MARUDAI

Annual Report 2020

For the Year Ended 31st March 2020

PROFILE

Since its establishment in 1958, MARUDAI FOOD CO., LTD. has been dedicated to offering delicious, high-quality meat products. In order to understand the latest consumer trends and to meet the needs of modern lifestyles, we have continuously strengthened our research, sales and production operations. Intending to become Japan's leading food company, we successfully listed our stock on the First Section of the Tokyo Stock Exchange in 1972.

Starting as a ham and sausage producer, Marudai Food has steadily expanded its range of products to include heat-processed, vacuum-packed food, dessert and beverage products and fresh meats. Ham and sausage, however, remain an integral part of our product line and continue to account for almost a third of our sales.

While pursuing a leading position in the ham and sausage market, Marudai Food was eager to explore new avenues by developing precooked and processed foods, which went on sale in 1973. This long shelf-life food was developed to meet the specific need for fast meal preparation. Containing absolutely no preservatives and requiring only several minutes to prepare, Marudai precooked and processed foods have established a strong foothold in the market. Building on this success, we will make even greater efforts to create new products that satisfy the increasingly discriminating tastes of consumers.

CONTENTS

FINANCIAL HIGHLIGHTS 1
TO OUR SHAREHOLDERS 2
PRODUCTS 3
CONSOLIDATED BALANCE SHEETS 5
CONSOLIDATED STATEMENTS OF INCOME 7
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 8
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS 9
CONSOLIDATED STATEMENTS OF CASH FLOWS 10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 11
INDEPENDENT AUDITOR'S REPORT 35
DIRECTORS AND STATUTORY AUDITORS 38
OUTLINE OF THE COMPANY 39

FINANCIAL HIGHLIGHTS

For the Years Ended 31st March 2020 and 2019
(Consolidated basis)

	Millions of yen, except per share amounts		Thousands of U.S. dollars, except per share amounts (Note)
	2020	2019	2020
Net sales	¥ 245,820	¥ 243,031	$ 2,259,167
Profit attributable to owners of parent	1,654	1,464	15,201
Per share (yen and dollars):			
Profit attributable to owners of parent (Note 2)	65.04	57.48	0.60
Profit attributable to owners of parent, diluted (Note 2)	–	–	–
Dividends (Note 13)	35.00	35.00	0.32
Total assets	¥ 131,854	¥ 132,627	$ 1,211,782

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥108.81 to U.S.$1.00.

TO OUR SHAREHOLDERS

With the issuance of our company's 72th annual report, we hope that our shareholders are enjoying health and prosperity. We would also like to take this opportunity to express our deep appreciation for your continued support.

During the fiscal year ended 31st March 2020, the Japanese economy initially showed signs of a moderate recovery, but conditions swiftly deteriorated due to the impact of COVID-19 and remain extremely challenging. Conditions are expected to remain extremely challenging going forward, with a high risk of the epidemic causing further economic downturns in Japan and overseas.

In the industry in which the Marudai Food Group operates, sales to restaurants are declining under the present impact of COVID-19 as competition intensifies among companies in the context of a consumer trend towards low priced products as well as chronic labour shortages and increases in logistics costs. Regarding the meat market, domestic beef prices fell significantly with the impact of stay-at-home requests while imported beef prices were temporarily subject to significant price movements and remained higher than the previous year's level. The outlook for the meat market is uncertain, with factors such as volatility in the pork market due to the impact of swine epidemics in Japan and overseas.

In these circumstances, the Marudai Food Group conducted its corporate activities with the aim of advancing reputation as an enterprise with a social mission, namely, a comprehensive food products company offering merchandise satisfying the highest standards of safety and reliability.

As a result, consolidated net sales for the fiscal year ended 31st March 2020 increased by 1.1% year on year to ¥245,820 million. Operating income increased by 16.1% to ¥2,617 million, and profit attributable to owners of parent increased by 13.0% to ¥1,654 million.

Once again we would like to thank you, our shareholders, for your support and trust that we can rely on your continued confidence.

June 2020.

Toshiharu Inoue
President and Representative Director

PRODUCTS

The following table shows an analysis of the consolidated sales of MARUDAI FOOD CO., LTD. and its consolidated subsidiaries (together, the "Companies") by product categories for the years ended 31st March 2020 and 2019:

	Millions of yen (percent of total net sales)		Thousands of U.S. dollars (Note)
	2020	2019	2020
Processed Food Products	¥ 170,649	¥ 169,388	$ 1,568,321
	(69.4%)	(69.7%)	
Meat Products	75,024	73,482	689,495
	(30.5%)	(30.2%)	
Other	147	161	1,351
	(0.1%)	(0.1%)	
Total	¥ 245,820	¥ 243,031	$ 2,259,167

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥108.81 to U.S.$1.00.

Processed Food Products

The Ham & Sausage Products operations implemented various advertising campaigns as an official supporter of the 2020 Olympic and Paralympic Games and made efforts to promote sales centering on mainstay products such as the *"Kunseiya-Ripened Pork Sausage"* with specially designed packaging supporting Tokyo 2020. We expanded sales of *"Loin Ham"* in a larger package and products such as *"Fish Sausage (Chiko-chan),"* featuring a popular character, as well as strove to increase sales through the introduction of new products such as the *"Kunseiya-Ripened Pork Sausage: White."* Despite these efforts, sales in the Ham & Sausage Products operations decreased by 2.6% year on year, amid a persistently challenging environment due to factors such as intensified competition among companies in the context of a trend towards low priced products.

In our Precooked & Processed Foods operations, sales of retort curry products such as the *"Chef no Takumi"* series performed well, and we expanded sales of other products including our *"Chicken Nugget"* and *"Salad Chicken"* series. We also launched new products, including the *"Soy Life"* series using soy meat. As for our desserts and beverages, sales of our beverages containing black tapioca such as the *"TAPIOKA TIME"* series grew for the fiscal year, despite the entry of competitors. As a result, sales in the Precooked & Processed Foods operations increased by 3.8% year on year.

As a result, sales in the Processed Food Products segment amounted to ¥170,649 million, an increase of 0.7% year on year. Segment income grew 113.5% year on year to ¥1,668 million, owing mainly to the contribution of increased sales in the Precooked & Processed Foods operations and improved profitability attributable to the full-scale operation of a new plant for products for convenience stores and despite a decrease in sales in the mainstay Ham & Sausage Products operations.

Meat Products

With regard to beef, the sales volume of imported beef increased as we focused on sales of branded beef, and with an increase in the sales of Japanese beef, overall beef sales increased compared to those of the previous year. Regarding pork, overall pork sales were down slightly compared to the previous year's levels, with declines in sales volumes for both domestic and imported pork in the context of a volatile market and despite increased sales of pre-packaged imported pork.

As a result, sales in the Meat Products segment increased by 2.1% year on year to ¥75,024 million. Segment income decreased by 35.2% year on year to ¥901 million, mainly because of a decline in profitability due to an increase in the purchase price of pork and an increase in logistics costs.

Other

Sales in the Other business decreased by 8.8% year on year to ¥147 million, and operating income decreased by 41.2% to ¥48 million.

CONSOLIDATED BALANCE SHEETS

31st March 2020 and 2019

ASSETS	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
Current assets:			
Cash and time deposits (Notes 3 and 17)	¥ 8,244	¥ 8,127	$ 75,765
Receivables:			
Trade notes and accounts (Note 3)	27,502	30,700	252,753
Other	1,662	747	15,274
Allowance for doubtful accounts	(16)	(16)	(147)
Inventories (Note 6)	17,593	15,772	161,686
Advances and other current assets	613	598	5,633
Total current assets	55,598	55,928	510,964
Investments and other assets:			
Investment securities (Notes 3 and 4)			
Affiliates	121	17	1,112
Other	10,283	12,298	94,504
Retirement benefit asset (Note 10)	72	–	662
Deferred tax assets (Note 11)	278	318	2,555
Other	3,496	3,514	32,129
Allowance for doubtful accounts	(117)	(128)	(1,075)
Total investments and other assets	14,133	16,019	129,887
Property, plant and equipment, at cost:			
Land (Note 8)	18,393	18,966	169,038
Buildings and structures (Note 8)	54,259	53,334	498,658
Machinery and equipment (Note 8)	67,383	64,408	619,272
Lease assets	7,879	8,650	72,411
Construction in progress	2,545	1,464	23,389
	150,459	146,822	1,382,768
Less accumulated depreciation	(91,386)	(88,978)	(839,868)
Net property, plant and equipment	59,073	57,844	542,900
Intangible assets	3,050	2,836	28,031
Total assets	¥ 131,854	¥ 132,627	$ 1,211,782

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
Current liabilities:			
Payables:			
Trade notes and accounts payable (Note 3)	¥ 23,166	¥ 23,058	$ 212,903
Other (Note 3)	8,943	8,780	82,189
Short-term borrowings (Notes 3 and 7)	8,080	6,380	74,258
Long-term debt due within one year (Notes 3, 7 and 8)	1,888	1,927	17,351
Short-term lease obligations (Notes 3 and 7)	855	1,088	7,858
Accrued income taxes	524	488	4,816
Allowance for bonuses	850	921	7,812
Other current liabilities	1,839	2,580	16,901
Total current liabilities	46,145	45,222	424,088
Long-term liabilities:			
Long-term debt due after one year (Notes 3, 7 and 8)	3,934	3,972	36,155
Long-term lease obligations (Notes 3 and 7)	4,658	4,650	42,809
Deferred tax liabilities (Note 11)	550	1,282	5,055
Liabilities for retirement benefits (Note 10)	854	718	7,849
Other long-term liabilities	657	688	6,036
Total long-term liabilities	10,653	11,310	97,904
Contingent liabilities (Note 12)			
NET ASSETS (Note 13)			
Shareholders' equity:			
Common stock			
Authorised — 40,000,000 shares in 2020 (40,000,000 shares in 2019)			
Issued — 26,505,581 shares in 2020 (26,505,581 shares in 2019)	6,716	6,716	61,722
Capital surplus	22,086	22,086	202,978
Retained earnings	45,677	44,913	419,787
Treasury stock, at cost	(2,658)	(2,635)	(24,428)
Total shareholders' equity	71,821	71,080	660,059
Accumulated other comprehensive income:			
Unrealised gains on securities	3,833	5,274	35,227
Deferred gains (losses) on hedges	(3)	9	(28)
Foreign currency translation adjustments	41	36	377
Adjustments for retirement benefits	(1,182)	(823)	(10,863)
Total accumulated other comprehensive income	2,689	4,496	24,713
Noncontrolling interests	546	519	5,018
Total net assets	75,056	76,095	689,790
Total liabilities and net assets	¥ 131,854	¥ 132,627	$ 1,211,782

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended 31st March 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	¥ 245,820	¥ 243,031	$ 2,259,167
Cost of sales	190,340	188,973	1,749,287
Gross profit	55,480	54,058	509,880
Selling, general and administrative expenses (Note 14)	52,863	51,805	485,829
Operating income	2,617	2,253	24,051
Other income (expenses):			
Interest and dividend income	348	337	3,198
Real estate rent	167	182	1,535
Interest expense	(216)	(214)	(1,985)
Gain on sale of securities, net (Note 4)	7	281	64
Loss on disposal of property, plant and equipment, net	(165)	(262)	(1,516)
Special retirement expenses	(91)	(182)	(836)
Loss on impairment of assets (Note 15)	(85)	(27)	(781)
Loss compensation	–	(56)	–
Other, net	155	164	1,424
	120	223	1,103
Income before income taxes	2,737	2,476	25,154
Income taxes (Note 11):			
Current	1,028	956	9,448
Deferred	24	10	220
	1,052	966	9,668
Profit	1,685	1,510	15,486
Profit attributable to noncontrolling interests	(31)	(46)	(285)
Profit attributable to owners of parent	¥ 1,654	¥ 1,464	$ 15,201
	Yen		U.S. dollars (Note 1)
Profit attributable to owners of parent per share (Note 2)	¥ 65.04	¥ 57.48	$ 0.60
Profit attributable to owners of parent, diluted per share (Note 2)	–	–	–
Dividends per share (Note 13)	¥ 35.00	¥ 35.00	$ 0.32

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended 31st March 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥ 1,685	¥ 1,510	$ 15,486
Other comprehensive income:			
Unrealised gains on securities	(1,441)	(1,122)	(13,243)
Deferred gains (losses) on hedges	(12)	18	(111)
Adjustments for retirement benefits	(359)	(93)	(3,299)
Share of other comprehensive income of associates accounted for using equity method	4	1	37
Total other comprehensive income (Note 18)	(1,808)	(1,196)	(16,616)
Comprehensive income	¥ (123)	¥ 314	$ (1,130)
Comprehensive income attributable to:			
Owners of the parent	¥ (154)	¥ 268	$ (1,415)
Noncontrolling interests	¥ 31	¥ 46	$ 285

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended 31st March 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Common stock:			
Balance at beginning and end of the year	¥ 6,716	¥ 6,716	$ 61,722
Capital surplus:			
Balance at beginning and end of the year	¥ 22,086	¥ 22,086	$ 202,978
Retained earnings:			
Balance at beginning of the year	¥ 44,913	¥ 44,470	$ 412,765
Cash dividends paid	(890)	(1,021)	(8,179)
Profit attributable to owners of parent	1,654	1,464	15,201
Balance at end of the year	¥ 45,677	¥ 44,913	$ 419,787
Treasury stock, at cost:			
Balance at beginning of the year	¥ (2,635)	¥ (2,457)	$ (24,217)
Purchase of treasury stock	(23)	(178)	(211)
Balance at end of the year	¥ (2,658)	¥ (2,635)	$ (24,428)
Unrealised gains on securities:			
Balance at beginning of the year	¥ 5,274	¥ 6,396	$ 48,470
Decrease for the year	(1,441)	(1,122)	(13,243)
Balance at end of the year	¥ 3,833	¥ 5,274	$ 35,227
Deferred gains (losses) on hedges:			
Balance at beginning of the year	¥ 9	¥ (9)	$ 83
Increase (decrease) for the year	(12)	18	(111)
Balance at end of the year	¥ (3)	¥ 9	$ (28)
Foreign currency translation adjustments:			
Balance at beginning of the year	¥ 36	¥ 35	$ 331
Increase for the year	5	1	46
Balance at end of the year	¥ 41	¥ 36	$ 377
Adjustments for retirement benefits:			
Balance at beginning of the year	¥ (823)	¥ (730)	$ (7,564)
Decrease for the year	(359)	(93)	(3,299)
Balance at end of the year	¥ (1,182)	¥ (823)	$ (10,863)
Noncontrolling interests:			
Balance at beginning of the year	¥ 519	¥ 477	$ 4,770
Increase for the year	27	42	248
Balance at end of the year	¥ 546	¥ 519	$ 5,018

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended 31st March 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	¥ 2,737	¥ 2,476	$ 25,154
Depreciation and amortisation	6,802	6,434	62,513
Loss on impairment of assets	85	27	781
Decrease in allowance for doubtful accounts	(11)	(7)	(101)
Decrease in liabilities for retirement benefits	(414)	(200)	(3,805)
Special retirement expenses	91	182	836
Interest and dividend income	(348)	(337)	(3,198)
Interest expense	216	214	1,985
Gain on sale of securities, net	(7)	(281)	(64)
Loss on valuation of investment securities	–	2	–
Loss on disposal of property, plant and equipment, net	165	262	1,516
Decrease (increase) in receivables	3,208	(1,654)	29,483
Decrease (increase) in inventories	(1,822)	267	(16,745)
Increase (decrease) in trade notes and accounts payable	84	(236)	772
Increase (decrease) in consumption tax payable	(200)	190	(1,838)
Other, net	(1,264)	(115)	(11,617)
Subtotal	9,322	7,224	85,672
Interest and dividends received	347	324	3,189
Interest paid	(217)	(214)	(1,994)
Income taxes paid	(662)	(612)	(6,084)
Payments for special retirement expenses	(181)	(26)	(1,664)
Net cash provided by operating activities	8,609	6,696	79,119
Cash flows from investing activities:			
Purchase of short-term investments and investment securities	(34)	(32)	(312)
Proceeds from sale of short-term investments and investment securities	23	533	211
Purchase of property, plant and equipment	(8,740)	(8,434)	(80,323)
Proceeds from sale of property, plant and equipment	460	495	4,228
Other, net	19	(97)	174
Net cash used in investing activities	(8,272)	(7,535)	(76,022)
Cash flows from financing activities:			
Net increase in short-term borrowings	1,700	1,250	15,624
Proceeds from long-term debt	1,850	2,840	17,002
Repayment of long-term debt	(1,927)	(1,669)	(17,710)
Repayment of lease obligations	(926)	(962)	(8,510)
Cash dividends paid	(891)	(1,020)	(8,189)
Purchase of treasury shares	(22)	(179)	(202)
Other, net	(4)	(4)	(37)
Net cash provided by (used in) financing activities	(220)	256	(2,022)
Net increase (decrease) in cash and cash equivalents	117	(583)	1,075
Cash and cash equivalents at beginning of year	8,127	8,710	74,690
Cash and cash equivalents at end of year (Note 17)	¥ 8,244	¥ 8,127	$ 75,765

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended 31st March 2020 and 2019

1. Basis of presenting consolidated financial statements

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

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at 31st March 2020, which was ¥108.81 to U.S. $1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation - The consolidated financial statements include the accounts of the Company and its 26 subsidiaries. ALL of the Company's subsidiaries have the same fiscal year end as the Company, 31st March.

All significant intercompany balances, transactions and profits have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to noncontrolling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. The difference between the cost of an investment and the equity in the assets at the date of acquisition is amortized over five years. Equity method accounting is applied to affiliates which are substantially controlled by the Company. Betagro MF Deli Co., Ltd. is being included in the scope of the Companies to which the equity method is applied.

Cash and cash equivalents - Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered cash and cash equivalents.

Securities - Available-for-sale securities with available fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using the moving average cost method. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated using the moving average cost method.

If the market value of equity securities or available-for-sale securities declines significantly, the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities is not readily available, such securities are written down to net asset value with a corresponding charge in the consolidated statement of income in the event the net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Derivatives and hedge accounting - The Companies account for derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instrument is used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting ("the alternative method"). Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("the special treatment").

Allowance for doubtful accounts - An allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amounts are individually estimated.

Inventories - The Company and its domestic consolidated subsidiaries state inventories at the lower of average cost or net realizable value.

Property, plant and equipment - Property, plant and equipment are stated at cost. Depreciation is computed primarily using the declining balance method. However, the straight-line method is applied for depreciation of buildings acquired on or after 1st April 1998 and facilities attached to buildings and structures acquired on or after 1st April 2016. The useful life of buildings and structures ranges from 12 to 50 years. The useful life of machinery and equipment ranges from 4 to 10 years.

Software - The Company and its consolidated domestic subsidiaries include software in intangible assets and amortize it using the straight-line method over the estimated useful life of 5 years.

Goodwill - Goodwill is amortized over a period of 5 years using the straight-line method.

Lease assets - Assets under finance leases that do not transfer ownership of the lease assets are amortized using the straight-line method over the lease term with the assumption that the useful life coincides with the lease term and the residual value is zero.

Research and development expenses - Research and development expenses for the improvement of existing products and the development of new products, including basic research and fundamental development costs, are charged to expenses as incurred.

Bonuses - The Company and its consolidated domestic subsidiaries follow the general Japanese practice of paying bonuses to employees in July and December. The allowance for bonuses is determined based upon the estimated amounts to be paid in the subsequent period.

Translation of foreign currencies - Short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Accounting for Retirement Benefits - Projected benefit obligations are attributed to periods on a benefit formula basis in determining retirement benefit obligations. Actuarial gains and losses are amortized by the straight-line method over a fixed period of 10 years, which is within the average remaining service years of the eligible employees, beginning in the fiscal year following the year in which the gains and losses are recognized. In determining the amount of retirement benefit obligations and retirement benefit costs, some small sized consolidated subsidiaries have adopted a simplified method in which the amount that would be required if all the employees retired voluntarily at the fiscal year end is treated as retirement benefit obligation.

Income taxes - The asset-liability approach is used to recognize deferred tax assets and liabilities for tax loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Amounts per share - The computations of profit attributable to owners of parent per share of common stock shown on the consolidated statements of income are based on the weighted average number of shares outstanding during each financial period. The Company consolidated shares of its common stock at a ratio of 5-to-1 on 1st October 2018, the effective date. Profit attributable to owners of parent per share is computed based on the assumption that the said consolidation of shares was conducted at the beginning of the previous year. Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective years. Diluted profit attributable to owners of parent is not disclosed because the Company had no outstanding securities which might have diluted the per share amounts for the years ended 31st March 2020 and 2019.

Corporate taxes - Consolidation taxation system has been adopted.

Application of tax effect accounting related to the transition from a consolidated taxation system to a group tax sharing system
- Regarding items that have been transitioned to a group tax sharing system established under the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020) and for which a revision of the non-consolidated taxation system has been carried out pursuant to this transition, the Company and some of its consolidated subsidiaries in Japan have not applied the provisions in Paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, 16th February, 2018), in accordance with the treatment prescribed in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidation Taxation System to the Group Tax Sharing System (PITF No. 39, 31st March, 2020). The amounts of deferred tax assets and deferred tax liabilities for these items are based on taxation law as it was before amendment.

Accounting standards and relevant regulations that have not yet been adopted
- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, 31st March 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, 31st March 2020)

(1) Summary
The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and announced "Revenue from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. As IFRS 15 and Topic 606 were to be applied from the fiscal years beginning on or after 1st January 2018 and after 15th December 2017, respectively, the ASBJ developed a comprehensive accounting standard for revenue recognition and announced it together with an implementation guidance.
The ASBJ's basic policy for developing the accounting standard for revenue recognition was to determine an accounting standard upon incorporating the basic principles of IFRS 15 for comparability between financial statements, which is one of the benefits of compatibility with IFRS 15, and to add an alternative treatment to the extent it does not impair comparability for any items that require special consideration regarding business practices customary in Japan.

(2) Effective date
The standards are scheduled to be applied from the beginning of the fiscal year ending 31st March 2022.

(3) Effect of application of the standards
The total numerical value of the effect of the application of the revised standard had not been determined as of the preparation of these consolidated financial statements.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, 4th July 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, 4th July 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, 4th July 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, 4th July 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, 31st March 2020)

(1) Summary
As the IASB and FASB have both formulated similar detailed guidances on fair value measurement (IFRS 13 Fair Value Measurement under International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 Fair Value Measurement under US GAAP), the ASBJ announced "Accounting Standard for Fair Value Measurement" and other standards to seek compatibility between Japanese GAAP and international accounting standards mainly relating to guidances and disclosure about fair value of financial instruments.
The ASBJ's basic policy for developing the Accounting Standard for Fair Value Measurement was to incorporate basically all the provisions of IFRS 13 to improve the comparability between financial statements of corporations both inside and outside Japan by adopting a unified calculation method, as well as to establish other treatments for individual items in consideration of business practices customary in Japan to the extent it does not greatly impair comparability between different financial statements.

(2) Effective date
The standards are scheduled to be applied from the beginning of the fiscal year ending 31st March 2022.

(3) Effect of application of the standards

The total numerical value of the effect of the application of the revised standard had not been determined as of the preparation of these consolidated financial statements.

Changes in presentation method

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, 16th February 2018 (hereinafter, "Statement No. 28")) from the beginning of the fiscal year ended 31st March 2019, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities such that deferred tax assets and deferred tax liabilities are now classified as part of "Investments and other assets" and "Long-term liabilities," respectively.

The notes related to tax effect accounting additionally included those described in Notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting," which are required in Paragraphs 3 to 5 of Statement No. 28.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Additional information

The Group is addressing the impact of coronavirus disease (COVID-19) by continuing its business activities upon taking rigorous countermeasures to prevent infection and currently maintains operations at a level more or less equivalent to pre-COVID times.

Accounting estimates and assumptions are made based on the Group's performance outlook and the current situation assuming that the impact of COVID-19 will continue in the first half and conditions will recover from the second half. However, as the impact of COVID-19 involves numerous uncertainties, these estimates may diverge from actual future performance.

3. Financial instruments

(1) Current status of financial instruments

① Policy concerning financial instruments

The Group makes it a policy to limit fund investments to bank deposits and other investments in which the principal is free from risk and raise funds principally through borrowings from financial institutions such as banks and issuance of corporate bonds. The Group uses derivatives to reduce foreign exchange and interest rate fluctuation risks but does not engage in any speculative transactions.

② Details of financial instruments and their risks and the Group's risk management system

The Group is exposed to credit risk arising from operating receivables such as trade notes and accounts receivable. To limit the risk, the Company conducts due date and outstanding receivable management by customer in accordance with its credit exposure management guidelines and has a grading system to evaluate the credit condition of its major customers every six months. The consolidated subsidiaries manage credit risk similarly, following the Company's credit exposure management guidelines.

Investment securities held by the Company are comprised of exchange listed shares (strategic shareholdings) and unlisted stocks, with the bulk consisting of exchange listed shares (strategic shareholdings). As a policy, exchange listed shares (strategic shareholdings), in accordance with the "Guidelines for the Holding and Management of Exchange Listed Shares," are held only if judged to contribute to sustained growth and medium- to long-term corporate value enhancement. Individual investment securities, including unlisted stocks, are subject to verification of their holding purpose and rationale, etc. and reported each year to the Board of Directors for comprehensive deliberation regarding the justification of their holding. Verification of shareholding rationale includes verification that benefits and risks resulting from the shareholdings are proportionate to the cost of capital.

Operating payables, such as trade notes and accounts payables, and other payables, are generally payable within one year. Some arise in connection with the import of raw materials and goods that are denominated in foreign currencies. The Company uses foreign currency forward contracts to reduce foreign currency fluctuation risk that arises from operating payables in foreign currencies.

The Group primarily uses loans to procure operating funds and lease receivables from finance leases to raise funds for capital expenditure. The amount of interest expense has been fixed for the long-term portion of borrowings through the use of individual fixed-rate contracts as well as interest rate swap transactions as hedging instruments, in order to avoid the risk of interest rate fluctuations. No interest swap transactions were current as of 31st March, 2020. To minimize counterparty risk, the Company follows its derivative transaction rules and enters such transactions only with highly rated financial institutions.

The Company is exposed to liquidity risk arising from its operating obligations and loan payables. To minimize this risk, the Accounting Department prepares statements of cash flows based on other divisions' reports and regularly updates the statements. The consolidated subsidiaries also manage liquidity risk in accordance with the methods used by the Company.

③ Supplementary explanation on fair values of financial instruments

The fair values of financial instruments include values based on market prices or reasonably calculated values when market prices are not available. Because a variety of factors, some of which are variable, are taken into account when calculating the values, the adoption of different assumptions may result in different values.

The contract amounts of the derivative transactions stated in "(2) Fair value of financial instruments" do not reflect the market risk involved in the derivative transactions themselves.

(2) Fair value of financial instruments

The following table shows consolidated balance sheet amounts, fair value and any difference between book value and fair value as of 31st March 2020. However, financial instruments whose fair values were deemed difficult to determine are not included in the table (refer below to (*2)).

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2020					
	Consolidated balance sheet amounts	Fair value	Difference	Consolidated balance sheet amounts	Fair value	Difference
① Cash and time deposits	¥ 8,244	¥ 8,244	¥ –	$ 75,765	$ 75,765	$ –
② Trade notes and accounts receivable	27,502	27,502	–	252,753	252,753	–
③ Investment securities						
Available-for-sale securities	10,241	10,241	–	94,118	94,118	–
Total assets	45,987	45,987	–	422,636	422,636	–
① Trade notes and accounts payable	23,166	23,166	–	212,903	212,903	–
② Payables - other	8,943	8,943	–	82,189	82,189	–
③ Short-term borrowings	8,080	8,080	–	74,258	74,258	–
④ Long-term debt	5,822	5,810	(12)	53,506	53,396	(110)
⑤ Lease obligations	5,513	5,566	53	50,667	51,153	486
Total liabilities	51,524	51,565	41	473,523	473,899	376
Derivatives (*)	(4)	(4)	–	(37)	(37)	–

(*) Derivative assets and liabilities are presented on a net basis.

(*1) Determination of fair value for financial instruments and matters concerning securities and derivative transactions

ASSETS

① Cash and time deposits and ② Trade notes and accounts receivable

The fair value of these items are stated at book value. Because these instruments are settled in a short period of time, book value approximates fair value.

③ Investment securities

The fair value of these securities are based on prices on securities exchanges. For information on securities classified by the purpose for which they are held, refer to Note 4,"Securities."

LIABILITIES

① Trade notes and accounts payable, ② Payables - other and ③ Short-term borrowings

The fair value of these items are stated at book value. Because these instruments are settled in a short period of time, book value approximates fair value.

④ Long-term debt and ⑤ Lease obligations

The fair value for these items has been calculated as the present value of the sum of principal and interest amounts, discounted using the estimated rates for new borrowings of the same kind or lease transactions.

DERIVATIVES

Refer to Note 5, "Derivative financial instruments and hedging transactions."

(*2) Financial instruments whose fair values were deemed extremely difficult to determine

Category	Millions of yen	Thousands of U.S. dollars (Note 1)
	2020	
	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted stocks	¥ 42	$ 386
Affiliates	121	1,112

Since no market prices were available for unlisted stocks, and their fair values were difficult to determine by an estimation of the future cash flows, these items were not included in "③Investment securities - Available-for-sale securities."

The fair values of stocks of subsidiaries and affiliates have not been disclosed as no market prices for these securities are available and their fair values are deemed extremely difficult to determine by an estimation of the future cash flows.

(*3) Estimated redemption amounts of monetary assets and available-for-sale securities with maturity dates after the consolidated balance sheet date

	Millions of yen			Thousands of U.S. dollar (Note 1)		
	2020					
	Within one year	Over one year but within five years	Over five years	Within one year	Over one year but within five years	Over five years
Cash and time deposits	¥ 8,244	–	–	$ 75,765	–	–
Trade notes and accounts receivable	27,502	–	–	252,753	–	–
Investment securities						
Available-for-sale securities with maturity dates (bonds)	–	–	–	–	–	–
Total	¥ 35,746	–	–	$ 328,518	–	–

(*4) For estimated repayment amounts of long-term debt, lease obligations and other interest bearing debt, refer to Note 7, "Short-term borrowings, long-term debt and lease obligations."

The following table shows consolidated balance sheet amounts, fair value and any difference between book value and fair value as of 31st March 2019. However, financial instruments whose fair values were deemed difficult to determine are not included in the table (refer below to (*2)).

	Millions of yen		
	2019		
	Consolidated balance sheet amounts	Fair value	Difference
① Cash and time deposits	¥ 8,127	¥ 8,127	¥ –
② Trade notes and accounts receivable	30,700	30,700	–
③ Investment securities			
Available-for-sale securities	12,256	12,256	–
Total assets	51,083	51,083	–
① Trade notes and accounts payable	23,058	23,058	–
② Payables - other	8,780	8,780	–
③ Short-term borrowings	6,380	6,380	–
④ Long-term debt	5,899	5,891	(8)
⑤ Lease obligations	5,738	5,776	38
Total liabilities	49,855	49,885	30
Derivatives (*)	12	12	–

(*) Derivative assets and liabilities are presented on a net basis.

(*1) Determination of fair value for financial instruments and matters concerning securities and derivative transactions

ASSETS

① Cash and time deposits and ② Trade notes and accounts receivable

The fair value of these items are stated at book value. Because these instruments are settled in a short period of time, book value approximates fair value.

③ Investment securities

The fair value of these securities are based on prices on securities exchanges. For information on securities classified by the purpose for which they are held, refer to Note 4, "Securities."

LIABILITIES

① Trade notes and accounts payable, ② Payables - other and ③ Short-term borrowings

The fair value of these items are stated at book value. Because these instruments are settled in a short period of time, book value approximates fair value.

④ Long-term debt and ⑤ Lease obligations

To calculate the fair value of these items, the combined amount of principal and interest is discounted by the interest rate considered applicable to similar new loans or lease transactions. For the fair value of long-term debt with floating interest rates subject to special treatment for interest rate swaps, the combined amount of principal and interest processed as a single item with the interest swap is calculated by discounting a reasonably estimated interest rate considered applicable to similar new loans.

DERIVATIVES

Refer to Note 5, "Derivative financial instruments and hedging transactions."

(*2) Financial instruments whose fair values were deemed extremely difficult to determine

	Millions of yen
	2019
Category	Consolidated balance sheet amounts
Unlisted stocks	¥ 42
Affiliates	17

Since no market prices were available for unlisted stocks, and their fair values were difficult to determine by an estimation of the future cash flows, these items were not included in "③Investment securities - Available-for-sale securities."

The fair values of stocks of subsidiaries and affiliates have not been disclosed as no market prices for these securities were available and their fair values are deemed extremely difficult to determine by an estimation of the future cash flows.

(*3) Estimated redemption amounts of monetary assets and available-for-sale securities with maturity dates after the consolidated balance sheet date

	Millions of yen		
	2019		
	Within one year	Over one year but within five years	Over five years
Cash and time deposits	¥ 8,127	–	–
Trade notes and accounts receivable	30,700	–	–
Investment securities			
Available-for-sale securities with maturity dates (bonds)	–	–	–
Total	¥ 38,827	–	–

(*4) For estimated repayment amounts of long-term debt, lease obligations and other interest bearing debt, refer to Note 7, "Short-term borrowings, long-term debt and lease obligations."

4. Securities

The following tables summarize historical costs and book values (fair values) of available-for-sale securities with available fair market values as of 31st March 2020 and 2019.

Securities with book values exceeding historical cost:	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2020			2019			2020		
Type	Historical cost	Book value	Gain	Historical cost	Book value	Gain	Historical cost	Book value	Gain
Equity securities	¥ 4,094	¥ 9,692	¥ 5,598	¥ 4,599	¥ 12,121	¥ 7,522	$ 37,625	$ 89,073	$ 51,448
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 4,094	¥ 9,692	¥ 5,598	¥ 4,599	¥ 12,121	¥ 7,522	$ 37,625	$ 89,073	$ 51,448

Securities with book values not exceeding historical cost:									
	2020			2019			2020		
Type	Historical cost	Book value	Loss	Historical cost	Book Value	Loss	Historical cost	Book value	Loss
Equity securities	¥ 690	¥ 549	¥ (141)	¥ 167	¥ 135	¥ (32)	$ 6,341	$ 5,045	$ (1,296)
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 690	¥ 549	¥ (141)	¥ 167	¥ 135	¥ (32)	$ 6,341	$ 5,045	$ (1,296)

Unlisted stocks (carrying amount of ¥42 million ($386 thousand)) as of 31st March 2020 and unlisted stocks (carrying amount of ¥42 million) as of 31st March 2019 were not included in the above table as no market prices for these securities were available and their fair values were deemed extremely difficult to determine by an estimation of the future cash flows.

Available-for-sale securities sold during the year:	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2020			2019			2020		
Type	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales
Equity securities	¥ 23	¥ 7	–	¥ 533	¥ 281	–	$ 211	$ 64	–
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 23	¥ 7	–	¥ 533	¥ 281	–	$ 211	$ 64	–

There was no impairment of investment securities during the fiscal year ended 31st March, 2020.

The Group recognized impairment loss on investment securities categorised as other securities with market value in the amount of ¥2 million for the year ended 31st March 2019.

When the value of stocks depreciated from 30% to 50%, the Company determined impairment loss by analyzing the operational performance of the issuing entities based on prevailing financial data and market value information such as discrepancies between the book value and the highest or lowest market value during the year.

5. Derivative financial instruments and hedging transactions

Derivative financial instruments and hedging transactions at 31st March 2020 were as follows:

(1) Currency related

			Millions of yen			Thousands of U.S. dollars (Note 1)		
			2020					
Hedge accounting method	Transaction types	Major hedged items	Contract amounts	Due over one year	Fair value	Contract amounts	Due over one year	Fair value
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥ 2,353	–	(*)¥ (4)	$ 21,625	–	$ (37)
Total			¥ 2,353	–	¥ (4)	$ 21,625	–	$ (37)

(*) Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Interest related

Not applicable for the year ended 31st March 2020.

Derivative financial instruments and hedging transactions at 31st March 2019 were as follows:

(1) Currency related

			Millions of yen		
			2019		
Hedge accounting method	Transaction types	Major hedged items	Contract amounts	Due over one year	Fair value
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥ 1,595	–	(*) ¥ 12
Total			¥ 1,595	–	¥ 12

(*) Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Interest related

Hedge accounting method	Transaction types	Major hedged items	Millions of yen 2019 Contract amounts	Due over one year	Fair value
Special treatment	Interest rate swaps Pay fixed, receive floating	Long-term debt	¥ 246	–	(*)–
Total			¥ 246	–	–

(*) According to the special treatment for interest rate swaps as applied to integrated and long-term debt, the fair value of the derivative financial instrument is included in the fair value of the long-term debt.

6. Inventories

Inventories at 31st March 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Finished goods and merchandise	¥ 11,058	¥ 9,242	$ 101,627
Work in progress	648	592	5,955
Raw materials and supplies	5,887	5,938	54,104
	¥ 17,593	¥ 15,772	$ 161,686

The balance of inventories at the end of the fiscal year is the amount after a reduction of book value in line with a decline in profitability, and the following loss on valuation of inventories is included in cost of sales. The amount below has been offset against reversal amounts:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Loss on valuation of inventories	¥ 26	¥ (98)	$ 239

7. Short-term borrowings, long-term debt and lease obligations

Short-term borrowing at 31st March 2020 and 2019 consisted of short-term notes, which generally mature within one year, with average interest rates of 0.43% and 0.43%, respectively.

Long-term debt at 31st March 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Loans from banks, insurance companies and other financial institution at 0.16% to 1.00% maturing through 2028			
Secured	¥ 176	¥ 214	$ 1,617
Unsecured	5,646	5,685	51,889
	5,822	5,899	53,506
Less current portion	(1,888)	(1,927)	(17,351)
	¥ 3,934	¥ 3,972	$ 36,155

The aggregate annual maturities of long-term debt as of 31st March 2020 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2020	2020
2021	¥ 1,888	$ 17,351
2022	1,704	15,661
2023	1,215	11,166
2024	705	6,479
2025	274	2,518
2026 and thereafter	36	331
	¥ 5,822	$ 53,506

The aggregate annual maturities of lease obligations as of 31st March 2020 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2020	2020
2021	¥ 855	$ 7,858
2022	835	7,674
2023	924	8,492
2024	799	7,343
2025	766	7,040
2026 and thereafter	1,334	12,260
	¥ 5,513	$ 50,667

8. Pledged assets

Assets were pledged as collateral for the current portion of long-term debt of ¥38 million ($349 thousand) and long-term debt of ¥138 million ($1,268 thousand) as of 31st March 2020 and for the current portion of long-term debt of ¥38 million and long-term debt of ¥176 million as of 31st March 2019. The assets pledged are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Land	¥ 4	¥ 4	$ 37
Buildings and structures	46	53	423
Machinery and equipment	85	108	781
	¥ 135	¥ 165	$ 1,241

9. Overdraft agreements

The Company and its consolidated subsidiaries have signed overdraft agreements with their correspondent banks to efficiently procure working capital. The unrealized borrowings under these agreements at the end of the period were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Total amounts in the overdraft agreements	¥ 22,250	¥ 22,250	$ 204,485
Borrowing balance	7,980	6,280	73,339
Difference	¥ 14,270	¥ 15,970	$ 131,146

10. Retirement benefits

(1) Outline of retirement benefit plans adopted

The Company and its consolidated subsidiaries have defined benefit corporate pension plans (fund type) and lump-sum retirement allowance plans as well as defined contribution plans. In the case of certain defined contribution plans, employees can select a defined contribution plan or advanced payment of retirement benefits. In some cases, additional severance benefits may be paid to the employees upon retirement.

(2) Defined Benefit Obligation

① The changes in retirement benefit obligation for the fiscal years ended 31st March 2020 and 2019 (excluding those for which the simplified method was applied) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Beginning balance of retirement benefit obligation	¥ 13,752	¥ 14,018	$ 126,385
Service cost - benefits earned during the year	333	348	3,060
Interest cost on projected benefit obligation	110	112	1,011
Actuarial gains and losses	(39)	134	(358)
Retirement benefits paid	(945)	(860)	(8,685)
Ending balance of retirement benefit obligation	¥ 13,211	¥ 13,752	$ 121,413

② The changes in plan assets for the fiscal years ended 31st March 2020 and 2019 (excluding those for which the simplified method was applied) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Beginning balance of plan assets	¥ 14,309	¥ 14,434	$ 131,504
Expected return on plan assets	429	433	3,943
Actuarial gains and losses	(653)	(375)	(6,001)
Contribution from the employer	401	413	3,685
Retirement benefits paid	(706)	(596)	(6,488)
Ending balance of plan assets	¥ 13,780	¥ 14,309	$ 126,643

③ The changes in liabilities for retirement benefits of the plans for which the simplified method was applied for the fiscal years ended 31st March 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Beginning balance of liabilities for retirement benefits	¥ 1,275	¥ 1,209	$ 11,718
Retirement benefit expenses	129	134	1,185
Retirement benefits paid	(53)	(68)	(487)
Ending balance of liabilities for retirement benefits	¥ 1,351	¥ 1,275	$ 12,416

④ Reconciliation between the ending balance of projected benefit obligation and plan assets and liability and asset for retirement benefits recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Funded retirement benefit obligation	¥ 13,708	¥ 14,315	$ 125,981
Plan assets	(13,780)	(14,309)	(126,643)
	(72)	6	(662)
Unfunded retirement benefit obligation	854	712	7,849
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	782	718	7,187
Retirement benefit asset	(72)	–	(662)
Liabilities for retirement benefits	854	718	7,849
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	¥ 782	¥ 718	$ 7,187

Note: The plans to which the simplified method is applied are included.

⑤ The components of retirement benefit expenses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Service cost - benefits earned during the year	¥ 332	¥ 347	$ 3,051
Interest cost on projected benefit obligation	110	112	1,011
Expected return on plan assets	(429)	(433)	(3,943)
Amortisation of actuarial differences	136	383	1,250
Retirement benefit expenses calculated using the simplified method	129	134	1,186
Retirement benefit expenses on defined benefit plans	278	543	2,555
Special retirement expenses (*)	91	182	836

(*)Recorded under other expenses. Special retirement expenses for the fiscal year ended 31st March 2019 consisted of extra retirement payments for retirees under early retirement schemes and lump-sum payments to employees who were transferred to a consolidated subsidiary. Special retirement expenses for the fiscal year ended 31st March 2020 consisted of extra retirement payments for retirees under early retirement schemes.

⑥ Adjustments for retirement benefits

The components of adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Actuarial gains and losses	¥ (478)	¥ (126)	$ (4,393)
Total	¥ (478)	¥ (126)	$ (4,393)

⑦ Accumulated adjustments for retirement benefits

The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrecognised actuarial gains and losses	¥ 1,577	¥ 1,100	$ 14,493
Total	¥ 1,577	¥ 1,100	$ 14,493

⑧ Plan assets

The components of plan assets were as follows:

	2020	2019
Debt securities	46.4%	44.1%
Alternatives	25.3	24.0
Equity securities	17.6	21.7
General account	8.3	7.9
Short-term assets	2.4	2.3
Total	100.0%	100.0%

Note: Regarding alternatives, hedge fund investments are made for the purpose of risk diversification.

Method of determining long-term expected rate of return

The long-term expected rate of return on plan assets is determined by taking into consideration the allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

⑨ Assumptions used for actuarial calculations for the fiscal years ended 31st March 2020 and 2019 were as follows:

	2020	2019
Discount rate	0.8%	0.8%
Long-term expected rate of return	3.0	3.0
Expected rate of salary increase:		
Lump-sum payment plans	4.6	4.6

Note: Because the defined benefit corporate pension plan (fund type) is a fixed amount system (point system) based on the number of years of service, the expected rate of salary increase is not used.

(3) Define Contribution Plans

The amount of required contribution to the defined contribution plans of the Companies was ¥244 million ($2,242 thousand) for the year ended 31st March 2020 and ¥268 million for the year ended 31st March 2019.

11. Income taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporate taxes, inhabitants taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of 30.6% and 30.6% for the years ended 31st March 2020 and 2019, respectively.

The following table summarises the significant differences between the statutory income tax rate and the Companies' effective tax rate for financial statement purposes for the years ended 31st March 2020 and 2019

	2020	2019
Statutory tax rate	30.6%	30.6%
Nondeductible expenses, including entertainment expenses	1.4	1.7
Nontaxable income, including dividend received	(0.7)	(0.7)
Per capita inhabitants tax	3.9	4.2
Changes in valuation allowance	2.0	2.3
Tax credit for testing and research expenses	(1.3)	(2.1)
Tax rate difference between the Company and consolidated subsidiaries	2.1	3.4
Other	0.5	(0.4)
Effective tax rate	38.5%	39.0%

Significant components of the Companies' deferred tax assets and liabilities as of 31st March 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Deferred tax assets:	2020	2019	2020
Loss on impairment of assets	¥ 891	¥ 912	$ 8,189
Accounts payable on distribution expenses	417	383	3,832
Loss carryforwards (*2)	301	292	2,766
Denied sales discounts	279	153	2,564
Allowance for bonuses	272	295	2,500
Long-term trade receivables	215	215	1,976
Liabilities for retirement benefits	215	199	1,976
Allowance for doubtful accounts	44	47	404
Other	519	502	4,770
Total deferred tax assets	3,153	2,998	28,977
Valuation allowance for loss carryforwards (*2)	(261)	(229)	(2,399)
Valuation allowance for deductible temporary differences	(1,311)	(1,289)	(12,048)
Total valuation allowance (*1)	(1,572)	(1,518)	(14,447)
Net deferred tax assets	1,581	1,480	14,530
Deferred tax liabilities:			
Unrealised gains on securities	(1,627)	(2,219)	(14,953)
Reserve for property, plant and equipment	(30)	(30)	(276)
Other	(196)	(195)	(1,801)
Total deferred tax liabilities	(1,853)	(2,444)	(17,030)
Net deferred tax assets	¥ (272)	¥ (964)	$ (2,500)

(*1) Valuation allowance increased ¥54 million ($496 thousand) year on year. This was due mainly to increases of ¥17 million ($156 thousand) in valuation allowance for impairment losses and ¥32 million ($294 thousand) in valuation allowance for tax loss carryforwards.

(*2) Loss carryforwards and deferred tax assets by expiration periods for the years ended 31st March 2020 and 2019
Loss carryforwards and deferred tax assets by expiration periods as of and for the fiscal year ended 31st March 2020 were as follows:

	Millions of yen						
	2020						
	2021	2022	2023	2024	2025	2026 and thereafter	Total
Loss carryforwards (a)	¥ 25	¥ 13	¥ 10	¥ 11	¥ 14	¥ 228	¥ 301
Valuation allowance	(12)	(13)	(10)	(11)	(14)	(201)	(261)
Deferred tax assets	13	–	–	–	0	27	(b) 40

	Thousands of U.S. dollars (Note 1)						
	2020						
	2021	2022	2023	2024	2025	2026 and thereafter	Total
Loss carryforwards (a)	$ 230	$ 119	$ 92	$ 101	$ 129	$ 2,095	$ 2,766
Valuation allowance	(111)	(119)	(92)	(101)	(129)	(1,847)	(2,399)
Deferred tax assets	119	–	–	–	0	248	(b) 367

(a) Loss carryforwards shown in the above table are after multiplying the statutory tax rate.
(b) With respect to ¥301 million ($2,766 thousand) in tax loss carryforwards (after application of the statutory tax rate), ¥40 million ($367 thousand) in deferred tax asset has been recognised. This ¥40 million ($367 thousand) in deferred tax assets was recognised as loss carryforwards recoverable based on projected future taxable income out of the ¥301 million ($2,766 thousand) balance in tax loss carryforwards (mainly inhabitants tax and enterprise tax) (after application of the statutory tax rate) at the Company and six consolidated subsidiaries.

Loss carryforward and its deferred tax assets by expiration periods as of and for the fiscal year ended 31st March 2019 were as follows:

	Millions of yen						
	2019						
	2020	2021	2022	2023	2024	2025 and thereafter	Total
Loss carryforwards (a)	¥ 32	¥ 24	¥ 13	¥ 10	¥ 11	¥ 202	¥ 292
Valuation allowance	(9)	(24)	(13)	(10)	(11)	(162)	(229)
Deferred tax assets	23	–	–	–	–	40	(b) 63

(a) Loss carryforwards shown in the above table are after multiplying the statutory tax rate.
(b) With respect to ¥292 million in tax loss carryforwards (after application of the statutory tax rate), ¥63 million in deferred tax asset has been recognised. This ¥63 million in deferred tax assets was recognised as loss carryforwards recoverable based on projected future taxable income out of the ¥292 million balance in tax loss carryforwards (mainly inhabitants tax and enterprise tax) (after application of the statutory tax rate) at the Company and six consolidated subsidiaries.

12. Contingent liabilities

There are no matters to be reported.

13. Net assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus. Under the Japanese Corporate Law ("the Law"), in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the general shareholders' meeting held on 26th June 2020, appropriations of retained earnings for year-end dividends applicable to the year ended 31st March 2020 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Cash dividends: ¥35.00 ($0.32) per share	¥ 890	$ 8,179

	Millions of yen
	2019
Cash dividends: ¥35.00 per share	¥ 890

14. Selling, general and administrative expenses

Main items and amounts were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Distribution expenses	¥ 30,053	¥ 28,665	$ 276,197
Salaries and allowances	6,596	6,879	60,619
Allowance for bonuses	427	457	3,924
Retirement benefit expenses	311	489	2,858
Provision of allowance for doubtful accounts	22	15	202

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March 2020 and 2019 were ¥733 million ($6,737 thousand) and ¥852 million, respectively.

15. Loss on impairment of assets

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2020. The Company classified fixed assets into four categories: business assets, rental assets, idle assets and artwork. The Company groups its business assets by cash generating units and rental assets, idle assets and artwork by individual asset as these represent the smallest identifiable assets generating cash inflows. As a result, where the recoverable value of idle assets or rental assets has fallen below book value due to declines in market prices or profitability or where market prices for artworks have declined significantly, the book value of these assets has been reduced to their recoverable value. The total impairment loss for the year ended 31st March 2020 consisted of ¥52 million ($478 thousand) for investment and rental properties (Investments and other assets "Other"), ¥25 million ($230 thousand) for tools, furniture and fixtures and ¥8 million ($73 thousand) for structures.

The recoverable value of rental assets is measured by the net realisable value or the value in use. The recoverable value of idle assets is measured by the net realisable value. The net realisable value is assessed based on the appraisal value, etc. and value in used is calculated by discounting future cash flows by 3.2%. The recoverable amounts for artwork were calculated based on independent appraisals obtained from third-party art experts and others. The Company records impairment loss on artwork when the carrying amount is significantly below the estimated recoverable amount.

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2019. The Company classified fixed assets into four categories: business assets, rental assets, idle assets and artwork. The Company groups its business assets by cash generating units and rental assets, idle assets and artwork by individual asset as these represent the smallest identifiable assets generating cash inflows. As a result, where the recoverable value of rental assets or idle assets has fallen below book value due to declines in market prices or profitability the book value of these assets has been reduced to their recoverable value. The total impairment loss for the year ended 31st March 2019 consisted of ¥27 million for investment and rental properties (Investments and other assets "Other").

The recoverable value of rental assets is measured by the net realisable value or the value in use. The recoverable value of idle assets is measured by the net realisable value. The net realisable value is assessed based on the appraisal value, etc. and value in used is calculated by discounting future cash flows by 3.0%.

16. Segment information

(1) Overview of the reportable segments

① Method for determining reportable segments

The Group's reportable segments are determined based on the availability of separate financial information for such segments that is examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and to assess business performance. The Group has divided its business operations into two reportable segments and an "Other" segment. Its reportable segments are "the Processed Food Products" segment and "the Meat Products" segment.

② Description of the businesses that constitute each reportable segment

In the Processed Food Products segment, the Company purchases, manufactures and sells ham, sausage and cooked and processed foods. In the Meat Products segment, the Company purchases, manufactures and sells meat products.

(2) Methods of measurement for sales, profit (loss), assets, liabilities and other items for each reportable segment

Accounting policies adopted by the reportable segments are identical to those described in Note 2, "Significant Accounting Policies. "

(3) Segment information for the years ended 31st March 2020 and 2019

Segment information as of and for the fiscal year ended 31st March 2020 was as follows:

	Millions of yen						
	2020						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	¥ 170,649	¥ 75,024	¥ 245,673	¥ 147	¥ 245,820	¥ –	¥ 245,820
Intersegment sales and transfers	–	–	–	776	776	(776)	–
Net sales	170,649	75,024	245,673	923	246,596	(776)	245,820
Segment income	1,668	901	2,569	48	2,617	–	2,617
Segment assets	89,777	18,903	108,680	218	108,898	22,956	131,854
Other items:							
Depreciation and amortisation (*4)	6,459	326	6,785	17	6,802	–	6,802
Increase in property, plant and equipment and intangible assets (*4)	8,681	484	9,165	3	9,168	14	9,182

	Thousands of U.S. dollars (Note 1)						
	2020						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	$ 1,568,321	$ 689,495	$ 2,257,816	$ 1,351	$ 2,259,167	$ –	$ 2,259,167
Intersegment sales and transfers	–	–	–	7,132	7,132	(7,132)	–
Net sales	1,568,321	689,495	2,257,816	8,483	2,266,299	(7,132)	2,259,167
Segment income	15,329	8,280	23,609	442	24,051	–	24,051
Segment assets	825,080	173,725	998,805	2,004	1,000,809	210,973	1,211,782
Other items:							
Depreciation and amortisation (*4)	59,360	2,996	62,356	157	62,513	–	62,513
Increase in property, plant and equipment and intangible assets (*4)	79,781	4,448	84,229	28	84,257	129	84,386

(*1) The "Other" segment is business other than that of the reportable segments and includes the insurance agency business.

(*2) Adjustments for total assets of ¥22,956 million ($210,973 thousand) indicate assets not attributed to any other segments and comprise mainly cash and time deposits, investments in securities and investment and rental properties.

(*3) Total segment income of the reportable segments and "Other" is equal to the operating income in the consolidated statements of income.

(*4) Depreciation and amortisation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses.

Segment information as of and for the fiscal year ended 31st March 2019 was as follows:

	Millions of yen						
	2019						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	¥ 169,388	¥ 73,482	¥ 242,870	¥ 161	¥ 243,031	¥ –	¥ 243,031
Intersegment sales and transfers	–	–	–	803	803	(803)	–
Net sales	169,388	73,482	242,870	964	243,834	(803)	243,031
Segment income	781	1,389	2,170	83	2,253	–	2,253
Segment assets	89,257	18,434	107,691	262	107,953	24,674	132,627
Other items:							
Depreciation and amortisation (*4)	6,097	305	6,402	32	6,434	–	6,434
Increase in property, plant and equipment and intangible assets (*4)	9,160	443	9,603	15	9,618	0	9,618

(*1) The "Other" segment is business other than that of the reportable segments and includes the insurance agency business.
(*2) Adjustments for total assets of ¥24,674 million indicate assets not attributed to any other segments and comprise mainly cash and time deposits, investments in securities and investment and rental properties.
(*3) Total segment income of the reportable segments and "Other" is equal to the operating income in the consolidated statements of income.
(*4) Depreciation and amortisation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses.

(4) Information about loss on impairment of assets by reportable segment

Information about loss on impairment of assets by reportable segments as of and for the fiscal year ended 31st March 2020 was as follows:

	Millions of yen						
	2020						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	¥ 85	¥ 85

	Thousands of U.S. dollars (Note 1)						
	2020						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	$ 781	$ 781

Information about loss on impairment of assets by reportable segment as of and for the fiscal year ended 31st March 2019 was as follows:

	Millions of yen						
	2019						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	¥ 27	¥ 27

(5) Information about amortisation and balance of goodwill by reportable segment

Information about amortisation and balance of goodwill by reportable segment as of and for the fiscal year ended 31st March 2020 was as follows:

	Millions of yen						
	2020						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Amortisation of goodwill	¥ 3	–	¥ 3	–	¥ 3	–	¥ 3
Balance of goodwill	–	–	–	–	–	–	–

	Thousands of U.S. dollars (Note 1)						
	2020						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Amortisation of goodwill	$ 28	–	$ 28	–	$ 28	–	$ 28
Balance of goodwill	–	–	–	–	–	–	–

Information about amortisation and balance of goodwill by reportable segment as of and for the fiscal year ended 31st March 2019 was as follows:

	Millions of yen						
	2019						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Amortisation of goodwill	¥ 3	–	¥ 3	–	¥ 3	–	¥ 3
Balance of goodwill	3	–	3	–	3	–	3

17. Cash flow information

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of 31st March 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash and time deposits in the consolidated balance sheets	¥ 8,244	¥ 8,127	$ 75,765
Cash and cash equivalents in the consolidated statements of cash flows	¥ 8,244	¥ 8,127	$ 75,765

Significant non-cash transactions as of 31st March 2020 and 2019 were as follows:

Newly recorded assets and liablities related to finance lease transactions were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Lease assets and obligations	¥ 865	¥ 1,705	$ 7,950

18. Comprehensive income

Amounts reclassified to profit attributable to owners of parent in the current period that were recognised in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrealised gains on securities:			
Decrease during the year	¥ (2,026)	¥ (1,297)	$ (18,620)
Reclassification adjustments	(7)	(281)	(64)
Amount before tax effect	(2,033)	(1,578)	(18,684)
Tax effect	592	456	5,441
Subtotal	(1,441)	(1,122)	(13,243)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	(17)	26	(157)
Amount before tax effect	(17)	26	(157)
Tax effect	5	(8)	46
Subtotal	(12)	18	(111)
Adjustments for retirement benefits:			
Decrease during the year	(614)	(509)	(5,643)
Reclassification adjustments	136	383	1,250
Amount before tax effect	(478)	(126)	(4,393)
Tax effect	119	33	1,094
Subtotal	(359)	(93)	(3,299)
Share of other comprehensive income of associates accounted for using equity method:			
Increase during the year	4	1	37
Total other comprehensive income	¥ (1,808)	¥ (1,196)	$ (16,616)

19. Subsequent events

Business combination by acquisition

The Company signed a share transfer agreement to acquire shares of Toraku Foods Co., Ltd. on 12th May 2020 and made it a subsidiary.

The shares were acquired on 1st July 2020.

(1) Overview of business combination

① Name and business line of acquiree

Name of acquiree: Toraku Foods Co., Ltd.

Business line: Manufacturing and sales of dairy processed food

② Main reason for the business combination

Toraku Foods Co., Ltd. has a prominent line-up of brands and products including *"Kobe Pudding,"* one of the most favoured souvenir items from Kobe, and *"Rakuraku Whip,"* a ready-whipped cream product boasting top market share. The Company seeks to further expand its dessert category by adding Toraku Foods to the Group.

③ Date of business combination

1st July 2020

④ Legal form of business combination

Acquisition of shares

⑤ Company name after business combination

Toraku Foods Co., Ltd.

⑥ Voting rights acquired

100%

⑦ Main grounds for determining the acquirer

The Company is the acquirer because it acquired shares in exchange for cash.

(2) Cost for acquiring the acquiree and breakdown of consideration by type

Consideration for acquisition:	Cash	¥ 1,200 million
Acquisition cost		¥ 1,200 million

(3) Details and amount of major acquisition related expenses

To be determined.

(4) Amount, cause, amortization method and period of goodwill generated

To be determined.

(5) Amount and major breakdown of assets and liabilities assumed on the date of business combination

To be determined.

Independent auditor's report

To the Board of Directors of MARUDAI FOOD Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of MARUDAI FOOD Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at 31st March 2020 and 2019, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31st March 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hirohisa Nishino

Designated Engagement Partner

Certified Public Accountant

Satoru Komatsuno

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

31st July 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

DIRECTORS AND STATUTORY AUDITORS

(As of 29th June 2020)

Chairman and Representative Director:	Tokuo Kudara
President and Representative Director:	Toshiharu Inoue
Senior Executive and Managing Directors:	Yoshio Kuramori
Managing Director:	Yasushi Sawada
Directors:	Shigeki Fukushima
	Nobuyoshi Katoh
	Kouji Mishima
Outside Directors:	Susumu Shimadzu
	Keiko Kaneko
Statutory Auditor:	Yoshikazu Sawanaka
Outside Statutory Auditors:	Takashi Matsuzawa
	Motoaki Nishimura

OUTLINE OF THE COMPANY

(As of 31st March 2020)

Established:	10th June 1958
Stated Capital:	¥6,716 million
Number of Employees:	1,938
Head Office:	21-3 Midori-cho, Takatsuki-shi, Osaka, Japan
Branch Office:	4-7-5 Tsukiji, Chuou-ku, Tokyo, Japan
Sales Offices:	The sales headquarters at the Company's head office in Osaka controls 10 distribution centers and 7 regional sales departments which service 29 local outlets.
Plants:	Hokkaido, Iwate, Niigata, Kanto, Ibaraki, Yokosuka, Shounan, Shizuoka, Matsusaka, Takatsuki, Okayama, Hiroshima, Karatsu
Overseas Office:	Chicago, U.S.A

Major Subsidiaries:

Hokkaido Marudai Food Co., Ltd.
Tohoku Marudai Food Co., Ltd.
Shin-etsu Marudai Food Co., Ltd.
Chubu Marudai Food Co., Ltd.
Chu-Shikoku Marudai Food Co., Ltd.
Kyushu Marudai Food Co., Ltd.
Toda Foods Co., Ltd.
Azumino Food Co., Ltd.
Marushin Foods Co., Ltd.
Pioneer Foods Co., Ltd.
Umeya Co., Ltd.
Yahata Food Co., Ltd.
Hornmeier Co., Ltd.
Marudaifood Co., Ltd.
Marudai Meat Co., Ltd.
Meat Supply Co., Ltd.
Marbest Trading Co., Ltd.
Marudai Service Co., Ltd.
8 Other subsidiaries

Associated Company:

Betagro MF Deli Co., Ltd.

MARUDAI FOOD CO., LTD.

Head Office: 21-3 Midori-cho, Takatsuki-shi, Osaka, Japan
Telephone: 81-726-61-2518 Fax: 81-726-61-5006