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Report of Independent Auditors

The Board of Directors
Nisshin Seifun Group Inc.

We have audited the accompanying consolidated balance sheets of Nisshin Seifun Group Inc. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years 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, 2009 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 LLC

June 25, 2009

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2009**	2008	**2009**
Current Assets:			
Cash and deposits (Note 17)	**¥ 51,967**	¥ 43,987	**$ 529,043**
Notes and accounts receivable – trade	**57,329**	58,000	**583,620**
Short-term investment securities (Note 17)	**8,799**	13,704	**89,585**
Inventories (Note 5)	**45,822**	40,313	**466,480**
Deferred tax assets (Note 15)	**4,480**	5,524	**45,614**
Other	**6,925**	5,528	**70,499**
Allowance for doubtful accounts	**(212)**	(217)	**(2,161)**
Total current assets	**175,112**	166,841	**1,782,679**
Property, Plant and Equipment (Notes 6, 7 and 8):			
Land	**32,939**	33,187	**335,330**
Buildings and structures	**45,477**	45,276	**462,968**
Machinery, equipment and vehicles	**33,843**	32,526	**344,535**
Construction in progress	**1,056**	5,574	**10,759**
Other	**3,333**	2,707	**33,934**
Property, plant and equipment, net	**116,650**	119,272	**1,187,526**
Intangible Assets	**3,482**	4,610	**35,450**
Investments and Other Assets:			
Investment securities (Note 4)	**66,256**	84,524	**674,503**
Long-term loans receivable	**75**	90	**770**
Deferred tax assets (Note 15)	**3,105**	2,799	**31,615**
Other	**6,364**	3,916	**64,791**
Allowance for doubtful accounts	**(167)**	(260)	**(1,708)**
Total investments and other assets	**75,634**	91,071	**769,971**
Total assets	**¥ 370,879**	¥ 381,795	**$ 3,775,626**

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 3) 2009
Current Liabilities:			
Notes and accounts payable – trade	**¥ 22,479**	¥ 23,875	**$ 228,841**
Short-term loans payable (Note 8)	**2,943**	3,969	**29,963**
Income taxes payable (Note 15)	**4,691**	3,870	**47,757**
Accrued expenses	**13,470**	13,600	**137,135**
Other	**12,797**	13,409	**130,283**
Total current liabilities	**56,381**	58,724	**573,978**
Noncurrent Liabilities:			
Long-term loans payable (Note 8)	**336**	1,093	**3,421**
Deferred tax liabilities (Note 15)	**10,546**	15,847	**107,367**
Provision for retirement benefits (Note 9)	**8,587**	8,325	**87,420**
Provision for directors' retirement benefits	**311**	302	**3,171**
Provision for repairs	**1,498**	997	**15,253**
Long-term deposits received	**5,570**	5,682	**56,711**
Negative goodwill	**10**	26	**109**
Other	**1,542**	954	**15,706**
Total noncurrent liabilities	**28,403**	33,230	**289,157**
Commitments and Contingent Liabilities (Notes 6 and 16)			
Net Assets (Notes 10, 11 and 12):			
Shareholders' equity:			
Capital stock: authorized – 932,856,000 shares			
Issued – 251,535,448 shares in 2009 and 2008	**17,117**	17,117	**174,263**
Capital surplus	**9,446**	9,446	**96,167**
Retained earnings	**218,543**	209,221	**2,224,819**
Less: Treasury stock			
3,063,086 shares in 2009 and 3,170,042 shares in 2008	**(3,177)**	(3,263)	**(32,352)**
Total shareholders' equity	**241,930**	232,521	**2,462,896**
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	**17,220**	26,115	**175,310**
Deferred gains or losses on hedges	**43**	(250)	**444**
Foreign currency translation adjustment	**(2,153)**	791	**(21,919)**
Total valuation and translation adjustments	**15,111**	26,655	**153,835**
Subscription rights to shares	**38**	8	**391**
Minority interests	**29,014**	30,653	**295,369**
Total net assets	**286,094**	289,839	**2,912,491**
Total liabilities and net assets	**¥ 370,879**	¥ 381,795	**$ 3,775,626**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
Net Sales	**¥ 466,671**	¥ 431,858	**$ 4,750,806**
Cost of Sales (Notes 5 and 14)	**334,992**	298,498	**3,410,283**
Gross Profit	**131,679**	133,359	**1,340,524**
Selling, General and Administrative Expenses (Notes 10, 13 and 14)	**109,924**	114,168	**1,119,050**
Operating Income	**21,755**	19,191	**221,474**
Non-operating Income (Expenses):			
Interest income	**432**	461	**4,400**
Interest expenses	**(167)**	(180)	**(1,701)**
Dividend income	**1,255**	1,262	**12,786**
Equity in earnings of affiliates	**767**	1,091	**7,813**
Rent income	**350**	384	**3,572**
Gain on sales of noncurrent assets	**1,234**	2,083	**12,569**
Gain on sales of investment securities	**160**	1,669	**1,629**
Gain on liquidation of subsidiaries and affiliates	**67**	1,035	**691**
Gain on dissolving joint venture of pharmaceutical business	**1,065**	-	**10,845**
Loss on retirement of noncurrent assets	**(985)**	(987)	**(10,031)**
Loss on valuation of investment securities	**(882)**	-	**(8,983)**
Loss on disposal of inventories	**-**	(205)	**-**
Coenzyme Q10 related loss	**-**	(1,107)	**-**
Expenses for improving production systems	**(485)**	(1,923)	**(4,944)**
Other, net	**27**	(448)	**277**
Total non-operating income, net	**2,841**	3,135	**28,923**
Income before Income Taxes and Minority Interests	**24,596**	22,327	**250,397**
Income Taxes (Note 15):			
Income taxes – current	**8,343**	7,776	**84,936**
Income taxes – deferred	**1,441**	1,500	**14,677**
Total income taxes	**9,784**	9,276	**99,613**
Minority Interests in Income	**959**	1,902	**9,766**
Net Income	**¥ 13,852**	¥ 11,147	**$ 141,018**

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, 2009 and 2008

	Millions of yen									
	Shareholders' equity				Valuation and translation adjustments					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2007	¥ 17,117	¥ 9,779	¥ 207,550	¥ (3,010)	¥ 39,102	¥ 41	¥ 394	¥ -	¥ 29,331	¥ 300,306
Changes of items during the period:										
Dividends from surplus			(4,561)							(4,561)
Net income			11,147							11,147
Purchase of treasury stock				(5,634)						(5,634)
Disposal of treasury stock		(2)		135						132
Retirement of treasury stock		(330)	(4,915)	5,246						
Net changes of items other than shareholders' equity					(12,987)	(291)	397	8	1,322	(11,551)
Total changes of items during the period	-	(333)	1,671	(252)	(12,987)	(291)	397	8	1,322	(10,466)
Balance at March 31, 2008	**17,117**	**9,446**	**209,221**	**(3,263)**	**26,115**	**(250)**	**791**	**8**	**30,653**	**289,839**
Effect of changes in accounting policies applied to foreign subsidiaries			**(48)**						**(72)**	**(120)**
Balance at the beginning of the year	**17,117**	**9,446**	**209,172**	**(3,263)**	**26,115**	**(250)**	**791**	**8**	**30,581**	**289,719**
Changes of items during the period:										
Dividends from surplus			**(4,472)**							**(4,472)**
Net income			**13,852**							**13,852**
Purchase of treasury stock				**(153)**						**(153)**
Disposal of treasury stock			**(8)**	**238**						**230**
Net changes of items other than shareholders' equity					**(8,894)**	**294**	**(2,944)**	**29**	**(1,567)**	**(13,082)**
Total changes of items during the period	**-**		**9,371**	**85**	**(8,894)**	**294**	**(2,944)**	**29**	**(1,567)**	**(3,625)**
Balance at March 31, 2009	**¥ 17,117**	**¥ 9,446**	**¥ 218,543**	**¥ (3,177)**	**¥ 17,220**	**¥ 43**	**¥ (2,153)**	**¥ 38**	**¥ 29,014**	**¥ 286,094**

	Thousands of U.S. dollars (Note 3)									
	Shareholders' equity				Valuation and translation adjustments					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2008	**$ 174,263**	**$ 96,167**	**$ 2,129,911**	**$ (33,225)**	**$ 265,861**	**$ (2,553)**	**$ 8,053**	**$ 87**	**$ 312,061**	**$ 2,950,624**
Effect of changes in accounting policies applied to foreign subsidiaries			**(492)**						**(736)**	**(1,228)**
Balance at the beginning of the year	**174,263**	**96,167**	**2,129,418**	**(33,225)**	**265,861**	**(2,553)**	**8,053**	**87**	**311,325**	**2,949,396**
Changes of items during the period:										
Dividends from surplus			**(45,534)**							**(45,534)**
Net income			**141,018**							**141,018**
Purchase of treasury stock				**(1,559)**						**(1,559)**
Disposal of treasury stock			**(84)**	**2,432**						**2,348**
Net changes of items other than shareholders' equity					**(90,551)**	**2,997**	**(29,972)**	**304**	**(15,956)**	**(133,178)**
Total changes of items during the period	**-**		**95,400**	**873**	**(90,551)**	**2,997**	**(29,972)**	**304**	**(15,956)**	**(36,905)**
Balance at March 31, 2009	**$ 174,263**	**$ 96,167**	**$ 2,224,819**	**$ (32,352)**	**$ 175,310**	**$ 444**	**$ (21,919)**	**$ 391**	**$ 295,369**	**$ 2,912,491**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
Net Cash Provided by Operating Activities:			
Income before income taxes and minority interests	**¥ 24,596**	¥ 22,327	**$ 250,397**
Depreciation and amortization	**15,403**	13,515	**156,810**
Decrease (Increase) in provision for retirement benefits	**278**	(1,543)	**2,837**
Increase in prepaid pension costs	**(2,533)**	(1,361)	**(25,792)**
Interest and dividend income	**(1,688)**	(1,723)	**(17,186)**
Interest expenses	**167**	180	**1,701**
Equity in earnings of affiliates	**(767)**	(1,091)	**(7,813)**
Gain on sales of short-term investment securities	**(161)**	(1,649)	**(1,646)**
(Increase) Decrease in notes and accounts receivable – trade	**(127)**	2,200	**(1,293)**
(Increase) Decrease in inventories	**(6,480)**	4,563	**(65,970)**
Decrease in notes and accounts payable – trade	**(920)**	(4,625)	**(9,371)**
Other	**(1,334)**	391	**(13,581)**
Subtotal	**26,432**	31,184	**269,092**
Interest and dividends income received	**2,097**	2,210	**21,352**
Interest expenses paid	**(165)**	(177)	**(1,688)**
Income taxes paid	**(8,292)**	(6,718)	**(84,415)**
Net cash provided by operating activities	**20,072**	26,498	**204,342**
Net Cash Used in Investing Activities:			
Payments into time deposits	**(26,132)**	(16,945)	**(266,031)**
Proceeds from withdrawal of time deposits	**13,632**	11,017	**138,779**
Purchase of short-term investment securities	**(2,798)**	(11,756)	**(28,487)**
Proceeds from sales of short-term investment securities	**13,700**	11,901	**139,469**
Purchase of property, plant and equipment and intangible assets	**(13,313)**	(18,327)	**(135,529)**
Proceeds from sales of property, plant and equipment and intangible assets	**1,098**	2,275	**11,179**
Purchase of investment securities	**(284)**	(4,127)	**(2,891)**
Proceeds from sales of investment securities	**226**	3,067	**2,306**
Proceeds from dissolving joint venture of pharmaceutical business	**3,511**	-	**35,748**
Payments of long-term loans receivable	**(4)**	(0)	**(49)**
Collection of long-term loans receivable	**19**	9	**195**
Other	**109**	950	**1,110**
Net cash used in investing activities	**(10,235)**	(21,934)	**(104,203)**
Net Cash Used in Financing Activities:			
Increase in short-term loans payable	**-**	9	**-**
Decrease in short-term loans payable	**(1,081)**	(3,804)	**(11,006)**
Repayment of long-term loans payable	**(501)**	-	**(5,110)**
Proceeds from sales of treasury stock	**230**	132	**2,348**
Purchase of treasury stock	**(153)**	(5,634)	**(1,559)**
Cash dividends paid	**(4,472)**	(4,561)	**(45,534)**
Other	**(696)**	(566)	**(7,095)**
Net cash used in financing activities	**(6,675)**	(14,423)	**(67,957)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	**(1,738)**	258	**(17,697)**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,422**	(9,601)	**14,486**
Cash and Cash Equivalents at Beginning of Period	**38,850**	48,452	**395,508**
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	**66**	-	**673**
Cash and Cash Equivalents at End of Period	**¥ 40,339**	¥ 38,850	**$ 410,667**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

For the Years Ended March 31, 2009 and 2008

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

Nisshin Seifun Group Inc. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. Effective April 1, 2008, the Company has applied the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force, No. 18, issued by the Accounting Standard Board of Japan (ASBJ) on May 17, 2006). Under the new accounting standard, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using the accounts of overseas consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States as adjusted for certain items. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of overseas consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile. See Note 2 (a).

The accompanying consolidated financial statements of 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 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 Financial Instruments and Exchange Law 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, 2009, the number of consolidated subsidiaries was 40 (38 in 2008).
In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, excluding the portion attributable to minority shareholders, 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, 2009 the number of subsidiaries and affiliates accounted by the equity method was nine (ten in 2008).

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 five year. However, immaterial goodwill and negative goodwill are charged or credited 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 minority 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 minority 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.

A reconciliation between cash in the consolidated balance sheets and cash equivalents in the consolidated statements of cash flows is presented in Note 17.

(e) Inventories

Inventories are stated at the lower of cost or market.

Flour and bran, cost is determined by the retail cost method; for other products, cost is principally determined by the periodic average method. For raw materials, cost is principally determined by the moving average method.

See Note 2(b).

(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 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 (five years).

(h) Leases

Finance leases that do not transfer ownership of leased assets to the lessee (excluding leases which had been entered into on or before March 31, 2008) are accounted for in a similar manner as sales transactions and depreciated by the straight-line method over the lease term with a zero residual value. See Note 2 (d).

(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.

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) Provision for Retirement Benefits

Provision for employees' retirement benefits is provided based on the projected benefit obligation and the fair value of plan assets at the balance sheet date.

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.

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.

1. Summary of Significant Accounting Policies (continued)

(k) Provision for Directors' Retirement Benefits

Ten (nine in 2008) of the Company's domestic consolidated subsidiaries provide an accrual 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.

(l) 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.

(m) Distributions of Retained Earnings

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

(n) 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 on flour 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. However, 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.

(o) Consumption Taxes

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

2. Changes in Accounting Policies

(a) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Effective the year ended March 31, 2009, the Company has applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No.18 issued by the Accounting Standards Board of Japan on May 17, 2006).

The effect of this application at the beginning of the year ended March 31, 2009 was to decrease noncurrent assets by ¥120 million ($1,228 thousand), retained earnings by ¥48 million ($492 thousand) and minority interests by ¥72 million ($736 thousand), respectively.

The effect on income and loss and segment information for the year ended March 31, 2009 was immaterial.

(b) Changes in Measurement of Inventories

Effective the year ended March 31, 2009, the Company and its subsidiaries have adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9 issued by the Accounting Standards Board of Japan on July 5, 2006).

The effect of the adoption was to decrease operating income and income before income taxes and minority interests by ¥191 million (US$1,953 thousand) for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous method. The effect of the adoption on segment information is described in Note 20.

(c) Changes in Method of Accounting for Depreciation

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the useful lives of machinery from 7 to 16 years to 7 to 12 years based on the reassessment of the useful lives in light of the change in the Corporation Tax Law. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥1,122 million ($11,429 thousand) for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous method. The effect of this change on segment information is described in Note 20.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007 in accordance with the Corporation Tax Law as amended. The effect of this change was to decrease operating income and income before income taxes and minority interests in by ¥203 million for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method. The effect of this change on segment information is described in Note 20.

2. Changes in Accounting Policies (continued)

(c) Changes in Method of Accounting for Depreciation (continued)

In addition, effective the year ended March 31, 2008, after having depreciated the book value of property, plant and equipment acquired on or before March 31, 2007 to 5% of their respective acquisition cost based on the Corporation Tax Law prior to the amendment, the Company and its domestic consolidated subsidiaries depreciate the difference of the remaining acquisition cost less minimum salvage value using the straight-line method over a period of 5 years and book such depreciation as depreciation expense, in accordance with the Corporation Tax Law as amended. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥700 million for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method. The effect of this change on segment information is described in Note 20.

(d) Changes in Method of Accounting for Lease Transactions

Effective the year ended March 31, 2009, the Company has applied “Accounting Standard for Lease Transactions” (Statement No.13) and “Guidance on Accounting Standard for Lease Transactions” (Guidance No. 16) issued by the Accounting Standards Board of Japan on March 30, 2007. Under the previous accounting standard, finance leases which do not transfer ownership of the leased assets to lessee were permitted to be accounted for as operating lease transactions. The new accounting standard requires that all finance lease transactions should be accounted for in a similar manner as sales transactions and treated as capital leases.

Finance leases which had been entered into on or before March 31, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases.

The effect of this change on income and loss and segment information is immaterial for the year ended March 31, 2009.

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 ¥98.23 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2009.

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

Investments in unconsolidated subsidiaries and affiliates included in "Investment securities" as of March 31, 2009 and 2008 amounted to ¥15,898 million ($161,852 thousand) and ¥18,172million, respectively.

Securities other than those of subsidiaries and affiliates, classified as held-to-maturity securities and at March 31, 2009 and 2008 are summarized as follows:

(a) Information regarding held-to-maturity securities with fair market value

	2009					
	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	**1,499**	**1,499**	**(0)**	**15,269**	**15,269**	**(1)**
Corporate bonds	-	-	-			
Other	-	-	-			
Subtotal	**1,499**	**1,499**	**(0)**	**15,269**	**15,269**	**(1)**
Total	**¥ 1,499**	**¥ 1,499**	**¥ (0)**	**$ 15,269**	**$ 15,269**	**$ (1)**

	2008		
	Millions of yen		
	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	1,499	1,499	(0)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	1,499	1,499	(0)
Total	¥ 1,499	¥ 1,499	¥ (0)

4. Investment Securities (continued)

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

	2009					
	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	**¥ 7,810**	**¥ 39,133**	**¥ 31,323**	**$ 79,509**	**$ 398,384**	**$ 318,875**
Bonds:						
Government and municipal bonds	-	-	-	-	-	-
Corporate bonds	**799**	**800**	**0**	**8,143**	**8,144**	**2**
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	**8,610**	**39,933**	**31,323**	**87,651**	**406,528**	**318,876**
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	**8,669**	**6,646**	**(2,023)**	**88,259**	**67,662**	**(20,597)**
Bonds:						
Government and municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	**8,669**	**6,646**	**(2,023)**	**88,259**	**67,662**	**(20,597)**
Total	**¥ 17,279**	**¥ 46,579**	**¥ 29,299**	**$ 175,910**	**$ 474,190**	**$ 298,280**

	2008		
	Millions of yen		
	Acquisition Cost	Carrying Value	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 10,920	¥ 56,386	¥ 45,465
Bonds:			
Government and municipal bonds	-	-	-
Corporate bonds	8,099	8,104	4
Other	-	-	-
Other	-	-	-
Subtotal	19,020	64,490	45,470
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	6,406	5,326	(1,080)
Bonds:			
Government and municipal bonds	-	-	-
Corporate bonds	3,603	3,600	(2)
Other	-	-	-
Other	-	-	-
Subtotal	10,010	8,927	(1,083)
Total	¥ 29,030	¥ 73,417	¥ 44,387

4. Investment Securities (continued)

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

Information regarding sale of securities classified as available-for-sale securities for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Proceeds from sales	**¥ 226**	¥ 2,071	**$ 2,310**
Aggregate gains on sales	**161**	1,681	**1,642**

(d) Available-for-sale securities without fair market value

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Held to maturity securities:			
Certificates of deposits	**¥ 500**	¥ 500	**$ 5,090**
Available-for-sale securities:			
Certificates of deposits	**6,000**	-	**61,081**
Unlisted stock	**4,578**	4,640	**46,606**
Total	**¥ 11,078**	¥ 5,140	**$ 112,777**

(e) The redemption schedule of held-to-maturity securities at March 31, 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Due in one year or less	Due after one year through	Due in one year or less	Due after one year through
Bonds:				
Government and municipal bonds	**¥ 1,500**	**¥ -**	**$ 15,270**	**$ -**
Corporate bonds	**800**	**-**	**8,144**	**-**
Other	**500**	**-**	**5,090**	**-**
Other:	**6,000**	**-**	**61,081**	**-**
Total	**¥ 8,800**	**¥ -**	**$ 89,586**	**$ -**

5. Inventories

Inventories at March 31, 2009 and 2008 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Merchandise and finished goods	**¥ 26,190**	¥ 22,923	**$ 266,622**
Raw materials and supplies	**16,408**	12,962	**167,042**
Work in process	**3,223**	4,426	**32,815**
Total	**¥ 45,822**	¥ 40,313	**$ 466,480**

5. Inventories (continued)

Revaluation loss on inventories of ¥326 million ($3,320 thousand) and ¥131 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31, 2009 and 2008 respectively.

6. Leases

The Group primarily leases information system equipment and software.

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation and net book value of the leased assets at March 31, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases which had been entered into on or before March 31, 2008 currently accounted for as operating leases:

	2009					
	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	**¥ 2,605**	**¥ 1,514**	**¥ 1,090**	**$ 26,520**	**$ 15,414**	**$ 11,105**
Other	**2,090**	**1,265**	**824**	**21,279**	**12,884**	**8,395**
Total	**¥ 4,695**	**¥ 2,779**	**¥ 1,915**	**$ 47,799**	**$ 28,298**	**$ 19,500**

	2008		
	Millions of yen		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Machinery, equipment and vehicles	¥ 3,486	¥ 1,913	¥ 1,572
Other	2,321	1,331	989
Total	¥ 5,807	¥ 3,245	¥ 2,562

The future minimum lease commitments under finance leases subsequent to March 31, 2009 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 624**	**$ 6,353**
Due after one year	**1,291**	**13,147**
Total	**¥ 1,915**	**$ 19,500**

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥744 million ($7,583 thousand) and ¥977 million for the years ended March 31, 2009 and 2008, respectively. These lease payments were equal to the depreciation of the leased assets computed by the straight-line method over the respective lease terms with a zero residual value.

The future minimum lease commitments under noncancellable operating leases subsequent to March 31, 2009 are summarized as follows:

(Lessee)

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 25**	**$ 263**
Due after one year	**49**	**508**
Total	**¥ 75**	**$ 770**

6. Leases (continued)

(Lessor)

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ **110**	$ **1,129**
Due after one year	**778**	**7,929**
Total	¥ **889**	$ **9,058**

7. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2009 and 2008 amounted to ¥207,060 million ($2,107,915 thousand) and ¥208,691 million, respectively. Accumulated advanced depreciation of property, plant and equipment purchased using funds from a government subsidy amounted to ¥263 million ($2,678 thousand) and ¥264 million at March 31, 2009 and 2008, respectively.

8. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Short-term loans payable with average interest rates of 1.1729% and 1.5316% at March 31, 2009 and 2008, respectively	¥ **2,854**	¥ 3,709	$ **29,064**
Current portion of long-term loans payable with average interest rates of 5.2060% and 3.2960% at March 31, 2009 and 2008 respectively	**88**	259	**899**
Current portion of lease obligations	**195**	-	**1,990**
Total short-term loans payable	**3,138**	3,969	**31,952**
Long-term loans payable at March 31, 2009 and 2008 with average interest rates of 4.9800% and 3.4861%, respectively, less current portion, due from 2010 to 2036 and 2009 to 2036, respectively	**336**	1,093	**3,421**
Long-term lease obligations, due from 2010 to 2015	**724**	-	**7,379**
Total long-term loans payable	**1,060**	1,093	**10,800**
Total	¥ **4,199**	¥ 5,062	$ **42,752**

* Average interest rates of loans payable represent the weighted-average rates for the outstanding balances at March 31, 2009 and 2008.

* 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, 2009 was calculated based on inclusive-of-interest method.

The annual maturities of long-term loans payable within 5 years of March 31, 2009, excluding the current portion, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ **91**	$ **935**
2012	**96**	**981**
2013	**101**	**1,030**
2014	**4**	**43**

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

The annual maturities of long-term lease obligations within 5 years of March 31, 2009 excluding the current potion are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ **195**	$ **1,995**
2012	**196**	**2,000**
2013	**195**	**1,991**
2014	**134**	**1,369**

The Group has entered into certain line-of-credit agreements with major financial institutions amounting to ¥17,830 million ($181,513 thousand) and ¥18,830 million at March 31, 2009 and 2008, respectively.

There were no loans payable outstanding at March 31, 2009 and 2008 under these line-of-credit agreements.

Administrative expenses related to these line-of-credit agreements amounted to ¥17 million ($175 thousand) and ¥17 million for the years ended March 31, 2009 and 2008.

The carrying amounts of assets pledged as collateral at March 31, 2009 and 2008 for short-term loans payable of ¥224 million ($2,290 thousand) and ¥497 million, respectively, and long-term loans payable of ¥492 million at March 31, 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Buildings	¥ **1,288**	¥ 1,475	$ **13,119**
Machinery and equipment	**648**	698	**6,605**
Land	**92**	92	**941**
Other	**24**	159	**254**
Total	¥ **2,054**	¥ 2,426	$ **20,918**

9. Provision 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.

Besides these retirement benefits, certain employees may be entitled to additional special retirement benefits based on the conditions under which termination occurs.

The allowance for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

9. Provision for Employees' Retirement Benefits (continued)

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Projected benefit obligation	**¥ (46,923)**	¥ (48,512)	**$ (477,688)**
Fair value of plan assets	**35,171**	40,165	**358,058**
Unrecognized actuarial loss	**9,189**	3,711	**93,555**
Unrecognized prior service cost	**(2,131)**	(2,329)	**(21,696)**
Less: Prepaid pension cost	**3,894**	1,361	**39,649**
Allowance for employees' retirement benefits	**¥ (8,587)**	¥ (8,325)	**$ (87,420)**

* Certain subsidiaries apply the simplified method to calculate benefit obligations.
* In addition to the above allowance for retirement benefits, a special retirement benefit of ¥429 million was included in Other in current liabilities in the accompanying consolidated balance sheet at March 31, 2008.

The components of retirement benefit costs for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service cost	**¥ 1,816**	¥ 1,749	**$ 18,495**
Interest cost	**1,093**	1,124	**11,135**
Expected return on plan assets	**(995)**	(1,021)	**(10,132)**
Amortization of actuarial loss	**522**	305	**5,316**
Amortization of prior service cost	**(198)**	(198)	**(2,018)**
Net retirement benefit costs	**¥ 2,239**	¥ 1,960	**$ 22,795**

* Retirement benefit costs incurred by consolidated subsidiaries that apply the simplified method are recorded as service cost.
* In addition to the above retirement benefit costs, a special retirement benefits of ¥429 million was included in other expenses in the accompanying consolidated statement of income for the year ended March 31, 2008.

The assumptions used in the above computations for the years ended March 31, 2009 and 2008 are set forth as follows:

		2009		2008
Discount rate	Principally	**2.5%**	Principally	2.5%
Expected rate of return on plan assets	Principally	**2.5%**	Principally	2.5%
Amortization period of actuarial difference	Principally	**15 years**	Principally	15 years
Amortization period of prior service cost		**15 years**		15 years

10. Stock Option Plans

Stock option expenses included in "Selling, General and Administrative Expenses" in the accompanying consolidated statement of income for the years ended March 31, 2009 and 2008 amounted to ¥29 million ($304 thousand) and ¥8 million, respectively.

At March 31, 2009, the Company and consolidated subsidiaries had the following stock option plans:

10. Stock Option Plans (continued)

	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	-	-	-	-
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	16,500	56,100	177,100	247,500
Vested during the year	-	-	-	-
Exercised during the year	14,300	28,600	86,900	64,900
Forfeited during the year	-	-	-	-
Outstanding at end of the year	2,200	27,500	90,200	182,600
Exercise price (Yen)	¥805	¥811	¥999	¥1,085
Exercise price (U.S. dollars)	$8.20	$8.26	$10.17	$11.05
Weighted-average market price upon exercise (Yen)	¥1,258	¥1,330	¥1,410	¥1,339
Weighted-average market price upon exercise (U.S. dollars)	$12.81	$13.54	$14.35	$13.63

	2007 Plan	2008 Plan
Grantees	12 directors and 11 operating officers of the Company and 23 directors of consolidated subsidiaries	12 directors and 12 operating officers of the Company and 24 directors of consolidated subsidiaries
Type of stock	Common Stock	Common stock
Number of shares granted	250,000	266,000
Grant date	August 13, 2007	August 19, 2008
Conditions for vesting	Not stated	Not stated
Service period	Not specified	Not specified
Exercisable period	July 27, 2009- July 26, 2014	August 20, 2010- July 30, 2015

10. Stock Option Plans (continued)

	2007 Plan	2008 Plan
Non-Vested (number of shares)		
Outstanding at beginning of the year	250,000	-
Granted during the year	-	266,000
Forfeited during the year	-	-
Vested during the year	-	-
Outstanding at end of the year	250,000	266,000
Vested (number of shares)		
Outstanding at beginning of the year	-	-
Granted during the year	-	-
Exercised during the year	-	-
Forfeited during the year	-	-
Outstanding at end of the year	-	-
Exercise price (Yen)	¥1,197	¥1,397
Exercise price (U.S. dollars)	$12.19	$14.22
Fair value as of grant date (Yen)	¥102	¥201
Fair value as of grant date (U.S. dollars)	$1.04	$2.05

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:

	2008 Plan
Expected volatility *1 (%)……………………………………………………………………………	18.8
Expected remaining period *2 (years)…………………………………………………………………..	4.5
Expected dividends per share *3 (yen)………………………………………………………………….	¥18
Expected dividends per share *3 (U.S. dollars)………………………………………………………	$0.18
Risk free interest rate *4 (%)…………………………………………………………………………	0.99

*1 Expected volatility is estimated based on the actual stock price in the period from February 2004 to August 2008.

*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, 2008.

*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.

At March 31, 2008, the Company and consolidated subsidiaries 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-

10. Stock Option Plans (continued)

	2002 Plan	2003 Plan	2004 Plan	2005 Plan
Non-Vested (number of shares)				
Outstanding at beginning of the year	-	-	-	258,500
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	-	258,500
Outstanding at end of the year	-	-	-	-
Vested (number of shares)				
Outstanding at beginning of the year	33,000	91,300	213,400	-
Vested during the year	-	-	-	258,500
Exercised during the year	16,500	35,200	36,300	11,000
Forfeited during the year	-	-	-	-
Outstanding at end of the year	16,500	56,100	177,100	247,500
Exercise price (Yen)	¥805	¥811	¥999	¥1,085
Exercise price (U.S. dollars)	$8.03	$8.09	$9.97	$10.83
Weighted-average market price upon exercise (Yen)	¥1,191	¥1,120	¥1,139	¥1,091
Weighted-average market price upon exercise (U.S. dollars)	$11.89	$11.18	$11.37	$10.89

	2007 Plan
Grantees	12 directors and 11 operating officers of the Company and 23 directors of consolidated subsidiaries
Type of stock	Common Stock
Number of shares granted	250,000 shares
Grant date	August 13, 2007
Conditions for vesting	Not stated
Service period	Not specified
Exercisable period	July 27, 2009-July 26, 2014

	2007 Plan
Non-Vested (number of shares)	
Outstanding at beginning of the year	-
Granted during the year	250,000
Forfeited during the year	-
Vested during the year	-
Outstanding at end of the year	250,000
Vested (number of shares)	
Outstanding at beginning of the year	-
Granted during the year	-
Exercised during the year	-
Forfeited during the year	-
Outstanding at end of the year	-
Exercise price (Yen)	¥1,197
Exercise price (U.S. dollars)	$11.95
Fair value as of grant date (Yen)	¥102
Fair value as of grant date (U.S. dollars)	$1.02

10. 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:

	2007 Plan
Expected volatility *1 (%)……	17.5
Expected remaining period *2 (years)……	4.5
Expected dividends per share *3 (yen)……	¥18
Expected dividends per share *3 (U.S. dollars)……	$0.18
Risk free interest rate *4 (%)……	1.21

*1 Expected volatility is estimated based on the actual stock price in the period from January 2003 to August 2007.

*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 refers to the expected annual amount for the year ended March 31, 2007.

*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.

11. Shareholders' Equity

The Corporation Law of Japan (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 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.

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

(a) Type and Number of Outstanding Shares

	Thousands of shares			
	Year ended March 31, 2009			
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	**251,535**	-	-	**251,535**
Treasury stock: Common stock	**3,170**	**120**	**227**	**3,063**

1. Treasury stock increased due to a repurchase of odd-lot shares of less than one unit (120 thousand shares).
2. Treasury stock decreased due to (a) a disposal of odd-lot shares of less than one unit (32 thousand shares) and (b) exercise of stock options (194 thousand shares).

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

(a) Type and Number of Outstanding Shares (continued)

	Thousands of shares			
	Year ended March 31, 2008			
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	256,535	-	5,000	251,535
Treasury stock: Common stock	3,220	5,087	5,137	3,170

1. Issued shares of common stock decreased due to the retirement of treasury stock (5,000 thousand shares).
2. Treasury stock increased due to (a) purchases of shares of common stock from the stock market (5,000 thousand shares), (b) a repurchase of odd-lot shares of less than one unit (86 thousand shares) and (c) purchases of shares of common stock in treasury held by an affiliated company (0 thousand shares).
3. Treasury stock decreased due to (a) a retirement of shares of common stock in treasury (5,000 thousand shares), (b) disposal of odd-lot shares of less than one unit (38 thousand shares) and (c) exercise of stock options (99 thousand shares).

(b) Subscription rights to shares

		Balance at March 31, 2009	
Category	Details of options	Millions of yen	Thousands of U.S. dollars
Supplying company	Subscription rights to shares as stock options	**¥ 38**	**$ 391**
(Parent Company)	Total	**¥ 38**	**$ 391**

		Balance at March 31, 2008
Category	Details of options	Millions of yen
Supplying company	Subscription rights to shares as stock options	¥ 8
(Parent Company)	Total	¥ 8

(c) Dividends

(1) Dividends paid to shareholders

Year ended March 31, 2009								
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 26, 2008	**Annual general meeting of shareholders**	**Common stock**	**¥ 2,235**	**$ 22,762**	**¥ 9**	**$ 0.09**	**March 31, 2008**	**June 27, 2008**
October 30, 2008	**Board of directors**	**Common stock**	**¥ 2,236**	**$ 22,772**	**¥ 9**	**$ 0.09**	**September 30, 2008**	**December 5, 2008**

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

(c) Dividends (continued)

(1) Dividends paid to shareholders (continued)

Year ended March 31, 2008

Date of approval	Resolution approved by	Type of shares	Amount	Amount per share	Cut-off date	Effective date
			(Millions of yen)	(Yen)		
June 27, 2007	Annual general meeting of shareholders	Common stock	¥ 2,280	¥ 9	March 31, 2007	June 28, 2007
November 9, 2007	Board of directors	Common stock	¥ 2,280	¥ 9	September 30, 2007	December 10,2007

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

Year ended March 31, 2009

Date of approval	Resolution approved by	Type of share	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 25, 2009	**Annual general meeting of shareholders**	**Common stock**	**Retained earnings**	**¥ 2,236**	**$ 22,772**	**¥ 9**	**$ 0.09**	**March 31, 2009**	**June 26, 2009**

Year ended March 31, 2008

Date of approval	Resolution approved by	Type of share	Source of dividends	Amount	Amount per share	Cut-off date	Effective date
				(Millions of yen)	(Yen)		
June 26, 2008	Annual general meeting of shareholders	Common stock	Retained earnings	¥ 2,235	¥ 9	March 31, 2008	June 27, 2008

13. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Freight	**¥ 25,417**	¥ 25,372	**$ 258,753**
Sales promotion and sales incentive	**31,828**	38,101	**324,025**
Employees' salaries	**12,509**	12,336	**127,347**
Employees' bonuses and benefits	**8,856**	9,006	**90,161**
Retirement benefits	**1,314**	1,151	**13,381**
Other	**29,997**	28,199	**305,384**
Total	**¥ 109,924**	¥ 114,168	**$1,119,050**

14. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs were ¥5,448 million ($55,472 thousand) and ¥5,136 million for the years ended March 31, 2009 and 2008, respectively.

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 40.6% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets:			
Provision for employees' retirement benefits	**¥ 4,420**	¥ 5,248	**$ 44,999**
Provision for bonuses	**1,732**	1,703	**17,640**
Investment securities	**673**	839	**6,853**
Accrued sales incentives	**848**	1,131	**8,635**
Unrealized gain on noncurrent assets	**979**	1,025	**9,970**
Inventories	**646**	591	**6,577**
Depreciation and amortization	**689**	1,033	**7,024**
Provision for repairs	**606**	403	**6,177**
Accrued business office taxes	**419**	351	**4,269**
Unrealized gain on inventories	**298**	-	**3,038**
Provision for directors' retirement benefits	**-**	346	**-**
Other	**2,381**	2,667	**24,244**
Gross deferred tax assets	**13,695**	15,341	**139,426**
Valuation allowance	**(1,935)**	(1,804)	**(19,701)**
Amount offset by deferred tax liabilities	**(4,174)**	(5,213)	**(42,496)**
Deferred tax assets, net	**¥ 7,586**	¥ 8,324	**$ 77,229**

	Millions of yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (11,905)**	¥ (18,030)	**$ (121,205)**
Reserve for advanced depreciation of noncurrent assets	**(2,423)**	(2,483)	**(24,669)**
Other	**(391)**	(547)	**(3,989)**
Gross deferred tax liabilities	**(14,721)**	(21,061)	**(149,863)**
Amount offset by deferred tax assets	**4,174**	5,213	**42,496**
Deferred tax liabilities, net	**¥ (10,546)**	¥ (15,847)	**$ (107,367)**

Disclosure of a reconciliation between the statutory and effective tax rates for the years ended March 31, 2009 and 2008 has been omitted as such differences were immaterial.

16. Contingent Liabilities

At March 31, 2009 and 2008, the Company was contingently liable as a guarantor of loan obligations to financial institutions for one affiliated company and others as follows:

	Millions of yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Employee housing loans receivable	**¥ 211**	¥ 259	**$ 2,153**
Hanshin Silo Co., Ltd (affiliated company)	**690**	522	**7,028**
Nihon-Bio Co., Ltd (client-related)	**248**	290	**2,530**
	¥ 1,150	¥ 1,072	**$ 11,711**

17. Cash and Cash Equivalents

Cash and deposit 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, 2009 and 2008 as follows:

	Millions of yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Cash and deposit	**¥ 51,967**	¥ 43,987	**$ 529,043**
Marketable securities	**8,799**	13,704	**89,585**
Total	**60,767**	57,692	**618,627**
Time deposits with maturities of more than three months	**(19,627)**	(7,136)	**(199,816)**
Marketable securities with maturities of more than three months	**(800)**	(11,705)	**(8,144)**
Cash and cash equivalents	**¥ 40,339**	¥ 38,850	**$ 410,667**

18. Derivatives

The Group uses forward exchange contracts and currency option contracts and certain overseas consolidated subsidiaries use commodity futures on flour as derivative financial instruments solely for the purpose of mitigating future risks arising from fluctuation in foreign currency exchange rates and commodity prices. The Group does not enter into derivatives transactions for trading or speculative purposes. Forward exchange contracts, currency option contracts and commodity futures are subject to the risk arising from foreign exchange rate changes and commodity price 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 on a monthly basis.

18. Derivatives (continued)

The estimated fair value of the open derivative positions at March 31, 2009 is summarized as follows:

	2009					
	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency option:						
Buy:						
Canadian dollars	**¥ 507**	**¥ 510**	**¥ 2**	**$ 5,164**	**$ 5,193**	**$ 30**
Forward exchange contracts:						
Buy:						
U.S. dollars	**¥ 166**	**¥ 167**	**¥ 0**	**$ 1,691**	**$ 1,701**	**$ 9**
	¥ 673	**¥ 677**	**¥ 3**	**$ 6,855**	**$ 6,894**	**$ 39**
Commodity futures:						
Buy:						
Flour	**¥ 5**	**¥ 5**	**¥ (0)**	**$ 60**	**$ 59**	**$ (1)**
	¥ 5	**¥ 5**	**¥ (0)**	**$ 60**	**$ 59**	**$ (1)**

	2008		
	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:			
Buy:			
U.S. dollars	¥ 50	¥ 49	¥ (0)
Canadian dollar	1,045	1,036	(8)
Sell:			
Japanese Yen	¥ 107	¥ 108	¥ (1)
	¥ -	¥ -	¥ (10)
Commodity futures:			
Sell			
Flour	¥ 340	¥ 403	¥ (63)
	¥ 340	¥ 403	¥ (63)

* Fair value of forward exchange contracts is stated based on the quoted market price.
* The above derivative positions were all held by overseas consolidated subsidiaries.
* The derivative positions to which hedge accounting was applied have been omitted.

19. Related Party Transactions

Disclosure of related party transactions has been omitted as the total amount of such transactions was immaterial for the years ended March 31, 2009 and 2008.

Effective the year ended March 31, 2009, the Company has applied "Accounting Standard for Disclosure of Related Party Transactions" and "Guidance on Disclosure of Related Party Transactions" issued by the Accounting Standards Board of Japan on October 17, 2006. There is no effect on consolidated financial statements for the year ended March 31, 2009.

20. Segment Information

Business Segment Information

Operations by business segment for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen					
	2009					
	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
Net Sales:						
Sales to external customers	¥ 199,296	¥ 229,783	¥ 37,591	¥ 466,671	¥ -	¥ 466,671
Intersegment sales and transfers	25,158	511	3,725	29,394	(29,394)	-
Total	¥ 224,454	¥ 230,294	¥ 41,317	¥ 496,066	(29,394)	466,671
Operating expenses	212,470	222,553	39,311	474,335	(29,418)	444,916
Operating income	¥ 11,984	¥ 7,741	¥ 2,005	¥ 21,731	¥ 24	¥ 21,755
Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	¥ 122,334	¥ 129,030	¥ 49,610	¥ 300,975	¥ 69,903	¥ 370,879
Depreciation and amortization	8,097	6,041	1,563	15,701	(298)	15,403
Capital expenditures	6,981	4,595	2,540	14,117	(321)	13,795

20. Segment Information (continued)

	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
	Thousands of U.S. dollars					
	2009					
Net Sales:						
Sales to external customers	**$ 2,028,877**	**$ 2,339,236**	**$ 382,694**	**$ 4,750,806**	**$ -**	**$ 4,750,806**
Intersegment sales and transfers	**256,115**	**5,203**	**37,926**	**299,244**	**(299,244)**	**-**
Total	**$ 2,284,991**	**$ 2,344,439**	**$ 420,620**	**$ 5,050,050**	**$ (299,244)**	**$ 4,750,806**
Operating expenses	**2,162,986**	**2,265,634**	**400,202**	**4,828,822**	**(299,489)**	**4,529,333**
Operating income	**$ 122,006**	**$ 78,805**	**$ 20,417**	**$ 221,228**	**$ 246**	**$ 221,474**
Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	**$ 1,245,390**	**$ 1,313,559**	**$ 505,042**	**$ 3,063,990**	**$ 711,636**	**$ 3,775,626**
Depreciation and amortization	**82,431**	**61,501**	**15,915**	**159,847**	**(3,037)**	**156,810**
Capital expenditures	**71,069**	**46,782**	**25,864**	**143,715**	**(3,270)**	**140,445**

	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
	Millions of yen					
	2008					
Net Sales:						
Sales to external customers	¥ 164,449	¥ 224,914	¥ 42,494	¥ 431,858	¥ -	¥ 431,858
Intersegment sales and transfers	19,038	774	5,936	25,750	(25,750)	-
Total	183,487	225,689	48,431	457,608	(25,750)	431,858
Operating expenses	173,293	220,730	44,086	438,110	(25,443)	412,666
Operating income	¥ 10,194	¥ 4,958	¥ 4,344	¥ 19,498	¥ (306)	¥ 19,191
Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	¥ 122,133	¥ 131,662	¥ 51,087	¥ 304,884	¥ 76,910	¥ 381,795
Depreciation and amortization	6,379	6,100	1,277	13,757	(242)	13,515
Capital expenditures	9,860	4,650	4,113	18,624	(576)	18,047

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 ¥77,298 million ($786,918 thousand) and ¥83,611 million at March 31, 2009 and 2008, respectively, and consisted primarily of the Company’s surplus funds (cash and deposits, and marketable securities) and investment securities.

20. Segment Information (continued)

4. Changes in accounting policies

(a) Changes in measurement of inventories

As described in Note 2, “Changes in Accounting Policies, (b) Changes in Measurement of Inventories,” effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have adopted, “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9 issued by the Accounting Standards Board of Japan issued on July 5, 2006). The effect of the adoption, was to increase operating expenses and decrease operating income for Processed Food by ¥191 million (US$1,953 thousand) for the year ended March 31, 2009 from the corresponding amount which would have been recorded under the previous method.

(b) Changes in method of accounting for depreciation

As described in Note 2, “Changes in Accounting Policies, (c) Changes in Method of Accounting for Depreciation,” effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the useful lives of machinery from 7 to 16 years to 7 to 12 years based on the reassessment of the useful lives in light of the change in the Corporation Tax Law. The effect of this change was to increase operating expenses for Flour Milling by ¥890 million ($9,068 thousand), for Processed Food by ¥115 million ($1,175 thousand), for Other by ¥160 million ($1,635 thousand) and for Corporate Assets and Eliminations by ¥44 million ($450 thousand) for the year ended March 31, 2009, from the corresponding amounts which would have been recorded under the previous method. At the same time, operating income for each segment decreased and Corporate Assets and Eliminations increased by the same amount as that of the corresponding increase in operating expenses, respectively as compared to the amount which would have been recorded under the previous method.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007 in accordance with the Corporation Tax Law as amended. As a result of this change, for the year ended March 31, 2008, operating income and income before income taxes and minority interests decreased from the corresponding amounts which would have been recorded under the previous method. Specifically, by segment, operating expenses increased for Flour Milling by ¥77 million, for Processed Food by ¥86 million and for Other by ¥48 million, and operating expenses decreased for Corporate Assets and Eliminations by ¥8 million, as compared to the corresponding amounts which would have been recorded under the previous method. At the same time, operating income for Flour Milling, Processed Food and Other decreased and operating loss for Corporate Assets and Eliminations decreased by the same amounts as that of the corresponding increases (decrease) in operating expenses as a result of this change as compared to the amounts which would have been recorded under the previous method.

In addition, effective the year ended March 31, 2008, after having depreciated the book value of property, plant and equipment acquired on or before March 31, 2007 to 5% of their respective acquisition cost based on the Corporation Tax Law prior to the amendment, the Company and its domestic consolidated subsidiaries depreciate the difference of the remaining acquisition cost less minimum salvage value using the straight-line method over a period of 5 years and book such depreciation as depreciation expense, in accordance with the Corporation Tax Law as amended. As a result of this change, for the year ended March 31, 2008, operating income and income before income taxes and minority interests decreased from the corresponding amounts which would have been recorded under the previous method. Specifically, by segment, operating expenses increased for Flour Milling by ¥353 million, for Processed Food by ¥249 million and for Other by ¥103 million, and operating expenses decreased for Corporate Assets and Eliminations by ¥7 million, as compared to the corresponding amounts which would have been recorded under the previous method. At the same time, operating income for Flour Milling, Processed Food and Other decreased and operating loss for Corporate Assets and Eliminations decreased by the same amounts as that of the corresponding increases (decrease) in operating expenses as a result of this change as compared to the amounts which would have been recorded under the previous method.

20. Segment Information (continued)

Geographical Segment Information

Geographical segment information for the years ended March 31, 2009 and 2008 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 years ended March 31, 2009 and 2008 have been omitted because total overseas sales were less than 10% of total consolidated sales.

21. Per Share Data

		2009		2008		**2009**
Net income per share:						
Basic	**¥**	**55.75**	¥	44.30	**$**	**0.57**
Diluted		**55.74**		44.29		**0.57**
Net assets per share:	**¥**	**1,034.49**	¥	1,043.53	**$**	**10.53**

Basic net income per share is computed by dividing net income 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 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 minority interests by the number of shares of common stock outstanding at the year end.

21. **Per Share Data (continued)**

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

	2009	2008	**2009**
Net income available for distribution to common shareholders	**¥ 13,852 million**	¥ 11,147 million	**$ 141,018**
Weighted average number of shares for basic net income	**248,453,788 shares**	251,654,692 shares	
Increase in shares of common stock			
Exercise of warrants	**50,621 shares**	58,966 shares	
Number of shares for diluted net income	**248,504,409 shares**	251,713,658 shares	
Summary of potentially issuable shares that do not have a dilutive effect on net income per share	**88 and 178 subscription rights to shares approved by the annual general meeting of shareholders at June 26, 2008 89 and 161 subscription rights to shares approved by the annual general meeting of shareholders at June 27, 2007**	89 and 161 subscription rights to shares approved by the annual general meeting of shareholders at June 27, 2007	

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

	2009	2008	**2009**
Total net assets	**¥ 286,094 million**	¥ 289,839 million	**$ 2,912,491 thousand**
Amounts deducted from total net assets			
Subscription rights to shares	**38 million**	8 million	**391 thousand**
Minority interests	**29,014million**	30,653 million	**295,369 thousand**
Net assets attributable to shares of common stock	**257,041million**	259,177 million	**$ 2,616,731 thousand**
Number of shares of common stock used in the calculation of net assets per share	**248,472,362 shares**	248,365,406 shares	