

## Consolidated Financial Results for FY2016 and Forecast for FY2017 [J-GAAP]

Listed company name: **Nippon Flour Mills Co., Ltd.**  
 Listing: The 1st section of Tokyo Stock Exchange  
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\*Amounts less than one million yen have been rounded down.

### 1. Consolidated results for the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

#### (1) Consolidated operating results

(Millions of yen, percentage figures indicate the rate changes from previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
FY2016	311,628	4.4%	11,093	32.0%	12,666	29.2%	8,222	17.8%
FY2015	298,511	4.0%	8,406	(22.2)%	9,807	(19.9)%	6,981	(10.6)%

(Note) Comprehensive income: FY2016: 3,667 million yen (-77.9%) FY2015: 16,565 million yen (56.0%)

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	ROE (%)	Ordinary Income to Total Assets (%)	Operating Income to Net Sales (%)
FY2016	50.50	50.44	6.2	5.1	3.6
FY2015	42.22	42.20	5.6	4.1	2.8

Reference: Equity in earnings of affiliated companies: FY2016: 198 million yen FY2015: 80 million yen

#### (2) Consolidated financial position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY2016	247,919	135,743	52.7	812.65
FY2015	248,890	137,535	53.3	802.19

Reference: Equity capital: FY2016: 130,582 million yen FY2015: 132,633 million yen

#### (3) Consolidated cash flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
FY2016	20,675	(6,336)	(6,210)	20,776
FY2015	11,803	(8,653)	(2,813)	12,847

### 2. Dividends

	Dividends per Share (Yen)					Total Amount of Cash Dividends (Millions of yen)	Dividend Payout Ratio (Consolidated) (%)	Dividends on Net Assets (Consolidated) (%)
	1Q-end	2Q-end	3Q-end	Year-end	Full Year			
FY2015	—	6.00	—	6.00	12.00	1,988	28.4	1.6
FY2016	—	6.00	—	8.00	14.00	2,266	27.7	1.7
FY2017 (Forecast)	—	7.00	—	7.00	14.00		27.8	

### 3. Forecast of consolidated business results for FY2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen, percentage figures show changes from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share (Yen)
Half Year	160,000	3.1%	5,000	(0.7)%	6,000	0.7%	3,800	(5.4)%	23.65
Full Year	320,000	2.7%	11,100	0.1%	12,500	(1.3)%	8,100	(1.5)%	50.41

\*Notes

(1) Significant changes in subsidiaries during the term (changes in specified subsidiaries in accordance with changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and retrospective restatements

- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards: | Yes  |
| 2) Changes other than 1):   | None |
| 3) Changes in accounting estimates:   | None |
| 4) Retrospective restatements:  | None |

(3) Number of shares issued and outstanding (common stock)

1) Number of shares outstanding at the end of each period (including treasury shares):	FY2016	165,048,018 shares	FY2015	170,148,018 shares
2) Number of treasury shares at the end of each period:	FY2016	4,290,141 shares	FY2015	4,719,895 shares
3) Average number of shares:	FY2016	162,831,352 shares	FY2015	165,340,866 shares

\*Presentation of implementation status for audit procedures

The audit procedure based on the Financial Instruments and Exchange Act does not apply to this report. At the time of disclosure of this report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

\*Note to ensure appropriate use of forecast, other remarks

Descriptions regarding the future, including the financial outlook contained in this material, are based on certain information currently available to the Company and particular assumptions, which are, at the discretion of the Company, deemed reasonable, and actual financial results may significantly vary due to various factors. Please refer to "1. Operating Results, (1) Analysis of operating results" on page 4 for information on preconditions underlying the above outlook and other related information.

## Contents

1. Operating results .....	2
(1) Analysis of operating results .....	2
(2) Analysis of financial position .....	5
(3) Basic policy on profit distribution and dividends for the year ended March 31, 2015 and the year ending March 31, 2016.....	6
2. Nippon Flour Mills Group.....	7
3. Management Policy .....	9
(1) Basic management policy .....	9
(2) Management indicators and medium- to long-term management strategies .....	9
(3) Issues to be addressed.....	9
(4) Other material issues concerning management .....	9
4. Basic Approach to the Selection of Accounting Standards.....	10
5. Consolidated financial statements .....	11
(1) Consolidated balance sheets .....	11
(2) Consolidated statements of income and comprehensive income.....	13
(Consolidated statements of income).....	13
(Consolidated statements of comprehensive income) .....	15
(3) Consolidated statements of changes in net assets.....	16
(4) Consolidated statements of cash flows .....	18
(Segment information, etc.).....	20
(Per share information).....	22

## **1. Operating results**

### **(1) Analysis of operating results**

During the fiscal year ended March 31, 2016, although earnings of certain companies and the labor market showed improvement, supported by the beneficial effects of Abe administration's economic policy and the Bank of Japan's quantitative easing, the Japanese economy lacked vigor, including the stock market. As a slowdown of the economic growth of China and other emerging-market countries became evident, uncertainties about the outlook of the Japanese economy strengthened. Against the backdrop of consumers' increasing frugality, bipolarization of personal consumption proceeded.

In the food industry, amid shrinkage of the Japanese market as the population ages while the birth rate remains low, sales competition intensified and there was a growing preoccupation with the safety and security of food throughout society.

In these circumstances, in order to flexibly and speedily respond to this business environment, the Group is strengthening the business foundation based on the fundamental measures implemented so far that center on cost reduction and sales expansion.

In June 2015, in order to strengthen the functions of the business department system, which was introduced in 2014 as one of the initiatives to reinforce the Company's structure, structural reforms were implemented whereby business departments were reorganized into six departments (Flour Milling Business Department, Foods Business Department, International Business Department, CS Business Department, Production & Technology Department, and Research & Development Department). Through faster decision-making at the corporate level enabled by the new structure, we promoted total optimization of resource allocation.

In September 2015 the Company formed a capital partnership with Matsuda Shokuhin Kogyo K.K., which manufactures and sells soybean-based processed foods. The Company's consolidated subsidiary OK Food Industry Co., Ltd. also handles soybean-based processed foods. Through the capital tie-up with Matsuda Shokuhin Kogyo, the Group intends to strengthen and develop its soybean-related foods business, which plays a role in business diversification.

In March 2016, NIPPON Donuts Holdings Co., Ltd., a subsidiary of the Company, decided to acquire all the shares of Yamato Foods Co., Ltd., which operates donut shops, with the objective of expanding its business.

As a result, consolidated net sales increased by 4.4% year on year to ¥311,628 million, operating income increased by 32.0% to ¥11,093 million, ordinary income increased by 29.2% to ¥12,666 million, and profit attributable to owners of the parent increased by 17.8% to ¥8,222 million.

The performance of individual business segments was as follows.

## **Flour Milling**

During the fiscal year ended March 31, 2016, government sales prices of imported wheat for the five key products were raised by 3.0% on average in April 2015 and were lowered by 5.7% on average in October 2015. Accordingly, the Company revised the prices of wheat flour products.

While striving to strengthen quality control, the Group developed new products that meet customer needs and help customers resolve their issues and also conducted vigorous sales and marketing initiatives, including the holding of cookery workshops and management seminars. As a result, sales of wheat flour in Japan were higher than in the previous year. Sales of wheat bran, a by-product, were virtually unchanged from the previous year.

As a result, net sales for the Flour Milling segment increased by 1.4% year on year to ¥103,071 million, and segment income increased by 70.7% year on year to ¥3,918 million.

## **Food**

In the professional-use product category, the Group engaged in meticulous marketing, including participating in various exhibitions and the holding of Italian cookery workshops. Sales of pasta products were robust, resulting in higher sales of professional-use products than the previous year.

In the home-use product category, the Group conducted sales promotion campaigns, including the Oh' my Present Campaign commemorating the 60th anniversary of the Oh' my brand, and proposal-driven sales vigorously, for example by offering in-store merchandising proposals, to expand sales of staple items. In February 2016 we launched "Oh' my donna monja!?", the industry's first dough for *monja* in a retort pouch. Other new products introduced included "Oh' my Goku Sakuri Tempura Premix," which realizes crispy texture comparable to that at a specialty restaurant, and "Oh' my Mazete Zeppin Premium Pasta Sauce," a high-grade series of pasta sauces. In addition, the "Oh' my Lasagnette" series, which is in the second year since its debut, is popular and selling well. The lineup of salad dressings using flaxseed oil, which is a health-oriented ingredient handled by the Company, was expanded. To widen the variety, in addition to the "Wafu Tamanegi" onion-based Japanese-style salad dressing and the "Goma" sesame salad dressing, we launched the "Caesar Salad" dressing, which is an unusual variant for health-oriented salad dressings, and the "Aojiso" salad dressing using *shiso* leaves with refreshing flavor. As a result, sales of home-use products exceeded the level for the previous year.

In frozen foods for home use, we released new products to meet various needs in terms of the price zone and the volume and completely redesigned the Oh' my Premium series of high-grade pasta dishes for home use, which are our mainstay products. At the same time, we have expanded the range of rice dishes in trays and the line-up of Oh' my Yokubari Plate of frozen one-plate dishes consisting of a main dish and staples. The Oh' my PLUS series is a range of health-conscious tasty products. We have expanded this series to include frozen foods for home use, such as frozen pasta dishes with low carbohydrate and fiber-rich frozen pancake, to cultivate new demand. As a result, sales of frozen foods for home use exceeded the level for the previous year.

As a result, net sales for the Food segment increased by 6.5% year on year to ¥177,417 million, and segment income increased by 19.5% year on year to ¥6,781 million.

## **Other Businesses**

Sales of the healthcare business were higher than for the previous year owing to brisk sales of flaxseed-related products.

Sales of the pet food business were also higher than for the previous year, but sales of the engineering business were lower than the level for the previous year.

As a result, net sales for the Other segment increased by 2.9% year on year to ¥31,139 million, but operating income decreased by 4.3% to ¥367 million.

## —Forecast for the year ending March 31, 2017—

While the stock market in Japan and the exchange rates for the yen against leading foreign currencies remain unstable, the impact of the slowdown of emerging economies on the world economy is a concern. Thus, the outlook of the Japanese economy is expected to remain uncertain

A challenging business environment is expected to persist for the food industry as the Japanese market is contracting because of the declining population and the aging of society with a low birthrate and also owing to intensifying competition.

Regarding the flour milling industry, government sales prices of imported wheat were reduced by 7.1% on average for the five key products in April 2016. Considering the Trans-Pacific Partnership (TPP), for which a basic agreement has been reached, the Japanese government's sales system for imported wheat is expected to undergo significant change. The flour milling industry needs to respond to the change.

In these circumstances, the Group intends to continue implementing measures to further strengthen competitiveness and reduce costs in each business field. We will also vigorously invest in growth fields both in Japan and overseas in order to secure sustainable growth while making a group-wide effort to enhance corporate value. Our goal is to develop as a multifaceted global food enterprise.

As part of the Sendagaya 5-chome North District Type 1 Urban Redevelopment Project, the Company, jointly with Mitsubishi Estate Co., Ltd., will build an office complex (16 floors above ground and 2 underground, total floor area of approximately 43,600 sqm) on the site of the existing head office building. The Company will also build a new head office building in Kojimachi, Chiyoda-ku, and relocate its head office there in August 2016. Coinciding with the Company's 120th anniversary, the Company will use the relocation to the new head office building as an opportunity to address management issues with a view to achieving another round of growth.

### **Flour Milling**

The business environment of the flour milling industry in Japan is becoming increasingly challenging in view of the declining population, an aging society with a low birth rate, and consumers' preoccupation with food safety and security. In order to further increase productivity of the flour milling business to reduce costs, we continue to enhance the storage capacity of our grain silos. By engaging in vigorous marketing and proposing products that address latent market needs, the Group seeks to enhance customer satisfaction so as to expand sales.

### **Food**

In the Food business, we will aggressively engage in developing and introducing new products that satisfy customer needs. With regard to food for home use, we will strengthen sales capabilities by introducing differentiated products. In deli products, we will further strengthen our structure by underpinning our capabilities to propose and develop new products attuned to customer needs. In frozen food, we intend to increase sales by developing more products with high added value.

### **Other Businesses**

The market for health foods and functional ingredients is expected to grow steadily. We will work on developing unique products and launching a mail-order business to fuel sales growth.

There is a widespread perception that pets are a source of happiness and contentment for people. We will endeavor to expand sales in the diversifying pet products market by researching and developing pet foods that meet the needs of pet owners.

For the year ending March 31, 2017, management forecasts consolidated net sales of ¥320.0 billion (up 2.7% year on year), operating income of ¥11.1 billion (up 0.1% year on year), ordinary income of ¥12.5 billion (down 1.3% year on year) and profit attributable to owners of the parent of ¥8.1 billion (down 1.5% year on year).

Note: Forecasts for future operating results have been prepared based on certain assumptions and beliefs that can be inferred from the current situation. The Company undertakes to provide no guarantee or assurance that the forecasts will be realized.

## (2) Analysis of financial position

### (Assets, liabilities and net assets)

As of March 31, 2016, total assets stood at ¥247,919 million, a decrease of ¥970 million compared with the previous year-end. This was mainly because investment securities decreased by ¥5,964 million, raw materials and supplies decreased by ¥2,563 million, property, plant and equipment decreased by ¥1,106 million, and cash and deposits increased by ¥8,831 million.

Liabilities increased by ¥821 million year on year to ¥112,176 million. This was mainly because short-term loans payable increased by ¥3,801 million, other non-current liabilities increased by ¥1,662 million, net defined benefit liability increased by ¥1,249 million, and income taxes payable increased by ¥1,227 million, while long-term loans payable decreased by ¥4,066 million and other non-current liabilities decreased by ¥3,352 million.

Net assets decreased by ¥1,791 million year on year to ¥135,743 million because valuation difference on available-for-sale securities and remeasurements of defined benefit plans decreased by ¥353 million and ¥879 million, respectively, while retained earnings increased by ¥3,445 million.

### (Cash flows)

As of March 31, 2016, the balance of cash and cash equivalents stood at ¥20,776 million, an increase of ¥7,928 million compared with the end of the previous fiscal year. The conditions of cash flows were as follows.

Operating activities provided net cash of ¥20,675 million. Main factors were income before income taxes amounting to ¥11,844 million, depreciation and amortization amounting to ¥7,564 million, a ¥3,764 million decrease in inventories, and income taxes paid amounting to ¥2,783 million.

Investing activities used net cash of ¥6,336 million. This mainly reflected spending of ¥6,264 million for purchase of non-current assets.

Financing activities used net cash of ¥6,210 million. This mainly reflected spending of ¥3,610 million for purchase of treasury shares and cash dividends paid amounting to ¥1,972 million.

### —Cash flow indicator trends—

	FY2012	FY2013	FY2014	FY2015	FY2016
Equity ratio (%)	50.4	51.9	52.2	53.3	52.7
Equity ratio at market value (%)	31.0	33.4	41.2	39.5	60.0
Ratio of interest-bearing debt to cash flows (%)	110,008.2	220.0	289.7	392.6	222.8
Interest coverage ratio (times)	0.1	32.2	27.6	26.8	54.6

Note: Equity ratio: (Net assets – Minority interests) / Total assets

Equity ratio at market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows from operating activities / Interest expense

- \* The consolidated financial figures constitute the basis for calculating these indicators.
- \* Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (after the deduction of treasury shares).
- \* The basis for calculating the ratio of interest-bearing debt to cash flows is cash flows from operating activities in the consolidated statements of cash flows.
- \* Interest-bearing debt includes all debts recorded on the consolidated balance sheets on which interest is paid.
- \* The basis for interest expense is the amount of interest paid recorded in the consolidated statements of cash flows.

### **(3) Basic policy on profit distribution and dividends for the year ended March 31, 2016 and the year ending March 31, 2017**

The Company's basic policy on profit distribution is to continue to pay stable dividends while maintaining adequate internal reserves in light of the need to strengthen the corporate structure, prepare for future business development, and respond to change in the operating environment. At the same time, management considers returning profits to shareholders to be an important management issue. We intend to use free cash flow from a long-term perspective, taking into consideration investment efficiency. As well as using free cash flow to invest in order to enhance corporate value, which is our priority, for example through the expansion of the existing core businesses and the cultivation of new businesses, we intend to flexibly conduct a share buyback as a means of returning profit to shareholders.

In the fiscal year ended March 31, 2016, we conducted a share buyback of up to 4,678,000 shares and retired 5,100,000 treasury shares to improve capital efficiency and enhance the return of profit to shareholders.

The Company celebrated its 120th anniversary. In order to express our appreciation to our shareholders for their continued support, we intend to pay a commemorative dividend of ¥2 per share in addition to a common dividend of ¥6 per share, and thus the year-end dividend will be ¥8 per share in total. Including the interim dividend paid, the total cash dividends for the full year will be ¥14 per share.

With regard to cash dividends for the year ending March 31, 2017, the Company plans to pay total cash dividends of ¥14 per share for the full year, increasing the common dividend by ¥2, the same amount as the commemorative dividend paid as part of the year-end dividend for the fiscal year ended March 31, 2016.

Furthermore, the Company has a shareholder benefit program for shareholders holding shares constituting at least one tradeable unit. The program is designed to facilitate their understanding of the Group's products and to earn support.



## 2. Nippon Flour Mills Group

Nippon Flour Mills Group (the Company and its affiliated companies) consists of the Company (Nippon Flour Mills Co., Ltd.), 60 subsidiaries, and 24 affiliates.

Details of the Company's core and related business segments are depicted in the schematic diagram below.

### (1) Flour Milling

The Company produces wheat flour and bran and Matsuya Flour Mills Co., Ltd. produces buckwheat flour. These products are sold via distributors, which include NIPPON SHOJI Co., Ltd., NIPPON SHOJI Corporation Co., Ltd., SUZUKI Co., Ltd., and MARUSHICHI SHOJI Co., Ltd.

Tofuku Flour Mills Co., Ltd. produces and sells wheat flour and premixes.

### (2) Foods

The Company produces wheat flour for home use, premixes, etc. and sells them via distributors. OHMY Co., Ltd. produces pasta products using wheat flour produced by the Company and sells them to the Company. NIPPON Frozen Food Co., Ltd. produces frozen ingredients and foods using wheat flour and premixes produced by the Company and sells them to the Company.

NF Frozen Co., Ltd. produces frozen ingredients and foods and sells them to the Company. Nippon Rich Co., Ltd. sells frozen ingredients and foods procured from the Company.

Fast Foods Co., Ltd. produces and sells boxed lunches and deli products using ingredients produced by the Company.

OK Food Industry Co., Ltd. produces and sells seasoned fried tofu.

Nagano Tomato Co., Ltd. produces and sells tomato-based food products.

Overseas, NIPPON (Thailand) Co., Ltd. produces premixes and Nippon Flour Mills (Thailand) Ltd. sells premixes, etc. In China, Nippon Flour Mills (Shanghai) Co., Ltd. produces premixes and Nippon Flour Mills (Shanghai) Trading Co., Ltd. sells premixes, etc. Pasta Montana, L.L.C. in the U.S. produces pasta products and sells them in North America and to the Company.

### (3) Other Businesses

NPF Japan Co., Ltd. produces and sells pet foods.

NIPPON Engineering Co., Ltd. designs, manufactures, and constructs plant and equipment for the food industry and for handling powder materials.

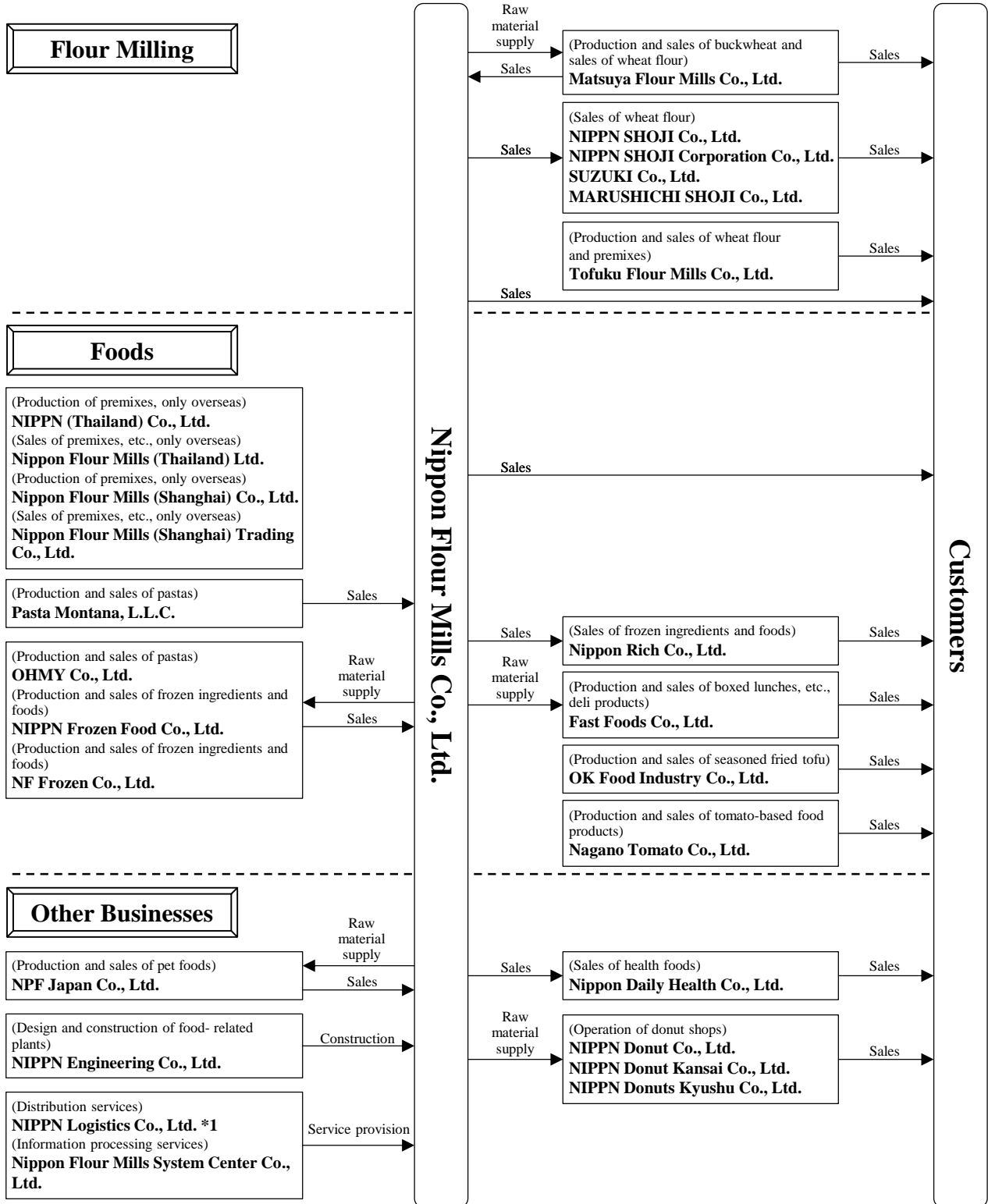
NIPPON Logistics Co., Ltd. operates a freight trucking business in the Kanto area.

Nippon Flour Mills System Center Co., Ltd. is engaged in computer-based information processing and development of information processing systems.

Nippon Daily Health Co., Ltd. sells health foods procured from the Company.

NIPPON Donut Co., Ltd., NIPPON Donut Kansai Co., Ltd., and NIPPON Donuts Kyushu Co., Ltd. operate donut stores that use premixes produced by the Company.

(Schematic diagram)



Without any specification: Consolidated subsidiaries  
 \*1: Non-consolidated subsidiaries accounted for by the equity method

→ Flow of products and services

### **3. Management Policy**

#### **(1) Basic management policy**

“Responding to the changes of the times and boldly applying technological innovation to establish new businesses” — the motto of Nippon Flour Mills Group expresses the venturesome spirit at work when the Company started operation. Based on this motto, the Group’s fundamental policy is to contribute to the welfare of society by introducing excellent products and services.

In addition to actively expanding into new business areas, the Company aims to increase its competitive advantage through unflagging management reform, maintain the trust of shareholders and other stakeholders, and achieve further growth and development as a highly regarded multifaceted food company.

#### **(2) Management indicators and medium- to long-term management strategies**

Through the implementation of the previous five mid-term business plans, with the goal of becoming a multifaceted global food enterprise, the Group consistently promoted the reform of the business structure, strengthening of the profit base, and sales growth by expanding the business, achieving certain positive results and thus maintaining sustainable growth.

In view of the unclear prospects for the business environment, instead of a mid-term business plan, the Group has decided to adopt a single-year policy based on the fundamental measures the Group has been implementing to strengthen the business foundation.

The Group will maintain the basic strategies it has been implementing so far.

[1] Promote low-cost operations in all business fields

[2] Re-establish the business structure and business portfolio

[3] Step up management for total optimization of the Group’s operations

[4] Respond to change in the food market, reform of the Japanese government’s sales system for imported wheat, and the Trans-Pacific Strategic Economic Partnership Agreement (TPP)

[5] Promote CSR management

#### **(3) Issues to be addressed**

While the stock market in Japan and the exchange rates for the yen against leading foreign currencies remain unstable, the impact of the slowdown of emerging economies on the world economy is a concern. Thus, the outlook of the Japanese economy is expected to remain uncertain

A challenging business environment is expected to persist for the food industry as the Japanese market is contracting because of the declining population and the aging of society with a low birthrate and also owing to intensifying competition.

Considering the Trans-Pacific Partnership (TPP), for which a basic agreement has been reached, the Japanese government’s sales system for imported wheat is expected to undergo significant change. We will continue monitoring developments and respond appropriately to the change.

At present, the Group is implementing a single-year policy to strengthen the business foundation based on fundamental measures. The Group’s basic strategies are mentioned in “(2) Management indicators and medium- to long-term management strategies” above. Based on these five basic strategies, the Group will work to strengthen the business foundation and enhance the earnings power by implementing specific management measures. At the same time, we will emphasize Group management from a global perspective, including international operations. While fulfilling our social responsibility to stakeholders, we will strive to achieve sustainable growth and enhancement of corporate value as a multifaceted food enterprise with a powerful presence.

#### **(4) Other material issues concerning management**

There is nothing applicable.

#### **4. Basic Approach to the Selection of Accounting Standards**

The Group intends to prepare consolidated financial statements in conformity with the accounting principles and practices generally accepted in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

The Group's policy is to respond to the application of the International Financial Reporting Standards (IFRS) in an appropriate manner, taking into consideration situations in Japan and abroad.

## 5. Consolidated financial statements

### (1) Consolidated balance sheets

(Millions of yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	13,601	22,432
Notes and accounts receivable - trade	40,326	41,775
Merchandise and finished goods	15,938	14,955
Work in process	284	42
Raw materials and supplies	20,592	18,029
Deferred tax assets	1,262	1,463
Other	2,508	2,540
Allowance for doubtful accounts	(152)	(221)
<b>Total current assets</b>	<b>94,362</b>	<b>101,017</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	77,360	77,058
Accumulated depreciation	(47,695)	(48,150)
Buildings and structures, net	29,664	28,907
Machinery, equipment and vehicles	103,839	105,431
Accumulated depreciation	(85,703)	(88,111)
Machinery, equipment and vehicles, net	18,136	17,319
Land	34,636	34,239
Construction in progress	1,867	3,035
Other	10,202	10,122
Accumulated depreciation	(8,158)	(8,382)
Other, net	2,043	1,739
<b>Total property, plant and equipment</b>	<b>86,349</b>	<b>85,242</b>
Intangible assets	1,131	833
Investments and other assets		
Investment securities	61,335	55,370
Long-term loans receivable	995	865
Deferred tax assets	1,186	1,183
Net defined benefit asset	104	106
Other	4,010	3,613
Allowance for doubtful accounts	(585)	(313)
<b>Total investments and other assets</b>	<b>67,047</b>	<b>60,826</b>
<b>Total non-current assets</b>	<b>154,527</b>	<b>146,902</b>
<b>Total assets</b>	<b>248,890</b>	<b>247,919</b>

(Millions of yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	27,672	27,976
Short-term loans payable	20,883	24,685
Income taxes payable	1,542	2,770
Accrued expenses	9,952	10,774
Provision for bonuses	500	528
Other	4,064	4,905
<b>Total current liabilities</b>	<b>64,616</b>	<b>71,641</b>
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loan payable	15,454	11,387
Deferred tax liabilities	12,781	9,738
Net defined benefit liability	4,723	5,972
Provision for directors' retirement benefits	963	930
Other	2,815	2,505
<b>Total non-current liabilities</b>	<b>46,738</b>	<b>40,534</b>
<b>Total liabilities</b>	<b>111,354</b>	<b>112,176</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,669
Retained earnings	88,389	91,834
Treasury shares	(1,608)	(2,354)
<b>Total shareholders' equity</b>	<b>109,688</b>	<b>112,389</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,419	19,915
Deferred gains or losses on hedges	(7)	(38)
Foreign currency translation adjustment	947	608
Remeasurements of defined benefit plans	(1,414)	(2,293)
<b>Total accumulated other comprehensive income</b>	<b>22,945</b>	<b>18,192</b>
Subscription rights to shares	46	117
Non-controlling interests	4,854	5,043
<b>Total net assets</b>	<b>137,535</b>	<b>135,743</b>
<b>Total liabilities and net assets</b>	<b>248,890</b>	<b>247,919</b>

**(2) Consolidated statements of income and comprehensive income**  
**(Consolidated statements of income)**

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Net sales	298,511	311,628
Cost of sales	222,363	230,281
Gross profit	76,147	81,347
Selling, general and administrative expenses		
Sales fare related expenses	35,116	37,073
Provision of allowance for doubtful accounts	61	44
Salaries and allowances	16,876	17,270
Retirement benefit expenses	964	978
Depreciation	995	977
Other	13,728	13,909
Total selling, general and administrative expenses	67,741	70,253
Operating income	8,406	11,093
Non-operating income		
Interest income	70	80
Dividend income	955	1,288
Rent income on non-current assets	316	297
Share of profit of entities accounted for using equity method	80	198
Foreign exchange gains	306	-
Gain on sales of securities	62	19
Other	322	316
Total non-operating income	2,114	2,201
Non-operating expenses		
Interest expenses	446	375
Cost of rent income	49	30
Foreign exchange losses	-	53
Other	216	168
Total non-operating expenses	712	627
Ordinary income	9,807	12,666
Extraordinary income		
Gain on sales of non-current assets	18	33
Gain on sales of investment securities	10	330
Gain on bargain purchase	491	-
Other	12	-
Total extraordinary income	533	363

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Extraordinary losses		
Loss on sales and retirement of non-current assets	86	202
Loss on valuation of investment securities	10	6
Impairment loss	322	597
Business structure improvement expenses	–	365
Loss on step acquisitions	131	–
Other	114	14
Total extraordinary losses	664	1,186
Income before income taxes	9,676	11,844
Income taxes - current	2,623	3,899
Income taxes - deferred	(43)	(506)
Total income taxes	2,579	3,392
Profit	7,097	8,451
Profit attributable to non-controlling interests	116	229
Profit attributable to owners of parent	6,981	8,222



**(Consolidated statements of comprehensive income)**

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Profit	7,097	8,451
Other comprehensive income		
Valuation difference on available-for-sale securities	8,842	(3,551)
Deferred gains or losses on hedges	(10)	(30)
Foreign currency translation adjustment	588	(351)
Remeasurements of defined benefit plans, net of tax	22	(879)
Share of other comprehensive income of entities accounted for using equity method	25	29
Total other comprehensive income	9,468	(4,784)
Comprehensive income	16,565	3,667
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	16,369	3,464
Comprehensive income attributable to non-controlling interests	195	202

**(3) Consolidated statements of changes in net assets**  
**FY2015 (From April 1, 2014 to March 31, 2015)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at beginning of current period	12,240	10,666	83,519	(1,607)	104,818
Cumulative effects of changes in accounting policies			(124)		(124)
Restated balance	12,240	10,666	83,395	(1,607)	104,694
Changes of items during period					
Dividends of surplus			(1,988)		(1,988)
Profit attributable to owners of parent			6,981		6,981
Change of scope of consolidation			1		1
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Retirement of treasury shares					-
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	4,994	(0)	4,993
Balance at end of current period	12,240	10,666	88,389	(1,608)	109,688

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	14,609	3	363	(1,436)	13,539	-	3,278	121,636
Cumulative effects of changes in accounting policies							(1)	(125)
Restated balance	14,609	3	363	(1,436)	13,539	-	3,276	121,510
Changes of items during period								
Dividends of surplus								(1,988)
Profit attributable to owners of parent								6,981
Change of scope of consolidation								1
Purchase of treasury shares								(0)
Disposal of treasury shares								0
Retirement of treasury shares								-
Change in treasury shares of parent arising from transactions with non-controlling shareholders								-
Net changes of items other than shareholders' equity	8,810	(10)	583	22	9,405	46	1,578	11,030
Total changes of items during period	8,810	(10)	583	22	9,405	46	1,578	16,024
Balance at end of current period	23,419	(7)	947	(1,414)	22,945	46	4,854	137,535

**FY2016 (From April 1, 2015 to March 31, 2016)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at beginning of current period	12,240	10,666	88,389	(1,608)	109,688
Cumulative effects of changes in accounting policies					-
Restated balance	12,240	10,666	88,389	(1,608)	109,688
Changes of items during period					
Dividends of surplus			(1,972)		(1,972)
Profit attributable to owners of parent			8,222		8,222
Change of scope of consolidation			53		53
Purchase of treasury shares				(3,610)	(3,610)
Disposal of treasury shares		1		4	6
Retirement of treasury shares		(1)	(2,857)	2,859	-
Change in treasury shares of parent arising from transactions with non-controlling shareholders		3			3
Net changes of items other than shareholders' equity					
Total changes of items during period	-	2	3,445	(746)	2,701
Balance at end of current period	12,240	10,669	91,834	(2,354)	112,389

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	23,419	(7)	947	(1,414)	22,945	46	4,854	137,535
Cumulative effects of changes in accounting policies								-
Restated balance	23,419	(7)	947	(1,414)	22,945	46	4,854	137,535
Changes of items during period								
Dividends of surplus								(1,972)
Profit attributable to owners of parent								8,222
Change of scope of consolidation								53
Purchase of treasury shares								(3,610)
Disposal of treasury shares								6
Retirement of treasury shares								-
Change in treasury shares of parent arising from transactions with non-controlling shareholders								3
Net changes of items other than shareholders' equity	(3,503)	(30)	(339)	(879)	(4,753)	71	168	(4,493)
Total changes of items during period	(3,503)	(30)	(339)	(879)	(4,753)	71	168	(1,790)
Balance at end of current period	19,915	(38)	608	(2,293)	18,192	117	5,043	135,743

**(4) Consolidated statements of cash flows**

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	9,676	11,844
Depreciation and amortization	8,030	7,564
Gain on bargain purchase	(491)	–
Increase (decrease) in net defined benefit asset/liability	129	(315)
Increase (decrease) in provision for directors' retirement benefits	(142)	(33)
Increase (decrease) in allowance for doubtful accounts	13	(202)
Impairment loss	322	597
Business structure improvement expenses	–	365
Interest and dividend income	(1,025)	(1,368)
Interest expenses	446	375
Loss (gain) on sales of investment securities	(37)	(343)
Loss (gain) on valuation of investment securities	10	6
Foreign exchange losses (gains)	(296)	46
Share of (profit) loss of entities accounted for using equity method	(80)	(198)
Loss (gain) on sales of non-current assets	(18)	(33)
Loss on retirement of non-current assets	90	210
Loss (gain) on step acquisitions	131	–
Decrease (increase) in notes and accounts receivable - trade	(582)	(1,541)
Decrease (increase) in inventories	(3,582)	3,764
Increase (decrease) in notes and accounts payable - trade	1,464	328
Increase (decrease) in accrued consumption taxes	407	(69)
Decrease (increase) in other receivables	(496)	316
Increase (decrease) in other payables	528	440
Other, net	377	679
Subtotal	14,874	22,431
Interest and dividend income received	1,034	1,405
Interest expenses paid	(440)	(378)
Income taxes paid	(3,665)	(2,783)
Net cash provided by (used in) operating activities	11,803	20,675

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(96)	(903)
Purchase of non-current assets	(6,833)	(6,264)
Proceeds from sales of non-current assets	32	92
Purchase of investment securities	(2,995)	(1,189)
Proceeds from sales and redemption of investment securities	1,782	1,762
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	37	–
Payments of loans receivable	(642)	(9)
Collection of loans receivable	86	87
Other, net	(24)	87
Net cash provided by (used in) investing activities	(8,653)	(6,336)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	522	(1,488)
Proceeds from long-term loans payable	2,775	3,801
Repayment of long-term loans payable	(3,672)	(2,575)
Purchase of treasury shares	(0)	(3,610)
Proceeds from sales of treasury shares	0	0
Cash dividends paid	(1,988)	(1,972)
Dividends paid to non-controlling interests	(19)	(5)
Repayments of finance lease obligations	(430)	(360)
Net cash provided by (used in) financing activities	(2,813)	(6,210)
Effect of exchange rate change on cash and cash equivalents	309	(199)
Net increase (decrease) in cash and cash equivalents	645	7,928
Cash and cash equivalents at beginning of period	12,202	12,847
Cash and cash equivalents at end of period	12,847	20,776

## (Segment information, etc.)

### Segment information

#### 1. Overview of reporting segments

The Group's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

The Group consists of three main business units classified by product types—Flour Milling, Food and Other. Each business unit formulates business strategies and promotes business activities.

The Group has classified its operations into two reporting segments: Flour Milling and Food.

The Flour Milling segment covers wheat flour, bran, and buckwheat flour, while the Food segment covers wheat flour for home use, premixes, pasta, frozen foods, deli foods, and rice flour.

#### 2. Calculation methods on sales, income (loss), assets, liabilities and other items by reporting segment

Profit figures reported for business segments are based on operating income. Inter-segment sales and transfers are based on prevailing market prices.

#### 3. Information of sales, income (loss), assets, liabilities and other items by reporting segment FY2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reporting segments			Other	Total	Adjustments	Amounts recorded on consolidated financial statements
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	101,673	166,581	268,254	30,256	298,511	–	298,511
Internal sales or transfers between segments	2,172	541	2,713	1,684	4,398	(4,398)	–
Total	103,845	167,123	270,968	31,941	302,909	(4,398)	298,511
Segment income	2,295	5,676	7,971	384	8,355	50	8,406
Segment assets	111,359	82,220	193,579	14,505	208,085	40,805	248,890
Other items							
Depreciation	4,071	3,082	7,153	866	8,020	9	8,030
Increase in property, plant and equipment and intangible assets	1,819	2,331	4,151	765	4,916	1,443	6,360

- Notes: 1. The "Other" column indicates businesses not included in the reporting segments, including pet food, health food and engineering.
2. Segment income adjustment of ¥50 million is an elimination of inter-segment transactions.
3. Corporate assets included in adjustments of segment assets amounted to ¥42,908 million and mainly comprise the Company's surplus funds (cash and deposits, and securities) and property, plant and equipment concerning administrative operations.
4. Segment income or loss is adjusted to reflect operating income as recorded on the consolidated financial statements.
5. Depreciation expenses and an increase in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses and amortization thereof.

**FY2016 (From April 1, 2015 to March 31, 2016)**

(Millions of yen)

	Reporting segments			Other	Total	Adjustments	Amounts recorded on consolidated financial statements
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	103,071	177,417	280,488	31,139	311,628	–	311,628
Internal sales or transfers between segments	2,216	534	2,750	1,883	4,634	(4,634)	–
Total	105,287	177,951	283,239	33,023	316,263	(4,634)	311,628
Segment income	3,918	6,781	10,699	367	11,067	25	11,093
Segment assets	106,006	82,272	188,279	14,176	202,455	45,463	247,919
Other items							
Depreciation	3,688	2,978	6,667	887	7,555	9	7,564
Increase in property, plant and equipment and intangible assets	1,440	4,144	5,584	1,220	6,805	822	7,628

- Notes: 1. The “Other” column indicates businesses not included in the reporting segments, including pet food, health food and engineering.
2. Segment income adjustment of ¥25 million is an elimination of inter-segment transactions.
3. Corporate assets included in adjustments of segment assets amounted to ¥47,621 million and mainly comprise the Company’s surplus funds (cash and deposits, and securities) and property, plant and equipment concerning administrative operations.
4. Segment income or loss is adjusted to reflect operating income as recorded on the consolidated financial statements.
5. Depreciation expenses and an increase in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses and amortization thereof.

**(Per share information)**

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Net assets per share	¥802.19	¥812.65
Net income per share	¥42.22	¥50.50
Diluted net income per share	¥42.20	¥50.44

Notes: Basis for the calculation of net income per share and diluted net income per share are as follows.

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	6,981	8,222
Amount not attributable to common shareholders (Millions of yen)	–	–
Amount pertaining to common stock (Millions of yen)	6,981	8,222
Average number of shares of common stock in the fiscal year (Thousands of shares)	165,340	162,831
Diluted net income per share		
Amount attributable to owners of parent (Millions of yen)	–	–
Increase in common stock (Thousands of shares)	94	191
Summary of residual securities not included in calculation of diluted net income per share because of no dilutive effect	–	–