Summary of Consolidated Financial Results
For the Year Ended March 31, 2016 (Based on Japanese GAAP)

May 12, 2016

Company name:	Mitsui Sugar Co., Ltd.		Stock exchange listings: Tokyo
Stock code:	2109		http://www.mitsui-sugar.co.jp/
Company representative:	Masaaki Iida	President and Chief Executive Officer	
Contact person in charge:	Hideaki Batori	General Manager, Corporate Planning Division	
			TEL. 81-3-3663-3111

Planned date for ordinary general meeting of shareholders:		June 22, 2016
Planned date to start dividend payment:		June 23, 2016
Planned date for submission of annual securities report:		June 22, 2016
Preparation of supplementary material for financial statements:	Yes	
Briefing session for financial statements:	Yes	(For institutional investors and analysts)

(Amounts are rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated Results of Operations (Percentages are year-over-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	101,379	5.5	5,490	42.3	12,796	34.5	7,581	32.8
Year ended March 31, 2015	96,114	(0.8)	3,859	(26.1)	9,516	3.3	5,707	8.5

(Note) Comprehensive income
Year ended March 31, 2016: 7,305 million yen (0.5%) Year ended March 31, 2015: 7,268 million yen (18.0%)

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Year ended March 31, 2016	56.78	–	11.1	10.9	5.4
Year ended March 31, 2015	42.78	–	9.0	8.9	4.0

(Reference) Equity in earnings of affiliates Year ended March 31, 2016: 326 million yen
Year ended March 31, 2015: 342 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	120,500	77,401	58.9	531.45
As of March 31, 2015	113,940	71,584	57.6	491.85

(Reference) Equity capital As of March 31, 2016: 70,962 million yen As of March 31, 2015: 65,679 million yen

(3) Consolidated Cash Flow

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at period end
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2016	13,946	(11,026)	(1,545)	17,544
Year ended March 31, 2015	8,785	(10,112)	5,462	16,169

2. Cash Dividends

	Annual dividend					Total dividends (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2015	–	4.00	–	6.00	10.00	1,335	23.4	2.1
Year ended March 31, 2016	–	6.00	–	8.00	14.00	1,869	24.7	2.7
Year ending March 31, 2017 (forecast)	–	7.00	–	35.00	–		24.6	

(Note) The Company plans to conduct a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. The per share year-end cash dividend forecast for the fiscal year ending March 31, 2017 takes into account the impact of the reverse stock split, and the total for the annual dividend has been left blank. Excluding the impact of the reverse stock split, the year-end dividend forecast for the fiscal year ending March 31, 2017 is ¥7.00 per share and the annual dividend forecast is ¥14.00 per share. For more details, please refer to “Explanation on appropriate use of business forecasts, and other special notes.”

3. Consolidated Business Forecasts for the Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages are year-over-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2016	51,000	3.4	2,200	(15.3)	5,500	(12.1)	3,300	(5.1)	24.71
Full year	104,000	2.6	5,000	(8.9)	12,000	(6.2)	7,600	0.2	284.59

(Note) Earnings per share in the consolidated business forecasts for the fiscal year ending March 31, 2017 (full year) takes into account the impact of the reverse stock split. Excluding the impact of the reverse stock split, earnings per share in the consolidated business forecasts for the fiscal year ending March 31, 2017 (full year) is ¥56.92. For more details, please refer to “Explanation on appropriate use of business forecasts, and other special notes.”

*Notes

(1) Significant changes in subsidiaries during period
(Changes in specified subsidiaries resulting in changes of scope of consolidation): None

(2) Changes in accounting policy and accounting estimates and restatement
- (i) Changes in accounting policy due to any revision of accounting standards: Yes
- (ii) Changes in accounting policy other than i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(Note) For details, please refer to (5) Notes on consolidated financial statements (Changes in accounting policy) in “5. Consolidated Financial Statements” on page 18 of the Attachments.

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares at period end (including treasury stock)	As of March 31, 2016	141,667,400 shares	As of March 31, 2015	141,667,400 shares
(ii) Number of treasury stock at period end	As of March 31, 2016	8,140,902 Shares	As of March 31, 2015	8,130,929 Shares
(iii) Average number of shares during period	Year ended March 31, 2016	133,530,302 shares	Year ended March 31, 2015	133,399,876 shares

(Reference) Overview of Financial Results on a Non-consolidated Basis

1. Financial Results on a Non-consolidated Basis for the Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Non-consolidated Results for Operations (Percentages are year-over-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	65,789	(1.2)	3,916	63.6	11,191	36.8	7,071	34.1
Year ended March 31, 2015	66,602	(4.7)	2,394	(38.4)	8,184	2.1	5,274	11.1

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2016	52.96	–
Year ended March 31, 2015	39.50	–

(2) Financial Position on a Non-consolidated Basis

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	83,244	57,706	69.3	432.17
As of March 31, 2015	77,502	52,134	67.3	390.41

(Reference) Equity capital As of March 31, 2016: 57,706 million yen As of March 31, 2015: 52,134 million yen

2. Business Forecasts on a Non-consolidated Basis for the Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages are year-over-year changes.)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2016	32,500	1.1	4,500	(13.6)	3,100	2.9	23.22
Full year	66,000	0.3	10,500	(6.2)	7,200	1.8	269.61

(Note) Net income per share in the non-consolidated business forecasts for the fiscal year ending March 31, 2017 (full year) takes into account the impact of the reverse stock split. Excluding the impact of the reverse stock split, net income per share in the non-consolidated business forecasts for the fiscal year ending March 31, 2017 (full year) is ¥53.92. For more details, please refer to “Explanation on appropriate use of business forecasts, and other special notes.”

* Disclosure regarding the status on implementation of audit procedures
  This summary of financial results is not subject to audit procedures under the Financial Instruments and Exchange Act, and audit procedures of financial statements under the Act had not yet been completed as of the date of disclosure of this summary of financial results.

* Explanation on appropriate use of business forecasts, and other special notes
  Business forecasts and other forward-looking statements contained in this report and supplementary materials are based on information currently available to the Company and on certain assumptions deemed as rational, and are not intended to guarantee the achievements by the Company. Actual results may greatly differ due to various factors. For preconditions for business forecasts and notes in using such forecasts, please see “(1) Analysis of operating results” in “1. Analysis of Operating Results and Financial Position” on page 2 of the appendix.

(Dividend and business forecasts after the reverse stock split)

At a meeting on May 12, 2016, the Board of Directors agreed to submit a proposal for a reverse stock split to the 92nd Ordinary General Meeting of Shareholders scheduled for June 22, 2016. Conditional on approval from shareholders, the 1-for-5 reverse stock split of common shares will be conducted with an effective date of October 1, 2016. In conjunction with the reverse stock split, the Company plans to reduce the minimum trading unit from 1,000 shares to 100 shares, effective on the same day. Excluding the impact of the reverse stock split, the Company’s dividend and consolidated business forecasts for the fiscal year ending March 31, 2017 are as follows:

1. Dividend forecast for the fiscal year ending March 31, 2017

   Dividend per share

   Second quarter ending September 30, 2016: ¥7.00 (Note 1)

   Fiscal year ending March 31, 2017: ¥7.00 (Note 2)

2. Consolidated business forecasts for the fiscal year ending March 31, 2017

   Earnings per share

   Full year: ¥56.92

3. Non-consolidated business forecasts for the fiscal year ending March 31, 2017

   Net income per share

   Full year: ¥53.92

   (Note 1) The dividend paid for the second quarter ending September 30, 2016 will be based on the number of shares outstanding before the reverse stock split.

   (Note 2) The dividend forecast has been adjusted to exclude the impact of the reverse stock split.

   The forecast for the annual dividend for the fiscal year ending March 31, 2017 is ¥14.00 (excluding the impact of the reverse stock split).

○ Appendix

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

1) Overview of fiscal 2015

In fiscal 2015, the Japanese economy continued to recover at a moderate pace, with the employment environment and corporate earnings showing signs of improvement on the back of the government's economic stimulus measures and the Bank of Japan's monetary policies. However, the outlook for the economy became increasingly uncertain due to growing signs of weakness in the global economy caused by the slowdown in China and a slower pace of earnings improvement among Japanese companies as the yen strengthened and share prices weakened towards the end of the fiscal year. Consumer spending was also largely flat during the fiscal year amid a lack of momentum in consumer confidence.

Against this backdrop, all executives and employees of the Mitsui Sugar Group focused on efforts to complete its fifth medium-term management plan, "Mitsui Sugar Revolution Phase 2 – The Road to 2022" (April 2014 to March 2016), which ends this fiscal year. An overview of performance in each business segment for the fiscal year under review is as follows.

(Sugar Business)

In the overseas crude sugar market, prices trended between 12 cents per pound and the mid 13 cent level at the start of the fiscal year. However, prices sank sharply in August 2015 to the low 10 cent level, reflecting strong milling output in the main producing nations and the impact of broader weakness in international commodities prices. However, in October, the crude sugar price rebounded to as high as 14 cents per pound amid reports that Brazil, the world's biggest exporter, was experiencing delays in milling output. The price then entered a period of instability due to reports about US interest rate rises, projections of excess sugar inventories in producing nations and other factors. From January 2016 the crude sugar price fell past the 13 cent level for a time due to a sharp fall in the Brazilian real and weak crude oil prices. However, amid forecasts for lower sugar production volume in the major producing nations of India and Thailand, the sugar price saw sustained increases, reaching the high 16 cent level in March 2016, the highest point during the period, and ending the fiscal year at the low 15 cent level. In Japan, retail prices for sugar started the fiscal year at around ¥185–186 per kg, but fell to the ¥183–184 level from October 2015 as suppliers cut shipment prices to reflect fluctuations in crude sugar prices in the first half of the fiscal year. Retail prices ended the fiscal year at ¥187–188 per kg due to the sharp rise in the price of crude sugar in the second half.

In production activities, a reduced burden on manufacturing processes due to steady plant operations from the start of the fiscal year, coupled with a decline in gas procurement costs, led to a reduction in variable manufacturing costs compared with the previous fiscal year.

In sales activities, sales volume for commercial-use and home-use products both increased compared with the previous fiscal year, when volumes contracted due to a pullback in demand after the hike to consumption tax. Sales volume was also supported by firm demand from beverage makers and solid shipments of home-use products in the year-end peak demand period.

In sales promotion, we continued to hold cooking classes run by food experts, sponsor sports events and promote special features in magazines to raise awareness of our SPOON brand and encourage better understanding about sugar. We also worked to stimulate greater demand for our products by using PR activities to highlight the appeal of sugar and its essential role in *washoku* (traditional dietary cultures of the Japanese), which has been recognized by UNESCO as intangible cultural heritage.

At consolidated subsidiary Showa Sugar Co., Ltd., sales volume declined due to typhoon damage and other factors, but sales volume rose year on year at consolidated subsidiary Hokkaido Sugar Co., Ltd. on the back of an increase in beet sugar unit yields and other factors. Also, Hiranoya Corporation became a consolidated subsidiary in July 2015.

As a result, net sales of the Sugar Business amounted to 85,487 million yen (up 2.8% year on year) and operating income was 4,201 million yen (up 39.5% year on year).

Sugar market status during period

Domestic market price (listed in *Nippon Keizai Shimbun*, per kilogram of a large bag of superfine sugar, Tokyo)

Opening price: 185-186 yen, highest price: 187-188 yen, lowest price: 183-184 yen, closing price: 187-188 yen

Overseas crude sugar price (NY sugar current delivery, per pound)

Opening price: 12.00 cents, highest price: 16.75 cents, lowest price: 10.13 cents, closing price: 15.35 cents

(Food Science Business)

In the Food Science Business, profits rose year on year due to an improvement in the gross margin, which mainly reflected the end of domestic production and a switch to imports in the palatinose category in the previous fiscal year. Also, we continued to promote our slow calorie project, which aims to highlight a key benefit of palatinose – a slow rate of glucose absorption by the body. Specifically, we conducted advertising and promotion activities, including running adverts in magazines and sponsoring triathlons, the Tokyo Marathon and other sports events.

Sales volume recovered at consolidated subsidiary Taisho Technos Co., Ltd. and strong demand for core products at NUTRI Co., Ltd., which became a consolidated subsidiary in the previous fiscal year, contributed to higher sales and profits year on year.

As a result, net sales in the Food Science Business increased 23.5% year on year to 14,554 million yen, while operating income rose 73.8% to 580 million yen.

(Real Estate Business)

In the Real Estate Business, net sales increased 13.2% year on year to 1,337 million yen and operating income rose 37.9% to 708 million yen. Sales and profit growth reflected contributions from rental condominiums in Suginami Ward, Tokyo and in Kawasaki City, leasing for which started in the previous fiscal year, and were almost fully occupied. There were also no major maintenance expenses for existing rental properties.

As a result of the above, net sales in fiscal 2015 increased 5.5% year on year to 101,379 million yen and operating income rose 42.3% to 5,490 million yen.

In non-operating income and expenses, we booked royalty income of 7,406 million yen and equity in earnings of affiliates of 326 million yen. As a result, ordinary income rose 34.5% year on year to 12,796 million yen and profit attributable to owners of parent increased 32.8% to 7,581 million yen.

2) Business forecasts of fiscal 2016

For fiscal 2016, ending March 31, 2017, we expect conditions in the Japanese economy to be largely unchanged from the previous fiscal year, including a continued recovery in corporate earnings and an upturn in the employment and income environment.

Business forecasts for fiscal 2016 and issues to work on at each segment are as follows:

Net sales	104,000 million yen	(up 2.6% year on year)
Operating income	5,000 million yen	(down 8.9% year on year)
Ordinary income	12,000 million yen	(down 6.2% year on year)
Profit attributable to owners of parent	7,600 million yen	(up 0.2% year on year)

(Sugar Business)

The operating environment in the Sugar Business is likely to remain challenging due to a gradual decline in domestic demand and other factors.

Against that backdrop, we aim to increase productivity in the processed sugar business by bringing our production management system, which we started introducing last year, fully online at our three plants, centralizing all domestic sales and production activities and implementing BPR in plant operations.

In sales activities, we will develop appealing products for consumers that offer a new perspective on added value and continue to renew our existing products in line with market needs as part of more active efforts to target the sugar market.

In production activities, we will work to achieve efficient, stable and highly safe operations by implementing ongoing preventative maintenance from the perspective of labor safety, in addition to our existing focus on quality and costs.

In addition, we will work to build an even stronger base for our core Sugar Business in Japan and overseas. In Japan, we aim to achieve closer cooperation with consolidated subsidiary Hokkaido Sugar Co., Ltd. and other domestic sugar producers in areas such as production, sales and distribution. Overseas, we will implement strategic initiatives with affiliates in Thailand (The Kumphawapi Sugar Co., Ltd., and Kaset Phol Sugar Ltd.) and with Khonburi Sugar Public Co., Ltd., actively utilize our representative office in Bangkok and push ahead with concrete steps to launch our business in China.

We will also develop our Group-wide quality control system to ensure the supply of safe products that offer peace of mind.

(Food Science Business)

In the Food Science Business, the key challenge is to maintain and increase profits in existing business fields, while also actively working to build our presence in new growth fields. We will develop new markets and use M&A to grow the Food Science Business into the Group's second key earnings pillar after the Sugar Business.

In the palatinose category, we will continue to expand our slow calorie project to raise awareness about the ingredient's ability to slow the rate of glucose absorption by the body. We will also use our R&D center and establish a production system to promote the cost and functional advantages of our new production methods to clients. In the sugar cane extract category, we will raise awareness about new flavor improver applications in the domestic market and actively work to expand sales in overseas markets.

We will pursue greater efficiencies and synergies with consolidated subsidiary Taisho Technos Co., Ltd., particularly in food additives. In addition, we are currently investing to triple production capacity at consolidated subsidiary NUTRI Co., Ltd. Using this additional capacity, we aim to expand sales in the new user-friendly "smile care" category of nursing care food by taking advantage of positive developments in the nursing care food sector in Japan, such as government initiatives to stimulate the medical, nursing care and healthcare sectors.

(Real Estate Business)

In the Real Estate Business, we plan to start leasing a large logistics center, currently under construction in Okayama Prefecture. We will continue to work on generating stable cash flow from our real estate portfolio, as well as further improve asset efficiency and strengthen earnings capabilities by pushing ahead with new development projects using idle land.

In non-operating income and expenses, we again expect to book royalty income in fiscal 2016. As a result, we forecast profit attributable to owners of parent in line with the level in the previous fiscal year.

(2) Analysis of financial position

1) Assets, liabilities and net assets

As of March 31, 2016, total assets were 120,500 million yen, an increase of 6,560 million yen compared with the end of the previous fiscal year.

This mainly reflected increases of 1,422 million yen for cash and deposits, 1,118 million yen for notes and accounts receivable – trade, and 3,804 million yen for property, plant and equipment, versus a decline of 919 million yen for investment securities.

Liabilities totaled 43,099 million yen, an increase of 743 million yen compared with the end of the previous fiscal year.

This mainly reflected increases of 436 million yen for notes and accounts payable – trade and 830 million yen for income taxes payable.

Total net assets increased 5,817 million yen from the end of the previous fiscal year to 77,401 million yen.

This was mainly due to profit attributable to owners of parent of 7,581 million yen and dividends from surplus of 1,602 million yen.

2) Cash flow

Cash and cash equivalents (hereinafter called “funds”) as of March 31, 2016 increased 1,374 million yen from the end of the previous fiscal year to 17,544 million yen. This was because cash from operating activities increased by 13,946 million yen while cash flow from investing and financial activities decreased by 12,571 million yen.

Changes in cash flow for fiscal 2015 and their reasons are as follows.

(Cash flow from operating activities)

The funds acquired from operating activities amounted to 13,946 million yen (fiscal 2014: increase by 8,785 million yen).

This mainly reflected cash provided by income before income taxes of 12,371 million yen and depreciation and amortization of 3,756 million yen, versus cash used for income taxes paid of 3,562 million yen.

(Cash flow from investing activities)

Investing activities caused funds to decrease in the amount of 11,026 million yen (fiscal 2014: decrease by 10,112 million yen).

This mainly reflected cash used of 9,733 million yen for the purchase of property, plant and equipment related to plant facilities and 814 million yen for the purchase of goodwill.

(Cash flow from financing activities)

Financing activities caused funds to decrease in the amount of 1,545 million yen (fiscal 2014: increase by 5,462 million yen).

This mainly reflected 1,597 million yen for cash dividends paid.

(Reference) Changes in cash-flow-related indices

	FY2013	FY2014	FY2015
Capital adequacy ratio (%)	61.9	57.6	58.9
Market-price-based capital adequacy ratio (%)	53.0	49.5	55.6
Debt redemption period (years)	1.0	2.3	1.5
Interest coverage ratio (times)	75.3	75.6	123.79

Capital adequacy ratio: Equity capital ÷ Total assets

Market-price-based capital adequacy ratio: Value of shares ÷ Total assets

Debt redemption period: Interest-bearing debt ÷ Cash flow

Interest coverage ratio: Cash flow ÷ Interest payment

Notes:

1. Data on a consolidated basis is used for calculation.
2. Value of shares is calculated based on the number of outstanding shares excluding treasury stock.
3. Cash flow used is operating cash flow.
4. Interest-bearing debt includes all the debts recorded in the consolidated balance sheets for which the Company pays interest.

(3) Fundamental policy for profit allocation and dividends for fiscal 2015 and 2016

The Company's basic policy is to pay stable and continuous dividends to shareholders. Taking into account the need to replenish retained earnings to support future business growth and reinforce the business base, we will determine dividends based on a target dividend payout ratio of roughly 25%, while also considering current business conditions. We will also endeavor to implement a flexible capital policy aimed at increasing corporate value.

In line with this policy, we plan to pay a dividend of 14 yen per share for fiscal 2015 (interim dividend: six yen, year-end dividend: eight yen), and an interim dividend of seven yen and year-end dividend of 35 yen (excluding the impact of the reverse stock split: seven yen) per share for fiscal 2016.

(4) Business risk

The following are matters concerning risks generated in conducting the Group's businesses and others that may have a significant impact on judgments of investors. Descriptions regarding the future are based on the Company's judgments as of March 31, 2016.

1) Matters regarding food safety

The Group developed a thorough system of production and quality management in order to supply safe products stably. But when a serious quality problem occurs, operating results and the financial position of the Group may be affected; for example we may need to reinforce the management system and consequently there will be related costs.

2) Matters regarding business environment such as agricultural policies

The Sugar Business accounts for more than 80% of the Group's net sales, and therefore financial results of the Group are more exposed to changes in the business environment of the Sugar Business. We operate the Sugar Business under the government's agricultural policies and laws and regulations such as the "Act on Price Adjustment of Sugar and Starch." Therefore, changes in the government's agricultural policies and the progress of TPP (Trans-Pacific Partnership), EPA (Economic Partnership Agreement), and FTA (Free Trade Agreement) may affect the operating results and financial position of the Group.

3) Matters regarding changes in purchase prices of raw materials and selling prices of products

In the Sugar Business, the major business of the Group, the price of crude sugar, the raw material, is determined in the market, and the market conditions may fluctuate significantly. Product prices may also fluctuate due to competition and the market environment, and this may affect the operating results and financial position of the Group.

4) Matters regarding disasters

The Group conducts business activities throughout Japan as well as overseas. When a large-scale natural disaster such as an earthquake or any unexpected event occurs, and production and distribution are disrupted for a long time, the operating results and financial position of the Group may be affected.

5) Intellectual property assets

A large proportion of the Group's ordinary income is generated by royalty income from the basic patent for FTY720, a drug for the treatment of multiple sclerosis. Consequently, this earnings structure means the Group's operating results are exposed to changes in business conditions related to this drug. The Group's operating results and financial position may be affected if rival drugs to FTY720 are approved and launched in Japan or overseas.

2. Corporate Group

In fiscal 2015, there were no major changes in the operations of the Group (the Company and its affiliates).

3. Management Policy

(1) Fundamental management policy

The Mitsui Sugar Group's fundamental management policy is to satisfy all the stakeholders by implementing our corporate philosophy, "Mitsui Sugar enriches people's life with safe, reliable and natural food ingredients" and continuously improving corporate value. The Group also works on proactively disclosing information by quickly releasing material information and conducting IR activities, aiming for a highly transparent corporate management. It also conducts environmentally friendly corporate activities to become a corporate group and establish the SPOON brand that responds to the trust from society.

(2) Management benchmark

In order to continue increasing corporate value, the Group is targeting return on equity (ROE) of 8-10% by strengthening earnings capabilities, while also channeling management resources into growth fields.

(3) Medium- and long-term management strategies and issues to work on

The Sugar Business, which is exposed to changes in Japan's agricultural policies, generates more than 80% of the Group's sales. We forecast a gradual decline in demand for sugar in Japan due to its aging society and declining population. The Mitsui Sugar Group needs to step up its competitiveness amid progress toward the Trans-Pacific Partnership (TPP) and momentum on other economic partnership agreements (EPA). At the same time, the Group will need to restructure its operations over the medium and long term by becoming more global and expanding its business reach into growth fields.

To address these challenges, we formulated our sixth medium-term management plan, "Mitsui Sugar Revolution Phase 3: The Road to 2022" (April 2016 to March 2018). Building on progress in our fifth medium-term management plan towards the 2022 end point, we will focus on expanding our operations into promising growth fields and on reinforcing our business base in existing business fields. We will also target supporting business fields for those two fields. Specifically, we will implement five key initiatives to achieve our goals: (1) Develop global operations (China and Thailand), (2) strengthen the Food Science Business, (3) cultivate incubation businesses into new sources of earnings, (4) implement J-Sugar 2022 (domestic sugar operations), and (5) reinforce human resources and the organizational structure.

In global business development, we will develop the Chinese and Thai markets and strengthen the Mitsui Sugar Group's presence in Asia by actively using local partner companies and increasing cooperation with our affiliated companies. In the Food Science Business, we aim to expand our business reach and maximize synergies with consolidated subsidiaries Taisho Technos Co., Ltd. and NUTRI Co., Ltd. In our slow calorie project, which we are actively developing, we will use our R&D center to aggressively market our new palatinose production method. In research and development, we will leverage our expertise in sugar cane and peripheral areas to search for potential new business opportunities that can be commercialized. In the domestic sugar business, we aim to optimize operations further in order to reduce costs and boost profits.

Recognizing the vital importance of human resources development as the driver behind these initiatives, we will work to gradually strengthen the capabilities of all our employees. As an additional element of human resources training, we will strive to cultivate an even stronger mindset among our employees, called "Mitsui Sugar Quality," an initiative continuing from our fifth medium-term management plan. Our goal is to build a new corporate culture that encourages all our employees to take on new challenges by changing the way they approach work, ensuring the Group is more competitive as it moves into global markets. This will also support our efforts to strengthen consolidated business management across the Group.

Companies in Japan face growing demands from society to enhance corporate governance. In response, the Mitsui Sugar Group will strengthen governance and work to make management even more transparent and fairer.

4. Basic Stance on Selection of Accounting Standards

The Mitsui Sugar Group plans to continue using Japanese accounting standards for the time being, as they facilitate comparison with previous consolidated financial statements and with earnings at other companies. However, the Group intends to respond appropriately to the adoption of International Financial Reporting Standards (IFRS) based on developments in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

		FY2014 (As of March 31, 2015)		FY2015 (As of March 31, 2016)
Assets				
Current assets				
Cash and deposits		16,178		17,601
Notes and accounts receivable-trade		6,848		7,967
Lease investment assets		354		269
Merchandise and finished goods		15,683		15,665
Work in process		1,878		1,651
Raw materials and supplies		5,352		5,508
Deferred tax assets		680		722
Other		1,240		2,234
Allowance for doubtful accounts		(0)		(30)
Total current assets		48,217		51,590
Non-current assets				
Property, plant and equipment				
Buildings and structures	*2, *4	34,498	*2, *4	35,321
Accumulated depreciation		(20,887)		(21,714)
Buildings and structures, net		13,610		13,607
Machinery, equipment and vehicles	*2, *4	72,683	*2, *4	73,767
Accumulated depreciation		(60,050)		(59,695)
Machinery, equipment and vehicles, net		12,633		14,072
Tools, furniture and fixtures		2,325		2,370
Accumulated depreciation		(2,016)		(2,053)
Tools, furniture and fixtures, net		308		317
Land	*2	18,435	*2	18,436
Lease assets		912		888
Accumulated depreciation		(118)		(216)
Lease assets, net		794		672
Construction in progress		2,960		5,441
Total property, plant and equipment		48,742		52,547
Intangible assets				
Goodwill		2,380		2,523
Other	*4	678	*4	978
Total intangible assets		3,058		3,501
Investments and other assets				
Investment securities	*1	12,055	*1, *2	11,136
Long-term loans receivable		35		25
Net defined benefit asset		302		269
Deferred tax assets		685		713
Other		867		741
Allowance for doubtful accounts		(25)		(25)
Total investments and other assets		13,920		12,861
Total non-current assets		65,722		68,910
Total assets		113,940		120,500

(Million yen)

		FY2014 (As of March 31, 2015)		FY2015 (As of March 31, 2016)
Liabilities				
Current liabilities				
Notes and accounts payable-trade		6,804	*2	7,240
Short-term loans payable		5,300		5,610
Current portion of long-term loans payable	*2, *5	1,778	*2, *5	1,760
Lease obligations		93		91
Accrued expenses		2,851		3,183
Income taxes payable		1,900		2,731
Provision for directors' bonuses		59		73
Other		3,995		2,448
Total current liabilities		22,783		23,139
Non-current liabilities				
Bonds payable		10,000		10,000
Long-term loans payable	*2, *5	2,555	*2, *5	2,817
Lease obligations		706		606
Deferred tax liabilities		1,326		1,251
Provision for directors' retirement benefits		218		216
Net defined benefit liability		2,886		3,227
Asset retirement obligations		395		414
Other		1,484		1,426
Total non-current liabilities		19,572		19,960
Total liabilities		42,356		43,099
Net assets				
Shareholders' equity				
Capital stock		7,083		7,083
Capital surplus		1,291		1,291
Retained earnings		58,665		64,643
Treasury stock		(2,895)		(2,900)
Total shareholders' equity		64,144		70,118
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		581		639
Deferred gains or losses on hedges		(1)		4
Foreign currency translation adjustment		690		206
Remeasurements of defined benefit plans		263		(6)
Total accumulated other comprehensive income		1,535		844
Non-controlling interests		5,904		6,438
Total net assets		71,584		77,401
Total liabilities and net assets		113,940		120,500

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

(Consolidated statements of income)

(Million yen)

		FY2014 (From April 1, 2014 to March 31, 2015)		FY2015 (From April 1, 2015 to March 31, 2016)
Net sales		96,114		101,379
Cost of sales		75,184		76,994
Gross profit		20,930		24,384
Selling, general and administrative expenses				
Sales commission		1,801		1,708
Distribution expenses		4,515		4,846
Salaries and bonuses	*1	3,016	*1	3,502
Provision for directors' bonuses		61		77
Retirement benefit expenses	*1	145	*1	142
Other	*1	7,530	*1	8,617
Total selling, general and administrative expenses		17,070		18,894
Operating income		3,859		5,490
Non-operating income				
Interest income		5		10
Dividends income		90		223
Equity in earnings of affiliates		342		326
Royalty income		5,757		7,406
Miscellaneous income		170		242
Total non-operating income		6,367		8,209
Non-operating expenses				
Interest expenses		123		112
Bond issuance cost		47		—
Loss on retirement of non-current assets		79		214
Facilities removal expenses		160		245
Miscellaneous loss		300		331
Total non-operating expenses		710		903
Ordinary income		9,516		12,796
Extraordinary income				
Gain on sales of investment securities		9		36
Gain on bargain purchase		—		78
Gain on transfer of business		—	*3	45
Subsidy income		375		1,202
Total extraordinary income		385		1,363
Extraordinary loss				
Loss on step acquisitions		—		52
Impairment loss		—	*4	47
Loss on reduction of non-current assets		359		1,186
Loss on retirement of non-current assets	*2	207		—
Loss on valuation of investment securities		—	*5	501
Total extraordinary loss		567		1,788
Income before income taxes		9,333		12,371
Income taxes-current		3,192		4,339
Income taxes-deferred		171		(1)
Total income taxes		3,364		4,337
Profit		5,969		8,033
Profit attributable to non-controlling interests		262		452
Profit attributable to owners of parent		5,707		7,581

(Consolidated statements of comprehensive income)

(Million yen)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Profit	5,969	8,033
Other comprehensive income		
Valuation difference on available-for-sale securities	312	42
Deferred gains or losses on hedges	(5)	10
Remeasurements of defined benefit plans	281	(297)
Share of other comprehensive income of entities accounted for using equity method	710	(482)
Total other comprehensive income	1,298	(727)
Comprehensive income	7,268	7,305
Comprehensive income attributable to:		
Owners of parent	6,919	6,910
Non-controlling interests	348	395

(3) Consolidated statements of changes in net assets

FY2014 (From April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	7,083	1,255	55,532	(2,919)	60,951
Cumulative effects of changes in accounting policies			(172)		(172)
Restated balance	7,083	1,255	55,360	(2,919)	60,779
Change of items during the period					
Dividends from surplus			(1,201)		(1,201)
Profit attributable to owners of parent			5,707		5,707
Change of scope of equity method			(1,200)		(1,200)
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		35		25	61
Net changes of items other than shareholders' equity					
Total change of items during the period	–	35	3,304	24	3,365
Balance at the end of the period	7,083	1,291	58,665	(2,895)	64,144

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	397	4	7	13	423	4,349	65,724
Cumulative effects of changes in accounting policies							(172)
Restated balance	397	4	7	13	423	4,349	65,552
Change of items during the period							
Dividends from surplus							(1,201)
Profit attributable to owners of parent							5,707
Change of scope of equity method							(1,200)
Purchase of treasury stock							(1)
Disposal of treasury stock							61
Net changes of items other than shareholders' equity	183	(5)	683	250	1,111	1,555	2,667
Total change of items during the period	183	(5)	683	250	1,111	1,555	6,032
Balance at the end of the period	581	(1)	690	263	1,535	5,904	71,584

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	7,083	1,291	58,665	(2,895)	64,144
Cumulative effects of changes in accounting policies					—
Restated balance	7,083	1,291	58,665	(2,895)	64,144
Change of items during the period					
Dividends from surplus			(1,602)		(1,602)
Profit attributable to owners of parent			7,581		7,581
Change of scope of equity method					—
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total change of items during the period	—	0	5,978	(5)	5,974
Balance at the end of the period	7,083	1,291	64,643	(2,900)	70,118

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	581	(1)	690	263	1,535	5,904	71,584
Cumulative effects of changes in accounting policies							—
Restated balance	581	(1)	690	263	1,535	5,904	71,584
Change of items during the period							
Dividends from surplus							(1,602)
Profit attributable to owners of parent							7,581
Change of scope of equity method							—
Purchase of treasury stock							(5)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	57	6	(484)	(269)	(690)	533	(156)
Total change of items during the period	57	6	(484)	(269)	(690)	533	5,817
Balance at the end of the period	639	4	206	(6)	844	6,438	77,401

(4) Consolidated statements of cash flows

(Million yen)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	9,333	12,371
Depreciation and amortization	3,573	3,756
Impairment loss	—	47
Loss (gain) on disposal of non-current assets	(14)	(2)
Loss on retirement of non-current assets	287	214
Loss (gain) on valuation of investment securities	10	501
Loss (gain) on sales of investment securities	(8)	(36)
Equity in losses (earnings) of affiliates	(342)	(326)
Amortization of goodwill	224	670
Gain on bargain purchase	—	(78)
Loss (gain) on step acquisitions	—	52
Loss (gain) on transfer of business	—	(45)
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for directors' bonuses	4	11
Increase (decrease) in net defined benefit liability	(167)	286
Interest and dividends income	(95)	(233)
Interest expenses	123	112
Bond issuance cost	47	—
Subsidy income	(375)	(1,202)
Loss on reduction of non-current assets	359	1,186
Decrease (increase) in notes and accounts receivable-trade	682	(28)
Decrease (increase) in inventories	(2,702)	202
Increase (decrease) in notes and accounts payable-trade	902	(151)
Increase (decrease) in accrued consumption taxes	340	(266)
Other, net	446	(857)
Subtotal	12,627	16,185
Interest and dividends income received	96	234
Proceeds from subsidy income	375	1,202
Payments for retirement of non-current assets	(477)	—
Interest expenses paid	(116)	(112)
Income taxes paid	(3,719)	(3,562)
Net cash provided by (used in) operating activities	8,785	13,946

(Million yen)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) investing activities		
Payments into time deposits	—	(50)
Purchase of property, plant and equipment	(6,020)	(9,733)
Proceeds from sales of property, plant and equipment	14	3
Purchase of investment securities	(697)	(118)
Proceeds from sales of investment securities	26	11
Proceeds from transfer of business	—	45
Purchase of intangible assets	(254)	(425)
Purchase of goodwill	—	(814)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,164)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 55
Other, net	(16)	(1)
Net cash provided by (used in) investing activities	(10,112)	(11,026)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	10,500	11,140
Decrease in short-term loans payable	(12,900)	(11,060)
Proceeds from issuance of commercial paper	5,000	1,000
Redemption of commercial papers	(5,000)	(1,000)
Proceeds from long-term loans payable	1,100	2,000
Repayment of long-term loans payable	(1,868)	(1,886)
Proceeds from issuance of bonds	9,952	—
Purchase of treasury stock	(1)	(5)
Cash dividends paid	(1,199)	(1,597)
Cash dividends paid to non-controlling shareholders	(40)	(42)
Other, net	(80)	(93)
Net cash provided by (used in) financing activities	5,462	(1,545)
Net increase (decrease) in cash and cash equivalents	4,135	1,374
Cash and cash equivalents at beginning of period	12,034	16,169
Cash and cash equivalents at end of period	*1 16,169	*1 17,544

(5) Notes on consolidated financial statements

(Notes on assumptions of a going concern)

None

(Important matters concerning preparation of consolidated financial statements)

1. Matters concerning scope of consolidation

I. Number and names of consolidated subsidiaries

Number of consolidated subsidiaries: 6

Names of consolidated subsidiaries:

Hokkaido Sugar Co., Ltd., Spoon Sugar Co., Ltd., Showa Sugar Co., Ltd., Hiranoya Corporation, Taisho Technos Co., Ltd., and NUTRI Co., Ltd.

From the fiscal year under review, Hiranoya Corporation, previously an entity accounted for by the equity method, was included in the scope of consolidation following the acquisition of an additional 8.1% of the company's outstanding shares.

II. Names, etc. of unconsolidated subsidiaries

Names of unconsolidated subsidiaries

Hokuseki Co., Ltd., Hokuee Co., Ltd., Hokuken Co., Ltd.

Reasons for exclusion from the scope of consolidation

All of these unconsolidated subsidiaries are small in size, and the total assets, net sales, net income (comparable to equity interest), retained earnings (comparable to equity interest) all do not have a significant impact on the consolidated financial statements.

2. Matters concerning application of equity method

I. Number of equity method affiliates and names of major companies

Number of equity method affiliates: 7

Names of major equity method affiliates:

Nansei Togyo Co., Ltd., The Kumphawapi Sugar Co., Ltd., and Kaset Phol Sugar Ltd.

Hiranoya Corporation, an entity accounted for by the equity method in the previous fiscal year, has been included in the scope of consolidation following the acquisition of additional shares, and is therefore excluded from the scope of the equity method.

II. Name, etc. of unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

Names of major companies

Unconsolidated subsidiaries: Hokuseki Co., Ltd., Hokuee Co., Ltd., Hokuken Co., Ltd.

Affiliates: Ryutou Incorporation, Shin Chutoh Sangyo Co., Ltd., Seitokogyo-Kaikan Co., Ltd., Murakami Shouten Co., Ltd. and Akazawa-Syokuhin Co., Ltd.

Reason for not applying the equity method

The influence that unconsolidated subsidiaries and affiliates which are out of the scope of equity method accounting have on consolidated financial statements is minimal, and their overall significance is low even if they are excluded from the scope of application of equity method, considering the amount of net income or loss (comparable to equity interest) and retained earnings (comparable to equity interest). Therefore, they are excluded from the scope of equity method accounting.

3. Matters concerning fiscal year of consolidated subsidiaries

The financial closing date of consolidated subsidiaries agrees with the consolidated financial closing date with the exception of Hokkaido Sugar Co., Ltd. (September 30), NUTRI Co., Ltd. (September 30) and Showa Sugar Co., Ltd. (June 30). As for Hokkaido Sugar Co., Ltd. and NUTRI Co., Ltd., the financial statements prepared as a result of the provisional financial closing process equivalent to the consolidated financial closing conducted as of the consolidated financial closing date are used as the base. Meanwhile, for Showa Sugar Co. Ltd., provisional financial results based on a fiscal year-end of December 31 have been used to prepare the consolidated financial statements. However, we make adjustments necessary for consolidation regarding important transactions executed with Showa Sugar Co., Ltd. between January 1 and the consolidated closing date.

4. Matters concerning accounting standard

I. Evaluation standard and evaluation method of important assets

(i) Securities

Available-for-sale securities

Securities with market value

Market value method based on market prices as of the closing date. (Valuation difference is reported as a component of shareholders' equity, and cost of securities sold is calculated by the moving-average method.)

Securities without market value

Cost method based on the moving-average method

(ii) Derivatives

Market value method in principle

(iii) Inventories

Evaluated by the cost method based on the gross average method

Amounts in the balance sheets are calculated by devaluating book values based on a decrease in profitability.

II. Method of depreciation of important depreciable assets

(i) Property, plant and equipment (excluding lease assets)

The Company and its consolidated subsidiaries mainly use the straight-line method.

Useful life of major categories is as follows:

Buildings and structures

15–47 years

Machinery, equipment and vehicles

4–10 years

(ii) Lease assets

Lease period is used as useful life, and the straight-line method is used with zero residual value.

III. Standard to record important allowance and provision

(i) Allowance for doubtful accounts

In preparation for bad debt, for general accounts receivable, a loan loss ratio is taken into account while for certain receivables such as doubtful accounts receivable, collectability of each receivable is considered in recording the estimated uncollectible amount.

(ii) Provision for directors' bonuses

In preparation for payment of directors' bonuses, a provision thereof is recorded based on the estimated amount of payment in this fiscal year.

(iii) Provision for directors' retirement benefits

In preparation for the payment of directors' retirement benefits, some consolidated subsidiaries post 100% of the necessary amount to be paid at the end of the fiscal year in accordance with internal rules.

IV. Accounting treatment of retirement benefits

When calculating retirement benefit liabilities, the benefit formula method is used to allocate expected benefit payments to the period until this fiscal year end.

Past service cost is expensed by the straight-line method over a certain period (five years) up to a ceiling of employees' average remaining service period at the time of accrual.

Actuarial difference is first prorated by the straight-line method over a certain period (10 years) up to a ceiling of employees' average remaining service period in each fiscal year at the time of accrual, and the prorated amount is expensed from the fiscal year after the year of accrual.

Some consolidated subsidiaries use the compendium method.

V. Standard to record important income and expenses

Standard to record income from finance lease transactions

Net sales and cost of sales are recorded when a lease fee is received.

Of non-ownership-transfer finance lease transactions, income and expenses of those that started before March 31, 2008 are recorded by the method applied to regular lease transactions.

VI. Standard to convert important foreign-currency-denominated assets and liabilities into local currency

Foreign currency receivable and payable is converted into yen based on the spot exchange rate as of the consolidated closing date, and translation is recorded as income or expenses.

Assets and liabilities of foreign subsidiaries are converted into yen based on the spot exchange rate as of the consolidated closing date, and translation is included in the foreign currency translation adjustment in the net assets section.

VII. Method of important hedge accounting

(i) Method of hedge accounting

Deferred hedge accounting is adopted. The designation method is applied for foreign exchange contracts which meet the requirements and exceptional accounting is applied for interest rate swaps which meet the requirements.

(ii) Hedging instruments, hedged items and hedging policy

(Hedging instruments)	(Hedged items)
Foreign exchange forwards	Foreign-currency-denominated forecasted transaction and foreign currency receivable and payable
Interest rate swap	Interest on borrowing
Commodity swap	Commodity forecasted transaction

(Hedging policy)

Foreign exchange forwards are used to hedge the foreign currency risk within the range required based on the sales plan for export and import transactions.

Interest rate swap is used to fix a variable interest rate and hedge the risk of future rising interest rate.

Commodity swaps are used to hedge the commodity price fluctuation risk within the range required based on the sales plan.

(iii) Method to evaluate effectiveness of hedging

We assume that the effectiveness of hedging is secured with respect to foreign exchange forwards since they are used for a single currency and single amount and for commodity swaps as they are transacted for a single product and single period. We do not evaluate the effectiveness of interest rate swaps since they meet the requirement of special accounting.

VIII. Method and period of goodwill amortization

Goodwill is amortized on a straight-line basis during the designated amortization period. However, immaterial goodwill is amortized in its entirety in the fiscal year of recognition.

IX. Scope of funds in the consolidated statements of cash flows

Funds consist of cash on hand, deposits cashable anytime and short-term investments (to be redeemed within three months from the date of acquisition) that are easily realizable and have limited risk of changes in value.

X. Other important matters for preparation of consolidated financial statements

Accounting for consumption taxes

Consumption taxes are recorded net of tax.

(Change in accounting policy)

(Application of accounting standard for business combinations, etc.)

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) from the fiscal year under review. As a result, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into on or after the first day of the fiscal year under review, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation method for “net income” was changed, and references to "minority interests" were changed to "non-controlling interests." To reflect these changes, the Company has reclassified its full-year consolidated financial statements for the previous fiscal year.

The Company has applied the Accounting Standard for Business Combinations and the other standards in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the fiscal year under review.

The impact of the above changes on the financial statements is minimal.

In the consolidated statements of cash flows for the fiscal year under review, cash flows related to the acquisition or sale of shares in subsidiaries not resulting in change in scope of consolidation have been included under “Net cash provided by (used in) financing activities,” and cash flows related to costs arising from acquisition of shares in subsidiaries resulting in change in scope of consolidation or costs associated with acquisition or sale of shares in subsidiaries not resulting in change in scope of consolidation have been included in “Net cash provided by (used in) operating activities.”

(Consolidated balance sheets)

*1. Item concerning unconsolidated subsidiaries and the affiliates is as follows.

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Investment securities (shares)	8,217 million yen	7,958 million yen

*2. Collateral assets and secured liabilities

Assets pledged as collateral are as follows.

	FY2014 (As of March 31, 2015)		FY2015 (As of March 31, 2016)	
Buildings and structures	2,996 million yen	(2,239 million yen)	3,305 million yen	(2,584 million yen)
Machinery, equipment and vehicles	3,217	(3,217)	4,343	(4,343)
Land	1,011	(730)	1,011	(730)
Investment securities	-	(-)	28	(-)
Total	7,226	(6,187)	8,688	(7,658)

Secured liabilities are as follows.

	FY2014 (As of March 31, 2015)		FY2015 (As of March 31, 2016)	
Notes and accounts payable - trade	- million yen	(- million yen)	69 million yen	(- million yen)
Current portion of long-term loans payable	875	(875)	825	(825)
Long-term loans payable	1,650	(1,650)	1,825	(1,825)
Total	2,525	(2,525)	2,719	(2,650)

Of the above, the figures in parentheses represent loans secured by the plant foundation and the respective amount of liability.

*3. Guarantee obligation

Joint guaranty for loans from financial institutions of a company other than consolidated subsidiaries

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Hokuee Co., Ltd.	11 million yen	10 million yen

*4. Reduction entry of property, plant and equipment and intangible assets

With the receipt of sugar production promotion subsidy by Hokkaido Sugar Co., Ltd. and Showa Sugar Co., Ltd., our consolidated subsidiaries, reduction entries made that are deducted from the acquisition prices are as follows:

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Buildings and structures	30 million yen	44 million yen
Machinery, equipment and vehicles	746	2,098
Intangible assets, other	2	2

*5. Financial covenants

Financial covenants are contained in loan contracts of part of the loans payable of our consolidated subsidiary Hokkaido Sugar Co., Ltd. Should there be a conflict with any of the following terms, loans are to be repaid in full to the respective lender as per notified by the lender.

(1) The amount in the net assets section at the end of the business year falls below 75% of the larger of either the amount in the net assets section as of the end of the previous business year or as of the end of the business year serving as the basis.

(2) Ordinary loss is posted in the business year for the second consecutive year.

(3) The total amount of interest-bearing liabilities (e.g., short-term loans payable, current portion of long-term loans payable, long-term loans payable and bonds) is more than 1.5 times as the amount in the net assets section.

Loans-payable with financial covenants are as follows.

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Current portion of long-term loans payable	875 million yen	325 million yen
Long-term loans payable	650	325
Total	1,525	650

(Consolidated statements of income)

*1. Research and development expenses included in selling, general and administrative expenses

FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
630 million yen	822 million yen

*2. Loss on retirement of non-current assets

FY2014 (From April 1, 2014 to March 31, 2015)

Expenses incurred as a result of the removal of raw sugar production facilities at Okayama Plant which ended production at the end of September 2012.

*3. Gain on transfer of business

FY2015 (From April 1, 2015 to March 31, 2016)

Gain on the transfer of a consolidated subsidiary’s insurance agency business.

*4. Impairment losses

FY2015 (From April 1, 2015 to March 31, 2016)

(1) Summary of asset group for which impairment losses have been recognized

Location	Use	Type
Hokkaido Sugar Co., Ltd. (Kitami, Hokkaido)	Idle assets	Machinery, equipment and vehicles, tools, furniture and fixtures

(2) Background leading to the recognition of impairment losses

Impairment losses have been recognized on part of the manufacturing facilities of Hokkaido Sugar Co., Ltd., which have become idle and have no defined future use.

(3) Breakdown of impairment losses

Machinery, equipment and vehicles	44 million yen
Tools, furniture and fixtures	2 million yen
Total	47 million yen

(4) Method of grouping

Non-current assets are classified into the Sugar Business Group, the Food Science Business Group and the Real Estate Business Group, and the Sugar Business Group is further classified by production plant. The Food Science Business Group is mainly categorized into the Palatinose Group, the Food Coloring Group, the Agar and Gelatinizing Agent Group and the Bio Group The Real Estate Business Group is classified by rental property. Idle assets are classified by property.

(5) Method of calculation for recoverable amount

Recoverable amount is based on net sales value. Market value is generally assessed as zero due to the difficulty in using facilities for other purposes.

*5. Loss on valuation of investment securities

FY2015 (From April 1, 2015 to March 31, 2016)

Loss on valuation of investment securities is recorded for investment securities with significant declines in market value and real value.

(Consolidated statements of changes in net assets)

FY2014 (From April 1, 2014 to March 31, 2015)

1. Matters concerning type and total number of outstanding shares and treasury stock

	Number of shares at the beginning of FY2014 (Thousand shares)	Number of increased shares during FY2014 (Thousand shares)	Number of decreased shares during FY2014 (Thousand shares)	Number of shares at the end of FY2014 (Thousand shares)
Outstanding shares				
Common shares	141,667	–	–	141,667
Total	141,667	–	–	141,667
Treasury stock				
Common shares	8,327	3	199	8,130
Total	8,327	3	199	8,130

Notes:

1. Three thousand shares of increase in common shares of treasury stock are as a result of acquisition of fractional shares (+ three thousand shares).
2. The decrease of 199 thousand common shares of treasury stock is due to the sale of 199 thousand shares of common stock held by an affiliate and request of purchase for less than 1 thousand fractional shares.

2. Matters concerning cash dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 24, 2014	Common shares	667	5.0	March 31, 2014	June 25, 2014
Board of directors' meeting held on October 31, 2014	Common shares	534	4.0	September 30, 2014	December 3, 2014

(2) Dividends whose base date is in fiscal 2014 and whose effective date falls on fiscal 2015

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend resource	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 23, 2015	Common shares	801	Retained earnings	6.0	March 31, 2015	June 24, 2015

FY2015 (From April 1, 2015 to March 31, 2016)

1. Matters concerning type and total number of outstanding shares and treasury stock

	Number of shares at the beginning of FY2015 (Thousand shares)	Number of increased shares during FY2015 (Thousand shares)	Number of decreased shares during FY2015 (Thousand shares)	Number of shares at the end of FY2015 (Thousand shares)
Outstanding shares				
Common shares	141,667	–	–	141,667
Total	141,667	–	–	141,667
Treasury stock				
Common shares	8,130	10	0	8,140
Total	8,130	10	0	8,140

Notes:

1. Ten thousand shares of increase in common shares of treasury stock are as a result of acquisition of fractional shares (+ ten thousand shares).

2. The decrease of less than 1 thousand common shares of treasury stock is due to the request of purchase for less than 1 thousand fractional shares.

2. Matters concerning cash dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 23, 2015	Common shares	801	6.0	March 31, 2015	June 24, 2015
Board of directors' meeting held on November 5, 2015	Common shares	801	6.0	September 30, 2015	December 3, 2015

(2) Dividends whose base date is in fiscal 2015 and whose effective date falls on fiscal 2016

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend resource	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 22, 2016	Common shares	1,068	Retained earnings	8.0	March 31, 2016	June 23, 2016

(Consolidated statements of cash flows)

*1. Relationship between ending balance of cash and cash equivalents and its amount in the consolidated balance sheets

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Cash and deposits	16,178 million yen	17,601 million yen
Time deposit whose deposit term exceeds three months	(8)	(56)
Cash and cash equivalents	16,169	17,544

*2. Major constituents of assets and liabilities of a company that newly became a consolidated subsidiary in fiscal 2015
Major constituents of assets and liabilities of Hiranoya Corporation when it was newly consolidated through the purchase of shares in the fiscal year under review, and the relationship between the stock purchase price and proceeds (net) from the purchase are as follows.

Current assets	1,284 million yen
Non-current assets	277
Current liabilities	(964)
Non-current liabilities	(210)
Non-controlling interests	(180)
Stock purchase price	206
Amount required for control under the equity method	(161)
Gain on bargain purchase	(78)
Loss on step acquisitions	52
Acquisition price of additionally purchased shares	19
Cash and cash equivalents of the new consolidated subsidiary	(74)
Net: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	(55)

(Segment information, etc.)

a. Segment information

1. Overview of reportable segments

Reportable segments of the Company are structural units of the Company whose separate financial information is available, and which are subject to regular review by the Board of Directors to evaluate a decision on allocation of management resources and financial results.

The Company and its consolidated subsidiaries are engaged in manufacturing and sales of sugar and food ingredients and lease of real estate. Organizations are established based on these products and services.

Therefore, reportable segments of the Company are the “Sugar Business,” “Food Science Business” and “Real Estate Business.”

The Sugar Business manufactures and sells raw sugar, processed sugar and sugar-related products. The Food Science Business manufactures and sells naturally-derived sweeteners, food colorings, flavorings, sugar cane extract, agar, bio-based products, nutritional care supplements and nutritional products for patients with dysphagia. The Real Estate Business mainly leases land, retail premises and offices.

2. Calculation method of net sales, income/loss, assets, liabilities and other items of each reportable segment

Accounting of reportable business segments is basically the same as those described in the “Important matters concerning preparation of consolidated financial statements.”

Income of reportable segments is on an operating-income basis.

Intersegment sales and transfer is based on the current market price.

3. Information on amounts of net sales, income/loss, assets, liabilities and other items by each reportable segment

FY2014 (From April 1, 2014 to March 31, 2015)

(Million yen)

	Reportable Segment				Adjustments	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	83,147	11,784	1,181	96,114	—	96,114
Intersegment net sales and transfer	37	—	45	82	(82)	—
Total	83,184	11,784	1,226	96,196	(82)	96,114
Segment profit	3,011	333	513	3,859	—	3,859
Segment assets	69,642	14,630	11,499	95,773	18,167	113,940
Other items						
Depreciation and amortization	3,129	241	190	3,561	11	3,573
Increase of plant, property and equipment and intangible assets	4,644	152	1,232	6,029	298	6,328

Notes:

1. Some adjustments were made between segment profit and operating income recorded in consolidated statements of income.
2. Adjustments of segment assets of 18,167 million yen indicate assets of the entire Company not allocated to each reportable segment. They consist of invested assets using surplus fund (cash and deposits), long-term investment fund (investment securities) and assets concerning the administration department.
3. In the fiscal year under review, assets in the Food Science Business reportable segment increased 6,244 million yen compared with the end of the previous fiscal year due to the consolidation of NUTRI Co., Ltd in the third quarter.

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable Segment				Adjustments	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	85,487	14,554	1,337	101,379	—	101,379
Intersegment net sales and transfer	19	103	41	164	(164)	—
Total	85,507	14,657	1,378	101,543	(164)	101,379
Segment profit	4,201	580	708	5,490	—	5,490
Segment assets	71,004	14,290	16,058	101,353	19,147	120,500
Other items						
Depreciation and amortization	3,222	289	238	3,750	6	3,756
Increase of plant, property and equipment and intangible assets	2,261	652	4,850	7,765	1,510	9,276

Notes:

1. Some adjustments were made between segment profit and operating income recorded in consolidated statements of income.
2. Adjustments of segment assets of 19,147 million yen indicate assets of the entire Company not allocated to each reportable segment. They consist of invested assets using surplus fund (cash and deposits), long-term investment fund (investment securities) and assets concerning the administration department.
3. Assets in the Sugar Business reportable segment increased by 1,415 million yen compared with the end of the previous fiscal year due to the consolidation of Hiranoya Corporation in the second quarter of the fiscal year.

b. Related information

FY2014 (From April 1, 2014 to March 31, 2015)

1. Information by each product and service

Description is omitted since it is explained in the segment information section.

2. Information by each region

(1) Net sales

Description is omitted since net sales to third party customers outside Japan account for less than 10% of the consolidated net sales.

(2) Plant, property and equipment

Not applicable since there is no plant, property and equipment located outside Japan.

3. Information by major customer

(Million yen)

Name of customer	Net sales	Relevant segment
Mitsui & Co., Ltd.	53,165	Sugar Business and Food Science Business
Sojitz Corporation	10,797	Sugar Business

FY2015 (From April 1, 2015 to March 31, 2016)

1. Information by each product and service

Description is omitted since it is explained in the segment information section.

2. Information by each region

(1) Net sales

Description is omitted since net sales to third party customers outside Japan account for less than 10% of the consolidated net sales.

(2) Plant, property and equipment

Not applicable since there is no plant, property and equipment located outside Japan.

3. Information by major customer

(Million yen)

Name of customer	Net sales	Relevant segment
Mitsui & Co., Ltd.	52,240	Sugar Business and Food Science Business
Sojitz Corporation	11,256	Sugar Business

c. Information on impairment loss on non-current assets by each reportable segment

FY2014 (From April 1, 2014 to March 31, 2015)

None

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable segment				Corporate and eliminations	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Impairment loss	–	–	–	–	47	47

Note: Corporate and eliminations of 47 million yen indicate impairment losses recognized on part of the manufacturing facilities of Hokkaido Sugar Co., Ltd., which have become idle and have no defined future use.

d. Information on amortization of goodwill and unamortized balance of goodwill by each reportable segment

FY2014 (From April 1, 2014 to March 31, 2015)

(Million yen)

	Reportable segment				Corporate and eliminations	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Amortization during the period	–	224	–	224	–	224
Balance at the end of current period	–	2,380	–	2,380	–	2,380

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable segment				Corporate and eliminations	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Amortization during the period	271	398	–	670	–	670
Balance at the end of current period	542	1,981	–	2,523	–	2,523

e. Information on gain on negative goodwill by each reportable segment

FY2014 (From April 1, 2014 to March 31, 2015)

None

FY2015 (From April 1, 2015 to March 31, 2016)

Due to the consolidation of Hiranoya Corporation, negative goodwill of 78 million yen was recorded in the Sugar Business reportable segment.

(Per-share information)

FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net assets per share 491.85 yen Earnings per share 42.78 yen Diluted earnings per share is not mentioned since dilutive shares do not exist.	Net assets per share 531.45 yen Earnings per share 56.78 yen Diluted earnings per share is not mentioned since dilutive shares do not exist.

Note: The basis of calculation of net assets per share is as follows.

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Total of net assets section (million yen)	71,584	77,401
Amount deducted from total of net assets section (million yen)	5,904	6,438
(Of the above, non-controlling interests)	(5,904)	(6,438)
Net assets attributable to common shares at period end (million yen)	65,679	70,962
Number of common shares at period end used in calculating net assets per share (shares)	133,536,471	133,526,498

Note: The basis of calculation of earnings per share is as follows.

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Profit attributable to owners of parent (million yen)	5,707	7,581
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent attributable to common shares (million yen)	5,707	7,581
Average number of shares outstanding (shares)	133,399,876	133,530,302

(Important subsequent events)

At a meeting on May 12, 2016, the Board of Directors agreed to submit a proposal for a reverse stock split to the 92nd Ordinary General Meeting of Shareholders scheduled for June 22, 2016. Conditional on approval from shareholders for the reverse stock split, the Board of Directors also agreed to submit a proposal for a change in the minimum trading unit and partial revisions to the Articles of Incorporation.

For more details, please refer to the separate release (dated May 12, 2016), “Notice of Change in Minimum Trading Unit, Reverse Stock Split and Partial Revisions to the Articles of Incorporation.”

(Omission of disclosure)

Notes on consolidated statements of comprehensive income, lease transactions, financial instruments, securities, derivatives trading, retirement benefit, tax effect accounting, business combination, etc., asset retirement obligation, real-estate leasing and information on related parties are omitted since the necessity of disclosure in the summary of consolidated financial results is not very high.

6. Non-consolidated Financial Statements

(1) Balance sheets

(Million yen)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	12,900	14,119
Notes receivable – trade	2	7
Accounts receivable – trade	2,944	2,994
Lease investment assets	354	269
Merchandise and finished goods	3,571	3,297
Goods in transit	140	52
Work in process	1,428	1,294
Raw materials and supplies	2,215	2,695
Raw materials in transit	1,619	1,392
Prepaid expenses	42	41
Deferred tax assets	414	454
Short-term loans receivable from subsidiaries and affiliates	3,100	2,300
Current portion of long-term loans receivable from subsidiaries and affiliates	180	180
Other	155	532
Total current assets	29,069	29,631
Non-current assets		
Property, plant and equipment		
Buildings	18,416	18,512
Accumulated depreciation	(10,091)	(10,510)
Buildings, net	8,325	8,001
Structures	2,468	2,463
Accumulated depreciation	(1,680)	(1,636)
Structures, net	788	827
Machinery and equipment	35,350	34,411
Accumulated depreciation	(27,242)	(25,752)
Machinery and equipment, net	8,108	8,659
Vehicles	40	39
Accumulated depreciation	(38)	(37)
Vehicles, net	2	1
Tools, furniture and fixtures	1,212	1,202
Accumulated depreciation	(1,021)	(994)
Tools, furniture and fixtures, net	191	207
Land	17,182	17,182
Lease assets	765	765
Accumulated depreciation	(91)	(167)
Lease assets, net	674	597
Construction in progress	222	4,887
Total property, plant and equipment	35,493	40,364
Intangible assets	594	1,456
Investments and other assets		
Investment securities	2,993	2,636
Stocks of subsidiaries and affiliates	8,427	8,549
Investments in capital	17	17
Long-term loans receivable from subsidiaries and affiliates	360	180
Long-term prepaid expenses	50	16
Prepaid pension cost	—	86
Other	513	322
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	12,344	11,792
Total non-current assets	48,433	53,613
Total assets	77,502	83,244

(Million yen)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Liabilities		
Current liabilities		
Accounts payable – trade	3,660	3,562
Short-term loans payable	500	—
Current portion of long-term loans payable	863	843
Lease obligations	77	78
Accounts payable – other	411	477
Accrued expenses	2,236	2,413
Income taxes payable	1,608	2,435
Advances received	96	97
Deposits received	180	182
Provision for directors' bonuses	46	60
Other	763	520
Total current liabilities	10,443	10,672
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	825	932
Lease obligations	637	558
Deferred tax liabilities	1,247	1,272
Provision for retirement benefits	719	684
Asset retirement obligations	199	201
Other	1,294	1,216
Total non-current liabilities	14,924	14,866
Total liabilities	25,367	25,538
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus		
Legal capital surplus	1,177	1,177
Other capital surplus	0	0
Total capital surplus	1,177	1,177
Retained earnings		
Legal retained earnings	1,033	1,033
Other retained earnings		
Reserve for price fluctuation	200	200
Reserve for advanced depreciation of non-current assets	3,602	3,603
Reserve for special depreciation	8	4
General reserve	22,680	22,680
Retained earnings brought forward	18,801	24,272
Total retained earnings	46,325	51,794
Treasury stock	(2,895)	(2,900)
Total shareholders' equity	51,690	57,154
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	444	550
Deferred gains or losses on hedges	(0)	0
Total valuation and translation adjustments	443	551
Total net assets	52,134	57,706
Total liabilities and net assets	77,502	83,244

(2) Statements of income

(Million yen)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net sales	66,602	65,789
Cost of sales	53,991	51,201
Gross profit	12,610	14,588
Selling, general and administrative expenses	10,216	10,671
Operating income	2,394	3,916
Non-operating income		
Interest and dividend income	417	457
Interest on securities	1	6
Royalty income	5,757	7,406
Other	88	135
Total non-operating income	6,265	8,006
Non-operating expenses		
Interest expenses	40	29
Interest on bonds	8	27
Bond issuance cost	47	—
Loss on disposal of non-current assets	38	205
Facilities removal expenses	119	215
Other	220	254
Total non-operating expenses	475	731
Ordinary income	8,184	11,191
Extraordinary income		
Gain on sales of investment securities	9	—
Total extraordinary income	9	—
Extraordinary loss		
Loss on retirement of non-current assets	207	—
Loss on valuation of investment securities	—	501
Total extraordinary loss	207	501
Income before income taxes	7,985	10,690
Income taxes – current	2,717	3,661
Income taxes – deferred	(6)	(42)
Total income taxes	2,711	3,619
Net income	5,274	7,071

(3) Statements of changes in net assets
FY2014 (From April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for price fluctuation	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve
Balance at the beginning of current period	7,083	1,177	—	1,177	1,033	200	3,537	12	22,680
Cumulative effects of changes in accounting policies									
Restated balance	7,083	1,177	—	1,177	1,033	200	3,537	12	22,680
Changes of items during the period									
Reversal of reserve for advanced depreciation of non-current assets							(109)		
Adjustment to reserve due to change in tax rate							174	0	
Reversal of reserve for special depreciation								(5)	
Dividends from surplus									
Net income									
Decrease by corporate division - split-off type									
Purchase of treasury stock									
Disposal of treasury stock			0	0					
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	0	0	—	—	65	(4)	—
Balance at the end of current period	7,083	1,177	0	1,177	1,033	200	3,602	8	22,680

	Shareholders' equity				Valuation and translation adjustments			Total net assets
	Retained earnings							
	Other retained earnings							
	Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	15,863	43,326	(2,893)	48,693	261	4	265	48,958
Cumulative effects of changes in accounting policies	(93)	(93)		(93)				(93)
Restated balance	15,770	43,233	(2,893)	48,600	261	4	265	48,865
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets	109	—		—				—
Adjustment to reserve due to change in tax rate	(175)	—		—				—
Reversal of reserve for special depreciation	5	—		—				—
Dividends from surplus	(1,201)	(1,201)		(1,201)				(1,201)
Net income	5,274	5,274		5,274				5,274
Decrease by corporate division - split-off type	(980)	(980)		(980)				(980)
Purchase of treasury stock			(1)	(1)				(1)
Disposal of treasury stock			0	0				0
Net changes of items other than shareholders' equity					183	(4)	178	178
Total changes of items during the period	3,031	3,091	(1)	3,090	183	(4)	178	3,268
Balance at the end of current period	18,801	46,325	(2,895)	51,690	444	(0)	443	52,134

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
						Other retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for price fluctuation	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve
Balance at the beginning of current period	7,083	1,177	0	1,177	1,033	200	3,602	8	22,680
Cumulative effects of changes in accounting policies									
Restated balance	7,083	1,177	0	1,177	1,033	200	3,602	8	22,680
Changes of items during the period									
Reversal of reserve for advanced depreciation of non-current assets							(83)		
Adjustment to reserve due to change in tax rate							85	0	
Reversal of reserve for special depreciation								(4)	
Dividends from surplus									
Net income									
Decrease by corporate division - split-off type									
Purchase of treasury stock									
Disposal of treasury stock			0	0					
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	0	0	—	—	1	(3)	—
Balance at the end of current period	7,083	1,177	0	1,177	1,033	200	3,603	4	22,680

	Shareholders' equity				Valuation and translation adjustments			Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings						
	Retained earnings brought forward							
Balance at the beginning of current period	18,801	46,325	(2,895)	51,690	444	(0)	443	52,134
Cumulative effects of changes in accounting policies		—		—				—
Restated balance	18,801	46,325	(2,895)	51,690	444	(0)	443	52,134
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets	83	—		—				—
Adjustment to reserve due to change in tax rate	(85)	—		—				—
Reversal of reserve for special depreciation	4	—		—				—
Dividends from surplus	(1,602)	(1,602)		(1,602)				(1,602)
Net income	7,071	7,071		7,071				7,071
Decrease by corporate division - split-off type		—		—				—
Purchase of treasury stock			(5)	(5)				(5)
Disposal of treasury stock			0	0				0
Net changes of items other than shareholders' equity					106	1	107	107
Total changes of items during the period	5,471	5,468	(5)	5,464	106	1	107	5,571
Balance at the end of current period	24,272	51,794	(2,900)	57,154	550	0	551	57,706

(4) Notes on non-consolidated financial statements

(Notes on assumptions of a going concern)

None

(Important subsequent events)

At a meeting on May 12, 2016, the Board of Directors agreed to submit a proposal for a reverse stock split to the 92nd Ordinary General Meeting of Shareholders scheduled for June 22, 2016. Conditional on approval from shareholders for the reverse stock split, the Board of Directors also agreed to submit a proposal for a change in the minimum trading unit and partial revisions to the Articles of Incorporation.

For more details, please refer to the separate release (dated May 12, 2016), "Notice of Change in Minimum Trading Unit, Reverse Stock Split and Partial Revisions to the Articles of Incorporation."

7. Other

(1) Transfer of directors

1) Transfer of representative director

Notification of change in representative director was released on March 15, 2016.

2) Transfer of other executives

None

(2) Other

None