Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Building a better working world

Independent Auditor's Report

The Board of Directors
Nisshin Seifun Group Inc.

We have audited the accompanying consolidated financial statements of Nisshin Seifun Group Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nisshin Seifun Group Inc. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 28, 2017

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31, 2017 and 2016

Assets	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Current assets:			
Cash and deposits (Notes 19 and 21)	**¥ 85,458**	¥ 61,665	**$ 761,726**
Notes and accounts receivable – trade (Note 19)	**69,584**	72,871	**620,234**
Securities (Notes 19 and 21)	**7,094**	13,790	**63,232**
Inventories (Note 5)	**64,012**	72,038	**570,568**
Deferred tax assets (Note 16)	**4,685**	5,127	**41,760**
Other	**8,221**	8,115	**73,277**
Allowance for doubtful accounts	**(197)**	(210)	**(1,756)**
Total current assets	**238,858**	233,398	**2,129,049**
Property, plant and equipment (Notes 6 and 7):			
Buildings and structures, net	**55,441**	56,657	**494,171**
Machinery, equipment and vehicles, net	**39,296**	43,079	**350,263**
Land	**41,447**	42,152	**369,436**
Construction in progress	**4,587**	5,222	**40,886**
Other, net	**4,066**	4,227	**36,242**
Total property, plant and equipment	**144,840**	151,339	**1,291,024**
Intangible assets:			
Goodwill	**7,050**	8,610	**62,840**
Other	**8,039**	9,879	**71,655**
Total intangible assets	**15,089**	18,489	**134,495**
Investments and other assets:			
Investment securities (Notes 19 and 20)	**151,963**	140,347	**1,354,515**
Net defined benefit asset (Note 8)	**205**	214	**1,827**
Deferred tax assets (Note 16)	**3,541**	3,841	**31,563**
Other	**3,191**	2,798	**28,443**
Allowance for doubtful accounts	**(122)**	(124)	**(1,087)**
Total investments and other assets	**158,779**	147,077	**1,415,269**
Total assets	**¥ 557,568**	¥ 550,305	**$ 4,969,855**

Liabilities	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Current liabilities:			
Notes and accounts payable – trade (Note 19)	**¥ 40,320**	¥ 51,348	**$ 359,390**
Short-term loans payable (Note 7)	**9,745**	15,219	**86,862**
Income taxes payable (Note 16)	**5,437**	5,227	**48,462**
Accrued expenses	**18,265**	18,534	**162,804**
Other	**16,065**	16,472	**143,195**
Total current liabilities	**89,833**	106,802	**800,722**
Non-current liabilities:			
Long-term loans payable (Note 7)	**4,967**	4,386	**44,273**
Deferred tax liabilities (Note 16)	**26,687**	22,621	**237,873**
Provision for repairs	**1,509**	1,480	**13,450**
Net defined benefit liability (Note 8)	**20,881**	21,892	**186,122**
Long-term deposits received	**5,401**	5,385	**48,142**
Other	**1,481**	1,250	**13,201**
Total non-current liabilities	**60,928**	57,017	**543,079**
Net assets (Notes 9, 10 and 11):			
Shareholders' equity:			
Capital stock: authorized – 932,856,000 shares			
Issued – 304,357,891 shares in 2017 and 2016	**17,117**	17,117	**152,572**
Capital surplus	**12,898**	12,834	**114,966**
Retained earnings	**293,165**	281,324	**2,613,112**
Treasury shares			
2,374,365 shares in 2017 and 2,674,306 shares in 2016	**(2,026)**	(2,289)	**(18,059)**
Total shareholders' equity	**321,154**	308,987	**2,862,590**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**65,475**	55,974	**583,608**
Deferred gains or losses on hedges	**93**	(301)	**829**
Foreign currency translation adjustment	**7,836**	9,859	**69,846**
Remeasurements of defined benefit plans (Note 8)	**(939)**	(1,144)	**(8,370)**
Total accumulated other comprehensive income	**72,466**	64,387	**645,922**
Subscription rights to shares	**175**	147	**1,560**
Non-controlling interests	**13,009**	12,962	**115,955**
Total net assets	**406,805**	386,485	**3,626,036**
Total liabilities and net assets	**¥ 557,568**	¥ 550,305	**$ 4,969,855**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Net sales	**¥ 532,040**	¥ 556,701	**$ 4,742,312**
Cost of sales (Notes 5 and 13)	**374,028**	402,218	**3,333,880**
Gross profit	**158,012**	154,483	**1,408,432**
Selling, general and administrative expenses (Notes 9, 12 and 13)	**132,500**	130,713	**1,181,032**
Operating profit	**25,511**	23,769	**227,391**
Non-operating income (expenses):			
Interest income	**160**	201	**1,426**
Interest expenses	**(202)**	(172)	**(1,801)**
Dividend income	**2,393**	2,303	**21,330**
Share of profit of entities accounted for using equity method	**1,960**	1,446	**17,470**
Rent income	**285**	308	**2,540**
Gain on sales of non-current assets	**387**	113	**3,450**
Gain on sales of investment securities	**401**	7	**3,574**
Gain on sales of shares of subsidiaries and associates	**1,880**	-	**16,757**
Loss on retirement of non-current assets	**(527)**	(757)	**(4,697)**
Impairment loss (Note 15)	**(958)**	-	**(8,539)**
Loss on restructuring of production system (Note 14)	**(323)**	-	**(2,879)**
Other, net	**221**	241	**1,970**
Total non-operating income, net	**5,678**	3,694	**50,611**
Profit before income taxes	**31,189**	27,462	**278,002**
Income taxes (Note 16):			
Income taxes – current	**9,924**	8,496	**88,457**
Income taxes – deferred	**501**	534	**4,466**
Total income taxes	**10,426**	9,031	**92,932**
Profit	**20,763**	18,431	**185,070**
Profit attributable to non-controlling interests	**1,296**	869	**11,552**
Profit attributable to owners of parent	**¥ 19,466**	¥ 17,561	**$ 173,509**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Profit	**¥ 20,763**	¥ 18,431	**$ 185,070**
Other comprehensive income (Note 23):			
Valuation difference on available-for-sale securities	**9,459**	(1,290)	**84,312**
Deferred gains or losses on hedges	**358**	(365)	**3,191**
Foreign currency translation adjustment	**(2,311)**	(2,764)	**(20,599)**
Remeasurements of defined benefit plans, net of tax	**225**	303	**2,006**
Share of other comprehensive income of entities accounted for using equity method	**(36)**	(174)	**(321)**
Total other comprehensive income	**7,694**	(4,290)	**68,580**
Comprehensive income	**¥ 28,457**	¥ 14,140	**$ 253,650**
Comprehensive income attributable to:			
Owners of parent	**¥ 27,545**	¥ 14,092	**$ 245,521**
Non-controlling interests	**912**	48	**8,129**

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, 2017 and 2016

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasu-rements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥ 17,117	¥ 9,571	¥ 275,194	¥ (2,659)	¥ 57,298	¥ 118	¥ 11,911	¥ (1,471)	¥ 179	¥ 11,454	¥ 378,715
Cumulative effects of changes in accounting policies		3,173	(4,196)								(1,023)
Restated balance at April 1, 2015	17,117	12,744	270,997	(2,659)	57,298	118	11,911	(1,471)	179	11,454	377,692
Changes of items during the period:											
Dividends from surplus			(7,235)								(7,235)
Profit attributable to owners of parent			17,561								17,561
Purchase of treasury shares				(6)							(6)
Disposal of treasury shares		80		375							456
Change in ownership interest of parent due to transactions with non-controlling interests		9									9
Net changes of items other than shareholders' equity					(1,324)	(420)	(2,052)	327	(32)	1,508	(1,993)
Total changes of items during the period	-	90	10,326	369	(1,324)	(420)	(2,052)	327	(32)	1,508	8,792
Balance at March 31, 2016	**17,117**	**12,834**	**281,324**	**(2,289)**	**55,974**	**(301)**	**9,859**	**(1,144)**	**147**	**12,962**	**386,485**
Changes of items during the period:											
Dividends from surplus			**(7,546)**								**(7,546)**
Profit attributable to owners of parent			**19,466**								**19,466**
Purchase of treasury shares				**(2)**							**(2)**
Disposal of treasury shares		**62**		**265**							**327**
Change of fiscal term of consolidated subsidiaries			**(80)**								**(80)**
Change in ownership interest of parent due to transactions with non-controlling interests		**0**									**0**
Net changes of items other than shareholders' equity					**9,501**	**395**	**(2,023)**	**204**	**28**	**46**	**8,153**
Total changes of items during the period	-	**63**	**11,840**	**263**	**9,501**	**395**	**(2,023)**	**204**	**28**	**46**	**20,320**
Balance at March 31, 2017	**¥ 17,117**	**¥ 12,898**	**¥293,165**	**¥ (2,026)**	**¥ 65,475**	**¥ 93**	**¥ 7,836**	**¥ (939)**	**¥ 175**	**¥ 13,009**	**¥406,805**

	Thousands of U.S. dollars (Note 4)										
	Shareholders' equity				Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasu-rements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2016	**$ 152,572**	**$ 114,395**	**$ 2,507,568**	**$ (20,403)**	**$ 498,921**	**$ (2,683)**	**$ 87,878**	**$ (10,197)**	**$ 1,310**	**$ 115,536**	**$ 3,444,915**
Changes of items during the period:											
Dividends from surplus			**(67,261)**								**(67,261)**
Profit attributable to owners of parent			**173,509**								**173,509**
Purchase of treasury shares				**(18)**							**(18)**
Disposal of treasury shares		**553**		**2,362**							**2,915**
Change of fiscal term of consolidated subsidiaries			**(713)**								**(713)**
Change in ownership interest of parent due to transactions with non-controlling interests		**0**									**0**
Net changes of items other than shareholders' equity					**84,687**	**3,521**	**(18,032)**	**1,818**	**250**	**410**	**72,671**
Total changes of items during the period	**-**	**562**	**105,535**	**2,344**	**84,687**	**3,521**	**(18,032)**	**1,818**	**250**	**410**	**181,121**
Balance at March 31, 2017	**$ 152,572**	**$ 114,966**	**$ 2,613,112**	**$ (18,059)**	**$ 583,608**	**$ 829**	**$ 69,846**	**$ (8,370)**	**$ 1,560**	**$ 115,955**	**$ 3,626,036**

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Cash flows from operating activities:			
Profit before income taxes	**¥ 31,189**	¥ 27,462	**$ 278,002**
Depreciation and amortization	**16,132**	16,816	**143,792**
Impairment loss	**958**	-	**8,539**
Amortization of goodwill	**1,195**	1,157	**10,652**
Increase (decrease) in net defined benefit liability	**(400)**	100	**(3,565)**
Decrease (increase) in net defined benefit asset	**8**	(183)	**71**
Interest and dividend income	**(2,553)**	(2,505)	**(22,756)**
Interest expenses	**202**	172	**1,801**
Share of (profit) loss of entities accounted for using equity method	**(1,960)**	(1,446)	**(17,470)**
Loss (gain) on sales of investment securities	**(401)**	(5)	**(3,574)**
Loss (gain) on sales of shares of subsidiaries and associates	**(1,880)**	-	**(16,757)**
Decrease (increase) in notes and accounts receivable – trade	**1,636**	3,116	**14,582**
Decrease (increase) in inventories	**6,255**	3,828	**55,754**
Increase (decrease) in notes and accounts payable – trade	**(9,272)**	(7,992)	**(82,646)**
Other, net	**2,701**	(527)	**24,075**
Subtotal	**43,811**	39,993	**390,507**
Interest and dividend income received	**3,109**	3,244	**27,712**
Interest expenses paid	**(161)**	(192)	**(1,435)**
Income taxes paid	**(11,397)**	(7,205)	**(101,587)**
Net cash provided by (used in) operating activities	**35,361**	35,839	**315,189**
Cash flows from investing activities:			
Payments into time deposits	**(1,820)**	(10,804)	**(16,222)**
Proceeds from withdrawal of time deposits	**2,530**	16,326	**22,551**
Purchase of securities	**(1,842)**	(2,109)	**(16,419)**
Proceeds from sales of securities	**1,816**	2,166	**16,187**
Purchase of property, plant and equipment and intangible assets	**(13,549)**	(15,534)	**(120,768)**
Proceeds from sales of property, plant and equipment and intangible assets	**767**	(161)	**6,837**
Purchase of investment securities	**(37)**	(229)	**(330)**
Proceeds from sales of investment securities	**853**	32	**7,603**
Purchase of shares of subsidiaries and associates	**(17)**	(164)	**(152)**
Proceeds from redemption of shares of subsidiaries and associates	**2,713**	-	**24,182**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 21)	**-**	(1,733)	**-**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 21)	**3,206**	-	**28,577**
Other, net	**138**	9	**1,230**
Net cash provided by (used in) investing activities	**(5,240)**	(12,201)	**(46,706)**
Cash flows from financing activities:			
Increase in short-term loans payable	**400**	60	**3,565**
Decrease in short-term loans payable	**(5,841)**	(3,599)	**(52,063)**
Proceeds from long-term loans payable	**1,951**	1,130	**17,390**
Repayments of long-term loans payable	**(2)**	-	**(18)**

Proceeds from sales of treasury shares	327	456	2,915
Purchase of treasury shares	(2)	(6)	(18)
Cash dividends paid	(7,546)	(7,235)	(67,261)
Other, net	(757)	(253)	(6,747)
Net cash provided by (used in) financing activities	(11,470)	(9,446)	(102,237)
Effect of exchange rate change on cash and cash equivalents	(246)	(1,128)	(2,193)
Net increase (decrease) in cash and cash equivalents	18,404	13,062	164,043
Cash and cash equivalents at beginning of period	72,960	59,897	650,325
Increase (decrease) in cash and cash equivalents resulting from accounting term alterations of subsidiaries	(527)	-	(4,697)
Cash and cash equivalents at end of period (Note 21)	¥ 90,837	¥ 72,960	$ 809,671

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

For the Years Ended March 31, 2017 and 2016

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (together, the "Group"). As of March 31, 2017, the number of consolidated subsidiaries was 47. Daisen Ham Co., Ltd. has been excluded from the scope of consolidation because the Company sold all of the shares of Daisen Ham Co., Ltd., held by its consolidated subsidiaries on September 20, 2016. Consolidated statements of income and consolidated statements of cash flows until September 30, 2016, are consolidated. In addition, a newly established subsidiary has been included in the scope consolidation and a subsidiary has been excluded from the scope of consolidation as a result of the sales of shares.

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

Investments in subsidiaries and affiliates which are not consolidated and accounted for by the equity method are stated at cost as adjusted for equity in undistributed earnings and losses from the date of acquisition. As of March 31, 2017, the number of subsidiaries and affiliates accounted for by the equity method was 10.

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

1. Summary of Significant Accounting Policies (continued)

For more accurate disclosure in consolidated financial statements, effective March 31, 2017, the fiscal year end of Joyous Foods Co., Ltd., a consolidated subsidiary of the Company, has been changed from December 31, to March 31.

As a result of this change, profit and loss for the period beginning from January 29, 2016, the merger date of the subsidiary, through March 31, 2016 has been adjusted as changes in retained earnings. Increase and decrease in cash and cash equivalents are disclosed as "Increase (decrease) in cash and cash equivalents resulting from accounting term alterations of subsidiaries" in consolidated statements of cash flows.

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

(c) Translation of Foreign Currency Accounts

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

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

(d) Cash Equivalents

Cash equivalents are securities that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include 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 21.

(e) Inventories

Inventories are stated at the lower of cost or market.

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

1. Summary of Significant Accounting Policies (continued)

(f) Allowance for Doubtful Accounts

The Company and its domestic consolidated subsidiaries provide allowance for doubtful accounts 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 principally 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 principally computed by the declining-balance method for the Company and its domestic consolidated subsidiaries (excluding buildings acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016), 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, and facilities attached to buildings and structures acquired on or after April 1, 2016 is computed by the straight-line method for the Company and its domestic consolidated subsidiaries.

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

(h) Leases

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

(i) Investment Securities

Securities other than those of subsidiaries and affiliates are classified into two categories: held-to-maturity or available-for-sale securities.

Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost. Securities classified as available-for-sale securities with fair market value are reported at fair value with unrealized gains and losses, net of the applicable taxes, reported in a separate component of net assets. Cost of available-for-sale securities with fair market value sold is determined by the moving-average method.

Securities classified as available-for-sale securities without fair market value are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

1. Summary of Significant Accounting Policies (continued)

(j) Retirement Benefits

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

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

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

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

(k) Income Taxes

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

Deferred income taxes are measured by applying currently enacted tax laws to the temporary differences.

(l) Derivatives

The Group uses forward exchange contracts and currency option contracts as a means of hedging exposure to risks arising from fluctuation in foreign currencies. Certain overseas consolidated subsidiaries use commodity futures and options on wheat solely for the purpose of mitigating future risks arising from fluctuation in commodity prices. The Group does not enter into derivatives transactions for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: derivatives are carried at fair value with any changes in unrealized gains or losses charged or credited to income; however, for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. In addition, if forward exchange contracts qualify for hedge accounting, the related hedged items such as foreign currency receivables and payables are translated at the corresponding contracted rates.

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

(m) Consumption Taxes

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

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

Application of Practical Solution on a change in depreciation method due to Tax Reform 2016

Pursuant to revisions to corporate tax law in Japan, effective March 31, 2017, the Company has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32, issued on June 17, 2016) and changed the depreciation method of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effects of this change in depreciation method on profit and loss for the year ended March 31, 2017 were immaterial.

3. Additional Information

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

Effective March 31, 2017, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 26, issued on March 28, 2016).

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥112.19 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2017.

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

5. Inventories

Inventories at March 31, 2017 and 2016 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Merchandise and finished goods	**¥ 24,993**	¥ 27,547	**$ 222,774**
Work in process	**3,757**	4,601	**33,488**
Raw materials and supplies	**35,261**	39,890	**314,297**
Total	**¥ 64,012**	¥ 72,038	**$ 570,568**

Revaluation loss on inventories of ¥840 million ($7,487 thousand) and ¥552 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31, 2017 and 2016, respectively.

6. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2017 and 2016 amounted to ¥268,847 million ($2,396,354 thousand) and ¥266,506 million, respectively. Reduction entry of property, plant and equipment purchased using funds from a government subsidy for the years ended March 31, 2017 and 2016 amounted ¥1 million ($9 thousand) and ¥29 million, respectively. Accumulated reduction entry of property, plant and equipment purchased using funds from a government subsidy amounted to ¥352 million ($3,138 thousand) and ¥351 million at March 31, 2017 and 2016, respectively.

7. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Short-term loans payable with average interest rate of 0.8922% at March 31, 2017	**¥ 8,408**	¥ 13,917	**$ 74,944**
Current portion of long-term loans payable with average interest rate of 1.2415% at March 31, 2017	**1,336**	1,301	**11,908**
Current portion of lease obligations	**354**	347	**3,155**
Total short-term loans payable	**10,099**	15,566	**90,017**
Long-term loans payable at March 31, 2017 with average interest rate of 2.0737%, less current portion, due from 2018 to 2028	**4,967**	4,386	**44,273**
Long-term lease obligations at March 31, 2017, due from 2018 to 2031	**767**	929	**6,837**
Total long-term loans payable	**5,734**	5,315	**51,110**
Total	**¥ 15,834**	¥ 20,884	**$ 141,136**

* Average interest rates of loans payable represent the weighted-average rates for the outstanding balances at March 31, 2017.

* 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, 2017 were calculated based on inclusive-of-interest method.

The annual maturities of long-term loans payable within 5 years of March 31, 2017, excluding the current portion, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥ 1,196**	**$ 10,660**
2020	**951**	**8,477**
2021	**448**	**3,993**
2022	**298**	**2,656**

The annual maturities of long-term lease obligations within 5 years of March 31, 2017 excluding the current portion are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥ 305**	**$ 2,719**
2020	**187**	**1,667**
2021	**123**	**1,096**
2022	**80**	**713**

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

The Group has entered into certain line-of-credit agreements with major financial institutions amounting to ¥29,157 million ($259,889 thousand) and ¥29,677 million at March 31, 2017 and 2016, respectively.

Loans payable outstanding under these line-of-credit agreements amounted to ¥5,706 million ($50,860 thousand) and ¥10,671 million at March 31, 2017 and 2016, respectively.

Contracted fees for these line-of-credit agreements amounted to ¥19 million ($169 thousand) and ¥17 million for the years ended March 31, 2017 and 2016, respectively. These amounts are presented as other non-operating expenses.

8. Employees' Retirement Benefits

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

Defined benefit plans

(a) The changes in projected benefit obligation during the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 29,623**	¥ 30,376	**$ 264,043**
Service cost	**1,266**	1,276	**11,284**
Interest cost	**185**	189	**1,649**
Actuarial (gain) loss	**(13)**	1	**(116)**
Retirement benefits paid	**(3,000)**	(2,868)	**(26,740)**
Decrease resulting from exclusion of subsidiary from consolidation	**(600)**	-	**(5,348)**
Change of fiscal term of consolidated subsidiaries	**(3)**	-	**(27)**
Plan change	**(171)**	-	**(1,524)**
Other	**7**	(13)	**62**
Increase resulting from newly consolidated subsidiary	**-**	660	**-**
Balance at end of year	**¥ 27,294**	¥ 29,623	**$ 243,284**

8. Employees' Retirement Benefits (continued)

(b) The changes in plan assets during the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 7,945**	¥ 8,986	**$ 70,817**
Expected return on plan assets	**96**	89	**856**
Actuarial (loss) gain	**(64)**	100	**(570)**
Retirement benefits paid	**(1,416)**	(1,506)	**(12,621)**
Contributions from the employer	**57**	-	**508**
Change of fiscal term of consolidated subsidiaries	**(0)**	-	**(0)**
Increase resulting from newly consolidated subsidiary	**-**	275	**-**
Balance at end of year	**¥ 6,618**	¥ 7,945	**$ 58,989**

* Fair value of plan assets for the years ended March 31, 2017 and 2016 pertains to defined benefit corporate pension plans limited for retired pension recipients.

(c) Reconciliation between the balances of projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded projected benefit obligation	**¥ 6,562**	¥ 7,945	**$ 58,490**
Plan assets at fair value	**(6,618)**	(7,945)	**(58,989)**
	(55)	(0)	**(490)**
Unfunded projected benefit obligation	**20,731**	21,678	**184,785**
Net liability and asset recorded on the consolidated balance sheet	**20,675**	21,678	**184,286**
Net defined benefit liability	**20,881**	21,892	**186,122**
Net defined benefit asset	**(205)**	(214)	**(1,827)**
Net liability and asset recorded on the consolidated balance sheet	**¥ 20,675**	¥ 21,678	**$ 184,286**

(d) The components of retirement benefit costs for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥ 1,266**	¥ 1,276	**$ 11,284**
Interest cost	**185**	189	**1,649**
Expected return on plan assets	**(96)**	(89)	**(856)**
Amortization of actuarial loss	**526**	610	**4,688**
Amortization of prior service cost	**(245)**	(245)	**(2,184)**
Net retirement benefit costs	**¥ 1,636**	¥ 1,741	**$ 14,582**

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

8. Employees' Retirement Benefits (continued)

(e) The components of remeasurements of defined benefit plans (before income tax effect) in other comprehensive income for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Prior service cost	**¥ (245)**	¥ (245)	**$ (2,184)**
Actuarial loss (gain)	**474**	708	**4,225**
Total	**¥ 229**	¥ 463	**$ 2,041**

(f) The components of remeasurements of defined benefit plans (before income tax effect) in accumulated other comprehensive income as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized prior service cost	**¥ (1,326)**	¥ (1,571)	**$ (11,819)**
Unrecognized actuarial loss (gain)	**2,651**	3,126	**23,630**
Total	**¥ 1,325**	¥ 1,554	**$ 11,810**

(g) Plan assets

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

	2017	2016
General account	**50%**	48%
Bonds	**45**	47
Cash and deposits	**5**	5
Total	**100%**	100%

(2) Expected long-term rate of return

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

(h) Principal assumptions used for the actuarial calculation for the years ended March 31, 2017 and 2016 are set forth as follows:

		2017	2016
Discount rate	Principally	**0.9%**	0.9%
Expected long-term rate of return on plan assets	Principally	**1.0%**	1.0%

Defined contribution plans

The required contribution amount to defined contribution plans by the Group for the years ended March 31, 2017 and 2016 amounted to ¥834 million ($7,434 thousand) and ¥819 million, respectively.

9. Stock Option Plans

Stock option expenses included in "Selling, General and Administrative Expenses" in the accompanying consolidated statements of income for the years ended March 31, 2017 and 2016 amounted to ¥74 million ($660 thousand) and ¥54 million, respectively. Gain on forfeiture of unexercised stock options for the years ended March 31, 2017 and 2016 amounted to ¥4 million ($36 thousand) and ¥22 million, respectively.

At March 31, 2017, the Company and consolidated subsidiaries had the following stock option plans:

	2009 Plan	2010 Plan	2011 Plan	2012 Plan
Grantees	12 directors and 12 executive officers of the Company and 23 directors of consolidated subsidiaries	12 directors and 12 executive officers of the Company and 24 directors of consolidated subsidiaries	13 directors and 10 executive officers of the Company and 42 directors of consolidated subsidiaries	15 directors and 9 executive officers of the Company and 35 directors of consolidated subsidiaries
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	309,760 shares *1	318,230 shares *1	424,710 shares *1	388,410 shares *1
Grant date	August 18, 2009	August 18, 2010	August 18, 2011	August 16, 2012
Conditions for vesting	Not stated	Not stated	Not stated	Not stated
Service period	Not specified	Not specified	Not specified	Not specified
Exercisable period	August 19, 2011-August 1, 2016	August 19, 2012-August 1, 2017	August 19, 2013-August 1, 2018	August 17, 2014-August 1, 2019

	2009 Plan *1	2010 Plan *1	2011 Plan *1	2012 Plan *1
Non-Vested (number of shares)				
Outstanding at beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	-	-
Outstanding at end of the year	-	-	-	-
Vested (number of shares)				
Outstanding at beginning of the year	49,610	58,080	112,530	141,570
Vested during the year	-	-	-	-
Exercised during the year	31,460	16,940	42,350	72,600
Forfeited during the year	18,150	-	-	6,050
Outstanding at end of the year	-	41,140	70,180	62,920
Exercise price (Yen)	¥936	¥909	¥848	¥792
Exercise price (U.S. dollars)	$8.34	$8.10	$7.56	$7.06
Weighted-average market price upon exercise (Yen)	¥1,735	¥1,702	¥1,646	¥1,655
Weighted-average market price upon exercise (U.S. dollars)	$15.46	$15.17	$14.67	$14.75
Fair value as of grant date (Yen)	¥192	¥179	¥140	¥152
Fair value as of grant date (U.S. dollars)	$1.71	$1.60	$1.25	$1.35

9. Stock Option Plans (continued)

	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Grantees	14 directors and 10 executive officers of the Company and 35 directors of consolidated subsidiaries	14 directors and 10 executive officers of the Company and 34 directors of consolidated subsidiaries	14 directors and 10 executive officers of the Company and 35 directors of consolidated subsidiaries	14 directors and 11 executive officers of the Company and 36 directors of consolidated subsidiaries
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	373,890 shares *1	337,700 shares *2	326,000 shares	339,000 shares
Grant date	August 20, 2013	August 19, 2014	August 19, 2015	August 15, 2016
Conditions for vesting	Not stated	Not stated	Not stated	Not stated
Service period	Not specified	Not specified	Not specified	Not specified
Exercisable period	August 21, 2015-August 3, 2020	August 20, 2016-August 2, 2021	August 20, 2017-August 1, 2022	August 16, 2018-August 1, 2023

	2013 Plan *1	2014 Plan *2	2015 Plan	2016 Plan
Non-Vested (number of shares)				
Outstanding at beginning of the year	-	337,700	326,000	-
Granted during the year	-	-	-	339,000
Forfeited during the year	-	-	-	-
Vested during the year	-	337,700	-	-
Outstanding at end of the year	-	-	326,000	339,000
Vested (number of shares)				
Outstanding at beginning of the year	296,450	-	-	-
Granted during the year	-	337,700	-	-
Exercised during the year	76,230	61,600	-	-
Forfeited during the year	-	-	-	-
Outstanding at end of the year	220,220	276,100	-	-
Exercise price (Yen)	¥1,012	¥1,159	¥1,748	¥1,753
Exercise price (U.S. dollars)	$9.02	$10.33	$15.58	$15.63
Weighted-average market price upon exercise (Yen)	¥1,679	¥1,654	-	-
Weighted-average market price upon exercise (U.S. dollars)	$14.97	$14.74	-	-
Fair value as of grant date (Yen)	¥101	¥122	¥266	¥220
Fair value as of grant date (U.S. dollars)	$0.90	$1.09	$2.37	$1.96

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

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

9. Stock Option Plans (continued)

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

	2016 Plan
Expected volatility *1 (%)	24.2
Expected remaining period *2 (years)	4.5
Expected dividends per share *3 (yen)	¥24
Expected dividends per share *3 (U.S. dollars)	$0.21
Risk free interest rate *4 (%)	(0.19)

*1 Expected volatility is estimated based on the actual stock price in the period from February 2012 to August 2016.

*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, 2016.

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

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

10. Shareholders' Equity

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

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

(a) Type and number of outstanding shares

	Thousands of shares			
	Year ended March 31, 2017			
Types of shares	Balance at Beginning of Year	Increase in Shares during the Year	Decrease in Shares during the Year	Balance at Year End
Issued stock:				
Common stock	**304,357**	**-**	**-**	**304,357**
Treasury stock:				
Common stock	**2,674**	**1**	**301**	**2,374**

1. Treasury stock increased due to a repurchase of odd-lot shares of less than one unit (1 thousand shares).
2. Treasury stock decreased due to exercise of stock options (301 thousand shares).

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

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

(b) Subscription rights to shares

		Balance at March 31, 2017	
Category	Details of Options	Millions of yen	Thousands of U.S. dollars
Supplying company	Subscription rights to shares as stock options	**¥ 175**	**$ 1,560**
(Parent Company)	Total	**¥ 175**	**$ 1,560**

		Balance at March 31, 2016
Category	Details of Options	Millions of yen
Supplying company	Subscription rights to shares as stock options	¥ 147
(Parent Company)	Total	¥ 147

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

(c) Dividends

(1) Dividends paid to shareholders

Year ended March 31, 2017

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 28, 2016	**Annual general meeting of shareholders**	**Common stock**	**¥3,621**	**$ 32,276**	**¥12**	**$ 0.11**	**March 31, 2016**	**June 29, 2016**
October 27, 2016	**Board of directors**	**Common stock**	**¥3,924**	**$ 34,976**	**¥13**	**$ 0.12**	**September 30, 2016**	**December 2, 2016**

Year ended March 31, 2016

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

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

Year ended March 31, 2017

Date of Approval	Resolution Approved by	Type of Shares	Source of Dividends	Amount		Amount per Share		Cut-off Date	Effective Date
				(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
June 28, 2017	**Annual general meeting of shareholders**	**Common stock**	**Retained earnings**	**¥ 3,926**	**$ 34,994**	**¥ 13**	**$ 0.12**	**March 31, 2017**	**June 29, 2017**

Year ended March 31, 2016

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

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Freight	**¥ 35,161**	¥ 33,198	**$ 313,406**
Sales promotion and sales incentives	**40,576**	40,359	**361,672**
Employees' salaries	**14,190**	14,398	**126,482**
Employees' bonuses and benefits	**10,455**	10,369	**93,190**
Retirement benefits	**1,346**	1,463	**11,998**
Other	**30,772**	30,922	**274,285**
Total	**¥132,500**	¥130,713	**$ 1,181,032**

13. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs were ¥5,648 million ($50,343 thousand) and ¥5,580 million for the years ended March 31, 2017 and 2016, respectively.

14. Loss on Restructuring of Production System

"Loss on restructuring of production system" of ¥323 million ($2,879 thousand) for the year ended March 31, 2017 is the expense relating to restructuring of production system for food business.

15. Impairment Loss

The Group recognized impairment loss on the following assets for the year ended March 31, 2017:

Location	Type of assets	Item
Ueda-shi, Nagano	Active pharmaceutical ingredients manufacturing facility	Buildings and structures, machinery, equipment and vehicles and others
Yokohama-shi, Kanagawa, and others	Assets to be disposed of (company housing and dormitory)	Building and structures

The Group classifies assets based on minimum units that generate cash flows essentially independent from the cash flows of other assets or groups of assets.

For active pharmaceutical ingredients manufacturing facility, the book values of such asset was written down to the amounts deemed recoverable since the book value exceeded recoverable value from such assets due to changes in market environment, resulting in impairment loss of ¥785 million ($6,997 thousand). Impairment loss on active pharmaceutical ingredients manufacturing facility consists of ¥275 million ($2,451 thousand) for buildings and structures, ¥482 million ($4,296 thousand) for machinery, equipment and vehicles, and ¥27 million ($241 thousand) for others.

The recoverable value of these assets for the Group was estimated based on the usage value (discount rates used in the calculation were 6.6%).

Impairment loss on assets other than the above has been omitted due to immateriality.

16. 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 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Net defined benefit liability	**¥ 6,166**	¥ 6,433	**$ 54,960**
Intangible assets	**1,846**	1,532	**16,454**
Investment securities	**1,368**	1,670	**12,194**
Provision for bonuses	**1,359**	1,376	**12,113**
Accrued sales incentives	**1,158**	1,215	**10,322**
Unrealized gain on noncurrent assets	**1,071**	1,141	**9,546**
Impairment loss	**807**	573	**7,193**
Inventories	**715**	571	**6,373**
Provision for repairs	**460**	451	**4,100**
Accrued enterprise taxes	**445**	415	**3,966**
Loss carryforward	**291**	955	**2,594**
Depreciation	**259**	278	**2,309**
Unrealized gain on inventories	**201**	177	**1,792**
Other	**1,789**	1,859	**15,946**
Gross deferred tax assets	**17,942**	18,652	**159,925**
Valuation allowance	**(2,856)**	(2,808)	**(25,457)**
Amount offset by deferred tax liabilities	**(6,859)**	(6,874)	**(61,137)**
Deferred tax assets, net	**¥ 8,227**	¥ 8,969	**$ 73,331**

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥(28,357)**	¥(24,288)	**$ (252,759)**
Reserve for reduction entry of noncurrent assets	**(1,731)**	(1,792)	**(15,429)**
Lower depreciation	**(1,221)**	(1,238)	**(10,883)**
Securities returned from employee retirement benefit trust	**(964)**	(964)	**(8,593)**
Other	**(1,578)**	(1,215)	**(14,065)**
Gross deferred tax liabilities	**(33,853)**	(29,499)	**(301,747)**
Amount offset by deferred tax assets	**6,859**	6,874	**61,137**
Deferred tax liabilities, net	**¥(26,994)**	¥(22,624)	**$ (240,610)**

16. Income Taxes (continued)

Disclosure of the reconciliation between the statutory and effective tax rates for the year ended March 31, 2017 is as follows:

	Year ended March 31
	2017
Statutory tax rate	30.8%
Non-taxable dividend income and others	(0.8)
Non-deductible expenses	1.0
Tax credits	(1.1)
Effect of exclusion of subsidiary from consolidation	2.9
Share of profit of entities accounted for using equity method	(1.9)
Valuation allowance	0.8
Other	1.7
Effective tax rate	33.4%

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

17. Leases

The Group primarily leases information system equipment and software.

The future minimum lease commitments under noncancellable operating leases subsequent to March 31, 2017 and 2016 are summarized as follows:

(As Lessee)

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Due within one year	**¥ 293**	¥ 320	**$ 2,612**
Due after one year	**603**	831	**5,375**
Total	**¥ 897**	¥ 1,151	**$ 7,995**

(As Lessor)

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Due within one year	**¥ 45**	¥ 45	**$ 401**
Due after one year	**292**	337	**2,603**
Total	**¥ 337**	¥ 382	**$ 3,004**

18. Per Share Data

	2017	2016	2017
Net income per share:			
Basic	**¥ 64.50**	¥ 58.25	**$ 0.57**
Diluted	**64.43**	58.15	**0.57**
Net assets per share	**¥ 1,303.45**	¥ 1,237.64	**$ 11.62**

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

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

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

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

	2017	2016
Profit attributable to owners of parent available for distribution to common shareholders	**¥ 19,466 million ($173,509 thousand)**	¥ 17,561 million
Weighted average number of shares for basic net income	**301,822,349 shares**	301,478,316 shares
Increase in shares of common stock		
Subscription rights to shares	**330,488shares**	520,362 shares
Number of shares for diluted net income	**302,152,837 shares**	301,998,678 shares
Summary of potentially issuable shares that do not have a dilutive effect on net income per share	**111 and 215 subscription rights to shares approved by the annual general meeting of shareholders at June 25, 2015**	111 and 215 subscription rights to shares approved by the annual general meeting of shareholders at June 25, 2015
	111 and 228 subscription rights to shares approved by the annual general meeting of shareholders at June 28, 2016	Preferred stock issued by affiliates under equity method: TOKATU FOODS CO., LTD. type-B preferred stock (54,275 shares issued)

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

	2017	2016	2017
Total net assets	**¥ 406,805 million**	¥ 386,485 million	**$ 3,626,036 thousand**
Amounts deducted from total net assets			
Subscription rights to shares	**175 million**	147 million	**1,560 thousand**
Noncontrolling interests	**13,009 million**	12,962 million	**115,955 thousand**
Net assets attributable to shares of common stock	**393,620 million**	373,375 million	**3,508,512 thousand**
Number of shares of common stock used in the calculation of net assets per share	**301,983,526 shares**	301,683,585 shares	

19. Financial Instruments

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

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

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

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

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

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

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

(3) Supplemental information on fair value of financial instruments
As well as the values based on market prices, fair value of financial instruments includes values, which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied. Also, for the contract amount and others regarding derivative transactions described in Note 22, the contract amount itself does not indicate market risk related to derivative transactions.

19. Financial Instruments (continued)

(b) Fair value of financial instruments

Carrying value on the consolidated balance sheets as of March 31, 2017 and 2016, fair value and differences are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	2017					
	Millions of yen			Thousands of U.S. dollars		
	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
Cash and deposits	¥ 85,458	¥ 85,458	¥ -	$ 761,726	$ 761,726	$ -
Notes and accounts receivable – trade	69,584	69,584	-	620,234	620,234	-
Securities and investment securities:						
Available-for-sale securities	129,734	129,734	-	1,156,378	1,156,378	-
Total assets	¥284,777	¥284,777	¥ -	$2,538,346	$2,538,346	$ -
Notes and accounts payable – trade	40,320	40,320	-	359,390	359,390	-
Total liabilities	¥ 40,320	¥ 40,320	¥ -	$ 359,390	$ 359,390	$ -
Derivative transactions: (*)						
Hedge accounting not applied	14	14	-	125	125	-
Hedge accounting applied	140	140	-	1,248	1,248	-
Total derivative transactions	¥ 154	¥ 154	¥ -	$ 1,373	$ 1,373	$ -

	2016		
	Millions of yen		
	Carrying Value	Fair Value	Difference
Cash and deposits	¥ 61,665	¥ 61,665	¥ -
Notes and accounts receivable - trade	72,871	72,871	-
Securities and investment securities:			
Available-for-sale securities	122,905	122,905	-
Total assets	¥257,443	¥257,443	¥ -
Notes and accounts payable - trade	51,348	51,348	-
Total liabilities	¥ 51,348	¥ 51,348	¥ -
Derivative transactions: (*)			
Hedge accounting not applied	(319)	(319)	-
Hedge accounting applied	(372)	(372)	-
Total derivative transactions	¥ (692)	¥ (692)	¥ -

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

19. Financial Instruments (continued)

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

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

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

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

Derivative transactions:
Please refer to Note 22.

Note 2: Unlisted equity securities of ¥26,577 million ($236,893 thousand) and ¥28,514 million whose fair values are extremely difficult to determine as of March 31, 2017 and 2016, respectively, are not included in the above tables.

(c) The redemption schedule for financial instruments and securities with maturities as of March 31, 2017 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
	Due in One Year or Less	Due in One Year or Less	Due in One Year or Less
Cash and deposits	**¥ 85,458**	¥ 61,665	**$ 761,726**
Notes and accounts receivable – trade	**69,584**	72,871	**620,234**
Securities and investment securities:			
Available-for-sale securities	**7,105**	12,696	**63,330**
Total	**¥ 162,148**	¥ 147,234	**$1,445,298**

20. Investment Securities

Investments in unconsolidated subsidiaries and affiliates included in "Investment securities" as of March 31, 2017 and 2016 amounted to ¥25,443 million ($226,785 thousand) and ¥26,827 million, respectively.

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

	2017					
	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	**¥122,623**	**¥ 28,767**	**¥ 93,855**	**$ 1,092,994**	**$ 256,413**	**$836,572**
Bonds:						
Government and municipal bonds	**323**	**323**	**0**	**2,879**	**2,879**	**0**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal	**122,947**	**29,091**	**93,855**	**1,095,882**	**259,301**	**836,572**
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**16**	**18**	**(1)**	**143**	**160**	**(9)**
Bonds:						
Government and municipal bonds	**6,770**	**6,771**	**(1)**	**60,344**	**60,353**	**(9)**
Corporate bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal	**6,787**	**6,789**	**(2)**	**60,496**	**60,513**	**(18)**
Total	**¥129,734**	**¥ 35,881**	**¥ 93,853**	**$ 1,156,378**	**$ 319,824**	**$836,554**

	2016		
	Millions of yen		
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥109,058	¥ 28,706	¥ 80,351
Bonds:			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Subtotal	109,058	28,706	80,351
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	57	62	(4)
Bonds:			
Government and municipal bonds	6,690	6,690	(0)
Corporate bonds	-	-	-
Other	-	-	-
Other	7,100	7,100	-
Subtotal	13,847	13,852	(5)
Total	¥122,905	¥ 42,559	¥ 80,346

20. Investment Securities (continued)

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

Information regarding the sale of securities classified as available-for-sale securities for the years ended March 31, 2017 and 2016 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Proceeds from sales	**¥ 853**	¥ 32	**$ 7,603**
Aggregate gains on sales	**401**	7	**3,574**
Aggregate losses on sales	**-**	(1)	**-**

21. Cash and Cash Equivalents

(1) Cash and deposits on the accompanying consolidated balance sheets and cash and cash equivalents on the accompanying consolidated statements of cash flows are reconciled as of March 31, 2017 and 2016 as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash and deposits	**¥ 85,458**	¥ 61,665	**$ 761,726**
Securities	**7,094**	13,790	**63,232**
Total	**92,553**	75,455	**824,967**
Time deposits with maturities of more than three months	**(745)**	(1,536)	**(6,641)**
Debt securities with maturities of more than three months	**(970)**	(959)	**(8,646)**
Cash and cash equivalents	**¥ 90,837**	¥ 72,960	**$ 809,671**

(2) Assets and liabilities of subsidiary excluded from consolidation by stock sales

Major components of assets and liabilities of Daisen Ham Co., Ltd., which was excluded from consolidation by the stock sales and details of the difference between the sales price and net proceeds of the stock sales for the year ended March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	**2017**
Current assets	**¥ 3,634**	**$ 32,391**
Noncurrent assets	**2,426**	**21,624**
Current liabilities	**(2,308)**	**(20,572)**
Noncurrent liabilities	**(615)**	**(5,482)**
Noncontrolling interests	**(463)**	**(4,127)**
Others	**(50)**	**(446)**
Gain on sales of shares of subsidiary	**1,862**	**16,597**
Sales price	**4,484**	**39,968**
Cash and cash equivalents	**(1,387)**	**(12,363)**
Net proceeds from the stock sales	**¥ 3,097**	**$ 27,605**

21. Cash and Cash Equivalents (continued)

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

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

	Millions of yen
	2016
Current assets	¥ 4,204
Noncurrent assets	4,839
Goodwill	683
Current liabilities	(3,660)
Noncurrent liabilities	(1,433)
Noncontrolling interests	(1,378)
Acquisition costs	3,255
Cash and cash equivalents	(1,521)
Net payment for the stock acquisition	¥ (1,733)

22. Derivatives

Derivative transactions for which hedge accounting is not applied at March 31, 2017 and 2016 are as follows:

	2017							
	Millions of yen				Thousands of U.S. dollars			
	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency futures:								
Buy:								
Canadian dollars	¥ 1,403	¥ -	¥ 28	¥ 28	$ 12,506	$ -	$ 250	$ 250
Forward exchange contracts:								
Sell:								
U.S. dollars	¥ 342	¥ -	¥ (4)	¥ (4)	$ 3,048	$ -	$ (36)	$ (36)
Euro	40	-	(0)	0	357	-	(0)	0
Buy:								
U.S. dollars	777	-	15	15	6,926	-	134	134
Euro	42	-	(0)	(0)	374	-	(0)	(0)
Japanese yen	2	-	(0)	(0)	18	-	(0)	(0)
Total	¥ 2,607	¥ -	¥ 38	¥ 38	$ 23,237	$ -	$ 339	$ 339
Commodity futures:								
Sell:								
Wheat	¥ 3,671	¥ 5	¥ (2)	¥ (2)	$ 32,721	$ 45	$ (18)	$ (18)
Buy:								
Wheat	3,555	216	(45)	(45)	31,687	1,925	(401)	(401)
Commodity options:								
Sell put:								
Wheat	12	-	18	(6)	107	-	160	(53)
Sell call:								
Wheat	5	-	0	4	45	-	0	36
Buy call								
Wheat	20	-	4	(16)	178	-	36	(143)
Total	¥ 7,265	¥ 222	¥ (24)	¥ (66)	$ 64,756	$ 1,979	$ (214)	$ (588)

22. Derivatives (continued)

	2016			
	Millions of yen			
	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency futures:				
Buy:				
Canadian dollars	¥ 1,617	¥ -	¥ (43)	¥ (43)
Forward exchange contracts:				
Sell:				
U.S. dollars	¥ 212	¥ -	¥ 5	¥ 5
Euro	54	-	(0)	(0)
Turkish lira	330		(9)	(9)
Buy:				
U.S. dollars	637	-	3	3
Euro	64	-	0	0
Japanese yen	1	-	(0)	(0)
Turkish lira	201	-	0	0
Total	¥ 3,120	¥ -	¥ (43)	¥ (43)
Commodity futures:				
Sell:				
Wheat	¥ 2,911	¥ -	¥ 56	¥ 56
Buy:				
Wheat	6,287	-	(318)	(318)
Commodity options:				
Sell put:				
Wheat	170	-	(14)	(14)
Total	¥ 9,370	¥ -	¥ (276)	¥ (276)

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

22. Derivatives (continued)

Derivative transactions for which hedge accounting is applied at March 31, 2017 and 2016 are as follows:

		2017					
		Millions of yen			Thousands of U.S. dollars		
	Hedged Item	Contract Amount and Others	Due after One Year	Fair Value	Contract Amount and Others	Due after One Year	Fair Value
Benchmark method							
Forward exchange contracts:							
Sell:							
U.S. dollars	Anticipated foreign currency transactions	**¥ 799**	**¥ -**	**¥ 2**	**$ 7,122**	**$ -**	**$ 18**
Buy:							
U.S. dollars	Accounts payables	**3,862**	**-**	**88**	**34,424**	**-**	**784**
Thai baht		**1,178**	**-**	**47**	**10,500**	**-**	**419**
Euro		**639**	**-**	**2**	**5,696**	**-**	**18**
Allocation method							
Forward exchange contracts:							
Sell:	Accounts receivables						
U.S. dollars		**¥ 73**	**¥ -**	**¥ -**	**$ 651**	**$ -**	**$ -**
Buy:	Accounts payables						
U.S. dollars		**175**	**-**	**-**	**1,560**	**-**	**-**
Euro		**0**	**-**	**-**	**0**	**-**	**-**
		¥ 6,729	**¥ -**	**¥ 140**	**$ 59,979**	**$ -**	**$ 1,248**

		2016		
		Millions of yen		
	Hedged Item	Contract Amount and Others	Due after One Year	Fair Value
Benchmark method				
Forward exchange contracts:				
Sell:				
U.S. dollars	Anticipated foreign currency transactions	¥ 994	¥ -	¥ (56)
Buy:				
U.S. dollars	Accounts payables	6,080	-	(263)
Thai baht		1,366	-	(56)
Australian dollars		7	-	(0)
Euro		975	-	10
Swiss franc		103	-	(7)
Currency options:				
Buy call:	Accounts payables			
U.S. dollars		2	-	0
Allocation method				
Forward exchange contracts:				
Sell:	Accounts receivables			
U.S. dollars		¥ 125	¥ -	¥ -
Buy:	Accounts payables			
U.S. dollars		93	-	-
Thai baht		13	-	-
Euro		2	-	-
		¥ 9,765	¥ -	¥ (372)

23. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	**¥ 13,681**	¥ (3,796)	**$ 121,945**
Reclassification adjustments	**(154)**	(2)	**(1,373)**
Before income tax effects	**13,527**	(3,798)	**120,572**
Income tax effects	**(4,068)**	2,508	**(36,260)**
Total	**9,459**	(1,290)	**84,312**
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	**528**	(467)	**4,706**
Reclassification adjustments	**(15)**	(66)	**(134)**
Before income tax effects	**513**	(534)	**4,573**
Income tax effects	**(154)**	169	**(1,373)**
Total	**358**	(365)	**3,191**
Foreign currency translation adjustment:			
Adjustments arising during the year	**(2,311)**	(2,764)	**(20,599)**
Remeasurements of defined benefit plans:			
Adjustments arising during the year	**(51)**	98	**(455)**
Reclassification adjustments	**280**	364	**2,496**
Before income tax effects	**229**	463	**2,041**
Income tax effects	**(4)**	(159)	**(36)**
Total	**225**	303	**2,006**
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	**(36)**	(174)	**(321)**
Total other comprehensive income	**¥ 7,694**	¥ (4,290)	**$ 68,580**

24. Related Party Transactions

Related party transactions for the year ended March 31, 2017 are as follows:

(1) Directors and major individual shareholders of the Company

Category	Related party	Occupation	Ownership (Owned) ratio (%)	Details of transaction	Transaction amount
Directors and their close relatives	Hiroshi Oeda	Representative director and president of the Company *2	(Owned) Direct 0.0	Exercise of stock options *1	¥12 million ($107 thousand)
Directors and their close relatives	Kazuo Ikeda	Director and vice president of the Company *3	(Owned) Direct 0.0	Exercise of stock options *1	¥11 million ($98 thousand)

*1 Stock options granted based on resolution at annual general meetings of shareholders held on June 28, 2011, June 26, 2013 and June 26, 2014 and exercised in the year ended March 31, 2017 are presented. Transaction amount shows the number of shares granted by exercise of stock options in the year ended March 31, 2017 multiplied by the exercise price.

*2 Hiroshi Oeda has taken office as a special advisor as of June 28, 2017.

*3 Kazuo Ikeda has taken office as an executive advisor as of June 28, 2017.

24. Related Party Transactions (continued)

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

(1) Directors and major individual shareholders of the Company

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

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

25. Segment Information

1. Overview of reportable segments

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

Primary products for each business segment are summarized as follows:

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

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

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

25. Segment Information (continued)

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

Millions of yen

2017

	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	**¥ 233,618**	**¥ 254,944**	**¥ 488,562**	**¥ 43,478**	**¥ 532,040**	**¥ -**	**¥ 532,040**
Intersegment sales and transfers	**16,910**	**426**	**17,336**	**2,951**	**20,288**	**(20,288)**	**-**
Total	**250,528**	**255,370**	**505,899**	**46,429**	**552,329**	**(20,288)**	**532,040**
Segment income	**¥ 9,823**	**¥ 12,426**	**¥ 22,250**	**¥ 2,956**	**¥ 25,206**	**¥ 304**	**¥ 25,511**
Segment assets	**¥ 200,279**	**¥ 161,119**	**¥ 361,399**	**¥ 61,803**	**¥ 423,203**	**¥ 134,365**	**¥ 557,568**
Other items:							
Depreciation and amortization	**¥ 8,791**	**¥ 6,070**	**¥ 14,861**	**¥ 1,552**	**¥ 16,414**	**¥ (281)**	**¥ 16,132**
Investment in affiliates accounted for using equity method	**2,764**	**6,234**	**8,998**	**16,175**	**25,173**	**-**	**25,173**
Increase in property, plant and equipment and intangible assets	**6,973**	**4,784**	**11,757**	**1,102**	**12,860**	**(170)**	**12,689**

Millions of yen

2016

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

Thousands of U.S. dollars

2017

	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	**$ 2,082,342**	**$ 2,272,431**	**$ 4,354,773**	**$ 387,539**	**$ 4,742,312**	**$ -**	**$ 4,742,312**
Intersegment sales and transfers	**150,726**	**3,797**	**154,524**	**26,304**	**180,836**	**(180,836)**	**-**
Total	**2,233,069**	**2,276,228**	**4,509,306**	**413,843**	**4,923,157**	**(180,836)**	**4,742,312**
Segment income	**$ 87,557**	**$ 110,759**	**$ 198,324**	**$ 26,348**	**$ 224,672**	**$ 2,710**	**$ 227,391**
Segment assets	**$ 1,785,177**	**$ 1,436,126**	**$ 3,221,312**	**$ 550,878**	**$ 3,772,199**	**$ 1,197,656**	**$ 4,969,855**
Other items:							
Depreciation and amortization	**$ 78,358**	**$ 54,105**	**$ 132,463**	**$ 13,834**	**$ 146,305**	**$ (2,505)**	**$ 143,792**
Investment in affiliates accounted for using equity method	**24,637**	**55,566**	**80,203**	**144,175**	**224,378**	**-**	**224,378**
Increase in property, plant and equipment and intangible assets	**62,153**	**42,642**	**104,795**	**9,823**	**114,627**	**(1,515)**	**113,103**

25. Segment Information (continued)

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

2. Adjustments of segment income refer to elimination of intersegment transactions. Adjustments of segment assets amounted to ¥144,439 million ($1,287,450 thousand) and ¥116,918 million for the years ended March 31, 2017 and 2016, respectively, consisted primarily of the Company's surplus funds (cash and deposits and securities) and investment securities.

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

4. Geographic information

(1) Sales

2017

Millions of yen			
Japan	U.S.	Other areas	Total
¥ 440,836	**¥ 59,999**	**¥ 31,205**	**¥ 532,040**

2016

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

2017

Thousands of U.S. dollars			
Japan	U.S.	Other areas	Total
$ 3,929,370	**$ 534,798**	**$ 278,144**	**$ 4,742,312**

(2) Property, plant and equipment

2017

Millions of yen			
Japan	U.S.	Other areas	Total
¥ 113,691	**¥ 18,475**	**¥ 12,673**	**¥ 144,840**

2016

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

2017

Thousands of U.S. dollars			
Japan	U.S.	Other areas	Total
$ 1,013,379	**$ 164,676**	**$ 112,960**	**$ 1,291,024**

25. Segment Information (continued)

5. Information about major customers

	2017		
	Name of the related segment	Millions of yen	Thousands of U.S. dollars
Mitsubishi Corporation	**Flour Milling, Processed Foods and Other**	**¥ 62,097**	**$ 553,499**

	2016	
	Name of the related segment	Millions of yen
Mitsubishi Corporation	Flour Milling, Processed Foods and Other	¥ 62,617

6. Information on impairment loss by reportable segment

	2017		
	Millions of yen		
	Processed Food	Corporate and elimination	Total
Impairment loss	**¥ 785**	**¥ 173**	**¥ 958**

	2017		
	Thousands of U.S. dollars		
	Processed Food	Corporate and elimination	Total
Impairment loss	**$ 6,997**	**$ 1,542**	**$ 8,539**

Note: "Corporate and elimination" of ¥173 million ($1,542 thousand) is impairment loss for corporate assets which are not attributable to any reportable segment.

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

	2017		
	Millions of yen		
	Flour Milling	Processed Food	Total
Amortization	**¥ 1,024**	**¥ 170**	**¥ 1,195**
Unamortized balance	**6,565**	**484**	**7,050**

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

	2017		
	Thousands of U.S. dollars		
	Flour Milling	Processed Food	Total
Amortization	**$ 9,127**	**$ 1,515**	**$ 10,652**
Unamortized balance	**58,517**	**4,314**	**62,840**

No impairment loss was recognized for the year ended March 31, 2016.

26. M&A Activity

For the year ended March 31, 2017

<Business divestiture>

1. Overview of business divestiture

(1) Name of the receiver, name and description of the divested business
Name of the receiver: Air Water Inc.
Name of the divested business: Daisen Ham Co., Ltd.
Description of the divested business: Manufacturing and sales of processed meat products

(2) Rationale for business divestiture
The Group is taking several measures toward management challenges for a "restructured earnings foundation" that places emphasis on the bottom line as laid out in the new medium-term management plan "NNI-120 II" announced in May 2015, and is continuing to examine a restructuring of the business portfolio as one of those measures. On this occasion, the Company transferred all shares of Daisen Ham Co., Ltd. held by its consolidated subsidiaries, Nisshin Foods Inc., Oriental Yeast Co., Ltd., and Nisshin Associates Inc. to Air Water Inc. Agriculture and foods are key industries for Air Water Inc., which has as its subsidiary Saveur SS Inc., a company engaged in the processed meat industry. Daisen Ham Co., Ltd. will become a key company within the Air Water Group, improving its value as a company and its outlook for sustainable growth into the future.

(3) Date of divestiture
September 20, 2016

(4) Other matters concerning the summary of transaction, including legal form
Transfer of shares in consideration for cash or other assets only

2. Overview of accounting treatment conducted

(1) Gain on transfer from business divestitures
Gain on sales of shares of subsidiaries and associates ¥1,862 million ($16,597 thousand)

(2) Appropriate carrying value and details of assets and liabilities related to transferred business

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Current assets	¥ 3,634	$ 32,391
Noncurrent assets	2,426	21,624
Total assets	¥ 6,060	$ 54,016
Current liabilities	¥ 2,308	$ 20,572
Noncurrent liabilities	615	5,482
Total liabilities	¥ 2,924	$ 26,063

(3) Accounting treatment
The difference between the sale price for the shares of Daisen Ham Co., Ltd. and its consolidated carrying value is included in "Gain on sales of shares of subsidiaries and associates".

3. Reportable segment that included the divested business
Processed Food

26. M&A Activity (Continued)

4. Estimated amount of divested business recorded in the consolidated statements of income for the year ended March 31, 2017

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Net sales	¥ 3,887	$ 34,647
Operating profit	22	196
Profit attributable to owners of parent	6	53

For the year ended March 31, 2016

<Business combination by the acquisition>

1. Overview of M&A activity

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

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

(3) Date of acquisition
January 29, 2016

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

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

(6) Percentage of voting rights acquired
65.1%

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

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

26. M&A Activity (Continued)

3. Acquisition cost details

		Millions of yen
		2016
Stock acquisition through transfer of stocks	Cash and deposits	¥ 0
Stock acquisition through subscription of stocks through shareholder allotment	Cash and deposits	3,255
Total acquisition cost		¥ 3,255

4. The details and the amount of major acquisition-related expenses
Advisory fees, etc.: ¥129 million

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

(1) Amount of goodwill
¥683 million

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

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

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

	Millions of yen
	2016
Current assets	¥ 4,204
Noncurrent assets	4,839
Total assets	¥ 9,043
Current liabilities	¥ 3,660
Noncurrent liabilities	1,433
Total liabilities	¥ 5,094

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

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

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

27. Subsequent Event

<Repurchase of own shares>
The Company resolved at the Board of Directors' meeting held on May 12, 2017, to repurchase its own shares as stated below pursuant to the provision of Paragraph 1, Article 459 of the Company Act of Japan and Article 45 of the Article of Incorporation of the Company.

1. Rationale for the repurchase of own shares
   To enhance shareholder returns and conduct capital management flexibly in order to cope with changes in business environment

2. Outline of repurchase

(1) Type of shares to be repurchased:	Common stock of the Company
(2) Aggregate number of shares to be repurchased:	Up to 7,000 thousand shares (Equivalent to 2.32% of the total number of issued shares (excluding treasury shares))
(3) Aggregate amount of repurchase price:	Up to ¥10,000 million ($89,135 thousand)
(4) Repurchase period:	From May 17, 2017 to November 30, 2017 (Excluding the period from July 3, 2017 to July 20, 2017 and period from 5 working days before the fiscal year end to the fiscal year end date (including quarter end)
(5) Repurchase method:	Open market purchase through a trust bank

(Reference)
Own shares held by the Company as of March 31, 2017

Total number of issued shares (excluding treasury shares)	302,064,816 shares
Number of treasury shares (owned by the Company)	2,293,075 shares