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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nisshin Seifun Group Inc.:

We have audited the accompanying consolidated balance sheet of Nisshin Seifun Group Inc. and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, 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 such internal control as management determines is necessary to enable the preparation of 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. In making those risk assessments, the auditor considers internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2019
(September 5, 2019 as to Notes 3 and 22)

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2019

ASSETS	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT ASSETS:			
Cash and deposits (Notes 15 and 17)	¥101,974	¥91,635	$918,767
Marketable securities (Notes 15 and 17)	7,336	7,857	66,096
Receivables (Note 15):			
Trade notes and accounts	76,245	79,676	686,954
Other	2,032	1,489	18,308
Allowance for doubtful accounts	(232)	(193)	(2,090)
Inventories (Note 4)	73,348	71,882	660,852
Other	7,465	8,402	67,258
Total current assets	268,170	260,751	2,416,164
PROPERTY, PLANT AND EQUIPMENT			
Land	42,611	42,208	383,917
Buildings and structures	58,308	55,979	525,345
Machinery and equipment	41,393	38,700	372,944
Construction in progress	10,030	10,337	90,369
Other	3,974	3,716	35,805
Total property, plant and equipment	156,317	150,942	1,408,388
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 16)	122,697	132,019	1,105,478
Investments in and advances to unconsolidated subsidiaries and associated companies	26,962	26,191	242,923
Net defined benefit asset (Note 6)	277	238	2,496
Deferred tax assets (Note 12)	6,064	5,754	54,636
Goodwill	5,016	5,623	45,193
Intangibles	5,446	6,786	49,067
Other assets	3,924	3,329	35,355
Allowance for doubtful accounts	(122)	(125)	(1,099)
Total investments and other assets	170,264	179,817	1,534,048
TOTAL	¥594,754	¥591,512	$5,358,627

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 8,558	¥ 6,714	$ 77,106
Current portion of long-term debt (Note 5)	1,319	1,547	11,884
Payables (Note 15):			
Trade notes and accounts	54,936	58,492	494,964
Income taxes payable	5,217	4,397	47,004
Accrued expenses	20,195	19,513	181,953
Other	24,579	23,524	221,452
Total current liabilities	114,806	114,189	1,034,381
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	7,531	7,859	67,853
Liability for retirement benefits (Note 6)	21,169	20,782	190,729
Provision for repairs	1,464	1,159	13,190
Long-term deposits received	5,492	5,402	49,482
Deferred tax liabilities (Note 12)	24,664	27,184	222,218
Other	776	1,139	6,992
Total long-term liabilities	61,098	63,528	550,482
EQUITY (Notes 7, 8 and 9):			
Common stock—authorized, 932,856,000 shares; issued, 304,357,891shares in 2019 and 2018	17,117	17,117	154,221
Capital surplus	12,882	12,894	116,065
Stock acquisition rights	167	189	1,505
Retained earnings	319,705	306,415	2,880,485
Treasury stock—at cost, 7,234,479 shares in 2019 and 7,426,065 shares in 2018	(11,403)	(11,695)	(102,739)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	62,669	69,467	564,636
Deferred loss on derivatives under hedge accounting	(393)	(473)	(3,541)
Foreign currency translation adjustments	4,086	6,352	36,814
Defined retirement benefit plans	(728)	(800)	(6,559)
Total	404,105	399,467	3,640,914
Noncontrolling interests	14,743	14,327	132,832
Total equity	418,848	413,794	3,773,745
TOTAL	¥594,754	¥591,512	$5,358,627

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET SALES	¥565,343	¥540,094	$5,093,639
COST OF SALES	401,584	378,742	3,618,200
Gross profit	163,759	161,352	1,475,439
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 10 and11)	136,842	134,152	1,232,922
Operating income	26,916	27,200	242,508
OTHER INCOME (EXPENSES):			
Interest income	458	305	4,126
Dividend income	2,655	2,412	23,921
Interest expense	(257)	(221)	(2,316)
Rent income	275	284	2,478
Loss on disaster	(108)	-	(973)
Gain on sales of fixed assets	201	1,007	1,811
Gain on sales of securities	1,379	357	12,425
Loss on disposal of fixed assets	(457)	(605)	(4,117)
Loss on impairment of long-lived assets	(72)	(129)	(649)
Equity in earnings of unconsolidated subsidiaries and associated companies	1,647	1,771	14,839
Other—net	476	49	4,289
Other income (expenses)—net	6,198	5,230	55,843
INCOME BEFORE INCOME TAXES	33,113	32,430	298,342
INCOME TAXES (Note 12):			
Current	9,417	8,664	84,845
Deferred	109	1,096	982
Total income taxes	9,526	9,760	85,828
NET INCOME	23,586	22,669	212,506
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,317	1,330	11,866
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 22,268	¥ 21,339	$ 200,631

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 14):			
Basic earnings per share	¥74.98	¥71.47	$0.68
Diluted earnings per share	74.90	71.40	0.67
Cash dividends applicable to the year	32.00	29.00	0.29

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥ 23,586	¥ 22,669	$ 212,506
OTHER COMPREHENSIVE INCOME (Note 19):			
Unrealized gain (loss) on available-for-sale securities	(6,770)	3,945	(60,996)
Deferred gain (loss) on derivatives under hedge accounting	95	(570)	856
Foreign currency translation adjustments	172	(1,118)	1,550
Defined retirement benefit plans	44	109	396
Share of other comprehensive income (loss) in associates	(85)	111	(766)
Total other comprehensive income (loss)	(6,543)	2,478	(58,951)
COMPREHENSIVE INCOME	¥ 17,043	¥ 25,148	$ 153,554
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 15,965	¥ 23,419	$ 143,842
Noncontrolling interests	1,077	1,728	9,704

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2019

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2017	301,983	¥ 17,117	¥ 12,898	¥ 175	¥ 293,165	¥ (2,026)	¥ 65,475	¥ 93	¥ 7,836	¥ (939)	¥ 393,796	¥ 13,009	¥ 406,805
Net income attributable to owners of the parent					21,339						21,339		21,339
Cash dividends, ¥27.00 per share					(8,088)						(8,088)		(8,088)
Purchase of treasury stock	(5,426)					(10,164)					(10,164)		(10,164)
Disposal of treasury stock	374		(3)			495					491		491
Change in the parent's ownership interest due to transactions with noncontrolling interests			0								0		0
Net change in the year				13			3,991	(567)	(1,483)	138	2,093	1,318	3,411
BALANCE, MARCH 31, 2018	296,931	17,117	12,894	189	306,415	(11,695)	69,467	(473)	6,352	(800)	399,467	14,327	413,794
Net income attributable to owners of the parent					22,268						22,268		22,268
Cash dividends, ¥31.00 per share					(9,209)						(9,209)		(9,209)
Purchase of treasury stock	(85)					(190)					(190)		(190)
Disposal of treasury stock	277		(37)			483					445		445
Change of fiscal term of consolidated subsidiaries					230						230		230
Change in the parent's ownership interest due to transactions with noncontrolling interests			26								26		26
Net change in the year				(21)			(6,797)	80	(2,266)	72	(8,932)	415	(8,517)
BALANCE, MARCH 31, 2019	297,123	¥ 17,117	¥ 12,882	¥ 167	¥ 319,705	¥ (11,403)	¥ 62,669	¥ (393)	¥ 4,086	¥ (728)	¥ 404,105	¥ 14,743	¥ 418,848

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2018	$ 154,221	$ 116,173	$ 1,703	$ 2,760,744	$ (105,370)	$ 625,885	$ (4,262)	$ 57,230	$ (7,208)	$ 3,599,126	$ 129,084	$ 3,728,210
Net income attributable to owners of the parent				200,631						200,631		200,631
Cash dividends, $0.28per share				(82,971)						(82,971)		(82,971)
Purchase of treasury stock					(1,712)					(1,712)		(1,712)
Disposal of treasury stock		(333)			4,352					4,009		4,009
Change of fiscal term of consolidated subsidiaries				2,072						2,072		2,072
Change in the parent's ownership interest due to transactions with noncontrolling interests		234								234		234
Net change in the year			(189)			(61,240)	721	(20,416)	649	(80,476)	3,739	(76,737)
BALANCE, MARCH 31, 2019	$ 154,221	$ 116,065	$ 1,505	$ 2,880,485	$ (102,739)	$ 564,636	$ (3,541)	$ 36,814	$ (6,559)	$ 3,640,914	$ 132,832	$ 3,773,745

See notes to consolidated financial statements.

Nisshin Seifun Group Inc. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 33,113	¥ 32,430	$ 298,342
Adjustments for:			
Income taxes—paid	(7,485)	(10,710)	(67,439)
Depreciation and amortization	14,951	15,509	134,706
Amortization of goodwill	1,324	1,224	11,929
Loss on impairment of long-lived assets	72	129	649
Gain on sales of securities	(1,379)	(357)	(12,425)
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,647)	(1,771)	(14,839)
Interest and dividend income	(3,113)	(2,717)	(28,048)
Interest expenses	257	221	2,316
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	2,697	(10,217)	24,299
Increase in inventories	(1,700)	(8,010)	(15,317)
Increase in interest and dividends receivable	4,049	3,704	36,481
Increase (decrease) in trade notes and accounts payable	(2,666)	18,185	(24,020)
Decrease in interest payable	(257)	(217)	(2,316)
Increase (decrease) in liability for retirement benefits	381	(110)	3,433
Increase in asset for retirement benefits	(38)	(32)	(342)
Other—net	1,314	5,607	11,839
Total adjustments	6,760	10,439	60,906
Net cash provided by operating activities	39,873	42,869	359,249
INVESTING ACTIVITIES:			
Payments into time deposits	(1,425)	(4,369)	(12,839)
Proceeds from withdrawal of time deposits	513	5,128	4,622
Purchase of marketable securities	(2,038)	(2,955)	(18,362)
Proceeds from sales of marketable securities	2,052	2,970	18,488
Purchase of property, plant and equipment and intangible assets	(18,233)	(19,704)	(164,276)
Proceeds from sales of property, plant and equipment and intangible assets	44	898	396
Purchase of investment securities	(742)	(625)	(6,685)
Proceeds from sales of investment securities	1,706	858	15,371
Purchase of shares of subsidiaries and associates	(125)	(54)	(1,126)
Proceeds from sales of shares of subsidiaries and associates	-	122	-
Other—net	(935)	(334)	(8,424)
Net cash used in investing activities	(19,184)	(18,067)	(172,844)

FINANCING ACTIVITIES:			
Increase in short-term bank loans	75	-	676
Decrease in short-term bank loans	(1,636)	(3,253)	(14,740)
Proceeds from long-term debt	1,105	3,369	9,956
Proceeds from sales of treasury stock	297	339	2,676
Purchase of treasury stock	(190)	(10,164)	(1,712)
Dividends paid	(9,209)	(8,088)	(82,971)
Purchase of shares of subsidiaries that does not result in change in scope of consolidation	(180)	-	(1,622)
Other—net	(828)	(795)	(7,460)
Net cash used in financing activities	(10,567)	(18,593)	(95,207)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,920	7,624	89,377
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(202)	1,415	(1,820)
DECREASE IN CASH AND CASH EQUIVALENTS FROM ACCOUNTING TERM ALTERATIONS OF SUBSIDIARIES	(1,006)	-	(9,064)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,461	90,837	887,116
CASH AND CASH EQUIVALENTS, END OF YEAR	¥107,374	¥98,461	$967,420

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nisshin Seifun Group Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to $1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***— The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (the “Group”). As of March 31, 2019, the number of consolidated subsidiaries was 48. The newly established subsidiary, Vietnam Nisshin Technomic Co., Ltd., is included in the scope of consolidation from the year ended March 31, 2019.

   The assets and liabilities of the subsidiaries are recorded based on the fair value at the time the Company acquires control of the respective subsidiaries, where all significant intercompany balances and transactions have been eliminated on consolidation.

   Investments in one (one in 2018) unconsolidated subsidiaries and nine (nine in 2018) associated companies are accounted for by the equity method.

   Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

For consolidated subsidiaries with accounting periods ending on either December 31 or January 31, the Company previously used the financial statements of subsidiaries available as of the respective dates, with adjustments for any material transactions occurring during the period between the subsidiary's fiscal year-end and the consolidated fiscal year-end.

In a move to provide more accurate disclosure on the consolidated financial statements, from the year ended March 31, 2019, the Company adopted an approach whereby certain consolidated subsidiaries (Miller Milling Company, LLC and eight other companies) prepared provisional results as of March 31 for consolidation purposes. Profit and losses for applicable consolidated subsidiaries from January 1, 2018 or February 1, 2018 to March 31, 2018 have been recorded, adjusted as changes in retained earnings. Net increase or decrease in cash and cash equivalents are presented as "Decrease in cash and cash equivalents from change in accounting period of subsidiaries" in the consolidated statement of cash flows for the year ended March 31, 2019.

For Thai Nisshin Seifun Co., Ltd. and 11 other companies which have a fiscal year-end of December 31, since the fiscal year-end of each of these companies is within three months of the consolidated fiscal year-end, the current financial statements as of December 31, 2018 and for the year then ended, are used for consolidation purposes. However, material transactions occuring during the period from January 1, 2019 to March 31, 2019 have been adjusted as necessary.

Differences between the investment costs and the fair values of net assets of subsidiaries and entities using equity method have been amortized by the straight-line method over a period of mainly 10 years. Gain arising from a bargain purchase is recognized in the profit in the period.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. *Translation of Foreign Currency Accounts* — Current and non-current receivables and payables denominated in foreign currencies are retranslated

at prevailing rate at that date, and the resulting exchange differences are recognized in profit or loss in the period.
For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's overseas subsidiaries are translated into Japanese yen using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period.

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributable to non-controlling interests as appropriate).

d. ***Business Combinations***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash and Cash Equivalents***— Cash and cash equivalents in the consolidated statement of cash flows comprise securities, time deposits, and certificates of deposit mature within three months of the date of acquisition. They are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Reconciliations between cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are presented in Note 17

f. ***Allowance for Doubtful Accounts***— The Company and its domestic consolidated subsidiaries recognize allowance for doubtful debts against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Overseas consolidated subsidiaries recognize allowance for doubtful debts against trade receivables based on estimated irrecoverable amounts.

g. *Provision for repairs*— Certain consolidated subsidiaries recognise provisions for, at management's best estimates, the periodic repair of plant facilities.

h. *Inventories*—Inventories are stated at the lower of cost or net realizable value. 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. Costs of raw materials is determined based on a first-in-first-out basis.

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

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

j. *Property, Plant and Equipment*— Property, plant and equipment are carried At cost less accumulated depreciation and any accumulated impairment losses.
The Company and its domestic consolidated subsidiaries depreciate property, plant and equipment (other than buildings acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method) using the declining balance method. Property, plant and equipment of its overseas consolidated subsidiaries are depreciated using straight-line method over their estimated useful lives.

Intangible assets are amortized using straight-line method. Software for internal use is carried at cost less accumulated amortization, and it is depreciated over its estimated useful life (mainly five years) using straight line method.

k. *Long-Lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

l. ***Retirement and Pension Plans***— 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.

m. ***Stock Options***— Compensation expense for employee stock options (which were granted on and after May 1, 2006,) are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the balance sheet, the stock option is presented as stock acquisition rights as a separate component of equity until exercised.

n. ***Stock-based Remuneration Plan***—

(1) Outline of transactions

Under the Plan, the Company shares vested in the Eligible Directors, etc. are acquired by a trust established by the Company (the "Trust") using the money that the Company and the major subsidiaries contribute, and are vested in the Eligible Directors, etc. through the Trust. The Company shares calculated by a specific calculation method and cash for tax purpose, which are determined based on the stock remuneration base amount set out according to the positions and other factors of the Eligible Directors, etc., are vested in and granted to the Eligible Directors, etc. each year.

(2)Accounting method for transactions of delivering the Company's own stock through trusts

In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

o. ***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.

p. *Income Taxes*— The provision for income taxes is computed based on the profit before tax 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.

q. *Derivatives and Hedging Activities*— The Group uses forward exchange contracts and currency option contracts as a mean of minimizing exposure 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 profit or loss; 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.

r. *Per Share Information*—Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

s. *New Accounting Pronouncements*

Accounting Standard for Revenue Recognition, etc.

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition". The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1 : Identify the contract(s) with a customer
Step 2 : Identify the performance obligations in the contract
Step 3 : Determine the transaction price
Step 4 : Allocate the transaction price to the performance obligations in the contract
Step 5 : Recognize revenue when (or as) the entity satisfies a performance obligation

The Company expects to apply the accounting standard and guidance from the beginning of the year ending March 31, 2022.

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

t. *New accounting standard effective April 1, 2018*

ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting"

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets previously classified as current assets decreased by ¥4,690 million and deferred tax assets in investments and other assets increased by ¥2,709 million as of March 31, 2018. Deferred tax liabilities previously classified as current liabilities decreased by ¥68 million and deferred tax liabilities in long-term liabilities decreased by¥1,912 million as of March 31, 2018. Further, total assets decreased by ¥1,981 million due to offsetting deferred tax assets and deferred tax liabilities of the same entity.

3. ADDITIONAL INFORMATION

Business combination through acquisition

On March 26, 2019, the Board of Directors resolved to acquire 51% of the common stock of the Company's affiliate, Tokatsu Foods Co., Ltd. ("Tokatsu Foods"), from other external shareholders. As a result of the acquisition, Tokatsu Foods is expected to become a consolidated subsidiary of the Company for the year ending March 31, 2020.

1. Outline of the business combination

(1) Name and principal activity of acquired company

Name: Tokatsu Foods Co., Ltd.

Principal activity: Freshly prepared dishes business (production and sale of bento boxes, seasoned rice balls, sandwiches, prepared dishes, noodles, salads and other prepared foods), frozen prepared dishes business (production and sale of commercial-use frozen bento boxes, frozen prepared dishes, frozen noodles)

(2) Rationale for the business combination

The Company has identified growth opportunities in the prepared dishes and other prepared foods business, and is taking steps to groom it as one of the Group's core operations. In December 2012, the Company entered a capital tie-up with Tokatsu Foods, followed in January 2016 with the consolidation of Joyous Foods Co., Ltd., a supplier of prepared noodles, as a subsidiary. The Company conducted the current acquisition after determining that it would contribute to further expansion of its prepared dishes and other prepared foods and frozen foods businesses.

Established in 1968, Tokatsu Foods has been a leading presence in Japan as a comprehensive supplier of prepared dishes, and has developed a deli prepared dishes business targeting convenience stores along with a delivery route-focused frozen prepared dishes business. Prior to the business combination , the Company had developed a collaborative relationship with Tokatsu Foods over many years, both through outsourcing the production of deli prepared dishes and frozen foods to Tokatsu Foods, and through the aforementioned capital tie-up. Leveraging the Group's reseach expertise and product development capabilities, the current acquisition is expected to further enhance these relations, as well as the Group's prepared dishes and other prepared foods business and its frozen foods business.

(3) Date of business combination

July 4, 2019

(4) Legal form of business combination

Cash acquisition

(5) Entity name of business acquired

Tokatsu Foods Co., Ltd.

(6) Proportion of voting rights acquired

1. Shareholding prior to business combination	55,725 shares (Number of voting rights: 55,725) (Proportion of voting rights held: 49%)
2. Shares acquired	58,000 shares (Number of voting rights: 58,000)
3. Shareholding following business combination	113,725 shares (Number of voting rights: 113,725) (Proportion of voting rights held: 100%)

(7) The objective of acquisition is to obtain 100% of voting rights.

2. The acquisition cost and difference from total cost of individual transactions required for the acquisition is to be determained.

3. The total purchase price consideration is ¥15,080 million ($135,868 thousand) by cash.

4. Expenses relating to the acquisition are to be further determined.

5. The acquisition is funded entirely by cash on hand.

6. Goodwill arising from the acquisition and the related amortization policy is to be determined.

7. Amount and principal breakdown of assets and liabilities assumed on date of business combination is to be determined.

4. INVENTORIES

Inventories at March 31, 2019 and 2018 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Merchandise and finished goods	**¥ 24,681**	¥ 24,241	**$ 222,371**
Work in process	**5,479**	5,657	**49,365**
Raw materials and supplies	**43,188**	41,983	**389,116**
Total	**¥ 73,348**	¥ 71,882	**$ 660,852**

Inventory write-downs of ¥425 million ($3,829 thousand) and ¥512 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31, 2019 and 2018, respectively.

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans and long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Short-term bank loans with average interest rate of 2.0783% at March 31, 2019	¥ 8,557	¥ 6,714	$ 77,097
Current portion of long-term bank loans with average interest rate of 2.0004% at March 31, 2019	977	1,178	8,803
Current portion of lease obligations	342	368	3,081
Total short-term bank loans and current portion of long term debt	9,877	8,260	88,990
Long-term bank loans at March 31, 2019 with average interest rate of 2.5449%, less current portion, due from 2020 to 2028	6,771	7,194	61,005
Long-term lease obligations at March 31, 2019, due from 2020 to 2031	760	665	6,847
Total long-term debt	7,531	7,859	67,853
Total	¥ 17,410	¥ 16,120	$ 156,861

* Average interest rates of bank loans represent the weighted-average rates for the outstanding balances at March 31, 2019.

* 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, 2019 were calculated based on inclusive-of-interest method.

The annual maturities of long-term bank loans within 5 years of March 31, 2019, excluding the current portion, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 1,325	$ 11,938
2022	1,174	10,578
2023	1,180	10,632
2024	1,186	10,686

The annual maturities of long-term lease obligations within 5 years of March 31, 2019 excluding the current portion are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 275	$ 2,478
2022	224	2,018
2023	174	1,568
2024	71	640

The Group has entered into certain line-of-credit agreements with major financial institutions amounting to ¥28,367 million ($255,582 thousand) and ¥28,730 million at March 31, 2019 and 2018, respectively.

Bank loans outstanding under these line-of-credit agreements amounted to ¥4,499 million ($40,535 thousand) and ¥3,583 million at March 31, 2019 and 2018, respectively.

Contracted fees for these line-of-credit agreements amounted to ¥22 million ($198 thousand) and ¥21 million for the years ended March 31, 2019 and 2018, respectively. These amounts are presented as other non-operating expenses.

6. 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, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Balance at beginning of year	**¥ 26,015**	¥ 27,294	**$ 234,390**
Service cost	**1,247**	1,233	**11,235**
Interest cost	**181**	182	**1,631**
Actuarial loss (gain)	**5**	39	**45**
Retirement benefits paid	**(2,030)**	(2,588)	**(18,290)**
Plan change	**-**	(145)	**-**
Other	**6**	0	**54**
Balance at end of year	**¥ 25,426**	¥ 26,015	**$ 229,084**

(b) The changes in plan assets during the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Balance at beginning of year	**¥ 5,470**	¥ 6,618	**$ 49,284**
Expected return on plan assets	**40**	73	**360**
Actuarial loss	**-**	(15)	**-**
Retirement benefits paid	**(1,034)**	(1,262)	**(9,316)**
Contributions from the employer	**56**	57	**505**
Balance at end of year	**¥ 4,534**	¥ 5,470	**$ 40,851**

* Fair value of plan assets for the years ended March 31, 2019 and 2018 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, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded projected benefit obligation	¥ 4,349	¥ 5,350	$ 39,184
Plan assets at fair value	(4,534)	(5,470)	(40,851)
	(184)	(120)	(1,658)
Unfunded projected benefit obligation	21,076	20,664	189,891
Net liability and asset recorded on the consolidated balance sheet	20,892	20,544	188,233
Net defined benefit liability	21,169	20,782	190,729
Net defined benefit asset	(277)	(238)	(2,496)
Net liability (asset) recorded on the consolidated balance sheet	¥ 20,892	¥ 20,544	$ 188,233

(d) The components of retirement benefit costs for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 1,247	¥ 1,233	$ 11,235
Interest cost	181	182	1,631
Expected return on plan assets	(40)	(73)	(360)
Amortization of actuarial loss	308	450	2,775
Amortization of prior service cost	(245)	(245)	(2,207)
Net retirement benefit costs	¥ 1,451	¥ 1,547	$ 13,073

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

(e) The components of remeasurements of defined benefit plans (before income tax effect) in other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥ (245)	¥ (245)	$ (2,207)
Actuarial loss (gain)	303	395	2,730
Total	¥ 57	¥ 150	$ 514

(f) The components of remeasurements of defined benefit plans (before income tax effect) in accumulated other comprehensive income as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥ (835)	¥ (1,081)	$ (7,523)
Unrecognized actuarial loss (gain)	1,953	2,256	17,596
Total	¥ 1,117	¥ 1,174	$ 10,064

(g) Plan assets

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

	2019	2018
General account	**50%**	50%
Bonds	**43**	44
Cash and deposits	**7**	6
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, 2019 and 2018 are set forth as follows:

		2019	2018
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, 2019 and 2018 amounted to ¥942 million ($8,487 thousand) and ¥875 million, respectively.

7. 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, 2019 and 2018 amounted to ¥13 million ($117 thousand) and ¥53 million, respectively. Gain on cancel of unexercised stock options for the years ended March 31, 2019 and 2018 amounted to ¥0 million ($0 thousand) and ¥1 million, respectively.

At March 31, 2019, the Company and consolidated subsidiaries had the following stock option plans:

	2011 Plan	2012 Plan	2013 Plan	2014 Plan
Grantees	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	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
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	424,710 shares *1	388,410 shares *1	373,890 shares *1	337,700 shares *2
Grant date	August 18, 2011	August 16, 2012	August 20, 2013	August 19, 2014
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, 2013-August 1, 2018	August 17, 2014-August 1, 2019	August 21, 2015-August 3, 2020	August 20, 2016-August 2, 2021

	2011 Plan *1	2012 Plan *1	2013 Plan *1	2014 Plan *2
Non-Vested (number of shares)				
Outstanding at beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Canceled during the year	-	-	-	-
Vested during the year	-	-	-	-
Outstanding at end of the year	-	-	-	-
Vested (number of shares)				
Outstanding at beginning of the year	30,250	35,090	108,900	215,600
Vested during the year	-	-	-	-
Exercised during the year	24,200	14,520	53,240	51,700
Canceled during the year	6,050	-	-	-
Outstanding at end of the year	-	20,570	55,660	163,900
Exercise price (Yen)	¥848	¥792	¥1,012	¥1,159
Exercise price (U.S. dollars)	$7.64	$7.14	$9.12	$10.44
Weighted-average market price upon exercise (Yen)	¥2,237	¥2,207	¥2,347	¥2,369
Weighted-average market price upon exercise (U.S. dollars)	$20.15	$19.88	$21.15	$21.34
Fair value as of grant date (Yen)	¥140	¥152	¥101	¥122
Fair value as of grant date (U.S. dollars)	$1.26	$1.37	$0.91	$1.10

	2015 Plan	2016 Plan
Grantees	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
Number of shares granted	326,000 shares	339,000 shares
Grant date	August 19, 2015	August 15, 2016
Conditions for vesting	Not stated	Not stated
Service period	Not specified	Not specified
Exercisable period	August 20, 2017- August 1, 2022	August 16, 2018- August 1, 2023

	2015 Plan	2016 Plan
Non-Vested (number of shares)		
Outstanding at beginning of the year	-	339,000
Granted during the year	-	-
Canceled during the year	-	-
Vested during the year	-	-
Outstanding at end of the year	-	339,000
Vested (number of shares)		
Outstanding at beginning of the year	307,000	
Vested during the year	-	339,000
Exercised during the year	57,000	10,000
Canceled during the year	-	-
Outstanding at end of the year	250,000	329,000
Exercise price (Yen)	¥1,748	¥1,753
Exercise price (U.S. dollars)	$15.75	$15.79
Weighted-average market price upon exercise (Yen)	¥2,263	¥2,396
Weighted-average market price upon exercise (U.S. dollars)	$20.39	$21.59
Fair value as of grant date (Yen)	¥266	¥220
Fair value as of grant date (U.S. dollars)	$2.40	$1.98

*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.

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a.Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.
The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b.Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c.Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. SUPPLEMENTAL INFORMATION FOR CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(a) Type and number of outstanding shares

Types of shares	Balance at Beginning of Year	Increase in Shares during the Year	Decrease in Shares during the Year	Balance at Year End
	Thousands of shares			
	Year ended March 31, 2019			
Issued stock: Common stock	**304,357**	**-**	**-**	**304,357**
Treasury stock: Common stock	**7,426**	**85**	**277**	**7,234**

1. Treasury stock increased due to (a) share vesting trust (84 thousand shares) and (b) a repurchase of odd-lot shares of less than one unit (1 thousand shares).
2. Treasury stock decreased due to (a) a disposal of odd-lot shares of less than one unit (0 thousand shares), (b) share vesting trust (67 thousand shares) and (c) exercise of stock options (210 thousand shares).
3. The number of treasury shares of common stock as of March 31, 2019 includes 21 thousand shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

Types of shares	Balance at Beginning of Year	Increase in Shares during the Year	Decrease in Shares during the Year	Balance at Year End
	Thousands of shares			
	Year ended March 31, 2018			
Issued stock: Common stock	304,357	-	-	304,357
Treasury stock: Common stock	2,374	5,426	374	7,426

1. Treasury stock increased due to (a) a purchase based on the resolution of the Board of Director's meeting held on May 12, 2017 (5,334 thousand shares), (b) share vesting trust (88 thousand shares) and (c) a repurchase of odd-lot shares of less than one unit (2 thousand shares).
2. Treasury stock decreased due to (a) a disposal of odd-lot shares of less than one unit (0 thousand shares), (b) share vesting trust (84 thousand shares) and (c) exercise of stock options (290 thousand shares).
3. The number of treasury shares of common stock as of March 31, 2018 includes 4 thousand shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

(b) Stock acquisition rights

Category	Details of Options	**Balance at March 31, 2019** Millions of yen	Thousands of U.S. dollars
Supplying company	Stock acquisition rights as stock options	**¥ 167**	**$ 1,505**
(Parent Company)	Total	**¥ 167**	**$ 1,505**

Category	Details of Options	Balance at March 31, 2018 Millions of yen
Supplying company	Stock acquisition rights as stock options	¥ 189
(Parent Company)	Total	¥ 189

(c) Dividends

(1) Dividends paid to shareholders

Year ended March 31, 2019

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 27, 2018	**Shareholders**	**Common stock**	**¥4,455**	**$ 40,139**	**¥15**	**$ 0.14**	**March 31, 2018**	**June 28, 2018**
October 29, 2018	**Board of directors**	**Common stock**	**¥4,754**	**$ 42,833**	**¥16**	**$ 0.14**	**September 30, 2018**	**December 7, 2018**

* Total dividends paid include ¥1 million ($9 thousand) of the dividends to the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

Year ended March 31, 2018

Date of Approval	Resolution Approved by	Type of Shares	Amount	Amount per Share	Cut-off Date	Effective Date
			(Millions of yen)	(Yen)		
June 28, 2017	Shareholders	Common stock	¥3,926	¥13	March 31, 2017	June 29, 2017
October 26, 2017	Board of directors	Common stock	¥4,161	¥14	September 30, 2017	December 4, 2017

* Total dividends paid include ¥1 million of the dividends to the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

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

Year ended March 31, 2019

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 26, 2019	**Shareholders**	**Common stock**	**Retained earnings**	**¥ 4,755**	**$ 42,842**	**¥ 16**	**$ 0.14**	**March 31, 2019**	**June 27, 2019**

* Total dividends paid include ¥0 million ($0 thousand) of the dividends to the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

Year ended March 31, 2018

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 27, 2018	Shareholders	Common stock	Retained earnings	¥ 4,455	¥ 15	March 31, 2018	June 28, 2018

* Total dividends paid include ¥0 million of the dividends to the Company shares held by The Master Trust Bank of Japan, Ltd. as trust assets for the stock-based remuneration plan.

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Freight	**¥ 35,968**	¥ 35,668	**$ 324,065**
Sales promotion and sales incentives	**40,707**	40,669	**366,763**
Employees' salaries	**14,627**	14,195	**131,787**
Employees' bonuses and benefits	**11,089**	10,666	**99,910**
Retirement benefits	**1,309**	1,248	**11,794**
Other	**33,142**	31,706	**298,603**
Total	**¥136,842**	¥134,152	**$ 1,232,922**

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses and manufacturing costs were ¥6,168 million ($55,573 thousand) and ¥5,913 million for the years ended March 31, 2019 and 2018, respectively.

12. 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 30.6% and 30.8% for the years ended March 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred tax assets:			
Net defined benefit liability	**¥ 6,282**	¥ 6,158	**$ 56,600**
Provision for bonuses	**1,449**	1,421	**13,055**
Investment securities	**1,333**	1,333	**12,010**
Intangible assets	**1,329**	1,322	**11,974**
Accrued sales incentives	**1,064**	1,119	**9,586**
Unrealized gain on fixed assets	**965**	1,023	**8,694**
Loss on impairment of long-lived assets	**547**	585	**4,928**
Inventories	**470**	516	**4,235**
Loss carryforward	**897**	514	**8,082**
Accrued enterprise taxes	**443**	396	**3,991**
Provision for repairs	**446**	353	**4,018**
Unrealized gain on inventories	**220**	232	**1,982**
Depreciation	**197**	219	**1,775**
Other	**2,064**	1,712	**18,596**
Gross deferred tax assets	**17,714**	16,909	**159,600**
Valuation allowance	**(2,783)**	(2,564)	**(25,074)**
Deferred tax assets, net	**¥ 14,931**	¥ 14,344	**$ 134,526**

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(27,175)	¥(30,130)	$ (244,842)
Reserve for reduction entry of fixed assets	(1,869)	(1,874)	(16,839)
Retained earnings of subsidiaries and associates	(1,045)	(1,029)	(9,415)
Underdepreciation	(1,670)	(1,012)	(15,046)
Securities returned from employee retirement benefit trust	(964)	(964)	(8,685)
Other	(805)	(763)	(7,253)
Gross deferred tax liabilities	(33,530)	(35,774)	(302,099)
Deferred tax liabilities, net	¥(18,599)	¥(21,430)	$ (167,574)

Disclosure of the reconciliation between the statutory and effective tax rates for the year ended March 31, 2019 is as follows:

	Year ended March 31
	2019
Statutory tax rate	30.6%
Non-taxable dividend income and others	(0.6)
Non-deductible expenses	0.7
Tax credits	(1.5)
Equity in earnings of unconsolidated subsidiaries	(1.5)
Acquisition-related costs	1.0
Other	0.1
Effective tax rate	28.8%

Disclosure of the reconciliation for the year ended March 31, 2018 has not been included as the difference was less than 5% of the statutory tax rate.

13. LEASES

The Group primarily leases information system equipment and software.

The future minimum lease commitments under noncancellable operating leases subsequent to March 31, 2019 and 2018 are summarized as follows:

(As Lessee)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 195	¥ 279	$ 1,757
Due after one year	130	351	1,171
Total	¥ 325	¥ 630	$ 2,928

(As Lessor)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 45	¥ 45	$ 405
Due after one year	202	247	1,820
Total	¥ 247	¥ 292	$ 2,225

14. PER SHARE INFORMATION

	2019	2018	2019
Earnings per share:			
Basic *1	¥ 74.98	¥ 71.47	$ 0.68
Diluted	74.90	71.40	0.67
Net assets per share *2	¥ 1,359.49	¥ 1,344.68	$ 12.25

Basic earnings per share is computed by dividing profit attributable to owners of the Company 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 earnings 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 stock acquisition rights and noncontrolling interests by the number of shares of common stock outstanding at the year end.

*1 When calculating basic and diluted earnings per share, treasury shares of the Company held in trust, for the purpose of its stock-based remuneration plan, by The master Trust Bank of Japan, Ltd are excluded from the calculation of the average number of common stock during the year. For the years ended March 31, 2019 and 2018, the average number of shares of common stock for the Company shares held in the aforementioned trust were 31,808 shares and 22,246 shares, respectively.
*2 When calculating net assets per share, treasury shares of the Company held in trust, for the purpose of its stock-based remuneration plan, by The master Trust Bank of Japan, Ltd are excluded from the calculation of the average number of common stock during the year. As of March 31, 2019 and 2018, 21,900 Company shares and 4,000 Company shares were held in the aforementioned trust, respectively.

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

	2019	2018
Profit attributable to owners of parent available for distribution to common shareholders	¥ 22,268 million ($200,631 thousand)	¥ 21,339 million
Weighted average number of shares for basic net income	297,016,222 shares	298,575,490 shares
Increase in shares of common stock		
Stock acquisition rights	306,092 shares	307,190 shares
Number of shares for diluted net income	297,322,314 shares	298,882,680 shares
Summary of potentially issuable shares that do not have a dilutive effect on net income per share		

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

	2019	2018	2019
Total net assets	¥ 418,848 million	¥ 413,794 million	$ 3,773,745 thousand
Amounts deducted from total net assets			
Stock acquisition rights	167 million	189 million	1,505 thousand
Noncontrolling interests	14,743 million	14,327 million	132,832 thousand
Net assets attributable to shares of common stock	403,937 million	399,278 million	3,639,400 thousand
Number of shares of common stock used in the calculation of net assets per share	297,123,412 shares	296,931,826 shares	

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

(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.

Receivables-Trade notes and accounts are exposed to credit risk. The Group monitors and reviews creditability of customers on a periodic basis. Credit exposure is controlled by counterparty limits.

Equity investments in companies are for the purpose of business relationship or capital alliances and exposed to market fluctuation risk. Thus, policies have been established to regularly determine actual market value, and with respect to each of the cross-shareholding stocks retained, to review the rationals of cross-shareholding at the meeting of Board of Directors on an annual basis, their trading situations, revenue and financial conditions, shareholder returns, creditworthiness, and other factors, and making risks and benefits analysis and capital costs associated with cross-shareholding.

Payables-Trade notes and accounts 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 18 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 sheets as of March 31, 2019 and 2018, fair value and differences are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	2019					
	Millions of yen			Thousands of U.S. dollars		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)	Carrying Value	Fair Value	Unrealized Gains (Losses)
Cash and deposits	¥101,974	¥101,974	¥ -	$ 918,767	$ 918,767	$ -
Receivables-Trade notes and accounts	76,245	76,245	-	686,954	686,954	-
Marketable securities and investment securities:						
Available-for-sale securities	126,063	126,063	-	1,135,805	1,135,805	-
Total assets	¥304,283	¥304,283	¥ -	$2,741,535	$2,741,535	$ -
Payables-Trade notes and accounts	54,936	54,936	-	494,964	494,964	-
Total liabilities	¥ 54,936	¥ 54,936	¥ -	$ 494,964	$ 494,964	$ -
Derivative transactions: (*)						
Hedge accounting not applied	(290)	(290)	-	(2,613)	(2,613)	-
Hedge accounting applied	(570)	(570)	-	(5,136)	(5,136)	-
Total derivative transactions	¥ (861)	¥ (861)	¥ -	$ (7,757)	$ (7,757)	$ -

	2018		
	Millions of yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Cash and deposits	¥ 91,635	¥ 91,635	¥ -
Receivables-Trade notes and accounts	79,676	79,676	-
Marketable securities and investment securities:			
Available-for-sale securities	135,910	135,910	-
Total assets	¥307,222	¥307,222	¥ -
Payables-Trade notes and accounts	58,492	58,492	-
Total liabilities	¥ 58,492	¥ 58,492	¥ -
Derivative transactions: (*)			
Hedge accounting not applied	(35)	(35)	-
Hedge accounting applied	(680)	(680)	-
Total derivative transactions	¥ (716)	¥ (716)	¥ -

(*) 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 Receivables-Trade notes and accounts

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

Marketable 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:

Payables-Trade notes and accounts

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 18

Note 2: Unlisted equity securities of ¥28,165 million ($253,762 thousand) and ¥27,363 million whose fair values are unobservable as of March 31, 2019 and 2018, respectively, are not included in the above tables.

(c) The redemption schedule for financial instruments and securities with maturities as of March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
	Due in One Year or Less	Due in One Year or Less	Due in One Year or Less
Cash and deposits	**¥ 101,974**	¥ 91,635	**$ 918,767**
Receivables-Trade notes and accounts	**76,245**	79,676	**686,954**
Marketable securities and investment securities:			
Available-for-sale securities	**7,353**	7,866	**66,249**
Total	**¥ 185,573**	¥ 179,178	**$1,671,979**

16. INVESTMENT SECURITIES

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

	2019					
	Millions of yen			Thousands of U.S. dollars		
	Carrying Amount	Acquisition Cost	Unrealized Gains (Losses)	Carrying Amount	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥117,104	¥ 27,209	¥ 89,895	$ 1,055,086	$ 245,148	$809,938
Bonds:						
Government and municipal bonds	1,569	1,569	0	14,136	14,136	0
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	118,674	28,778	89,895	1,069,231	259,285	809,938
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	1,622	1,669	(47)	14,614	15,037	(423)
Bonds:						
Government and municipal bonds	5,766	5,768	(1)	51,951	51,969	(9)
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	7,389	7,438	(48)	66,574	67,015	(432)
Total	¥126,063	¥ 36,216	¥ 89,846	$ 1,135,805	$ 326,300	$809,496

	2018		
	Millions of yen		
	Carrying Amount	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥128,052	¥ 28,479	¥ 99,572
Bonds:			
Government and municipal bonds	691	691	0
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Subtotal	128,744	29,171	99,573
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	-	-	-
Bonds:			
Government and municipal bonds	7,165	7,166	(0)
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Subtotal	7,165	7,166	(0)
Total	¥135,910	¥ 36,337	¥ 99,572

(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, 2019 and 2018 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Equity			
Proceeds from sales	¥ 1,708	¥ 858	$ 15,389
Aggregate gains on sales	1,379	357	12,425

17. CASH FLOW INFORMATION

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, 2019 and 2018 as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥ 101,974	¥ 91,635	$ 918,767
Marketable securities	7,336	7,857	66,096
Total	109,310	99,493	984,864
Time deposits with maturities of more than three months	(916)	0	(8,253)
Debt securities with maturities of more than three months	(1,019)	(1,032)	(9,181)
Cash and cash equivalents	¥ 107,374	¥ 98,461	$ 967,420

18. DERIVATIVES

Derivative transactions for which hedge accounting is not applied at March 31, 2019 and 2018 are as follows:

	2019							
	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	¥ 1,079	¥ -	¥ (2)	¥ (2)	$ 9,722	$ -	$ (18)	$ (18)
Forward exchange contracts:								
Sell:								
U.S. dollars	¥ 182	¥ -	¥ (0)	¥ (0)	$ 1,640	$ -	$ (0)	$ (0)
Euro	33	-	0	0	297	-	0	0
Buy:								
U.S. dollars	911	-	(15)	(15)	8,208	-	(135)	(135)
Euro	58	-	(0)	(0)	523	-	(0)	(0)
Japanese yen	1	-	0	0	9	-	0	0
British Pound	6	-	0	0	54	-	0	0
Total	¥ 2,274	¥ -	¥ (19)	¥ (19)	$ 20,488	$ -	$ (171)	$ (171)
Commodity futures:								
Sell:								
Wheat	¥ 2,934	¥ -	¥ 153	¥ 153	$ 26,435	$ -	$ 1,379	$ 1,379
Buy:								
Wheat	6,018	-	(424)	(424)	54,221	-	(3,820)	(3,820)
Total	¥ 8,952	¥ -	¥ (271)	¥ (271)	$ 80,656	$ -	$(2,442)	$(2,442)

	2018			
	Millions of yen			
	Contract Amount and Others	Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency futures:				
Buy:				
Canadian dollars	¥ 896	¥ -	¥ 29	¥ 29
Forward exchange contracts:				
Sell:				
U.S. dollars	¥ 234	¥ -	¥ 2	¥ 2
Euro	39	-	0	0
Buy:				
U.S. dollars	503	-	(4)	(4)
Euro	42	-	(0)	(0)
Japanese yen	1	-	(0)	(0)
British Pound	19	-	(0)	(0)
Total	¥ 1,737	¥ -	¥ 28	¥ 28
Commodity futures:				
Sell:				
Wheat	¥ 2,773	¥ 102	¥ 45	¥ 45
Buy:				
Wheat	4,519	-	(110)	(110)
Total	¥ 7,292	¥ 102	¥ (64)	¥ (64)

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

Derivative transactions for which hedge accounting is applied at March 31, 2019 and 2018 are as follows:

	2019						
		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	¥ 1,535	¥ -	¥ (14)	$ 13,830	$ -	$ (126)
Buy:							
U.S. dollars	Anticipated foreign currency transactions	3,710	-	26	33,426	-	234
Thai baht		948	-	18	8,541	-	162
Euro		537	-	(10)	4,838	-	(90)
Indian rupee		2,709	-	(122)	24,408	-	(1,099)
Australian dollars		46,836	-	(468)	421,984	-	(4,217)
Allocation method							
Forward exchange contracts:							
Sell:							
U.S. dollars	Accounts receivables	¥ 195	¥ -	¥ -	$ 1,757	$ -	$ -
Buy:							
U.S. dollars	Accounts payables	17	-	-	153	-	-
Euro		1	-	-	9	-	-
		¥ 56,490	¥ -	¥ (570)	$508,965	$ -	$ (5,136)

	2018			
		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	¥ 1,099	¥ -	¥ 23
Buy:				
U.S. dollars	Anticipated foreign currency transactions	4,687	-	(135)
Thai baht		1,606	-	(3)
Euro		935	105	(8)
Indian rupee		6,681	2,709	(556)
Allocation method				
Forward exchange contracts:				
Sell:				
U.S. dollars	Accounts receivables	¥ 131	¥ -	¥ -
Buy:				
U.S. dollars	Accounts payables	29	-	-
Euro		2	-	-
		¥ 15,174	¥ 2,814	¥ (680)

19. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized gain on available-for-sale securities:			
Gains (losses) arising during the year	¥ (8,409)	¥ 5,725	$ (75,764)
Reclassification adjustments	(1,315)	(5)	(11,848)
Before income tax effects	(9,725)	5,719	(87,621)
Income tax effects	2,954	(1,773)	26,615
Total	(6,770)	3,945	(60,996)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	134	(813)	1,207
Reclassification adjustments	2	(7)	18
Before income tax effects	137	(821)	1,234
Income tax effects	(41)	250	(369)
Total	95	(570)	856
Foreign currency translation adjustments:			
Adjustments arising during the year	172	(1,118)	1,550
Defined retirement benefit plans:			
Adjustments arising during the year	(5)	(54)	(45)
Reclassification adjustments	63	205	568
Before income tax effects	57	150	514
Income tax effects	(12)	(41)	(108)
Total	44	109	396
Share of other comprehensive income (loss) in associates:			
Adjustments arising during the year	(85)	111	(766)
Total other comprehensive income	¥ (6,543)	¥ 2,478	$ (58,951)

20. RELATED PARTY TRANSACTIONS

Related party transactions for the year ended March 31, 2019 are as follows:

Directors, Major Individual Shareholders, etc.

Category	Name of company, etc., or individual	Percentage of Voting Rights, etc.	Transactions with Related Party	Nature of Transactions	Transaction Value	Item	Year-end Balance
Director and his/her close relative	Yuji Koike	Directly held 0.0	Director of the Company (Note 2)	Exercise of subscription rights to shares (Note 1)	¥10 million ($90 thousand)	-	-
	Akio Mimura	Directly held 0.0	Director of the Company	Exercise of subscription rights to shares (Note 1)	¥10 million ($90 thousand)	-	-

Transaction conditions and methods used to determine conditions

Note 1: This refers to the exercise during the fiscal year ended March 31, 2019 of stock options granted by the resolutions of the Ordinary General Meeting of Shareholders held on June 26, 2014, and June 25, 2015. The "Transaction Value" represents the amount determined by multiplying the number of shares granted by the exercise of the stock options during the fiscal year ended March 31, 2019 by the exercise price.

Note 2: Yuji Koike has taken office as a director and managing executive officer as of June 26, 2019.

Related party transactions for the year ended March 31, 2018 are as follows:

Directors, Major Individual Shareholders, etc.

Category	Name of company, etc., or individual	Percentage of Voting Rights, etc.	Transactions with Related Party	Nature of Transactions	Transaction Value	Item	Year-end Balance
Director and his/her close relative	Akio Mimura	Directly held 0.0	Director of the Company	Exercise of subscription rights to shares (Note 1)	¥11 million	-	-
	Masashi Nakagawa	Directly held 0.0	Director of the Company	Exercise of subscription rights to shares (Note 1)	¥10 million	-	-

Transaction conditions and methods used to determine conditions

(Note): This refers to the exercise during the fiscal year ended March 31, 2018 of stock options granted by the resolutions of the Ordinary General Meeting of Shareholders held on June 26, 2013, and June 26, 2014. The "Transaction Value" represents the amount determined by multiplying the number of shares granted by the exercise of the stock options during the fiscal year ended March 31, 2018 by the exercise price.

21. 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 given 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 businesses 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.

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) (Statement No. 28) has been applied from the beginning of the year ended March 31, 2019, and the amounts of segment assets as of March 31, 2018 reflect the retrospective application of Statement No. 28.

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

	Millions of yen						
	2019						
	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	¥ 245,943	¥ 258,783	¥ 504,726	¥ 60,616	¥ 565,343	¥ -	¥ 565,343
Intersegment sales and transfers	16,431	412	16,844	2,951	19,796	(19,796)	-
Total	262,375	259,196	521,571	63,568	585,139	(19,796)	565,343
Segment income	¥ 9,179	¥ 13,421	¥ 22,601	¥ 4,088	¥ 26,689	¥ 226	¥ 26,916
Segment assets	¥ 209,818	¥ 183,790	¥ 393,609	¥ 72,255	¥ 465,864	¥ 128,889	¥ 594,754
Other items:							
Depreciation and amortization	¥ 8,164	¥ 5,484	¥ 13,649	¥ 1,545	¥ 15,194	¥ (243)	¥ 14,951
Investment in affiliates using equity method	3,073	7,185	10,259	16,343	26,602	-	26,602
Increase in property, plant and equipment and intangible assets	8,209	9,410	17,619	1,239	18,858	(139)	18,719

	Millions of yen						
	2018						
	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	¥ 234,799	¥ 254,000	¥ 488,799	¥ 51,295	¥ 540,094	¥ -	¥ 540,094
Intersegment sales and transfers	15,958	406	16,365	2,675	19,040	(19,040)	-
Total	250,758	254,406	505,164	53,970	559,135	(19,040)	540,094
Segment income	¥ 9,957	¥ 13,473	¥ 23,430	¥ 3,613	¥ 27,044	¥ 155	¥ 27,200
Segment assets	¥ 209,926	¥ 176,806	¥ 386,732	¥ 74,108	¥ 460,841	¥ 130,671	¥ 591.512
Other items:							
Depreciation and amortization	¥ 8,607	¥ 5,579	¥ 14,186	¥ 1,577	¥ 15,764	¥ (255)	¥ 15,509
Investment in affiliates using equity method	2,965	6,760	9,725	16,258	25,983	-	25,983
Increase in property, plant and equipment and intangible assets	11,660	8,783	20,443	1,157	21,601	(116)	21,484

	Thousands of U.S. dollars						
	2019						
	Reportable segment						
	Flour Milling	Processed Food	Subtotal	Other	Total	Adjustments	Consolidated
Net Sales:							
Sales to external customers	$2,215,902	$ 2,331,588	$ 4,547,491	$ 546,139	$ 5,093,639	$ -	$ 5,093,639
Intersegment sales and transfers	148,040	3,712	151,761	26,588	178,358	(178,358)	-
Total	2,363,952	2,335,309	4,699,261	572,736	5,271,997	(178,358)	5,093,639
Segment income	$ 82,701	$ 120,921	$ 203,631	$ 36,832	$ 240,463	$ 2,036	$ 242,508
Segment assets	$ 1,890,423	$ 1,655,915	$ 3,546,347	$ 651,005	$ 4,197,351	$1,161,267	$ 5,358,627
Other items:							
Depreciation and amortization	$ 73,556	$ 49,410	$ 122,975	$ 13,920	$ 136,895	$ (2,189)	$ 134,706
Investment in affiliates using equity method	27,687	64,736	92,432	147,247	239,679	-	239,679
Increase in property, plant and equipment and intangible assets	73,962	84,782	158,744	11,163	169,907	(1,252)	168,655

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 ¥128,889 million ($1,161,267 thousand) and ¥130,671 million as of March 31, 2019 and 2018, respectively, include offsetting of intersegment assets of ¥(87,070) million ($(784,485) thousand) and ¥(53,451) million, respectively and corporate assets of ¥215,960 million ($1,945,761 thousand) and ¥184,123 million, respectively. Corporate assets 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

2019			
Millions of yen			
Japan	U.S.	Other	Total
¥ 461,604	**¥ 67,189**	**¥ 36,549**	**¥ 565,343**

2018			
Millions of yen			
Japan	U.S.	Other	Total
¥ 443,804	¥ 63,546	¥ 32,743	¥ 540,094

2019			
Thousands of U.S. dollars			
Japan	U.S.	Other	Total
$ 4,158,969	**$ 605,361**	**$ 329,300**	**$ 5,093,639**

(2) Property, plant and equipment

2019			
Millions of yen			
Japan	U.S.	Other	Total
¥ 110,629	**¥ 24,405**	**¥ 21,282**	**¥ 156,317**

2018			
Millions of yen			
Japan	U.S.	Other	Total
¥ 111,725	¥ 21,871	¥ 17,346	¥ 150,942

2019			
Thousands of U.S. dollars			
Japan	U.S.	Other	Total
$ 996,747	**$ 219,885**	**$ 191,747**	**$ 1,408,388**

5. Information about major customers

	2019		
	Name of the related segment	Millions of yen	Thousands of U.S. dollars
Mitsubishi Corporation	**Flour Milling, Processed Foods and Other**	**¥ 63,426**	**$ 571,457**

	2018	
	Name of the related segment	Millions of yen
Mitsubishi Corporation	Flour Milling, Processed Foods and Other	¥ 61,944

6. Information about loss on impairment of long-lived assets by reportable segment

	2019
	Millions of yen
	Processed Food
Loss on impairment of long-lived assets	¥ 72

	2018
	Millions of yen
	Processed Food
Loss on impairment of long-lived assets	¥ 129

	2019
	Thousands of U.S. dollars
	Processed Food
Loss on impairment of long-lived assets	$ 649

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

	2019		
	Millions of yen		
	Flour Milling	Processed Food	Total
Amortization	¥ 1,126	¥ 197	¥ 1,324
Unamortized balance	4,580	435	5,016

	2018		
	Millions of yen		
	Flour Milling	Processed Food	Total
Amortization	¥ 1,054	¥ 170	¥ 1,224
Unamortized balance	5,309	313	5,623

	2019		
	Thousands of U.S. dollars		
	Flour Milling	Processed Food	Total
Amortization	$ 10,145	$ 1,775	$ 11,929
Unamortized balance	41,265	3,919	45,193

22. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2019, was approved at the Company's shareholders' meeting held on June 26, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16 ($0.14) per share	¥4,755	$42,842

b. Business combination through acquisition

On February 27, 2019, the Board of Directors resolved to acquire PFG Topcol Pty Limited ("PFG"), the parent company of Australian flour milling company Allied Pinnacle Pty Limited ("Allied Pinnacle"), an Australian flour milling company. It was resolved that the Company and its subsidiary Nisshin Flour Milling Inc. ("Nisshin Flour Milling") would conclude a share purchasing agreement to acquire 100% of PFG shares from Pacific Equity Partners, an Australian private equity fund, etc. The acquisition took place on April 1, 2019.

1. Outline of the business combination

(1) Name and principal activity of acquired company
Name: PFG Topcol Pty Limited (holding company owning all shares of Allied Pinnacle)
Principal activity: Production and sale of wheat flour, prepared mix and bakery good-related ingredients

(2) Rationale for the business combination
In May 2018, the Group formulated a long-term vision entitled "NNI 'Compass for the Future'." As part of this vision, the Group is working to increase its global presence as "a globally operating company that assists 'healthy lifestyles' and plays a critical role in building 'the food infrastructure' of the future." To this end, the Group has positioned the overseas flour milling business as one of its operations for driving growth.

In recent years, Nisshin Flour Milling has been expanding its overseas business, purchasing U.S.-based Miller Milling Company, LLC in 2012, establishing Champion Flour Milling Ltd. in New Zealand in 2013, followed by the acquisition of a flour milling operation, and acquiring the Thailand-based Pacific Flour Milling Co., Ltd. in 2018, among other actions. The Group's latest acquisition will further accelerate its global presence and expand its overseas business.

Australia's market for wheat flour-related products such as breads, cakes and noodles is supported by a high population growth rate for the developed world (approximately 1.6% annually), coupled with a strong economy boasting 26 years of continued positive growth, and rising demand for high-value-added products, such as organic products, etc. with growing health consciousness among consumers. For these reasons, it is expected that there will be sustainable market growth in the coming years.

Allied Pinnacle is a leading company with a significant share of Australia's wheat flour market (excluding flour used in starch production and other industrial applications), and also controls a significant market share of the market for prepared mixes and bakery good-related ingredients. Allied Pinnacle has business dealings with a number of major names in bread, confection and bakery good production, and has built a solid position in the wheat flour-related market.

Following the acquisition, the combination of expertise possessed by both Allied Pinnacle and the Group will enhance competitiveness in the market. Taking advantage of the sales and distribution network of Allied Pinnacle and New Zealand-based Champion Flour Milling Ltd., it is expected that there will be synergies which may improve operational efficiency.

Additionally, the opportunity to develop business in Australia, a major wheat producer, as well as gather wheat-related information and create relationships with wheat producers and grain companies, is also extremely meaningful from the perspective of strengthening the Group's raw material procurement capabilities.

Furthermore, the overlapping of Allied Pinnacle's sales network with the Group's own sales channels will also enable the capture of demand not only in Oceania but also in the Asian market, where the shift to a more western diet is occurring rapidly and demand for wheat flour is robust. For its part, the Group is reinforcing its foundations as a company responsible for "food infrastructure" in the promising Oceanian and Asian markets, aiming to achieve both "the maximization of corporate value" and "sustainable, cyclical growth."

(3) Date of business combination
April 1, 2019

(4) Legal form of business combination
Cash acquisition

(5) Entity name after business combination
PFG Topcol Pty Limited

(6) Proportion of voting rights acquired
100%

(7) The objective of the acquisition is to obtain 100% of voting rights.

2. Breakdown of acquisition cost and type of compensation

Compensation for acquisition	Cash and deposits	AUD 589 million
Acquisition cost		AUD 589 million

3. The expenses relating to the acquisition include advisory costs, etc., estimated to be about ¥1,100 million ($9,911 thousand).

4. The acquisition is funded entirely by cash on hand.

5. Goodwill arising from the acquisition and the related amortization policy is to be determined.

6. The amount and principal breakdown of assets and liabilities assumed on the date of business combination is to be determined.

7. On April 1, 2019, the Company made a borrowing of AUD 450 million from Mizuho Bank, Ltd. The Company then loaned the entire borrowings to PFG on the same date in order to repay PFG's external borrowings.

c. Issuance of Bonds

On June 20, 2019, the Board of Directors resolved to issue domestic unsecured straight bonds (the "Bonds") as follows:

1. 1st unsecured bonds
(1). Aggregate nominal amount
¥10 billion

(2). Issue price
¥100 or larger per each principal amount of ¥100

(3). Coupon rate
Per annum 0.200%

(4). Issue date
July 16, 2019

(5). Maturity date
July 13, 2029

(6). Method of redemption
Redemption in full upon maturity

(7). Use of Proceeds
The total net proceeds from the issuance of the Bonds will be used for repayment of loans.

(8). Other matters
The issuance of the Bonds is negative pledge.

2. 2nd unsecured bonds
(1). Aggregate nominal amount
¥10 billion

(2). Issue price
¥100 or larger per each principal amount of ¥100

(3). Coupon rate
Per annum 0.560%

(4). Issue date
July 16, 2019

(5). Maturity date
July 15, 2039

(6). Method of redemption
Redemption in full upon maturity

(7). Use of Proceeds
The total net proceeds from the issuance of the Bonds will be used for repayment of loans.

(8). Other matters
The issuance of the Bonds is negative pledge.