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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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 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, 2010

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2010**	2009	**2010**
Current Assets:			
Cash and deposits (Notes 17 and 19)	**¥ 69,871**	¥ 51,967	**$ 750,988**
Notes and accounts receivable – trade (Note 17)	**56,480**	57,329	**607,051**
Short-term investment securities (Notes 17 and 19)	**21,648**	8,799	**232,676**
Inventories (Note 4)	**37,442**	45,822	**402,436**
Deferred tax assets (Note 13)	**5,262**	4,480	**56,565**
Other	**6,189**	6,925	**66,523**
Allowance for doubtful accounts	**(288)**	(212)	**(3,099)**
Total current assets	**196,606**	175,112	**2,113,140**
Property, Plant and Equipment (Notes 5, 6 and 14):			
Land	**33,167**	32,939	**356,487**
Buildings and structures	**44,983**	45,477	**483,483**
Machinery, equipment and vehicles	**30,806**	33,843	**331,111**
Construction in progress	**1,949**	1,056	**20,953**
Other	**3,251**	3,333	**34,944**
Property, plant and equipment, net	**114,158**	116,650	**1,226,978**
Intangible Assets	**3,827**	3,482	**41,141**
Investments and Other Assets:			
Investment securities (Notes 17 and 18)	**72,325**	66,256	**777,361**
Long-term loans receivable	**70**	75	**754**
Deferred tax assets (Note 13)	**3,056**	3,105	**32,846**
Other	**6,425**	6,364	**69,067**
Allowance for doubtful accounts	**(152)**	(167)	**(1,640)**
Total investments and other assets	**81,725**	75,634	**878,388**
Total assets	**¥ 396,317**	¥ 370,879	**$ 4,259,647**

LIABILITIES AND NET ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 3) 2010
Current Liabilities:			
Notes and accounts payable – trade (Note 17)	**¥ 22,274**	¥ 22,479	**$ 239,403**
Short-term loans payable (Note 6)	**2,864**	2,943	**30,793**
Income taxes payable (Note 13)	**7,708**	4,691	**82,853**
Accrued expenses	**14,007**	13,470	**150,553**
Other	**15,282**	12,797	**164,257**
Total current liabilities	**62,137**	56,381	**667,858**
Noncurrent Liabilities:			
Long-term loans payable (Note 6)	**271**	336	**2,918**
Deferred tax liabilities (Note 13)	**12,657**	10,546	**136,040**
Provision for retirement benefits (Note 7)	**9,113**	8,587	**97,955**
Provision for directors' retirement benefits	**337**	311	**3,624**
Provision for repairs	**1,504**	1,498	**16,174**
Long-term deposits received	**5,486**	5,570	**58,970**
Negative goodwill	**-**	10	**-**
Other	**1,582**	1,542	**17,006**
Total noncurrent liabilities	**30,953**	28,403	**332,686**
Commitments and Contingent Liabilities (Notes 14 and 15)			
Net Assets (Notes 8, 9 and 10):			
Shareholders' equity:			
Capital stock: authorized – 932,856,000 shares			
Issued – 251,535,448 shares in 2010 and 2009	**17,117**	17,117	**183,984**
Capital surplus	**9,448**	9,446	**101,557**
Retained earnings	**230,661**	218,543	**2,479,160**
Less: Treasury stock			
3,059,826 shares in 2010 and 3,063,086 shares in 2009	**(3,187)**	(3,177)	**(34,257)**
Total shareholders' equity	**254,040**	241,930	**2,730,443**
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	**20,303**	17,220	**218,221**
Deferred gains on hedges	**105**	43	**1,129**
Foreign currency translation adjustment	**(1,693)**	(2,153)	**(18,197)**
Total valuation and translation adjustments	**18,715**	15,111	**201,152**
Subscription rights to shares	**83**	38	**893**
Minority interests	**30,388**	29,014	**326,615**
Total net assets	**303,226**	286,094	**3,259,103**
Total liabilities and net assets	**¥ 396,317**	¥ 370,879	**$ 4,259,647**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	**2010**
Net Sales	**¥ 443,728**	¥ 466,671	**$ 4,769,227**
Cost of Sales (Notes 4 and 12)	**306,675**	334,992	**3,296,170**
Gross Profit	**137,053**	131,679	**1,473,058**
Selling, General and Administrative Expenses (Notes 8, 11 and 12)	**110,476**	109,924	**1,187,414**
Operating Income	**26,576**	21,755	**285,644**
Non-operating Income (Expenses):			
Interest income	**301**	432	**3,239**
Interest expenses	**(89)**	(167)	**(963)**
Dividend income	**1,068**	1,255	**11,486**
Equity in earnings of affiliates	**946**	767	**10,171**
Rent income	**337**	350	**3,622**
Gain on sales of noncurrent assets	**43**	1,234	**471**
Gain on sales of investment securities	**1,027**	160	**11,044**
Gain on liquidation of subsidiaries and affiliates	**157**	67	**1,694**
Gain on dissolving pharmaceutical business joint venture	**-**	1,065	**-**
Gain on transfer of business	**240**	-	**2,580**
Loss on retirement of noncurrent assets	**(829)**	(985)	**(8,912)**
Loss on valuation of investment securities	**-**	(882)	**-**
Expenses for improving production systems	**(487)**	(485)	**(5,244)**
Other, net	**12**	27	**134**
Total non-operating income, net	**2,728**	2,841	**29,321**
Income before Income Taxes and Minority Interests	**29,304**	24,596	**314,965**
Income Taxes (Note 13):			
Income taxes – current	**11,786**	8,343	**126,687**
Income taxes – deferred	**(798)**	1,441	**(8,582)**
Total income taxes	**10,988**	9,784	**118,105**
Minority Interests in Income	**1,476**	959	**15,867**
Net Income	**¥ 16,839**	¥ 13,852	**$ 180,994**

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, 2010 and 2009

	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, 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**
Changes of items during the period:										
Dividends from surplus			**(4,722)**							**(4,722)**
Net income			**16,839**							**16,839**
Purchase of treasury stock				**(106)**						**(106)**
Disposal of treasury stock		**2**		**97**						**99**
Net changes of items other than shareholders' equity					**3,082**	**61**	**459**	**44**	**1,374**	**5,022**
Total changes of items during the period	**-**	**2**	**12,117**	**(9)**	**3,082**	**61**	**459**	**44**	**1,374**	**17,132**
Balance at March 31, 2010	**¥ 17,117**	**¥ 9,448**	**¥ 230,661**	**¥ (3,187)**	**¥ 20,303**	**¥ 105**	**¥ (1,693)**	**¥ 83**	**¥ 30,388**	**¥ 303,226**

	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, 2009	**$ 183,984**	**$ 101,531**	**$ 2,348,925**	**$ (34,157)**	**$ 185,089**	**$ 469**	**$ (23,141)**	**$ 412**	**$ 311,846**	**$ 3,074,957**
Changes of items during the period:										
Dividends from surplus			**(50,759)**							**(50,759)**
Net income			**180,994**							**180,994**
Purchase of treasury stock				**(1,148)**						**(1,148)**
Disposal of treasury stock		**25**		**1,047**						**1,072**
Net changes of items other than shareholders' equity					**33,132**	**660**	**4,944**	**480**	**14,770**	**53,986**
Total changes of items during the period	**-**	**25**	**130,235**	**(101)**	**33,132**	**660**	**4,944**	**480**	**14,770**	**184,146**
Balance at March 31, 2010	**$ 183,984**	**$ 101,557**	**$ 2,479,160**	**$ (34,257)**	**$ 218,221**	**$ 1,129**	**$ (18,197)**	**$ 893**	**$ 326,615**	**$ 3,259,103**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	**2010**
Net Cash Provided by Operating Activities:			
Income before income taxes and minority interests	**¥ 29,304**	¥ 24,596	**$ 314,965**
Depreciation and amortization	**14,998**	15,403	**161,207**
Increase in provision for retirement benefits	**524**	278	**5,634**
Increase in prepaid pension costs	**(132)**	(2,533)	**(1,422)**
Interest and dividend income	**(1,369)**	(1,688)	**(14,724)**
Interest expenses	**89**	167	**963**
Equity in earnings of affiliates	**(946)**	(767)	**(10,171)**
Gain on sales of short-term investment securities	**(1,018)**	(161)	**(10,947)**
Decrease (increase) in notes and accounts receivable – trade	**828**	(127)	**8,907**
Decrease (increase) in inventories	**8,482**	(6,480)	**91,171**
Decrease in notes and accounts payable – trade	**(265)**	(920)	**(2,859)**
Other	**4,369**	(1,334)	**46,967**
Subtotal	**54,864**	26,432	**589,691**
Interest and dividends income received	**1,690**	2,097	**18,167**
Interest expenses paid	**(97)**	(165)	**(1,044)**
Income taxes paid	**(8,973)**	(8,292)	**(96,451)**
Net cash provided by operating activities	**47,484**	20,072	**510,363**
Net Cash Used in Investing Activities:			
Payments into time deposits	**(117,597)**	(26,132)	**(1,263,945)**
Proceeds from withdrawal of time deposits	**89,833**	13,632	**965,534**
Purchase of short-term investment securities	**(12,173)**	(2,798)	**(130,839)**
Proceeds from sales of short-term investment securities	**800**	13,700	**8,598**
Purchase of property, plant and equipment and intangible assets	**(13,936)**	(13,313)	**(149,793)**
Proceeds from sales of property, plant and equipment and intangible assets	**(246)**	1,098	**(2,653)**
Purchase of investment securities	**(827)**	(284)	**(8,897)**
Proceeds from sales of investment securities	**1,504**	226	**16,175**
Proceeds from dissolving pharmaceutical business joint venture	**-**	3,511	**-**
Payments of long-term loans receivable	**(2)**	(4)	**(31)**
Collection of long-term loans receivable	**8**	19	**91**
Other	**244**	109	**2,630**
Net cash used in investing activities	**(52,393)**	(10,235)	**(563,130)**
Net Cash Used in Financing Activities:			
Decrease in short-term loans payable	**(196)**	(1,081)	**(2,115)**
Repayment of long-term loans payable	**(1)**	(501)	**(15)**
Proceeds from sales of treasury stock	**99**	230	**1,072**
Purchase of treasury stock	**(106)**	(153)	**(1,148)**
Cash dividends paid	**(4,722)**	(4,472)	**(50,759)**
Other	**(756)**	(696)	**(8,135)**
Net cash used in financing activities	**(5,684)**	(6,675)	**(61,099)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	**229**	(1,738)	**2,463**
Net (Decrease) Increase in Cash and Cash Equivalents	**(10,364)**	1,422	**(111,402)**
Cash and Cash Equivalents at Beginning of Period	**40,339**	38,850	**433,575**

Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	-	66	-
Cash and Cash Equivalents at End of Period (Note 19)	**¥ 29,975**	¥ 40,339	**$ 322,173**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

For the Years Ended March 31, 2010 and 2009

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 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 Standards Board of Japan (ASBJ) on May 17, 2006). Under the new accounting standard, the accompanying consolidated financial statements for the years ended March 31, 2010 and 2009 have been prepared by using the accounts of overseas consolidated subsidiaries that were prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States as adjusted for certain items.

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 Act of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

1. Summary on Significant Accounting Policies (continued)

(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, 2010, the number of consolidated subsidiaries was 39 (40 in 2009).

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, 2010, the number of subsidiaries and affiliates accounted by the equity method was nine (nine in 2009).

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 years. However, immaterial goodwill and negative goodwill are charged or credited to income in the year of acquisition.

(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.

Reconciliations between cash in the consolidated balance sheets and cash equivalents in the consolidated statements of cash flows are presented in Note 19.

1. Summary on Significant Accounting Policies (continued)

(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 (c).

(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.

(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 (within five years).

(h) Leases

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

Finance leases that are not deemed to transfer ownership of leased assets to the lessee which had been entered into on or before March 31, 2008 are accounted for in manner similar to operating lease transactions. See Note 2 (e).

1. Summary on Significant Accounting Policies (continued)

(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. See Note 2 (a).

(k) Provision for Directors' Retirement Benefits

Nine (ten in 2009) 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.

1. Summary on Significant Accounting Policies (continued)

(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) Partial Amendments to Accounting Standard for Retirement Benefits

Effective the year ended March 31, 2010, the Company has applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19, issued on July 31, 2008).

There were no effects of this change on operating income and income before income taxes and minority interests for the year ended March 31, 2010. There were no effects of this change on segment information. There was no difference between the projected benefit obligation at March 31, 2010 calculated pursuant to the new accounting standard and that calculated under the previous method.

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

Effective the year ended March 31, 2009, the Company 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 ASBJ 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, retained earnings by ¥48 million and minority interests by ¥72 million, respectively.

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

(c) Changes in Measurement of Inventories

Effective the year ended March 31, 2009, the Company and its subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued by the ASBJ 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 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 22.

(d) Changes in Method of Accounting for Depreciation

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries 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 for the year ended March 31, 2009 from the corresponding amounts that would have been recorded under the previous method. The effect of this change on segment information is described in Note 22.

2. Changes in Accounting Policies (continued)

(e) Changes in Method of Accounting for Lease Transactions

Effective the year ended March 31, 2009, the Company applied "Accounting Standard for Lease Transactions" (Statement No.13) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16) issued by the ASBJ 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 was 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 ¥93.04 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2010.

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. Inventories

Inventories at March 31, 2010 and 2009 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Merchandise and finished goods	**¥ 22,048**	¥ 26,190	**$ 236,978**
Raw materials and supplies	**12,616**	16,408	**135,598**
Work in process	**2,778**	3,223	**29,859**
Total	**¥ 37,442**	¥ 45,822	**$ 402,436**

Revaluation loss on inventories of ¥264 million ($2,844 thousand) and ¥326 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31, 2010 and 2009, respectively.

5. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2010 and 2009 amounted to ¥217,246 million ($2,334,975 thousand) and ¥207,060 million, respectively. Accumulated advanced depreciation of property, plant and equipment purchased using funds from a government subsidy amounted to ¥360 million ($3,871 thousand) and ¥263 million at March 31, 2010 and 2009, respectively.

6. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Short-term loans payable with average interest rates of 0.9128% and 1.1729% at March 31, 2010 and 2009, respectively	**¥ 2,760**	¥ 2,854	**$ 29,665**
Current portion of long-term loans payable with average interest rates of 5.2231% and 5.2060% at March 31, 2010 and 2009, respectively	**104**	88	**1,128**
Current portion of lease obligations	**344**	195	**3,708**
Total short-term loans payable	**3,209**	3,138	**34,501**
Long-term loans payable at March 31, 2010 and 2009 with average interest rates of 4.9301% and 4.9800%, respectively, less current portion, due from 2011 to 2036 and 2010 to 2036, respectively	**271**	336	**2,918**
Long-term lease obligations at March 31, 2010 and 2009, due from 2011 to 2018 and 2010 to 2015, respectively	**1,057**	724	**11,368**
Total long-term loans payable	**1,329**	1,060	**14,286**
Total	**¥ 4,539**	¥ 4,199	**$ 48,787**

* Average interest rates of loans payable represent the weighted-average rates for the outstanding balances at March 31, 2010 and 2009.

* Disclosure of average interest rates of lease obligations has been omitted because the amounts of lease obligations recorded on consolidated balance sheets at March 31, 2010 and 2009 were calculated based on inclusive-of-interest method.

The annual maturities of long-term loans payable within 5 years of March 31, 2010, excluding the current portion, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	**¥ 110**	**$ 1,184**
2013	**115**	**1,243**
2014	**4**	**44**
2015	**4**	**44**

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

The annual maturities of long-term lease obligations within 5 years of March 31, 2010 excluding the current portion are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ **346**	$ **3,719**
2013	**345**	**3,715**
2014	**278**	**2,992**
2015	**65**	**703**

The Group has entered into certain line-of-credit agreements with major financial institutions amounting to ¥17,830 million ($191,638 thousand) and ¥17,830 million at March 31, 2010 and 2009, respectively.

There were no loans payable outstanding at March 31, 2010 and 2009 under these line-of-credit agreements.

Administrative expenses related to these line-of-credit agreements amounted to ¥15 million ($170 thousand) and ¥17 million for the years ended March 31, 2010 and 2009.

The carrying amounts of assets pledged as collateral at March 31, 2010 and 2009 for short-term loans payable of ¥200 million ($2,150 thousand) and ¥224 million, respectively, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Buildings	¥ **1,293**	¥ 1,288	$ **13,903**
Machinery and equipment	**602**	648	**6,470**
Land	**92**	92	**993**
Other	-	24	-
Total	¥ **1,987**	¥ 2,054	$ **21,367**

7. 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, 2010 and 2009 consisted of the following:

7. Provision for Employees' Retirement Benefits (continued)

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥ (45,915)**	¥ (46,923)	**$ (493,505)**
Fair value of plan assets	**37,803**	35,171	**406,313**
Unrecognized actuarial loss	**4,958**	9,189	**53,295**
Unrecognized prior service cost	**(1,932)**	(2,131)	**(20,775)**
Less: Prepaid pension cost	**4,027**	3,894	**43,283**
Allowance for employees' retirement benefits	**¥ (9,113)**	¥ (8,587)	**$ (97,955)**

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

The components of retirement benefit costs for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	**¥ 1,999**	¥ 1,816	**$ 21,491**
Interest cost	**1,060**	1,093	**11,402**
Expected return on plan assets	**(811)**	(995)	**(8,717)**
Amortization of actuarial loss	**813**	522	**8,746**
Amortization of prior service cost	**(198)**	(198)	**(2,131)**
Net retirement benefit costs	**¥ 2,864**	¥ 2,239	**$ 30,792**

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

The assumptions used in the above computations for the years ended March 31, 2010 and 2009 are set forth as follows:

		2010		2009
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

8. 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, 2010 and 2009 amounted to ¥47 million ($508 thousand) and ¥29 million, respectively.

At March 31, 2010, the Company and consolidated subsidiaries had the following stock option plans:

8. 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	2,200	27,500	90,200	182,600
Vested during the year	-	-	-	-
Exercised during the year	2,200	14,300	16,500	27,500
Forfeited during the year	-	-	-	11,000
Outstanding at end of the year	-	13,200	73,700	144,100
Exercise price (Yen)	¥805	¥811	¥999	¥1,085
Exercise price (U.S. dollars)	$8.65	$8.72	$10.74	$11.66
Weighted-average market price upon exercise (Yen)	¥1,150	¥1,187	¥1,163	¥1,158
Weighted-average market price upon exercise (U.S. dollars)	$12.36	$12.76	$12.50	$12.45

	2007 Plan	2008 Plan	2009 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	12 directors and 12 operating officers of the Company and 23 directors of consolidated subsidiaries
Type of stock	Common Stock	Common stock	Common stock
Number of shares granted	250,000 shares	266,000 shares	256,000 shares
Grant date	August 13, 2007	August 19, 2008	August 18, 2009
Conditions for vesting	Not stated	Not stated	Not stated
Service period	Not specified	Not specified	Not specified
Exercisable period	July 27, 2009-July 26, 2014	August 20, 2010-July 30, 2015	August 19, 2011-August 1, 2016

8. Stock Option Plans (continued)

	2007 Plan	2008 Plan	2009 Plan
Non-Vested (number of shares)			
Outstanding at beginning of the year	250,000	266,000	-
Granted during the year	-	-	256,000
Forfeited during the year	-	-	-
Vested during the year	250,000	-	-
Outstanding at end of the year	-	266,000	256,000
Vested (number of shares)			
Outstanding at beginning of the year	-	-	-
Granted during the year	250,000	-	-
Exercised during the year	25,000	-	-
Forfeited during the year	-	-	-
Outstanding at end of the year	225,000	-	-
Exercise price (Yen)	¥1,197	¥1,397	¥1,131
Exercise price (U.S. dollars)	$12.87	$15.02	$12.16
Weighted-average market price upon exercise (Yen)	¥1,204	-	-
Weighted-average market price upon exercise (U.S. dollars)	$12.94	-	-
Fair value as of grant date (Yen)	¥102	¥201	¥232
Fair value as of grant date (U.S. dollars)	$1.10	$2.16	$2.49

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:

	2009 Plan
Expected volatility *1 (%)…………………………………………………………………………………	28.4
Expected remaining period *2 (years)………………………………………………………………..	4.5
Expected dividends per share *3 (yen)…………………………………………………………….	¥18
Expected dividends per share *3 (U.S. dollars)……………………………………………………….	$0.19
Risk free interest rate *4 (%)………………………………………………………………………….	0.60

*1 Expected volatility is estimated based on the actual stock price in the period from February 2005 to August 2009.

*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, 2009.

*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.

8. Stock Option Plans (continued)

At March 31, 2009, 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-

	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
Weighted-average market price upon exercise (Yen)	¥1,258	¥1,330	¥1,410	¥1,339

	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

8. 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
Fair value as of grant date (Yen)	¥102	¥201

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.

9. Shareholders' Equity

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

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

(a) Type and number of outstanding shares

Types of Shares	Thousands of shares — Year ended March 31, 2010: 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	**3,063**	**88**	**92**	**3,059**

1. Treasury stock increased due to a repurchase of odd-lot shares of less than one unit (88 thousand shares).
2. Treasury stock decreased due to (a) a disposal of odd-lot shares of less than one unit (6 thousand shares) and (b) exercise of stock options (85 thousand shares).

Types of shares	Thousands of shares — Year ended March 31, 2009: 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).

(b) Subscription rights to shares

Category	Details of Options	Balance at March 31, 2010: Millions of yen	Thousands of U.S. dollars
Supplying company	Subscription rights to shares as stock options	**¥ 83**	**$ 893**
(Parent Company)	Total	**¥ 83**	**$ 893**

Category	Details of Options	Balance at March 31, 2009: Millions of yen
Supplying company	Subscription rights to shares as stock options	¥ 38
(Parent Company)	Total	¥ 38

(c) Dividends

(1) Dividends paid to shareholders

Year ended March 31, 2010

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 25 2009	**Annual general meeting of shareholders**	**Common stock**	**¥ 2,236**	**$ 24,042**	**¥ 9**	**$ 0.10**	**March 31, 2009**	**June 26, 2009**
October 30, 2009	**Board of directors**	**Common stock**	**¥ 2,485**	**$ 26,717**	**¥ 10**	**$ 0.11**	**September 30, 2009**	**December 4, 2009**

(c) Dividends (continued)

(1) Dividends paid to shareholders (continued)

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)	(Yen)		
June 26, 2008	Annual general meeting of shareholders	Common stock	¥ 2,235	¥ 9	March 31, 2008	June 27, 2008
October 30, 2008	Board of directors	Common stock	¥ 2,236	¥ 9	September 30, 2008	December 5, 2008

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

Year ended March 31, 2010

Date of Approval	Resolution Approved by	Type of Shares	Source of Dividends	Amount		Amount per Share		Cut-off Date	Effective Date
				(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
June 25, 2010	**Annual general meeting of shareholders**	**Common stock**	**Retained earnings**	**¥ 2,982**	**$ 32,056**	**¥ 12**	**$ 0.13**	**March 31, 2010**	**June 28, 2010**

Year ended March 31, 2009

Date of Approval	Resolution Approved by	Type of Shares	Source of Dividends	Amount	Amount per Share	Cut-off Date	Effective Date
				(Millions of yen)	(Yen)		
June 25, 2009	Annual general meeting of shareholders	Common stock	Retained earnings	¥ 2,236	¥ 9	March 31, 2009	June 26, 2009

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Freight	**¥ 25,108**	¥ 25,417	**$ 269,864**
Sales promotion and sales incentives	**32,408**	31,828	**348,329**
Employees' salaries	**12,575**	12,509	**135,158**
Employees' bonuses and benefits	**9,102**	8,856	**97,829**
Retirement benefits	**1,812**	1,314	**19,485**
Other	**29,470**	29,997	**316,749**
Total	**¥ 110,476**	¥ 109,924	**$ 1,187,414**

12. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs were ¥5,812 million ($62,472 thousand) and ¥5,448 million for the years ended March 31, 2010 and 2009, respectively.

13. 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, 2010 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Provision for employees' retirement benefits	**¥ 4,610**	¥ 4,420	**$ 49,552**
Provision for bonuses	**1,812**	1,732	**19,476**
Investment securities	**617**	673	**6,640**
Accrued sales incentives	**958**	848	**10,307**
Unrealized gain on noncurrent assets	**1,041**	979	**11,194**
Inventories	**641**	646	**6,890**
Depreciation and amortization	**581**	689	**6,253**
Provision for repairs	**609**	606	**6,551**
Accrued business office taxes	**644**	419	**6,931**
Unrealized gain on inventories	**299**	298	**3,221**
Other	**1,986**	2,381	**21,348**
Gross deferred tax assets	**13,803**	13,695	**148,363**
Valuation allowance	**(1,395)**	(1,935)	**(14,999)**
Amount offset by deferred tax liabilities	**(4,089)**	(4,174)	**(43,954)**
Deferred tax assets, net	**¥ 8,318**	¥ 7,586	**$ 89,411**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (14,021)**	¥ (11,905)	**$ (150,707)**
Reserve for advanced depreciation of noncurrent assets	**(2,353)**	(2,423)	**(25,299)**
Other	**(371)**	(391)	**(3,988)**
Gross deferred tax liabilities	**(16,746)**	(14,721)	**(179,994)**
Amount offset by deferred tax assets	**4,089**	4,174	**43,954**
Deferred tax liabilities, net	**¥ (12,657)**	¥ (10,546)	**$ (136,040)**

13. Income Taxes (continued)

Disclosure of the reconciliation between the statutory and effective tax rates for the year ended March 31, 2010 is as follows:

	Year ended March 31
	2010
Statutory tax rate	**40.6%**
Non-taxable dividend income	**(1.0)**
Non-deductible expenses	**1.9**
Tax credits	**(0.9)**
Valuation allowance	**(1.8)**
Equity in earnings of affiliates	**(1.3)**
Other	**0.0**
Effective tax rate	**37.5%**

Disclosure of the reconciliation for the year ended March 31, 2009 has been omitted as the difference was immaterial.

14. 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, 2010 and 2009, 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:

	2010					
	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	**¥ 2,162**	**¥ 1,397**	**¥ 764**	**$ 23,239**	**$ 15,021**	**$ 8,218**
Other	**1,636**	**1,161**	**474**	**17,584**	**12,487**	**5,097**
Total	**¥ 3,798**	**¥ 2,559**	**¥ 1,238**	**$ 40,823**	**$ 27,508**	**$ 13,315**

	2009		
	Millions of yen		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Machinery, equipment and vehicles	¥ 2,605	¥ 1,514	¥ 1,090
Other	2,090	1,265	824
Total	¥ 4,695	¥ 2,779	¥ 1,915

The future minimum lease commitments under finance leases subsequent to March 31, 2010 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 513**	**$ 5,524**
Due after one year	**724**	**7,791**
Total	**¥ 1,238**	**$ 13,315**

14. Leases (continued)

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥614 million ($6,605 thousand) and ¥744 million for the years ended March 31, 2010 and 2009, 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, 2010 are summarized as follows:

(As Lessee)

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ **35**	$ **379**
Due after one year	**42**	**455**
Total	¥ **77**	$ **834**

(As Lessor)

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ **105**	$ **1,137**
Due after one year	**673**	**7,235**
Total	¥ **778**	$ **8,372**

15. Contingent Liabilities

At March 31, 2010 and 2009, 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
	2010	2009	**2010**
Employee housing loans receivable	¥ **178**	¥ 211	$ **1,915**
Hanshin Silo Co., Ltd. (affiliated company)	**605**	690	**6,513**
Nihon-Bio Co., Ltd. (client-related)	**206**	248	**2,219**
	¥ **990**	¥ 1,150	$ **10,647**

16. Per Share Data

	2010	2009	**2010**
Net income per share:			
Basic	¥ **67.77**	¥ 55.75	$ **0.73**
Diluted	**67.76**	55.74	**0.73**
Net assets per share	¥ **1,097.72**	¥ 1,034.49	$ **11.79**

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.

16. Per Share Data (continued)

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.

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

	2010	2009
Net income available for distribution to common shareholders	**¥ 16,839 million ($180,994 thousand)**	¥ 13,852 million
Weighted average number of shares for basic net income	**248,489,043 shares**	248,453,788 shares
Increase in shares of common stock		
Exercise of warrants	**38,388 shares**	50,621 shares
Number of shares for diluted net income	**248,527,431 shares**	248,504,409 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** **28 subscription rights to shares approved by the annual general meeting of shareholders at June 28, 2005**	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

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

	2010	2009	**2010**
Total net assets	**¥ 303,226 million**	¥ 286,094 million	**$ 3,259,103 thousand**
Amounts deducted from total net assets			
Subscription rights to shares	**83 million**	38 million	**893 thousand**
Minority interests	**30,388 million**	29,014 million	**326,615 thousand**
Net assets attributable to shares of common stock	**272,755 million**	257,041 million	**2,931,595 thousand**
Number of shares of common stock used in the calculation of net assets per share	**248 475 622 shares**	248,472,362 shares	

17. Financial Instruments

The Group has applied “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, issued on March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, issued on March 10, 2008) effective the year ended March 31, 2010.

(a) Overview
(1) Investment policy of financial instruments
The Group mainly operates funds for future strategic investments and manages temporary surpluses by secured time deposits and short-term investment securities. The Group does not operate these funds for trading or speculative purposes. The Group obtains financing through bank borrowings for short-term financial requirements and bank loans, bond issuance and capital increases for long-term financial requirements, considering market conditions and other factors. Investment securities principally consist of equity securities of companies in which a business relationship has been established or capital alliances.
Derivative transactions are only utilized to hedge the following risks, and it is a policy not to enter into derivative transactions for trading or speculative purposes.

(2) Types of financial instruments and related risk and risk management
Cash and deposits are mainly time deposits and short-term investment securities are mainly debt securities. These are exposed to credit risk and market fluctuation risk. The Group minimizes and diversifies these risks according to internal rules that state certain specified limits.

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

Short-term investment securities and investment securities are mainly equity securities of companies in which a business relationship has been established or capital alliances and exposed to market fluctuation risk. The Group reviews fair values of these securities periodically.

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

(3) Supplemental information on fair value of financial instruments
As well as the values based on market prices, fair values of financial instruments include values, which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied. Also, for the contract amount and others regarding derivative transactions described in Note 20, the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair value of financial instruments
Carrying value on the consolidated balance sheet as of March 31, 2010, fair value and differences are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

17. Financial Instruments (continued)

	Millions of yen					
	2010					
	Carrying Value		Fair Value		Difference	
Cash and deposits	¥	69,871	¥	69,871	¥	-
Notes and accounts receivable - trade		56,480		56,480		-
Short-term investment securities and investment securities:						
Held-to-maturity securities		1,500		1,500		-
Available-for-sale securities		70,807		70,807		-
Total assets	¥	198,659	¥	198,659	¥	-
Notes and accounts payable - trade		22,274		22,274		-
Total liabilities	¥	22,274	¥	22,274	¥	-
Derivative transactions: (*)						
Hedge accounting applied		(19)		(19)		-
Hedge accounting not applied		132		132		-
Total derivative transactions	¥	113	¥	113	¥	-

	Thousands of U.S. dollars					
	2010					
	Carrying Value		Fair Value		Difference	
Cash and deposits	$	750,988	$	750,988	$	-
Notes and accounts receivable - trade		607,051		607,051		-
Short-term investment securities and investment securities:						
Held-to-maturity securities		16,122		16,122		-
Available-for-sale securities		761,041		761,041		-
Total assets	$	2,135,202	$	2,135,202	$	-
Notes and accounts payable - trade		239,403		239,403		-
Total liabilities	$	239,403	$	239,403	$	-
Derivative transactions: (*)						
Hedge accounting applied		(205)		(205)		-
Hedge accounting not applied		1,422		1,422		-
Total derivative transactions	$	1,217	$	1,217	$	-

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

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

Assets:

Cash and deposits and Notes and accounts receivable - trade

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

Short-term investment securities and investment securities

Fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or the price provided by the counterparty financial institutions.

17. Financial Instruments (continued)

Liabilities:

Notes and accounts payable – trade

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

Derivative transactions:

Please refer to Note 20.

Note 2: Unlisted equity securities of ¥19,074 million ($205,010 thousand) whose fair values are extremely difficult to determine as of March 31, 2010 are not included in the above tables.

(c) The redemption schedule for financial instruments and securities with maturities as of March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	
	Due in One Year or Less	Due in One Year or Less
Cash and deposits	**¥ 69,871**	**$ 750,988**
Notes and accounts receivable - trade	**56,480**	**607,051**
Short-term investment securities and investment securities:		
Held-to-maturity securities	**1,500**	**16,122**
Available-for-sale securities	**20,089**	**215,923**
Total	**¥ 147,941**	**$ 1,590,085**

18. Investment Securities

Investments in unconsolidated subsidiaries and affiliates included in "Investment securities" as of March 31, 2010 and 2009 amounted to ¥16,382 million ($176,084 thousand) and ¥15,898 million, respectively.

Securities other than those of subsidiaries and affiliates classified as held-to-maturity securities at March 31, 2010 and 2009 are summarized as follows:

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

	2010					
	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	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	**1,500**	**1,500**	-	**16,122**	**16,122**	-
Subtotal	**1,500**	**1,500**	-	**16,122**	**16,122**	-
Total	**¥ 1,500**	**¥ 1,500**	¥ -	**$ 16,122**	**$ 16,122**	$ -

	2009		
	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)

18. Investment Securities (continued)

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

	2010					
	Millions of yen			Thousands of U.S. dollars		
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥ 46,302**	**¥ 10,502**	**¥ 35,799**	**$ 497,659**	**$ 112,886**	**$ 384,773**
Bonds:						
Government and municipal bonds	**502**	**502**	**0**	**5,403**	**5,402**	**1**
Corporate bonds	**1,921**	**1,921**	**0**	**20,652**	**20,651**	**1**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal	**48,726**	**12,926**	**35,799**	**523,713**	**138,939**	**384,774**
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	**4,356**	**5,600**	**(1,243)**	**46,828**	**60,196**	**(13,368)**
Bonds:						
Government and municipal bonds	**11,182**	**11,184**	**(1)**	**120,195**	**120,207**	**(11)**
Corporate bonds	**3,541**	**3,542**	**(1)**	**38,060**	**38,080**	**(20)**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Other	**3,000**	**3,000**	**-**	**32,244**	**32,244**	**-**
Subtotal	**22,080**	**23,327**	**(1,246)**	**237,328**	**250,727**	**(13,399)**
Total	**¥ 70,807**	**¥ 36,254**	**¥ 34,552**	**$ 761,041**	**$ 389,666**	**$ 371,375**

	2009		
	Millions of yen		
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 39,133	¥ 7,810	¥ 31,323
Bonds:			
Government and municipal bonds	-	-	-
Corporate bonds	800	799	0
Other	-	-	-
Other	-	-	-
Subtotal	39,933	8,610	31,323
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	6,646	8,669	(2,023)
Bonds:			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Subtotal	6,646	8,669	(2,023)
Total	¥ 46,579	¥ 17,279	¥ 29,299

18. Investment Securities (continued)

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

Information regarding the sale of securities classified as available-for-sale securities for the years ended March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Proceeds from sales	**¥ 1,505**	¥ 226	**$ 16,176**
Aggregate gains on sales	**1,028**	161	**11,058**
Aggregate losses on sales	**9**	-	**105**

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

	Carrying amount
	Millions of yen
	2009
Held-to-maturity securities:	
Certificates of deposits	¥ 500
Available-for-sale securities:	
Certificates of deposits	6,000
Unlisted stock	4,578
Total	¥ 11,078

Information on securities with no available fair market value and the redemption schedule of held-to-maturity securities as of March 31, 2010 are described in Note 17.

19. Cash and Cash Equivalents

Cash and deposits on the accompanying consolidated balance sheets and cash and cash equivalents on the accompanying consolidated statements of cash flows are reconciled as of March 31, 2010 and 2009 as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash and deposits	**¥ 69,871**	¥ 51,967	**$ 750,988**
Short-term investment securities	**21,648**	8,799	**232,676**
Total	**91,520**	60,767	**983,664**
Time deposits with maturities of more than three months	**(47,395)**	(19,627)	**(509,414)**
Short-term investment securities with maturities of more than three months	**(14,149)**	(800)	**(152,078)**
Cash and cash equivalents	**¥ 29,975**	¥ 40,339	**$ 322,173**

20. 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 the purchase of call options. At certain consolidated subsidiaries, the derivatives transactions are executed by the finance departments 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. The Group enters into derivative transactions only with creditworthy financial institutions to mitigate the credit risk and the Group anticipates no material credit risk.

Derivative transactions for which hedge accounting is not applied at March 31, 2010 are as follows:

	2010							
	Millions of yen				Thousands of U.S. dollars			
	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency option:								
Buy:								
Canadian dollars	**¥ 612**	**¥ -**	**¥ (8)**	**¥ (8)**	**$ 6,582**	**$ -**	**$ (87)**	**$ (87)**
Forward exchange contracts:								
Sell:								
U.S. dollars	**¥ 169**	**¥ -**	**¥ (5)**	**¥ (5)**	**$ 1,826**	**$ -**	**$ (56)**	**$ (56)**
Buy:								
U.S. dollars	**194**	**-**	**(0)**	**(0)**	**2,089**	**-**	**(4)**	**(4)**
Euro	**54**	**-**	**(2)**	**(2)**	**586**	**-**	**(24)**	**(24)**
Japanese yen	**18**	**-**	**(0)**	**(0)**	**194**	**-**	**(9)**	**(9)**
Total	**¥ 1,049**	**¥ -**	**¥ (16)**	**¥ (16)**	**$ 11,278**	**$ -**	**$ (180)**	**$ (180)**
Commodity futures:								
Sell:								
Flour	**¥ 57**	**¥ -**	**¥ 5**	**¥ 5**	**$ 623**	**$ -**	**$ 55**	**$ 55**
Buy:								
Flour	**83**	**-**	**(7)**	**(7)**	**897**	**-**	**(80)**	**(80)**
	¥ 141	**¥ -**	**¥ (2)**	**¥ (2)**	**$ 1,520**	**$ -**	**$ (25)**	**$ (25)**

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

20. Derivatives (continued)

Derivative transactions for which hedge accounting is applied at March 31, 2010 are as follows:

		2010					
		Millions of yen			Thousands of U.S. dollars		
	Hedged Item	Contract Amount and Others	Due after One Year	Fair Value	Contract Amount and Others	Due after One Year	Fair Value
Benchmark method							
Forward exchange contracts:							
Buy:							
U.S. dollars	Accounts	**¥ 2,079**	**¥ -**	**¥ 76**	**$ 22,349**	**$ -**	**$ 825**
Thai baht	payables	**918**	**-**	**72**	**9,876**	**-**	**781**
Euro		**890**	**-**	**(28)**	**9,572**	**-**	**(310)**
Canadian dollars		**34**	**-**	**3**	**372**	**-**	**33**
Currency options:							
Purchase call:							
U.S. dollars		**¥ 7**	**¥ -**	**¥ 8**	**$ 84**	**$ -**	**$ 92**
Allocation method							
Forward exchange contracts:							
Buy:							
U.S. dollars	Accounts	**¥ 112**	**¥ -**	**¥ -**	**$ 1,208**	**$ -**	**$ -**
Euro	payables	**258**	**-**	**-**	**2,776**	**-**	**-**
		¥ 4,301	**¥ -**	**¥ 132**	**$ 46,236**	**$ -**	**$ 1,422**

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

	2009		
	Millions of yen		
	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency option:			
Buy:			
Canadian dollars	¥ 507	¥ 510	¥ 2
Forward exchange contracts:			
Buy:			
U.S. dollars	¥ 166	¥ 167	¥ 0
	¥ 673	¥ 677	¥ 3
Commodity futures:			
Buy:			
Flour	¥ 5	¥ 5	¥ (0)
	¥ 5	¥ 5	¥ (0)

* 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.

21. 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, 2010 and 2009.

Effective the year ended March 31, 2009, the Company applied "Accounting Standard for Related Party Disclosures" and "Guidance on Accounting Standard for Related Party Disclosures" issued by the ASBJ on October 17, 2006. There was no effect on consolidated financial statements for the year ended March 31, 2009.

22. Segment Information

Business Segment Information

Operations by business segment for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen					
	2010					
	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
Net Sales:						
Sales to external customers	¥ 179,413	¥ 223,698	¥ 40,616	¥ 443,728	¥ -	¥ 443,728
Intersegment sales and transfers	20,797	537	3,096	24,431	(24,431)	-
Total	200,211	224,235	43,713	468,160	(24,431)	443,728
Operating expenses	186,600	213,842	41,505	441,948	(24,796)	417,152
Operating income	¥ 13,611	¥ 10,393	¥ 2,207	¥ 26,212	¥ 364	¥ 26,576
Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	¥ 113,752	¥ 130,971	¥ 51,206	¥ 295,931	¥ 110,386	¥ 396,317
Depreciation and amortization	7,692	5,864	1,750	15,306	(308)	14,998
Capital expenditures	5,004	6,491	1,763	13,258	(472)	12,785

22. Segment Information (continued)

	Thousands of U.S. dollars					
	2010					
	Flour Milling	Processed Food	Other	Total	Corporate Assets and Eliminations	Consolidated
Net Sales:						
Sales to external customers	**$ 1,928,353**	**$ 2,404,323**	**$ 436,551**	**$ 4,769,227**	**$ -**	**$ 4,769,227**
Intersegment sales and transfers	**223,537**	**5,778**	**33,280**	**262,595**	**(262,595)**	**-**
Total	**$ 2,151,889**	**$ 2,410,102**	**$ 469,831**	**$ 5,031,822**	**$ (262,595)**	**$ 4,769,227**
Operating expenses	**2,005,592**	**2,298,395**	**446,106**	**4,750,093**	**(266,510)**	**4,483,583**
Operating income	**$ 146,297**	**$ 111,707**	**$ 23,725**	**$ 281,729**	**$ 3,915**	**$ 285,644**
Total Assets, Depreciation and Amortization, and Capital Expenditures:						
Total assets	**$ 1,222,622**	**$ 1,407,691**	**$ 550,374**	**$ 3,180,688**	**$ 1,078,959**	**$ 4,259,647**
Depreciation and amortization	**82,675**	**63,036**	**18,810**	**164,520**	**(3,314)**	**161,207**
Capital expenditures	**53,784**	**69,766**	**18,953**	**142,503**	**(5,080)**	**137,423**

	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

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 sauce, 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 ¥108,001 million ($1,160,807 thousand) and ¥77,298 million at March 31, 2010 and 2009, respectively, and consisted primarily of the Company's surplus funds (cash and deposits, and short-term investment securities) and investment securities.

22. Segment Information (continued)

4. Changes in accounting policies

(a) Changes in measurement of inventories

As described in Note 2 (c), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued by the ASBJ 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 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 (d), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries 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, for Processed Food by ¥115 million, for Other by ¥160 million and for Corporate Assets and Eliminations by ¥44 million 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.

Geographical Segment Information

Geographical segment information for the years ended March 31, 2010 and 2009 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, 2010 and 2009 have been omitted because total overseas sales were less than 10% of total consolidated sales.