalents

Cash as of March 31, 2007 on the consolidated balance sheet and cash and cash equivalents for the year then ended on the consolidated statement of cash flows are reconciled as follows:

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

19. Derivatives

The Group uses foreign currency forward contracts and currency option contracts as derivative financial instruments solely for the purpose of mitigating future risks arising from fluctuation in foreign currency exchange rates. The Group does not enter into derivatives transactions for trading or speculative purposes. Foreign currency forward and options contracts are subject to the risk arising from foreign exchange rate changes. Because the counterparties to such transactions are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk. The derivatives transactions are executed by the Finance and Accounting departments based on the instructions of Operating divisions exposed to foreign exchange risks in accordance with established internal policies and within certain specified limits, thereby allowing for the diversification of the risks.
Internal policies also restrict currency option trading to purchase call options. At certain consolidated subsidiaries, the derivatives transactions are executed by the Finance department in accordance with the instructions of relevant departments. The Company's Finance and Accounting departments report information on derivatives transactions to the managers, directors or executive officers when necessary.

The following summarizes hedging derivative financial instruments used by the Group and items hedged:
Hedging instruments: Foreign currency forward contracts, currency options to purchase call options
Items hedged: Foreign currency futures transactions

Details of derivatives transactions have been omitted because the Company applied hedge transaction accounting for the year ended March 31, 2007.

20. Related Party Transactions

Disclosure of related party transactions has been omitted as the total amount of such transactions was immaterial for the year ended March 31, 2007.

21. Segment Information

Business Segment Information

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

	Millions of yen					
	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
Net Sales:						
Sales to external customers	¥ 154,722	¥ 220,545	¥ 42,922	¥ 418,190	¥ -	¥ 418,190
Intersegment sales and transfers	17,253	795	4,278	22,327	(22,327)	-
Total	171,976	221,340	47,200	440,517	(22,327)	418,190
Operating expenses	162,236	216,062	42,485	420,784	(21,778)	399,006
Operating income	¥ 9,740	¥ 5,278	¥ 4,714	¥ 19,732	¥ (548)	¥ 19,184
Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	¥ 123,075	¥ 143,089	¥ 50,313	¥ 316,478	¥ 91,959	¥ 408,437
Depreciation and amortization	5,847	5,874	1,046	12,768	(203)	12,565
Capital expenditures	6,940	5,781	1,599	14,321	(327)	13,993

	Thousands of U.S. dollars					
	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
Net Sales:						
Sales to external customers	$ 1,310,656	$ 1,868,237	$ 363,593	$ 3,542,486	$ -	$ 3,542,486
Intersegment sales and transfers	146,152	6,740	36,242	189,133	(189,133)	-
Total	1,456,808	1,874,976	399,835	3,731,620	(189,133)	3,542,486
Operating expenses	1,374,300	1,830,265	359,896	3,564,462	(184,484)	3,379,978
Operating income	$ 82,508	$ 44,711	$ 39,939	$ 167,158	$ (4,650)	$ 162,508
Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	$ 1,042,572	$ 1,212,109	$ 426,207	$ 2,680,888	$ 778,984	$ 3,459,872
Depreciation and amortization	49,538	49,760	8,862	108,160	(1,720)	106,440
Capital expenditures	58,792	48,979	13,547	121,318	(2,777)	118,542

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

Geographical Segment Information

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

Overseas Sales

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

22. Per Share Data

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.
Diluted net income per share reflects the potential dilution that could occur if diluted securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with applicable adjustments for the related interest expense, net of taxes, and full exercise of outstanding warrants.
Cash dividends per share presented in the accompanying statement of income are dividends applicable to the respective years including dividends to be paid subsequent to the end of the current fiscal year.

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

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